



# THE MIDDLE EAST AND NORTH AFRICA GAP

Prosperity for the rich, austerity for the rest

[www.oxfam.org](http://www.oxfam.org)



**OXFAM**

This briefing paper examines growing inequality in the Middle East and North Africa (MENA) region, focusing on Egypt, Lebanon, Morocco and Tunisia in the wake of the Covid-19 pandemic and the cost-of-living crisis. It examines the lack of adequate and just taxation systems across the region, particularly wealth taxes. This limits governments' fiscal space and their spending on public services, resulting in gender discrimination and the widening of the MENA inequality gap to a chasm.

The rich must pay their fair share. Austerity in the MENA region cannot become the norm. Taxing the profits of the region's richest people will provide critical recourses that are currently lacking but would begin to close the chasm between the rich and the rest.

© Oxfam International October 2023

This paper was written by Alexandros Kentikelenis, Amine Bouzaiene, Sahar Mechmech, Rowaida Moshrif and Nabil Abdo. Oxfam acknowledges the assistance of Marwa El-Ansary, Nadine Mezher, Salma Jrad, Roslyn Boatman, Dorra Chaouachi, Susana Ruiz Rodriguez, Anjela Taneja, Emma Seery, Anthony Kamande, Kate Donald, Dana Abed, Hadeel Qazzaz, Max Lawson and Amina Hersi in its production. For further information on the issues raised in this paper please email [advocacy@oxfaminternational.org](mailto:advocacy@oxfaminternational.org)

This publication is copyright but the text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. Email [policyandpractice@oxfam.org.uk](mailto:policyandpractice@oxfam.org.uk).

The information in this publication is correct at the time of going to press.

Published by Oxfam GB for Oxfam International in October 2023.

DOI: 10.21201/2023.621549

Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

Cover photo: A Syrian refugee boy rests after selling flowers on the Beirut corniche.  
Credit: Oxfam / Christian Harb

# SUMMARY

Economies in the Middle East and North Africa (MENA) are reeling from the pandemic, a historic cost-of-living crisis and mounting public debt. While the rich have increased their wealth, the rest are struggling to recover from successive economic shocks.

In 2011, during the Arab Spring, people across the region took to the streets to demand dignity, jobs and social justice. More than 10 years later, it seems that they are left with austerity, unemployment and poverty. Already one of the most unequal regions in the world even before the pandemic, MENA has seen the inequality gap widen to a chasm. Half of total income went to the top 10%; the bottom half only received 11%.<sup>1</sup>

Despite wreaking havoc on the world and the region, the pandemic was hailed as an opportunity to 'build back better', and for the rich, that was the case. Using their power to shape and entrench policies and practices to their own advantage, they continued to amass wealth at the expense of the rest.

In the region, billionaires accumulated more wealth during the pandemic than during the preceding decade.<sup>2</sup> In 2020 alone, 7 out of 13 billionaires in the MENA region increased their fortunes by 22% – a total of US\$6bn.<sup>3</sup> Meanwhile, hopes that the pandemic would help free the region from the decades-long austerity drive that has stunted, exhausted and cost the lives of its people were dashed. In fact, it proved to be fuel to supercharge this trend.

Decades of austerity policies across the region have weakened public institutions and led to economies that are heavily reliant on informal labor, women's unpaid work and privatized public services, exacerbating inequality as fewer people could afford them.

Austerity has 'worked' for those with a grip on wealth and power. It has dismantled social protection systems, privatized vital public services and shielded the rich from paying their fair share of taxes. This is why it persists in MENA, despite its catastrophic social and economic consequences.

Instead of taxing wealthy individuals and corporations to fund the pandemic response, governments across the MENA region cut benefits such as maternity insurance in Jordan, pensions in Egypt and public sector salaries in Tunisia. The fragility of existing welfare and public protection programmes was laid bare as unemployment skyrocketed, and rising energy and food prices pushed more people into poverty. Public debt surged in all countries across the region, with Lebanon seeing its debt increase by a staggering 151% in 2020 and defaulting on it the same year.<sup>4</sup>

While Lebanon experienced an unprecedented economic collapse, the country's richest individuals doubled their net wealth between 2020 and 2022, from US\$18.7bn to almost US\$35bn. As Egypt reeled from a financial crisis, rich Egyptians saw their wealth increase more than 50%, from

US\$99.7bn to US\$153.9bn. The wealthy elite in Jordan and Morocco also experienced a boom between 2019 and 2022, with the net wealth of the richest people increasing from US\$19bn to US\$31bn and from US\$28.6bn to US\$31.5bn respectively.<sup>5</sup>

As these enormous financial gains in countries across the region went untaxed, people living in poverty and the middle classes paid the price through intensified austerity measures as the public purse was sucked dry under the pressure of increased debt servicing.

Austerity, informality, lack of social protection and, ultimately, poverty go hand in hand. The prevalence of informal employment in the region – accounting for about 60% of total employment<sup>6</sup> – is directly linked to the meagre share of economic growth captured by the bottom half of the population. Austerity measures resulting in a shrinking public sector have pushed millions of people into informal and precarious jobs that leave them with little or no social protection, pushing more and more people into poverty. One-third of Egyptians, up to 16% of Tunisians and 82% of Lebanese live below the poverty line or in multidimensional poverty,<sup>7,8</sup> while massive wealth and income concentration are enjoyed by a very few wealthy individuals and their families.

Social protection is a fundamental human right and acts as a vital cushion in a crisis. However, across the region, social protection schemes that were already underfunded and underdeveloped before the pandemic have been unable to provide that safety net when people needed it. Only 14% of Lebanese and 50% of Tunisians were covered by at least one social protection benefit in 2020,<sup>9</sup> and in Egypt, less than two-thirds (60%) of people in poverty have access to any social safety net measures.<sup>10</sup>

International financial institutions have contributed to this bleak picture in the MENA region; they pushed for 'belt-tightening' measures through their lending conditionalities, backing governments to dismantle universal schemes in favour of targeted safety nets that exclude most of the population. For their part, governments – in their quest to fulfil policy conditions to access international financing – have underfunded public services such as healthcare and education. This has created a two-tier system, whereby rich families have better access to private healthcare and education, while others are left with crumbling hospitals and crowded classrooms. In Tunisia, for example, school infrastructure is deteriorating; there are 1,415 elementary schools without a water connection, and it is estimated that more than 100,000 students drop out of school every year.<sup>11</sup>

Women are paying the highest price for the austerity catastrophe in MENA and absorb many of its negative impacts, as their unpaid care work fills the gaps created by deteriorating public services. Women in the region spend up to 34 hours a week doing unpaid work, compared with up to 5 hours for men.<sup>12</sup> Women are also notably absent from the paid workforce; the region has the lowest female labor income share in the world, at 12%.<sup>13</sup> Women also occupy the bulk of care jobs in the public sector: 67% in Egypt, 72% in Jordan and 52% in Tunisia. This means that when austerity measures such as those backed by the International Monetary Fund (IMF) are implemented,

which typically involve the loss of many public sector jobs, women are disproportionately affected.

In the absence of a wealth tax, governments in the region have relied on harmful austerity over inequality-busting policies. The IMF itself has estimated that 'the difference between actual and potential tax collection equals about 14 percent of GDP [gross domestic product] (excluding oil and gas), on average'.<sup>14</sup> This is triple what the region spent on healthcare alone in 2020.

Overall, income tax in the MENA region yields less than 2% of GDP; in comparison, it accounts for 8.31% in OECD (Organisation for Economic Co-operation and Development) countries.<sup>15</sup> Additionally, personal taxation trends have increasingly seen tax rates fall for high earners but climb for low earners, further deepening the region's gross levels of inequality. This has also been the case for corporations, with MENA leading the way on tax breaks for big business.

Currently, Tunisia is the only country in the region that taxes net wealth, albeit a meagre 0.5% on value of assets of above 3 million dinars, while progressive taxation is still an unfulfilled promise. With this resource of tax revenue untapped, the burden of public debt falls on the majority of people in society. Instead of investing in public services that can help reduce inequality, taxpayers' money is spent servicing the public debt held by the wealthy. A disproportionately taxed middle class, taxes on people earning the minimum wage, and tax privileges for the rich underpin income inequality in the region and thwart opportunities for economic transformation and recovery.

The MENA region is also a haven for corporations who receive substantial tax incentives, at the expense of growing the public purse. The total cost of tax incentives in Morocco in 2021 was the equivalent of the entire health budget for that year,<sup>16</sup> while in Tunisia, the US\$7.75bn cost of tax incentives for corporations was higher than the spend on education and double the health budget.<sup>17</sup>

These unfair and uneven taxation systems underline the IMF's broken promise of supporting fair taxation and equitable tax systems through its repeated loan programmes with countries in the region. While its policy advice to these countries often calls for equitable tax systems that effectively monitor high net-worth individuals and corporations, its own measures often do not take these recommendations into account. Where the IMF had initially advocated for personal or corporate income tax reforms in MENA countries, the policies introduced were either haphazard, half-hearted or evaded by those they targeted. Nevertheless, the IMF's enthusiastic efforts to spread value added tax (VAT) and lift subsidies have seen much more sweeping uptake – with the poorest people feeling their negative impacts most keenly.

Lost revenue is not only due to broken, antiquated and inequality-increasing tax systems; tax fraud and tax evasion are also rife across the region. 'Leaky' tax systems come as a result of understaffed and underfinanced tax administrations, complex regulations and the abuse of

tax havens. In 2018, Lebanon alone lost tax revenues worth an estimated US\$5bn due to evasion.<sup>18</sup>

People in the region with a net wealth of more than US\$5m have seen their combined wealth grow from US\$1,684bn in 2019 to almost US\$3,000bn by the end of 2022. Whereas other governments around the world took to implementing progressive tax reforms, governments in the MENA region stuck to old paradigms – with disastrous outcomes for many of the poorest people in those countries.

In the four countries analysed in this report – Egypt, Jordan, Lebanon and Morocco – a 5% wealth tax on individuals with fortunes of US\$5m and above would generate a combined US\$10bn revenue. These funds could be used to strengthen and extend public services and policies to those who need them most. They would, for example, allow Egypt to double its health spending, while Jordan could double its education budget. Lebanon could increase its combined health and education spending sevenfold.

While ultimately it is the responsibility of governments in the region to reform the tax system to benefit their citizens, international actors must play a key role to ensure that such reforms are implemented and successful. The IMF has been an enabler of the inequalities that are now pervasive, as the catalyst for many of the harmful policies that have allowed the richest individuals in the region to become even richer. The institution shapes national economic agendas and stipulates the conditionalities that can right many of its own wrongs; it could dismantle rather than engrain the policies that deepen inequalities. Most critically, the IMF could propose anti-austerity, inequality-busting measures that encourage progressive taxation and wealth taxes that can repair broken social services and safety nets.

## RECOMMENDATIONS

Austerity in the MENA region cannot be allowed to become the norm. Taxing the profits of the region's richest people could provide vital recourses to begin to narrow the chasm that has developed between the rich and the rest.

### RECOMMENDATIONS FOR GOVERNMENTS IN THE REGION:

#### SET NATIONAL GOALS TO REDUCE INEQUALITY

- Collect and publish data on people's incomes and wealth on an annual basis.

- Use this data to analyse the distributional impact of all proposed policies.
- Work with civil society and other actors to develop national plans to reduce inequality.
- Set clear timebound goals to reduce inequality, aiming for the income of the top 10% to be no more than that of the bottom 40%, a Palma ratio of 1.

## **TAX THE RICH – NOW**

- Impose a one-off solidarity tax on net wealth for the richest 1%, of at least 5%.
- Impose permanent progressive taxes on wealth, with at least a permanent 2% tax on net wealth.
- Enhance progressivity in personal income tax regimes ensuring effective taxation on the super-rich is much higher than on average workers and middle class.
- Institute progressive inheritance taxes that allow for the fair contribution of major estates to governments' revenue collection efforts.
- Introduce progressive real-estate taxes that guarantee the equitable contribution of major land and real-estate owners to the efforts of domestic resource mobilization.
- Make corporate income tax more effective and eliminate preferential tax regimes, particularly for special and qualified zones, and reconsider current tax incentives and exemptions through the lenses of equity and social justice, gender justice and tax justice.
- Tax passive income stemming from tangible and intangible assets at rates significant enough to allow for the mobilization of domestic resources, by eliminating tax incentives on passive income and aligning them to the rates on personal income from labor.
- Overhaul existing tax systems to ensure fairness and the redistribution of wealth and income, and to finance universal and transformative public care and social protection systems. Also, redirect resources to lay the foundations for productive, inclusive and greener economies through appropriate systems of incentives and disincentives, in order to restructure economies away from an over-reliance on tourism, rentier and low-end services.
- Ensure that revenues raised through fiscal policies and taxation follow gender-sensitive budgeting principles that combat inequality and promote gender justice.
- Establish tax transparency and accountability by making tax data available, especially for personal and corporate income taxes.
- Decrease reliance on unfair and regressive consumption taxes by:
  - Refraining from increasing the general rates of VAT;
  - Exempting basic necessity goods and services from VAT;

- Increasing VAT on products and services exclusive to consumption of wealthy households.
- Empower national tax administrations and provide them with the financial, human, technical and logistical resources necessary to fight tax fraud and track the fiscal contributions of the richest individuals and corporations.
- Work towards regional and international cooperation to:
  - Set a minimum effective corporate tax rate above the 15% rate to be collected domestically;
  - Tackle profit-shifting.
- Support the establishment of a United Nations Tax Convention to comprehensively improve coordination and effective coordination on tax issues and address tax havens, tax abuse by multinational corporations and other illicit financial flows that obstruct redistribution and drain resources that can be crucial to tackle gender inequalities.

## **INVEST IN INEQUALITY-BUSTING POLICIES**

- Provide free, universal, good-quality gender-transformative public services that are publicly financed and delivered, and provide universal social protection – to all, without discrimination including migrants and refugees – as a tool for reducing inequalities and building social cohesion.
- Increase public investments in water and electricity, as well as safe transportation systems; this would reduce the amount of unpaid care work done by women and benefit vulnerable and marginalized communities.
- Ensure that high-quality childcare is universally available, and that it is accessible to vulnerable communities. Policies should go beyond childcare and be based on the principle of co-responsibility; this includes care for elderly people, people with disabilities or illnesses, and any other person in need of care, especially people from the poorest households.

## **IMF TO BE A PARTNER IN REDUCING INEQUALITIES ACROSS THE REGION**

The IMF has long been an influential actor in the MENA region. It currently provides financial assistance to at least three countries, with at least two others negotiating for a loan programme.

There are alternative measures that the IMF should be recommending countries adopt to ensure a more people-centred recovery from the pandemic and economic crises. It should:

- Insist that governments measure inequality and collect and publish data on wealth and income on an annual basis.



- Work with authorities to agree clear, timebound targets to reduce inequalities.
- Ensure that all macroeconomic targets and other structural reforms in loan programmes are subject to distributional impact analysis, to ensure that they are reducing and not increasing inequality.
- Integrate into their analysis other macroeconomic targets in programmes such as inflation and fiscal deficits. This should include the speed at which they have to be reduced and what level should be targeted. The optimal level of foreign exchange reserves should also be discussed. There should be a transparent analysis of the trade-offs of the different scenarios involved.
- Core macroeconomic decisions should not be made by IMF mission chiefs behind closed doors with finance ministers; they should be part of an inclusive and transparent national dialogue, where different options are presented and discussed, and where there is broad agreement on the appropriate economic and fiscal strategy to be pursued.
- Halt all efforts to promote regressive taxation policies in recommendations to governments, including by removing proposals to introduce or increase consumption taxes.
- Replace the disproportionate emphasis on indirect taxation with stepped-up support for designing and implementing progressive direct taxation policies, including:
  - Fostering recruitment and financing of tax administrations; and breaking away from promoting recruitment freezes in public services;
  - Providing technical assistance in the design of wealth and corporate taxation.
- Break away from austerity measures in favour of support for more gradual and inequality-reducing paths of economic adjustment and progressive taxation.
- Live up to the IMF's own narrative on combating inequalities by meaningfully implementing its organizational guidelines for engagement with economic inequality and gender inequality.
- Prioritize public services and universal social protection in its loan programmes to countries, by:
  - Ensuring adequate fiscal space for maintaining and increasing public service provision, and removing all barriers to public spending, such as wage caps;
  - Supporting universal, good-quality, free public services, which clearly reduce inequality and poverty – for example, by increasing spending on health and education to put them on track to reach internationally agreed levels. This should include the removal of all user fees and the use of tax-based financing for health and education. It should also include recruiting

adequate numbers of teachers and health workers and paying them a living wage.

# 1 INTRODUCTION

More than three years after the start of the COVID-19 pandemic, countries in the Middle East and North Africa (MENA) region find themselves in a deeper economic crisis. More countries are seeking bailout programs from the International Monetary Fund (IMF) as debt mounts across the region. The inequality crisis is worsening as countries find themselves trapped between the rock of debt servicing and the hard place of austerity, while being starved of the policy space and necessary financing to combat inequality and shore up their economy.

Although the pandemic had devastating effects for the people of the region, it also presented an opportunity to break away from the harmful policies of the past – policies that had built national economies favoring profit for the few and austerity for the many. But rather than seizing this opportunity – and addressing the demands of the millions who took to the streets in the 2011 Arab Spring to demand social justice – governments, through their policies, chose to stay on the path of austerity. The pervasive inequality in the MENA region is thus a deliberate policy choice by ruling elites, with international financial institutions playing the role of enablers.

Income and wealth disparities in the MENA region are among the widest in the world, and women are disproportionately affected by economic structures designed to entrench gender hierarchies. Meaningful attempts to combat inequalities have been scarce, often stymied or blocked by the alliance of political and economic elites. This pattern of favoring the richest people in society led to a situation where, pre-pandemic, half of total income went to the top 10% while the bottom half only received 11%.<sup>19</sup> The pandemic was a bonanza for the rich, who saw their net wealth increase by at least 60% from 2019 to 2022, while billionaires saw their wealth increase by 22%.<sup>20</sup> This is in sharp contrast to the remaining 90% of the population, who have experienced sharp declines in their incomes.<sup>21</sup>

The persistence of such a high concentration of income and wealth in the hands of so few people is inextricably linked to the rise and entrenchment of an ultra-rich class – increasingly occupying positions in governments and parliaments – who aim to protect their privileges and thereby undermine efforts to redistribute wealth and income.

The general absence of progressive tax systems, automatic economic stabilizers (such as unemployment insurance) and universal social protection, and the unequal delivery of public services are not coincidental; they serve to further entrench income, wealth and gender inequalities, and exclude marginalized communities.<sup>22</sup> Wealthy elites, whose primary interest is to maintain their extremely low levels of taxation, have systematically and successfully sought to shrink state ambitions and capabilities.<sup>23</sup> As such, the public purse is starved of resources while governments take on more debt and entrench austerity by underfunding critical social infrastructures and public services.<sup>24</sup>

## 2 PROFITEERING FROM CRISIS: THE EXPLOSION OF INEQUALITY IN THE MENA REGION

Decades of austerity policies, uninterrupted by the 2011 uprisings, have resulted in widespread informal employment, lack of private sector dynamism and the hollowing out of public administration. As a result, extreme levels of inequality are a persistent and salient feature of the political economy of MENA countries. The COVID-19 pandemic did not disrupt this trend; on the contrary, it supercharged it, as governments remained committed to maintaining the austerity framework even during the crisis.<sup>26</sup>

*In Egypt, only 15% of households could access government assistance, and a higher share of poor households had to pursue other coping strategies to address their falling income.<sup>25</sup>*

### 2.1 RECOVERY FOR THE RICH, AUSTERITY FOR THE REST

The 'building back better' narrative that prevailed during the pandemic quickly dissipated as governments in the MENA region shifted the burden of the response onto the shoulders of people in poverty and the middle classes. For instance, the Jordanian government used half of maternity insurance contributions to support cash transfers for vulnerable groups, instead of taxing the wealthy to fund this and other responses. Egypt introduced regressive measures by imposing a 'coronavirus tax' of 1% on all public and private sector salaries and 0.5% on state pensions, while delaying implementation of a much-needed capital gains tax.<sup>27</sup> The Tunisian government trimmed 150 million Tunisian dinars from its public sector wage bill to free up resources for the pandemic response.<sup>28</sup> These are just some examples of the general approach adopted by MENA countries, continuing the austerity drive that has persisted for some decades and enabling the wealthiest people in society to avoid sharing the burden of the huge costs of the pandemic.

Corporations also took a meagre share of the burden and instead benefited from low or no taxation during the pandemic. For example, in Egypt, the government spent more to support companies and the private sector than it did on healthcare and household support combined, yet it did not require companies receiving government support to retain their workers.<sup>29</sup> In contrast, the pandemic hit vulnerable communities hardest, and revealed fragile and inadequate welfare systems that provided only scant support and social protection.

This primarily impacted people in the informal sector, migrants, vulnerable workers, women, young people, and less-educated people, who

experienced higher job losses. In Morocco, for example, unemployment grew from 14% in 2020 to 20% in 2021, and more women than men dropped out of the labor force.<sup>30</sup> Sectors that rely on informal work (such as retail, agriculture, manufacturing, transport, tourism and sales) downsized rapidly. The newly unemployed had few opportunities to work remotely, while formal wage workers, who could work from home, were relatively protected.

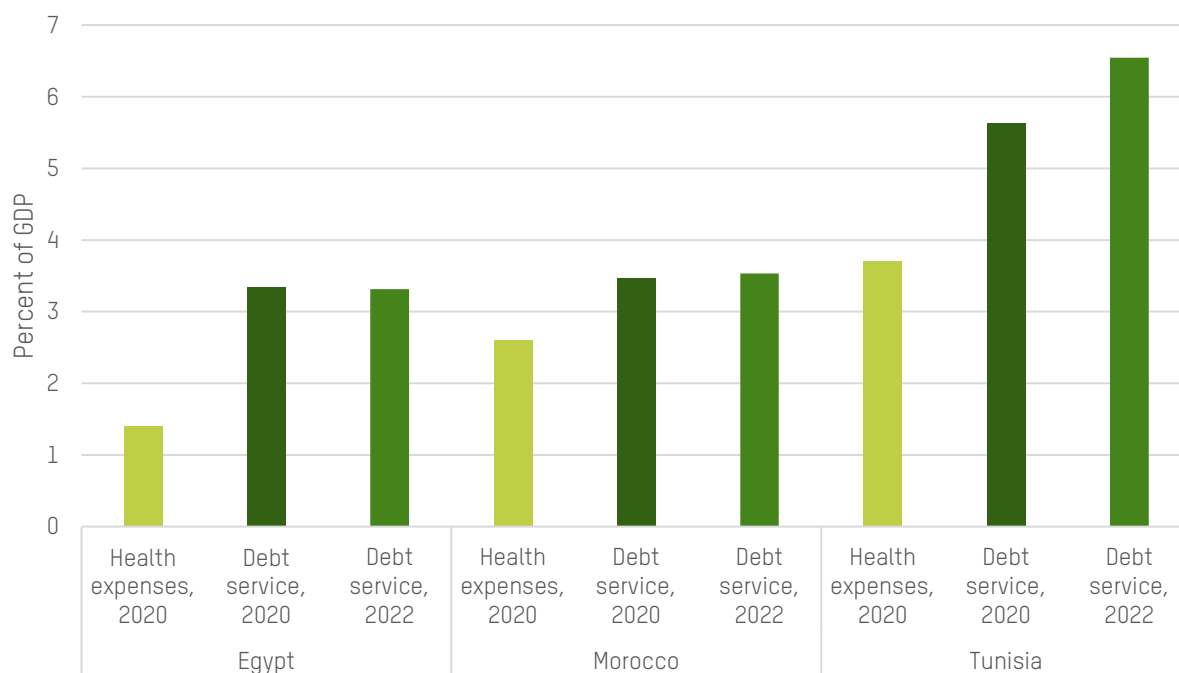
Workers in essential sectors such as health and care, education or agriculture were severely exposed to the virus – in many cases without access to adequate protection measures or vaccination. Countries in the region were ushered into the pandemic with underfunded, under-equipped and unprepared social protection systems.<sup>31</sup> Public education and health also had budget cuts, as seen in many middle-income countries after the pandemic. Recession due to COVID-19 restrictions and high energy and food prices, exacerbated by the Ukraine war, had regressive distributional impacts and pushed many households below the poverty line.

The wealthiest people in the region experienced the pandemic very differently: the 2019–2020 period was a boom for their riches, even in countries experiencing severe economic crisis. For example, while Lebanon has been undergoing an unprecedented economic and financial meltdown, individuals with a net wealth of US\$5m or more have seen their combined wealth almost double between December 2020 and December 2022, increasing from US\$18.7bn to almost US\$35bn. Wealthy Egyptians have also seen their wealth increase by more than 50%, from US\$97.7bn in 2019 to US\$153.9bn in 2022, while the country is in the grip of a serious financial crisis, desperately clinging to external financing to keep the economy afloat. Jordanian millionaires have enjoyed growth in their net wealth from US\$19bn in 2019 to US\$31.5bn in 2022, while for wealthy Moroccans there has been a moderate increase, from US\$28.6bn in 2019 to US\$31.5bn in 2022. Billionaires accumulated more wealth in the pandemic than during the preceding decade.<sup>32</sup>

While the richest people piled up wealth, the rest – the public – accumulated debt. Public debt rose in all countries of the region: in Tunisia, it increased from 43% of gross domestic product (GDP) in 2010 to 80% in 2021, in Egypt from 70% to 90%, and in Morocco from 45% to 69%.<sup>33</sup> Lebanon has the highest debt levels among these four countries, reaching 151% in 2020. Recent spikes in global prices for fuel and food have put extra pressure on fiscal balances in oil-importing MENA economies.<sup>34</sup>

The implications of these broad pressures can be seen through a comparison of government expenditures on health as a share of GDP for 2020 (the latest available data) with data on debt service. As Figure 1 shows, in Egypt, Morocco and Tunisia, debt service already far exceeded health spending in 2020, and kept absorbing a similar or higher share of GDP into 2022.

**Figure 1. Debt service and government health spending in the MENA region**



Source: Domestic general government health expenditure data drawn from the World Bank (indicator: SH.XPD.GHED.CH.ZS) and debt service data drawn from the IMF’s World Economic Outlook report (October 2022)

To compound the region’s economic problems, successive interest rate hikes in the Global North have exacerbated financial risks for oil-importing MENA economies. This has led to a combined effect of a global decrease in liquidity, rise in bond yields and a significant increase in the US exchange rate. This negatively impacted all poorer countries in the region, especially those with large foreign currency denominated public debt. For example, Egypt and Tunisia lost access to the global credit market, causing financial distress. By persisting in not taxing the wealthy, governments in the region have starved the public purse in favor of servicing the mounting debt – which is also in part held by the very people whose wealth remains untouched. This situation has led to a degree of reverse redistribution from the middle classes and poorer households to the richest: domestic and external creditors benefit from exorbitant interest rates, crowding out government spending on public services, while people in poverty and the middle classes are further squeezed under the weight of austerity and debt.

This favoring of the richest people in society by fiscal policies, and economic policies in general, is stoking unbearable levels of inequality in the region. Persisting austerity in many countries has suffocated any hope for a genuine transformation in economic policies as a result of the pandemic, which has, in fact, only accelerated the existing trends.

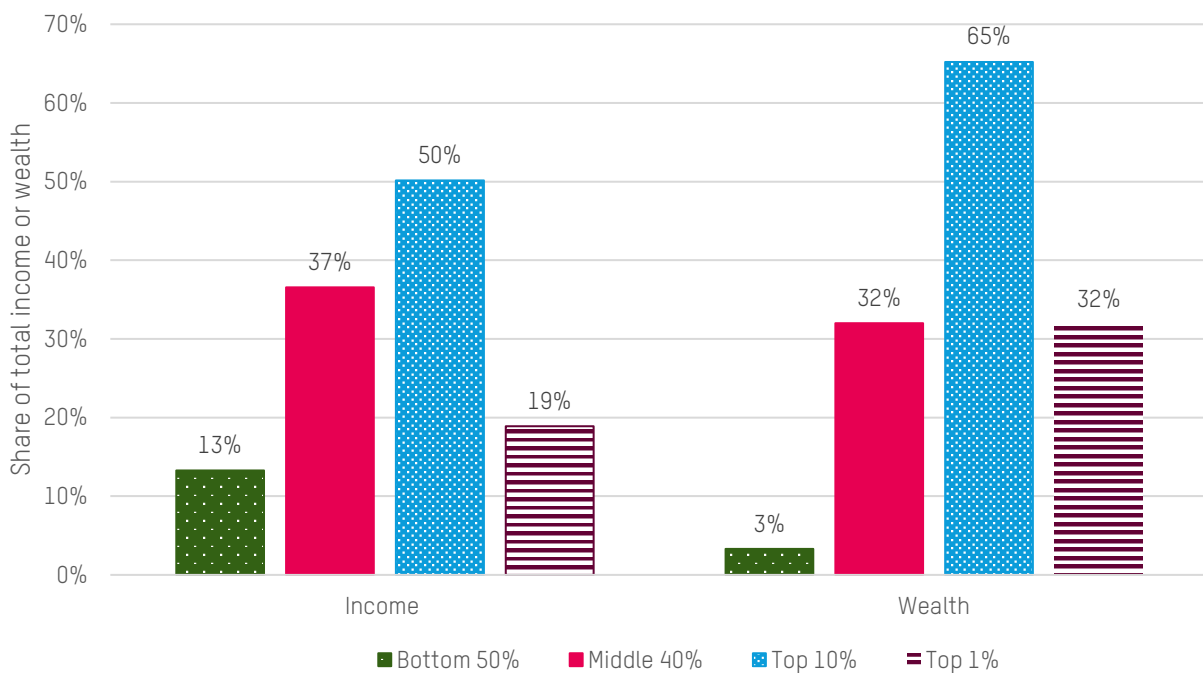
The underfunding of public services, increasing informality in employment, and lack of distributional policies will only make the situation worse for the region’s poorest people unless governments, backed by international financial institutions, start enacting explicitly redistributive policies that directly target the rich. The necessary and unavoidable first step towards this is to institute progressive tax systems.

## 2.2 HIGH AND PERSISTENT LEVELS OF INEQUALITY

The MENA region has among the highest levels of inequality worldwide.<sup>35</sup> As Figure 2 shows, in 2020, the richest 10% of people in the region earned half the total national income, while the poorest half of the population captured merely 13%. The remainder, 37%, accrued to the middle class.

Wealth concentration levels are even more extreme. In 2020, the wealthiest 10% of the population owned 65% of total personal wealth; the top 1% alone owned 35%. At the same time, the poorest half of the population owned merely 3% of total personal wealth.

**Figure 2. Income and wealth inequalities in the MENA region, 2020**



Source: Authors' calculations, World Inequality Database (WID.world)

Income and wealth inequality has been a persistent feature of the MENA region. As Figure 3 shows, from 2010 to 2020, the richest 10% of people earned around 100 times the income of the poorest 50%. Wealth is even more concentrated: the top 10% owned 500 times the wealth of the bottom 50% over the same period.

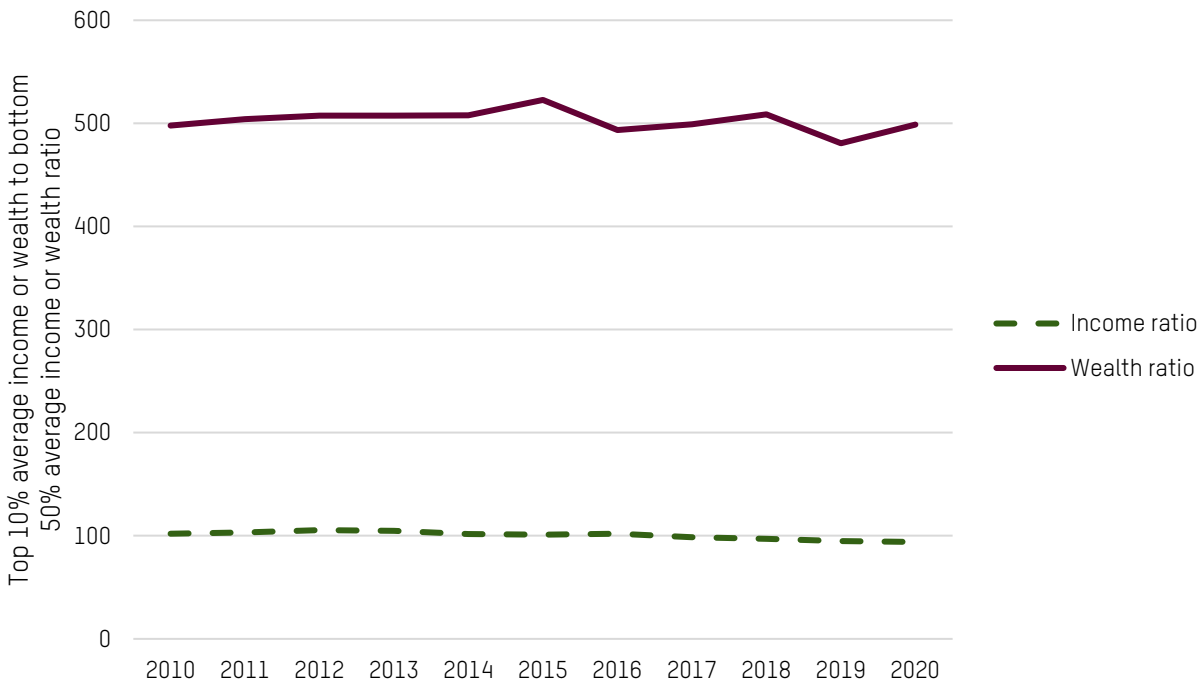
*During 2020, seven out of 13 MENA billionaires witnessed an increase of 22% in their fortunes, a total of US\$6bn.<sup>36</sup>*

These levels of inequality have barely budged during the past decade, revealing the absence of political will to address the inequality crisis. The 2010s were supposed to be the years of significant economic

transformation in the region to fulfil the aspirations voiced through the Arab Spring uprisings, when people took to the streets to demand social justice.

However, instead of implementing inequality-busting policies anchored in income and wealth redistribution, the governments that came into power following the uprisings were intent on maintaining the austerity policies of the former regimes. The decade since the uprisings was marked by the IMF returning to the region in force, encouraging and conditioning austerity policies that had major adverse impacts on economic and gender inequalities.<sup>37</sup> At the end of 2020, the ultra-rich had increased their fortunes and reached their highest level of average wealth since 2011. This is the direct result of governments’ policy choices and their unwillingness to remedy exclusionary income growth.

**Figure 3. Income and wealth gaps in the MENA region, 2010–2020**



Source: Authors’ calculations, World Inequality Database (WID.world)

## 2.3 EXCLUSIONARY INCOME GROWTH

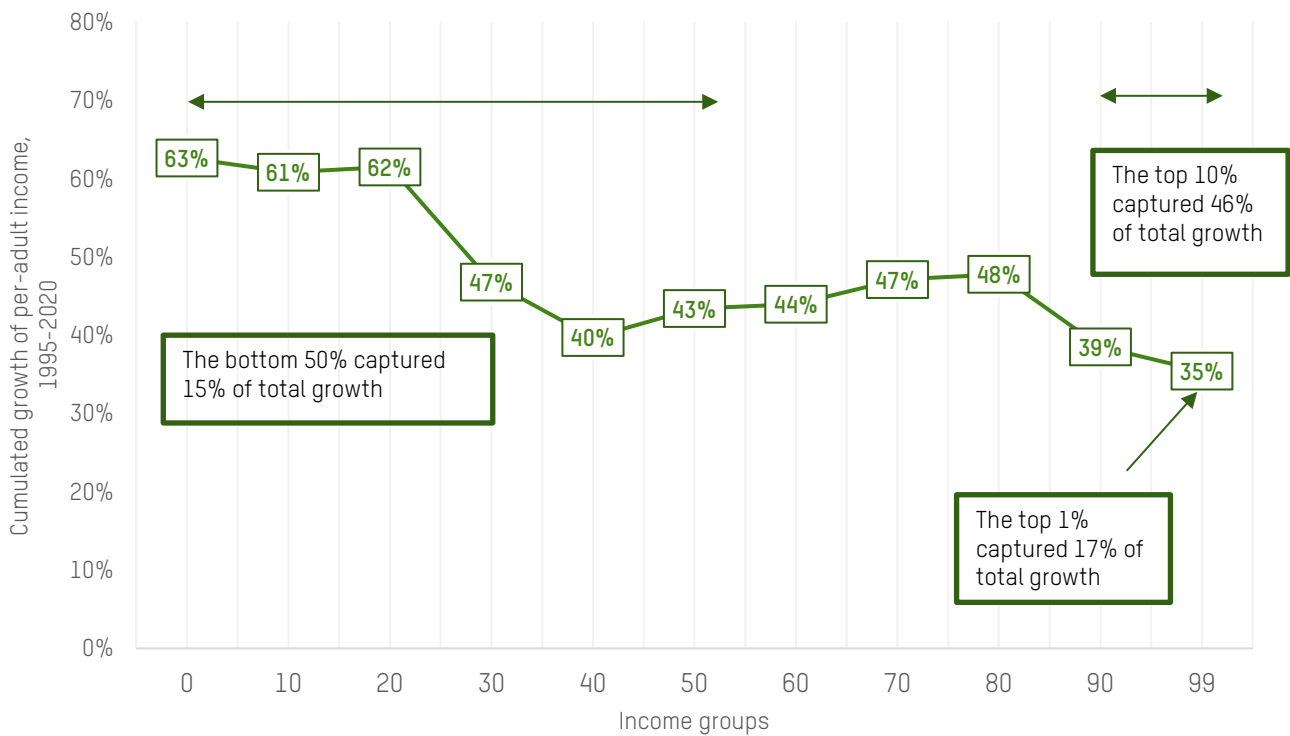
The tight grip of the region’s elites on national economies is starkly apparent in the distribution of growth between 1995 and 2020 (see Figure 4). While the bottom half of the population only received 15% of total growth, the top 1% and top 10% shared 17% and 46% respectively. This clearly illustrates the unfairness at the heart of countries’ tax systems: the massive income accrued to the top 10% is untaxed at worst and undertaxed at best, while the meagre income going to the bottom 50% of the population is disproportionately taxed twice.

First, the latter group are formally taxed through inadequate tax systems, which will be examined in the second part of this report. Second, they are indirectly taxed through austerity policies that deprive them of quality



public services (because governments raise insufficient revenues to fund them) and leave them seeking work in the unprotected informal economy. In turn, women are having to compensate for the lack of quality public services through their unpaid care work, further entrenching gender inequalities.

**Figure 4. Income growth incidence curve, 1995–2020**



Source: Authors' calculations, World Inequality Database (WID.world)

## 2.4 POVERTY, INFORMALITY AND THE LACK OF SOCIAL PROTECTION

The meagre share of growth captured by the bottom half of the region's population is directly linked to the prevalence of low-paid and underpaid precarious and informal employment, which represents approximately 60% of total employment in the region.<sup>38</sup> The informal economy has been instrumental to the dominant austerity paradigm in two essential ways.

First, the informal economy absorbed those workers who were forced out of public sector employment as a result of austerity policies backed by the IMF through its public wage bill containment and/or reduction conditionalities. Women were impacted most by these policies, as the public sector is their first-choice employer.<sup>39</sup>

In this regard, the IMF has specifically singled out the public sector as a significant obstacle to women's employment in the private sector, claiming that 'Higher public employment has been associated with lower labor force

participation, globally and in the region, especially among women'.<sup>40</sup> The reason for this, according to the IMF, is that better-paying and protected jobs in the public sector that grant benefits to all the family may discourage other members of the family, especially women, from seeking paid jobs to provide a secondary income. It argues that reducing public sector jobs and loosening the protection (and rights) they afford would encourage women to enter the labor market because they would have to do so in order to compensate.

In light of this, and the weak ability of the private sector in the region to generate quality formal jobs, women are pushed into the informal economy. A leaked letter of intent from the Tunisian government to the IMF seeking financial assistance in 2021 explicitly mentioned the intention to grant public servants early retirement by incentivizing them to start their own businesses, thus encouraging the development of own-account enterprises, which are classified by the International Labor Organization (ILO) as informal work.

Second, governments in the region have relied on the informal sector to adapt to economic crises resulting from austerity measures, as the informal economy has absorbed part of increasing unemployment through precarious jobs, without needing active government intervention. This has contributed to higher levels of vulnerability and poverty. According to the latest data, approximately one-third of Egyptians (2017), and 15%–16% of Tunisians (2021) and Jordanians (2018), are living below the poverty line,<sup>41</sup> and 82% of people in Lebanon suffered from multidimensional poverty in 2021.<sup>42</sup> These levels of poverty coexist with excessive concentration of income and wealth in the hands of very few ultra-rich, as already described.

Social protection is a human right; it helps individuals maintain their livelihoods and acts as a shock absorber in times of crisis. MENA countries have highly under-developed social protection systems: the proportion of the population covered by at least one social protection benefit (excluding healthcare) was between 14% (Lebanon) and 50% (Tunisia) in 2020.<sup>43</sup> The poorest people are often particularly affected; in Egypt, for example, only between 40% and 60% of people living in poverty had access to any social protection measures.<sup>44</sup> As this evidence suggests, MENA countries spend little on social protection schemes, ranging from 4.5% to 9.5% of GDP.<sup>45</sup> The situation is even bleaker for women, who are effectively excluded from contribution-based pension schemes: only 17% of women of retirement age in Tunisia and 17% in Jordan are covered by the pension system, compared with 86% and 83% of men respectively.<sup>46</sup>

*Social protection is a human right; it helps individuals maintain their livelihoods and acts as a shock absorber in times of crisis.*

This situation is in large part linked to support for targeted and conditional safety nets by international financial institutions such as the IMF and the World Bank. By definition, these schemes exclude most of the population, and are funded by the dismantling or stunting of other hardship-alleviation schemes based on universal provision, such as subsidies.<sup>47</sup> Regardless of the debate pertaining to the progressivity or regressivity of subsidies, such as electricity and fuel subsidies that can be environmentally harmful and may benefit the rich disproportionately, they still are of major benefit to poor people's incomes, and it is the most vulnerable people who are most negatively impacted by their removal. The region's governments still refuse

to raise revenues from corporations and wealthy individuals to establish universal social protection systems, instead depending on foreign aid and loans to sustain them.

## 2.5 PRIVATE EDUCATION AND HEALTH FOR THE RICH, LOW-QUALITY PUBLIC SERVICES FOR THE REST

The economic policies pursued over previous decades and the weak revenue mobilization resulting from unfair and inadequate tax systems have resulted in overall weaknesses in the region's public education and health systems. Access to education is marred by wealth inequalities: for example, the poorest children complete only 9.6 years of education in Egypt and 9.9 years in Lebanon, while the wealthiest children study for 11.9 and 13.2 years respectively.<sup>48</sup>

Furthermore, countries are witnessing an increasing rate of privatization, as seen in the proliferation of private education. Egypt, which had a relatively robust education system that supported social mobility and advancement, has recently witnessed a boom in the private tutoring industry. This is the result of an underfunded public education system, crowded classrooms (50 pupils on average) and teachers' salaries stagnating amid the rising cost of living, forcing them to seek private tutoring work to supplement their wages.<sup>49</sup> Better-off Egyptian households are increasingly seeking private tutoring to compensate for the degradation of education quality, thus widening educational inequalities, as poorer families cannot afford such services.<sup>50</sup>

*Countries are witnessing an increasing rate of privatization, as seen in the proliferation of private education.*

In Tunisia, school infrastructure is deteriorating; for example, there are 1,415 elementary schools without a water connection, and it is estimated that more than 100,000 students drop out of school every year.<sup>51</sup>

Successive Tunisian governments' lack of action to address deteriorating public education systems has paved the way for an implicit privatization: between 2000 and 2020, the number of private primary schools increased by more than 1,400% and the number of private school students increased by more than 900%, while the number of public primary schools increased by only 2% and the number of students decreased by 14%.<sup>52</sup>

Private education is also gaining ground in Morocco. Public school infrastructure is deteriorating, especially in rural and semi-urban areas. In addition, a teacher shortage has led to public schools relying on contractual precarious employment to fill the gap, at the same time as the government is embarking on public-private partnerships.<sup>53</sup> This situation is reflected in unacceptably high out-of-pocket expenditures for families whose budgets are already stretched. For example, private expenditure accounts for almost three-quarters of expenditure on education in Lebanon and over half of that in Jordan. UNESCO estimates that households account for 36% of total education spending in the MENA region.<sup>54</sup> Of the countries covered in this report, only Tunisia and Morocco meet the global Sustainable

Development Goal (SDG) commitment of public spending of 4%–6% of GDP on education.<sup>55</sup>

The situation of the region's health systems is no better. For example, 59.3% of healthcare expenditure in Egypt is out of pocket;<sup>56</sup> unsurprisingly, 45.9% of multi-generational households in Egypt experience catastrophic health expenditure.<sup>57</sup> Out-of-pocket spending accounts for 44% of total health expenditure in Lebanon, 42% in Morocco and 59% in Egypt.<sup>58</sup>

## 2.6. WOMEN'S UNPAID LABOR: PROPPING UP THE ECONOMY OF THE RICH

The extreme wealth and income inequality in the MENA region that is manifesting itself in the lack of quality public services and universal social protection has a direct impact on women. For instance, the proliferation of private education undermines gender equality, as parents are more likely to pay for their sons to go to school. And although there is gender parity in Tunisia's primary public schools, the share of girls in private schools drops to 30%.<sup>59</sup>

Women often act as a shock absorber during crises and compensate for the lack of publicly provided services through their unpaid care work. The MENA region has one of the highest gender gaps in terms of unpaid care distribution: while women spend 17–34 hours per week on unpaid care work, men spend between 1 and 5 hours. This gap is even wider in some countries: the ratio of women's to men's time is most unequal in Jordan, at 19:1, followed by Egypt, at 12:1.<sup>60</sup> While social norms play an important part in producing such a bleak reality, the absence of quality public services through which to redistribute care work is also a significant driver. The situation is even worse for married women, whose unpaid care work does not decrease when they engage in paid work. As a result, employed married women in Jordan and Egypt end up (on average) with a total of 65 and 66 hours of total labor a week respectively.<sup>61</sup>

The MENA region also has the world's lowest female labor income share, at 12%,<sup>62</sup> and the rate of women's participation in the labor force has remained stagnant, hovering at around 20% since 1990 (Figure 5). Despite these shocking – albeit normalized – figures, most efforts from governments and international financial institutions concentrate on the need to increase the labor force participation rate for women, without addressing either the care crisis or the public service crisis. On the contrary, efforts to increase female labor force participation are having the opposite effect. Although the declared aim is to have more women employed in the private sector through limiting public sector employment, the IMF's advice and conditionality are rendering women's employment less secure and less available.<sup>63</sup> For instance, women are overwhelmingly present in care jobs in the public sector: they occupy 67% of jobs in Egypt, 72% in Jordan and 65% in Tunisia. Because IMF-backed austerity measures in these countries seek to reduce public sector employment, women will be affected the most. This not only

*Women often act as a shock absorber during crises and compensate for the lack of publicly provided services through their unpaid care work.*

reduces further the public service provisions that reduce unpaid work for women, but also reduces their labor force participation rate. Gender inequality, public services and care crises feed into each other, rendering women the immediate victims of austerity, as they lose jobs in the public sector, lose the services that reduce their unpaid care work and have to compensate by filling the gaps – thus effectively subsidizing austerity and propping up the economy.

**Figure 5. Gender inequality in the MENA region, 1990–2019**



Source: Authors’ calculations, World Inequality Database (WID.world)

# 3 HOW TAXING THE RICH CAN REDUCE INEQUALITY

Governments in the region are in need of financing to shore up public services and implement inequality-busting services. Nevertheless, when faced with economic challenges, they insist on doubling down on the people who are affected the most by crises – freeing up resources through harmful austerity measures, including increasing the tax burden on the middle classes and people living in poverty.

The IMF's own estimates state that 'the difference between actual and potential tax collection equals about 14 percent of GDP (excluding oil and gas), on average'.<sup>64</sup> This is almost triple what the region spent on health in 2020, estimated at 5% of GDP.<sup>65</sup> Progressive taxation instruments, such as those on income or capital and wealth, remain highly underutilized, while regressive taxes, such as value added tax (VAT), are increasingly prevalent.

*Examining tax systems starkly reveals the winners and losers in MENA economies.*

In this context, tax policies are very telling because taxation is a political decision. Examining tax systems starkly reveals the winners and losers in MENA economies.

## 3.1. REGION-WIDE WEAK INCOME TAXATION

Personal income taxes remain highly underutilized in the MENA region: they yield less than 2% of GDP and 20% of tax revenue.<sup>66</sup> By comparison, the OECD's personal income tax revenue accounts for 8.31% of GDP (2020).<sup>67</sup> The design of personal income taxes from labor has also proven highly regressive: they have steadily increased for low earners and decreased for high earners,<sup>68</sup> fueling inequality dynamics. From 2000 to 2020, the average threshold for the bracket exempt from taxes was lowered, from 1.28 times the per-capita GDP to 0.67 times. Additionally, the rate of taxation on the lowest income brackets increased, from 7.9% to 9.2%. This means that of the lowest earners, fewer are exempt from taxation, and those who are taxed are now taxed at a higher rate.

*Of the lowest earners, fewer are exempt from taxation, and those who are taxed are now taxed at a higher rate.*

Meanwhile, passive income sources of rich people also remain highly underutilized. Passive income includes profits from selling dividends, immovable property such as real estate, and movable property such as expensive artworks. Overall, taxation on this type of income is very weak, yielding 'less than 1% of GDP on average and concentrated in oil-importing non-fragile states.'<sup>69</sup> This not only prevents domestic revenue mobilization but also deepens and entrenches gender-based inequalities, as these assets are generally owned by men. In Tunisia, for instance, only 3% of women own real estate (compared to 12% of men).<sup>70</sup> These sources of

income are either completely tax exempt or taxed at very low rates (Table 1). Dividends, for instance, are exempt in Iraq and Jordan, and range from 5%–15% elsewhere in the region; by comparison, dividends are taxed at 24% (on average) in Europe.<sup>71</sup> Similarly, capital gains from immovable property are exempt from taxes in Egypt, Jordan, Libya and, until very recently, Lebanon.

**Table 1. Typical tax rates on income from capital in MENA countries, 2020**

	Interest income	Dividend income *	Capital gains**	
			Movable property	Immovable property
Egypt <sup>^</sup>	Exempt	5%	Exempt	Exempt
Iraq	PIT	Exempt	Exempt	PIT
Jordan	5%	Exempt	Exempt	Exempt
Lebanon <sup>^^</sup>	10%	10%	15%	15%
Morocco	20%	15%	15%	20%
Tunisia	PIT	10%	10%	15%

Notes: Positive rates are most common rates in 2020. Standard or maximum rates are often inapplicable given the prevalence of exceptions and exemptions. 'PIT' (personal income tax) means the income is included in the PIT tax base and taxed at its progressive rate structure.

\* Since dividends are paid out of taxable corporate profits (except where such profits are exempt or taxed lightly), the dividend income tax rate at the individual level is another tax on the return to equity shares and should, in principle, be lower than the rate on interest income to ensure ultimate neutrality in the taxation of debt and equity.

\*\* Rates abstract from the fact that capital gains may be taxed at the corporate level as part of corporate profits.

<sup>^</sup> Interest on government bonds is taxed at 20% withholding. Capital gains from listed companies have been suspended since their introduction and until December 2021, with no details as to how they will apply afterwards.

<sup>^^</sup> Dividends from holding companies and offshore companies are exempt, which means that reported rates here are often inapplicable.

Source: Mansour and Zolt, 2023.<sup>72</sup>

In summary, MENA governments disproportionately tax low earners and labor income, while exempting or weakly taxing high earners, passive income and private sector profits. These policies reveal the prevailing power dynamics in the region. Wealthy individuals have clearly captured tax policies, shielding themselves from paying their fair share, while governments have consistently shifted the tax burden from corporations to households. For instance, in Egypt, between 2014 and 2018, the share of total taxes on goods and services increased from 42.8% to 48%, while the share of corporate income tax decreased from 35.9% to 24%. A similar trend can be seen in Tunisia, where the contribution of corporations to total tax revenues fell by 37% between 2010 and 2018, while that of households increased by 10% over the same period.<sup>73</sup>

Most of the region's tax revenues are collected from low- and middle-income households, and a significant portion of these revenues are used to service domestic and external debt. In fact, debt service represents around 48.7% of tax revenues in Tunisia,<sup>74</sup> 37% of tax revenues in Morocco<sup>75</sup> and 58.1% of tax revenues in Jordan.<sup>76</sup> This represents a clear reverse

redistribution from the bottom to the top. Households pay taxes that are rechanneled through debt service to the wealthy, many of whom process government bonds, which are exempt or undertaxed. As a result, public services are starved of financing due to austerity and debt service, paving the way for the expansion of privately provided healthcare and education. These tax systems are fueling a vicious cycle of regressive redistribution of wealth and income, supercharging the region's inequality crisis.

## 3.2. COMPARATIVE ANALYSIS OF EGYPT, LEBANON, MOROCCO AND TUNISIA

### 3.2.1. THE IMF AND INDIRECT TAXATION (OR HOW GOVERNMENTS LEARNED TO LOVE VAT)

The IMF has played a major role in making governments in the region overly reliant on regressive indirect taxation by aggressively championing VAT. Tunisia, Morocco and Egypt all adopted VAT in the aftermath of IMF programs in 1986, 1990 and 2016 respectively. In Egypt (the most recent country to have adopted VAT), the IMF pushed for the replacement of the previous general sales tax of 10% (which the IMF itself designed in 1991), with VAT set at an initial rate of 13% and subsequently increased to 14% (some exemptions apply to staple foods).

From the IMF's perspective, this measure was a success: goods and services taxes (excluding oil excises) yielded revenues of 4.5% of GDP in 2014/15 before VAT introduction and reached 5.4% by 2020/21 after this tax change.<sup>77</sup> In Tunisia, the IMF drove VAT reform with the aim of harmonizing and increasing tax rates, while halving the list of exempted goods. The ensuing tax revenue increase neglects the regressive distributional impact of indirect taxes; indeed, at the same time as advocating VAT increases and exemption removals, the IMF's own analyses found that Tunisia's VAT is 'inefficient and biased toward the rich'.<sup>78</sup> These overall negative effects on income distribution mask particularly pronounced adverse gender impacts of VAT policies, as discussed below.

Indirect taxes are applied on consumption and thus disproportionately affect those at the bottom end of the income distribution, because those households dedicate a larger share of their income to essential consumption than higher-income households, who can save or invest any unused income. VAT is also gender-biased due to the fact that women generally earn less and have lower incomes than men, so VAT forms a greater proportion of their expenditure. Women also tend to spend proportionally more on food and other household consumables due to their greater share of unpaid care work. Furthermore, menstrual products related to sexual and reproductive health are not exempt from VAT.



Indeed, if gender differences are not considered from the outset, VAT is discriminatory towards women.<sup>79</sup> Therefore, these indirect taxes often entrench tax injustice and widen socioeconomic inequalities.

*If gender differences are not considered from the outset, VAT is discriminatory towards women.*

However, the longstanding and evidenced harmful impacts of VAT did not persuade the IMF to change course. In its 2023 technical assistance mission to Lebanon on taxation issues, the IMF urged the country to 'make the VAT great again'.<sup>80</sup> The country's VAT system relies on a single positive rate (11% since 2017), even though the IMF proposed raising it first to 15% and subsequently to 20%.<sup>81</sup>

In addition to increasing rates, the Fund recommends broadening the VAT base. Some of these recommendations hold fiscal promise and are unlikely to affect those at the bottom of the income distribution, such as scrapping a tourist refunds scheme or taxing real estate property transactions above a certain threshold.<sup>82</sup> By contrast, other IMF recommendations for Lebanon include removing VAT exemptions for health and education services, as well as for diesel. In the case of the former, the introduction of VAT could lead to major price increases during a cost-of-living crisis. As of 2020, out-of-pocket spending accounted for 44% of all current health expenditure for Lebanon,<sup>83</sup> which suggests that a post-tax hike in prices would impact households' ability to pay for health services, especially given the limits of publicly provided services.<sup>84</sup>

In the case of fuel exemptions, this VAT change is explicitly intended to draw revenues from private electricity generators – in principle, a worthwhile objective. However, it may also unintentionally impact lower-income households through higher electricity or fuel expenditure costs. These have skyrocketed since fuel subsidies were removed in 2021, making electricity inaccessible to a significant section of the population.<sup>85</sup>

This case begs questions about the ultimate objectives of VAT reform and whether revenues raised will finance redistributive policies. There is little conclusive evidence that the additional resources raised through increasing indirect taxation are channeled towards redistributive measures; it is a theoretical possibility rather than a concrete reality for most countries, which often end up redirecting the additional resources to debt service.

**Figure 6. Tax revenues as a share of total taxation in MENA countries in the 2010s**



Source: OECD Global Revenue Statistics 2023. Average of years 2010–19, excluding social security contributions. Data on Lebanon is not available.<sup>86</sup>

### 3.2.2. UNTOUCHABLE ASSETS

Wealthy individuals often accumulate assets such as real estate, can engage in speculations of value of these assets and, most importantly, can pass these assets on to their children, often males, while sustaining their power in relation to those who are trying to make ends meet. Therefore, taxing such assets not only generates revenues to fund inequality-busting public services, but it also reduces inequalities and incentivizes owners of assets to put them to productive use.

However, assets remain significantly undertaxed. Inheritance taxes provide a case in point. For example, Tunisia applies rates varying between 2.5% and 35%, depending on the degree of kinship. As these rates are not contingent on the value of the inheritance, they favor rich people, who can smoothly pass on exorbitant wealth.

Elsewhere, inheritance taxation is even lighter: Morocco applies taxes of 1% to 1.5%, while Egypt does not apply any taxes on inherited wealth. In Lebanon, inheritance tax rates range from 3% to 45%, but the country also has a progressive scale for these taxes. Across the region, inheritance laws primarily favor men, especially in terms of passing on assets and land. All MENA countries discriminate between sons and daughters in matters of

*Across the region, inheritance laws primarily favor men, especially in terms of passing on assets and land.*

inheritance.<sup>87</sup> Low tax rates on inheritance thus entrench inequalities across generations and widen gender inequalities.

Taxation of land ownership is also low. Morocco remains the most unfair country in this regard, as the property tax applies to the occupant regardless of whether they are the owner. Only owners are liable for the property tax in Egypt, Lebanon and Tunisia.<sup>88</sup> However, this tax is largely marginal: it generates only 0.16% (Tunisia),<sup>89</sup> 0.008% (Morocco)<sup>90</sup> and 0.27% (Egypt)<sup>91</sup> of tax revenues.

Finally, Tunisia is the only country that taxes net wealth, specifically real estate wealth. The tax was introduced very recently, in 2023, and applies to persons owning real estate with a total effective value of at least 3 million dinars (US\$969,000). The rate applied is flat at 0.5% of the value of assets. While the adoption of this tax is a step in a more equitable direction, its efficacy will likely be limited due to its small base (it does not apply to other sources of wealth, such as financial assets) and its lack of progressivity.

### 3.2.3. LIMITED PROGRESSIVE INCOME TAXATION

Across the MENA region, progressive taxation is limited (see Table 2), and even the highest marginal rates are relatively low by international standards. Morocco comes closest to progressive taxation, relying on six tax brackets, with the highest one reaching 38%. By contrast, most other countries in the region tax incomes considerably less. Egypt and Lebanon have a considerable number of tax brackets, but in both cases the top rates are only 25%.

Tunisia has a relatively high marginal tax rate for top earners, but also has a highly unjust system: the tax rate jumps from 0% to 26% in just the first taxable bracket, which contributes to an overall policy that generally overtaxes working-class and middle-class households. In principle, the exempted bracket should include the lowest earners. However, the minimum wage – the lowest legal salary or remuneration – is often taxable in most MENA countries.

**Table 2. Income taxation tables for Egypt, Lebanon, Morocco and Tunisia**

Egypt			Lebanon			Morocco			Tunisia		
Taxable income brackets		Tax rate	Taxable income brackets		Tax rate	Taxable income brackets		Tax rate	Taxable income brackets		Tax rate
National currency	US\$ equivalent		National currency	US\$ equivalent*		National currency	US\$ equivalent		National currency	US\$ equivalent	
0-15k	0-500	0%	0-9mil	N/A	4%	0-30k	0-3,000	0%	0-5k	0-1,600	0%
15k-30k	500-1,000	2.5%	9mil-24mil	N/A	7%	30k-50k	3,000-5,100	10%	5k-20k	1,600-6,500	26%
30k-45k	1,000-1,500	10%	24mil-54mil	N/A	12%	50k-60k	5,100-6,100	20%	20k-30k	6,500-9,700	28%
45k-60k	1,500-	15%	54mil-	N/A	16%	60k-80k	6,100-	30%	30k-50k	9,700-	32%

	1,900		104mil				8,200			16,100	
60k-200k	1,900-6,500	20%	104mil-225mil	N/A	21%	80k-180k	8,200-18,400	34%	>50k	>16,100	35%
200k-400k	6,500-13,000	22.5%	>225mil	N/A	25%	>180k	>18,400	38%			
>400k	>13,000	25%									

Source: Authors, National Legislation (2023). US\$ conversion based on July 2023 exchange rates, rounded to the nearest number for clarity.

\*Reliable conversions to US\$ are unavailable for Lebanon due to ambiguous rates between the central bank rate and the market rate.

Apart from the differences in tax rates and brackets, the MENA public policies share the same fundamental orientation towards a weakly progressive income tax, a disproportionately taxed middle class, and tax privileges for the rich. These policies underpin the persistence of income inequality, as governments are effectively depriving themselves of a strong fiscal base.

### 3.2.3. CORPORATE INCOME TAXATION – OR THE LEGALIZATION OF EVASION

The elite capture of the tax systems in the region is exemplified by corporate taxation. While countries increased the tax burden on households and removed exemptions, they persistently decreased corporate taxation and offered corporations legal avenues to evade paying their meagre dues through generous tax incentives – again funneling public resources to the wealthy.

Over the past few decades, MENA countries have joined the race to the bottom through lowering statutory corporate income tax rates. Egypt, for instance, lowered its rate from 25% to 22.5% in 2015.<sup>92</sup> In Tunisia, the corporate income tax rate fell from 35% in 2007 to 15% in 2021,<sup>93</sup> placing the country at the threshold for being considered a tax haven.

Similarly, Lebanon’s corporate income tax was just 15%, though economic hardship prompted the government to raise it to 17% in 2017.<sup>94</sup> In Morocco, corporate income tax was lowered from 30% before 2014 to a progressive scale today. While this may contribute to equity between small businesses and big corporations, the effective tax rate of corporations is lower than it was in 2014. Recognizing these imbalances, in 2023 Morocco started to gradually raise corporate tax rates.

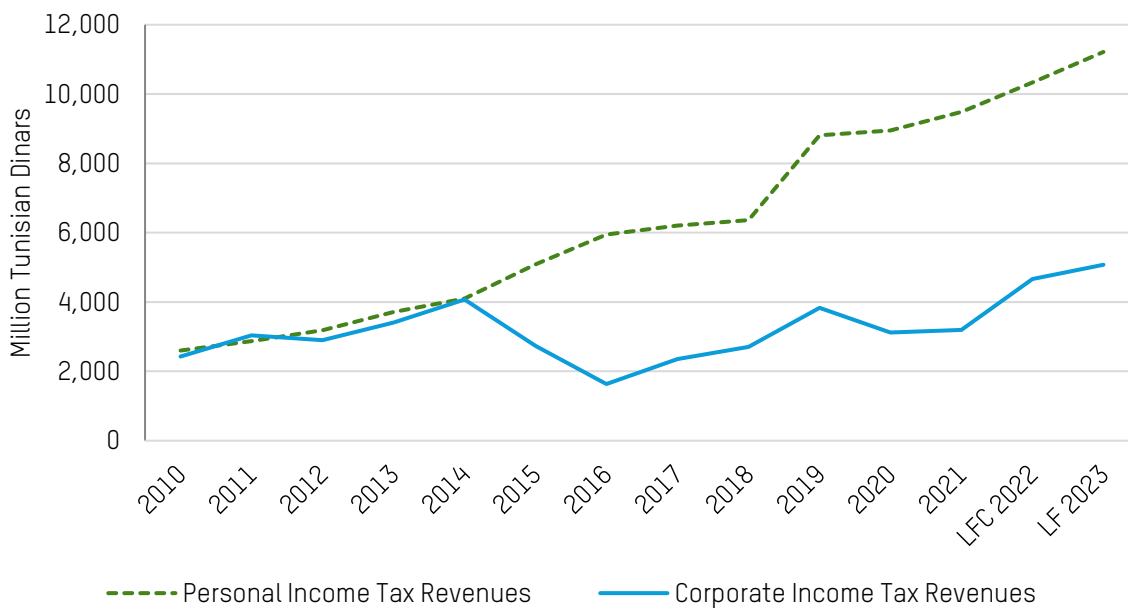
The justification for lowering corporate tax rates was that this would increase the profitability of the private sector, thus driving up investment, creating jobs, encouraging informal businesses to formalize, and increasing tax revenues. However, this promise was resoundingly betrayed: lowering the corporate income tax rate was followed by decreasing or stagnating public revenues necessary to fund public services and address existing inequalities, as well as a failure to stimulate an increase in investment.

*In Morocco, 43.9% of tax incentive beneficiaries are corporations. The cost of these incentives adds up to more than the entire annual health budget.*

Tunisia provides a case in point: revenues from personal income taxes and corporate income taxes remained at similar levels until 2014 (see Figure 7). However, following a five-point decrease in the corporate income tax rate in 2014, corporate tax receipts collapsed, and only reached and exceeded their 2014 levels in 2022. Meanwhile, the number of new companies has not increased significantly between 2012 and 2019.<sup>95</sup>

Similarly, Morocco’s transition from the proportional rate of 30% towards the lower rates in the progressive scale cost the government around 5% of revenues collected through corporate income tax.<sup>96</sup>

**Figure 7. Evolution of personal and corporate income tax revenues in Tunisia**



Source: Tunisian Finance Ministry, 2023.<sup>97</sup> LF refers to *loi de finances* (finance law) and LFC refers to *loi de finances complémentaire* (supplementary finance law).

In addition to low corporate income tax rates, corporations in MENA countries also benefit from an array of tax incentives.

For instance, corporations in Moroccan free trade zones benefit from an unlimited VAT exemption as well as a five-year exemption from corporate income taxes, followed by a low rate of 8.75%.<sup>98</sup> These so-called investment incentives represent an indirect cost for the state: they deprive the government of revenue and prevent it from effectively mobilizing domestic resources. In 2021, the cost of all Moroccan tax incentives (the various tax reductions and exemptions) was estimated at 29.5bn dirhams (US\$3.3bn).<sup>99</sup> Overall, 43.9% of total tax incentive beneficiaries were corporations.<sup>100</sup> Notably, the cost of investment incentives adds up to more than the entire budget allocated for health that year (23bn dirhams, or US\$2.6bn),<sup>101</sup> thus pointing to the scale of resources forfeited by the state.

The situation in Tunisia is similar, where the cost of tax incentives is estimated at 7.75bn dinars (US\$2.5bn),<sup>102</sup> which is slightly higher than the budget allocated for education and more than double the budget allocated for health expenditure.<sup>103</sup> Corporations benefited from 42.7% of the total

cost of tax expenditure, whereas households benefited from 52% of expenditure.<sup>104</sup>

Household tax incentives in Tunisia are also highly unequal. For instance, Tunisia offers tax deductions to parents with children; however, they are only given to the 'head of the household', who, by Tunisian law, is automatically the husband or father. Consequently, men disproportionately benefit from tax incentives for households.

*Tunisia offers tax deductions to parents with children; however, they are only given to the 'head of the household', who, by Tunisian law, is automatically the husband or father.*

Lebanon has a well-established scheme for tax credits and investment incentives. Holding companies, offshore companies and shipping businesses are permanently exempt from corporate income taxes, while the Investment Development Authority has wide jurisdiction to provide exemption from corporate income taxes and additional fees and taxes, both for large projects and small- and medium-enterprises, for up to 10 years.<sup>105</sup> In the context of the already low corporate income taxation, this means there are ample loopholes enabling corporations to avoid paying any taxes for multiple years.

Because of the complex administrative processes associated with these incentives, beneficiaries are primarily large companies and wealthy individuals that can afford to hire accountants and lawyers. For instance, a law might decree a tax incentive, but its access procedures will be in a governmental decree or a ministerial order. This lack of accessible and transparent information means that smaller firms find it harder to access such incentives.<sup>106</sup>

Low corporate taxation is especially inequitable, given how domestic financial markets (especially the banking sector) benefit from governments' increasing need to borrow. Despite low interest rates in global markets pre-pandemic, high interest rates in Egypt persisted, especially following the 2016 national reforms. Before the war in Ukraine, interest rates in global markets have declined further, yet Egyptian interest rates have seen little easing, thus rendering them a major contributor to the country's debt vulnerabilities.<sup>107</sup>

This is particularly important because banks not only provide loans to governments, but also derive a large part of their income from treasury bonds. In 2018, it was estimated that 'EGP 14.5bn [of banking sector income] is income from Treasuries with EGP 18.5bn making up the remainder from other sources'.<sup>108</sup> Despite deriving a significant amount of their income from public debt, taxation on the banking sector remains low, at the general corporate tax rate of 22.5%. During the pandemic – a time when governments needed to raise resources – the rate on treasury gains was, in fact, lowered. Capital gains from treasury bonds were taxed at a reduced rate of 10% between 2020 and 2021, rather than the corporate tax rate of 22.5%.<sup>109</sup> This further widened profits in the financial sector at a time of struggling public services and increasing poverty.

### 3.2.4. THE IMF’S UNFULFILLED PROMISE OF FAIR TAXATION

The IMF has consistently stated that fair tax systems are needed; however, its track record is mixed.

Its policy advice generally includes some recommendations that could contribute to creating more equitable tax systems. For example, Tunisian reforms in the mid-2010s introduced a tax on dividends and a Large Taxpayers Unit with enhanced auditing functions. Similarly, Egypt was asked to ‘rationalize’ the corporate income tax administration in 1997, to introduce a capital gains tax on stock market transactions in 2017, and to remove corporate income tax exemptions in free zones in 2023. These are generally positive recommendations – albeit not always implemented – that can broaden the tax base by incorporating or better monitoring high net worth individuals and corporations.

However, the IMF’s measures on direct income taxation rarely live up to their promise or only do so in a short-lived way. Table 3 shows evidence of the evolution of direct taxation before and after a recent IMF programme with tax policy reforms, denoted by time ‘t’. For example, Tunisia’s tax policy reforms in 2016 significantly increased revenues for the first three years, only to then revert to longer-term patterns. Egypt and Morocco provide even less supportive evidence: there was barely any meaningful change in the receipts from direct taxation. This suggests that even where the IMF advocates for increased personal and corporate income taxation, these policies are either introduced haphazardly and half-heartedly, or individuals and companies find ways to evade the new taxes. This points to the lack of political will within MENA countries to meaningfully transform their tax systems in a more equitable direction. It also indicates a lack of political will within the IMF itself to follow through on the more progressive aspects of its economic policy advice, as opposed to its traditional and harmful extensive budget-slashing or revenue-raising measures.

**Table 3. New IMF engagement with selected MENA countries since 2020**

	IMF intervention	Tax definition per IMF	-1	t	1	2	3
Egypt	Extended Fund Facility (t=2016)	Income and corporate taxes (% of GDP)	5.8	5.9	5.8	5.8	5.6
Morocco	Precautionary and Liquidity Line (t=2018)	Income, profits and capital gains taxes (% of GDP)	8.1	8.0	7.9	8.3*	7.3*
Tunisia	Stand-By Arrangement (t=2013)	Direct taxation (% of GDP)	8.6	9.3	9.9	9.2	8.5

Note: \* Denotes year during the Covid-19 pandemic (2020 and 2021).

Source: Authors, using data from multiple IMF reports related to or following Egypt’s 2016 Extended Fund Facility loan (*IMF Country Reports* No. 17/17, 19/311 and 23/2), Morocco’s 2018 Precautionary and Liquidity Line arrangement (*IMF Country Reports* 19/24, 23/042 and 23/142) and Tunisia’s 2013 Stand-by Arrangement (*IMF Country Reports* No. 15/285 and 18/218).

### 3.2.5. LOST REVENUES FROM TAX FRAUD AND TAX EVASION

Governments in the MENA region forgo significant amounts of potential revenue due to tax fraud, tax avoidance and tax evasion. In the case of the latter, two forms are rampant: failure to declare income, and the constant declaration of losses.

For example, 47.3% of Tunisian registered corporations failed to declare their income in 2019. Most corporations that did declare income either declared a nil result or a loss. Indicatively, only a quarter of corporations declared taxable income in 2015, the most recent year for which data is available.<sup>110</sup>

Similarly, the proportion of Moroccan corporations that declared losses or nil results increased from 39% in 1977 to 69% in 2015.<sup>111</sup> Lebanon also stands out in terms of its 'leaky' tax system:<sup>112</sup> if applicable taxes were indeed collected, this could yield a 50% increase in tax revenues.<sup>113</sup> Estimates from 2018 suggest that tax evasion may be costing the country US\$5bn annually, with the main culprits being inadequate declaration of salaries and profits and VAT avoidance.<sup>114</sup>

The prevalence of tax fraud and evasion across the region can be traced to numerous factors, including the understaffing and underfinancing of tax administrations, lack of financial inclusion and the low banking rates, inadequate digitalization of tax systems, overly complex regulations, the abuse of tax havens<sup>115</sup> and persistently high degrees of informality.<sup>116</sup> These are problems requiring urgent solutions, as they engender great costs for the state. Analyses of tax systems reveal that the cost of fraud in Tunisia is around a quarter of GDP,<sup>117</sup> and 3.6% of GDP in Egypt as of fiscal year 2011–2012, the latest available estimates.<sup>118</sup> This cannot be rectified without international cooperation, whereby countries in the Global North must address the tax havens within their territories. These tax havens have unfairly diverted Global South resources to the North in search of lower tax rates, thus deepening and entrenching North–South wealth and income inequalities.

In response to high levels of corporate tax evasion and avoidance globally, and exacerbated tax competition, the G20 mandated the OECD to launch what is known as the BEPS (Base Erosion and Profit Shifting) project. A second round of measures was further discussed and agreed by almost 140 countries at the OECD Inclusive Framework (including many MENA countries) to deepen such measures and to address the challenges of taxing a very digitalized economy.

The result was a two-pillar package: Pillar 1 aims to create new taxing rights on the most profitable companies for reallocation to countries where the production or sales are taking place. Pillar 2, through the implementation of a new global minimum tax at 15%, seeks to limit tax competition between countries. Implementation of Pillar 2 is still very limited globally whereas the future of Pillar 1 still needs ratification through a Multilateral Convention that remains uncertain.



But overall, the entire package remains far from what would have better represented the interests of developing countries, including the MENA region. The 15% minimum tax rate is too low (aligned to some tax havens' practices) and designed to be mainly collected at countries that are home to large corporations' headquarters, and Pillar 1 is complex, insufficient, narrow in scope, and hard to implement for countries with limited capacity in revenue administrations.

Overall, it will not generate the expected additional revenues, while the digital economy keeps growing in the MENA region. According to Oxfam, it is estimated that 'certain countries could yield less than \$1m annually from Pillar 1, a sum that might not justify the administrative expenses associated with implementation'.<sup>119</sup> In the meantime, countries like Tunisia have taken steps under the BEPS framework to improve transfer pricing practices,<sup>120</sup> which are necessary but insufficient.

This quick overview of the main features of the prevailing tax systems in the region irrefutably points to the fact that tax policies have been designed to benefit the richest people in society and give them a helping hand in their quest to accumulate even more wealth and power. The rest of the population find themselves at the losing end of this dominant fiscal contract, enduring harsh austerity and subsidizing the profits of the wealthy. Nevertheless, this reality is not inevitable. Austerity is not fate; it is the direct cause and result of shielding wealthy individuals from paying their fair share of taxes.

*... tax policies have been designed to benefit the richest people in society and give them a helping hand in their quest to accumulate even more wealth and power.*

### **3.3. HOW TAXING WEALTH CAN RAISE REVENUES TO FUND INEQUALITY-BUSTING PUBLIC SPENDING**

Wealthy individuals fared well during the recent crises. Others reel from its impacts – increased unemployment, skyrocketing cost of living and inflation, dwindling real incomes – without having the luxury of looking to the future. This has certainly been the case for the MENA region.

Based on the available data for 10 countries in the region, individuals with a net wealth of more than US\$5m saw their wealth balloon by 75%, increasing from a combined total of US\$1,684bn in 2019 to nearly US\$3,000bn by the end of 2022.<sup>121</sup> The polycrisis has been good for them.

At the same time, the region has bucked the trend of progressive tax reforms that many governments around the world have undertaken. It is time to tax wealth in the MENA region to correct the historic inequalities that we have described in this report. This would not only free resources for vital investments in public services but would also reduce wealth inequalities.

**Table 4. Progressive wealth tax in four MENA countries, December 2022**

Country	Wealth group (US\$)	Number of individuals	Total wealth (US\$bn)	Tax scenario 1 (progressive tax)		Tax scenario 2 (uniform tax for all US\$5m+) 2/	
				Marginal tax rate	Revenue (US\$bn)	Flat tax rate	Revenue (US\$bn)
Egypt	5m+ 1/	6,130	153.9	2%	1.08	2%	2.47
	50m+	355	87.1	3%	1.73	3%	3.70
	> 1bn	7	18.6	5%	0.58	5%	6.16
	<b>Total</b>				3.39		
Jordan	5m+ 1/	1,070	31.5	2%	0.30	2%	0.52
	\$50m+	55	14.0	3%	0.34	3%	0.78
						5%	1.31
	<b>Total</b>				0.64		
Lebanon	5m+ 1/	515	34.9	2%	0.20	2%	0.65
	50m+	35	23.9	3%	0.49	3%	0.97
	> 1bn	6	11.8	5%	0.29	5%	1.62
	<b>Total</b>				0.98		
Morocco	\$5m+ 1/	1,420	31.5	2%	0.23	2%	0.49
	\$50m+	70	16.3	3%	0.35	3%	0.73
	>1bn	2	3.0	5%	0.05	5%	1.22
	<b>Total</b>				0.64		

Source: Authors' calculations, based on Wealth-X data. See methodology note.

1/ The wealth group category of US\$5m+ includes all people with wealth above this threshold, including those with wealth above US\$50m and billionaires.

2/ The uniform tax rate scenario is calculated based on the aggregate net wealth of US\$5m and above, therefore the revenue from each flat rate is the total.

The potential for revenue mobilization from wealth taxation is significant and could put a serious dent in the austerity cult that took over public policy in the region for many decades (Table 5). A 5% flat net wealth tax on fortunes of US\$5m and above could generate more than US\$10bn in revenues in Egypt, Jordan, Lebanon and Morocco combined. The revenues from such a tax would enable Egypt to double its health spending. Similarly, Jordan could double its education spending. Egypt could also raise double the amount of the loan it received from the IMF along with its austerity conditionalities. As for Lebanon, which is experiencing the worst economic crisis in its history, a wealth tax could help the country increase its combined health and education spending seven times over.

**Table 5. Proportion of education and health spending covered by wealth tax revenue, 2021**

Country	Wealth tax revenues from tax scenario 2 with a flat tax	Education spending (US\$bn)	Health spending (US\$bn)	Proportion of public spending covered by wealth tax (%)		Proportion of recent IMF loan (approved or prospective)
				Education	Health	

	of 5% (US\$bn)					
<b>Egypt</b>	6.16	10	5.58	61%	110%	205%
<b>Jordan</b>	1.31	1.24	1.07	105%	121%	100%
<b>Lebanon 1/</b>	1.62	0.11	0.09	1,408%	1,670%	54%
<b>Morocco</b>	1.22	8.06	3.04	15%	40%	24.4%
<b>Total</b>	10.31					

Source: Authors' calculations, based on Wealth-X data, Forbes list of billionaires, government education expenditure from the UNESCO Institute for Statistics, and government health expenditure from the World Health Organization (WHO).<sup>122</sup> For IMF loans, we refer to Egypt's 2022 US\$3bn Extended Fund Facility, Jordan's 2020 US\$1.3bn Extended Fund Facility, Lebanon's prospective US\$3bn Extended Fund Facility (staff-level agreement as of 2022), Morocco's 2023 US\$5bn Flexible Credit Line, and Tunisia's prospective US\$1.9bn Extended Fund Facility (staff-level agreement as of 2022).

1/ Health and education spending for Lebanon are for 2022 according to the official budget, converted to US\$ based on the average exchange rate on 1 January 2022 and 31 December 2022.

Countries could take meaningful, concrete steps towards reducing inequalities by building up social policies and bolstering public services. While the driving force of these changes must inevitably be domestic, international actors also have a role to play. Most notably, the IMF – as the central international financial institution setting economic policy agendas and designing reforms – could act as a change agent to support reduction of inequalities, in line with its own clearly stated ambitions.<sup>123</sup> It could encourage countries to implement progressive taxes, especially wealth taxes, with the same enthusiasm it displays when recommending the introduction of VAT or a removal of subsidies.

*Countries could take meaningful, concrete steps towards reducing inequalities by building up social policies and bolstering public services.*

More importantly, the IMF could propose alternatives to fiscal consolidation measures – commonly known as austerity – that aim to curb government expenditures and are linked to widening economic and gender inequalities. Cuts in public sector wages or employment directly impact people's incomes, while cuts in social spending especially affect low-income households who rely on social services (such as primary healthcare facilities and state-run schools) or government transfers (such as unemployment support or child and housing benefits). Austerity measures also depress economic activity and compound the impact of underlying economic crises. This is because the scale and speed of budget cuts are usually cyclical and underestimate the impact that government expenditure changes will have on the economy. By contributing to a shrinking economy, they correspondingly reduce potential tax revenues.<sup>124</sup>

# 4 CONCLUSIONS AND RECOMMENDATIONS

Inequality is not destiny; it is a political choice. The high levels of inequality in the MENA region are neither natural nor necessarily permanent. This report has documented the scale of inequalities in income and wealth, and their root causes in regressive tax systems that favor the rich, while everyone else struggles to deal with overlapping crises. It follows that there can be no durable reductions in inequality unless rich people start to pay taxes commensurate with their exorbitant economic gains, in systems that have been designed to limit or eliminate taxation of corporate income and personal wealth.

*Inequality is not destiny; it is a political choice.*

The IMF – the leading international advocate for reform – has a role to play in supporting governments to design progressive policies. However, this will require it to abandon its agenda of austerity and regressive taxation, and instead promote progressive taxation to underpin of public services that significantly reduce inequalities.

Governments in the region need to stop catering to the rich at the expense of everyone else. This starts with a deep reform of tax systems to anchor them in progressivity, and compelling wealthy people to pay their dues in a fair manner to bolster the public purse and finally begin to close the chasm that has developed between the rich and the rest.

## GOVERNMENTS IN THE REGION SHOULD:

### 4.1. SET NATIONAL GOALS TO REDUCE INEQUALITY

- Collect and publish data on people's incomes and wealth on an annual basis.
- Use this data to analyse the distributional impact of all proposed policies.
- Work with civil society and other actors to develop national plans to reduce inequality.
- Set clear timebound goals to reduce inequality, aiming for the income of the top 10% to be no more than that of the bottom 40%, a Palma ratio of 1.

### 4.2 TAX THE RICH – NOW

- Impose a one-off solidarity tax on net wealth for the richest 1%, of at least 5%.
- Impose permanent progressive taxes on wealth, with at least a permanent 2% tax on net wealth.

- Enhance progressivity in personal income tax regimes ensuring effective taxation on the super-rich is much higher than on average workers and middle class.
- Institute progressive inheritance taxes that allow for the fair contribution of major estates to governments' revenue collection efforts.
- Introduce progressive real-estate taxes that guarantee the equitable contribution of major land and real-estate owners to the efforts of domestic resource mobilization.
- Make corporate income tax more effective and eliminate preferential tax regimes, particularly for special and qualified zones, and reconsider current tax incentives and exemptions through the lenses of equity and social justice, gender justice and tax justice.
- Tax passive income stemming from tangible and intangible assets at rates significant enough to allow for the mobilization of domestic resources, by eliminating tax incentives on passive income and aligning them to the rates on personal income from labour.
- Overhaul existing tax systems to ensure fairness and the redistribution of wealth and income, and to finance universal and transformative public care and social protection systems. Also, redirect resources to lay the foundations for productive, inclusive, and greener economies through appropriate systems of incentives and disincentives, in order to restructure economies away from an over-reliance on tourism, rentier and low-end services.
- Ensure that revenues raised through fiscal policies and taxation follow gender-sensitive budgeting principles that combat inequality and promote gender justice.
- Establish tax transparency and accountability by making tax data available, especially for personal and corporate income taxes.
- Decrease reliance on unfair and regressive consumption taxes by:
  - Refraining from increasing the general rates of VAT;
  - Exempting basic necessity goods and services from VAT;
  - Increasing VAT on products and services exclusive to consumption of wealthy households.
- Empower national tax administrations and provide them with the financial, human, technical and logistical resources necessary to fight tax fraud and track the fiscal contributions of the richest individuals and corporations.
- Work towards regional and international cooperation to:
  - Set a minimum effective corporate tax rate above the 15% rate to be collected domestically;
  - Tackle profit-shifting.
- Support the establishment of a United Nations Tax Convention to comprehensively improve coordination and effective coordination on tax issues and address tax havens, tax abuse by multinational corporations

and other illicit financial flows that obstruct redistribution and drain resources that can be crucial to tackle gender inequalities.

### **4.3. INVEST IN INEQUALITY-BUSTING POLICIES**

For decades, governments in the region have sacrificed vital public services on the altar of austerity. Thus, there is an urgent need for governments to use resources raised from taxing rich people to massively invest in inequality-busting policies, including public services, to build the resilience of societies in the region and protect them from future crises. Governments should:

- Provide free, universal, good-quality gender-transformative public services that are publicly financed and delivered, and provide universal social protection – to all, without discrimination including migrants and refugees – as a tool for reducing inequalities and building social cohesion.
- Increase public investments in water and electricity, as well as safe transportation systems; this would reduce the amount of unpaid care work done by women and benefit vulnerable and marginalized communities.
- Ensure that high-quality childcare is universally available, and that it is accessible to vulnerable communities. Policies should go beyond childcare and be based on the principle of co-responsibility; this includes care for elderly people, people with disabilities or illnesses, and any other person in need of care, especially people from the poorest households.

### **4.4. IMF TO BE A PARTNER IN REDUCING INEQUALITIES IN THE MENA REGION**

The IMF has long been an influential actor in the MENA region. It currently provides financial assistance to at least three countries, with at least two others negotiating for a loan programme. The Fund continues to exercise considerable influence on the governments in MENA; arguably, it has more say in macroeconomic policies than the people in the region themselves. Austerity should not be the default policy framework for IMF loan programmes. There are alternative measures that the IMF should be recommending countries adopt to ensure a more people-centred recovery from the pandemic and economic crises.

### **THE IMF SHOULD:**

- Insist that governments measure inequality and collect and publish data on wealth and income on an annual basis.
- Work with authorities to agree clear, timebound targets to reduce inequalities.

- Ensure that all macroeconomic targets and other structural reforms in loan programmes are subject to distributional impact analysis, to ensure that they are reducing and not increasing inequality.
- Integrate into their analysis other macroeconomic targets in programmes such as inflation and fiscal deficits. This should include the speed at which they have to be reduced and what level should be targeted. The optimal level of foreign exchange reserves should also be discussed. There should be a transparent analysis of the trade-offs of the different scenarios involved.
- Core macroeconomic decisions should not be made by IMF mission chiefs behind closed doors with finance ministers; they should be part of an inclusive and transparent national dialogue, where different options are presented and discussed, and where there is broad agreement on the appropriate economic and fiscal strategy to be pursued.
- Halt all efforts to promote regressive taxation policies in recommendations to governments, including by removing proposals to introduce or increase consumption taxes.
- Replace the disproportionate emphasis on indirect taxation with stepped-up support for designing and implementing progressive direct taxation policies, including:
  - Fostering recruitment and financing of tax administrations; and breaking away from promoting recruitment freezes in public services;
  - Providing technical assistance in the design of wealth and corporate taxation.
- Break away from austerity measures in favour of support for more gradual and inequality-reducing paths of economic adjustment and progressive taxation.
- Live up to the IMF's own narrative on combating inequalities by meaningfully implementing its organizational guidelines for engagement with economic inequality and gender inequality.
- Prioritize public services and universal social protection in its loan programmes to countries, by:
  - Ensuring adequate fiscal space for maintaining and increasing public service provision, and removing all barriers to public spending, such as wage caps;
  - Supporting universal, good-quality, free public services, which clearly reduce inequality and poverty – for example, by increasing spending on health and education to put them on track to reach internationally agreed levels. This should include the removal of all user fees and the use of tax-based financing for health and education. It should also include recruiting adequate numbers of teachers and health workers and paying them a living wage.

# NOTES

- <sup>1</sup> F. Alvaredo, L. Assouad, and T. Piketty (2019). Measuring Inequality in the Middle East 1990–2016: The World's Most Unequal Region? *Review of Income and Wealth* 65, no. 4: 685–711. <https://doi.org/10.1111/roiw.12385>
- <sup>2</sup> Forbes Middle East (2020, Nov 25). Arab Billionaires Added Nearly \$11B To Their Fortunes Despite The Pandemic. <https://www.forbesmiddleeast.com/billionaires/arab-billionaires/arab-billionaires-added-over-%2410b-to-their-fortunes-despite-covid-19-pandemic>
- <sup>3</sup> Ibid.
- <sup>4</sup> General government gross debt (% of GDP), World Economic Outlook (April 2023), IMF
- <sup>5</sup> Forbes Middle East (2020, Nov 25). Arab Billionaires Added Nearly \$11B To Their Fortunes Despite The Pandemic.
- <sup>6</sup> ILO (2023). SDG indicator 8.3.1 – Proportion of informal employment in total employment (%); <https://ilostat.ilo.org/topics/informality/>. No data is available for Morocco.
- <sup>7</sup> Poverty rate according to National Poverty line, World Development Indicators, World Bank. <https://databank.worldbank.org/source/world-development-indicators>
- <sup>8</sup> UN ESCWA (2021). Multidimensional poverty in Lebanon (2019–2021). Available at: [https://www.unescwa.org/sites/default/files/news/docs/21-00634-multidimensional\\_poverty\\_in\\_lebanon\\_policy\\_brief\\_en.pdf](https://www.unescwa.org/sites/default/files/news/docs/21-00634-multidimensional_poverty_in_lebanon_policy_brief_en.pdf)
- <sup>9</sup> ILO (June 2021). World Social Protection Database, based on the Social Security Inquiry (SSI). Available at: <https://www.social-protection.org/gimi/WSPDB.action?id=15>
- <sup>10</sup> Egypt Social Progress Indicators (2022). Available at: <https://www.progressegyppt.org/en/indicator.html#cash-transfer>
- <sup>11</sup> R. Mabrouki (2021). Marginalization and collapse of the public school in Tunisia: Have we been facing a class education that enshrines inequality between children of different social classes? Available at: <https://ftdes.net/en/marginalisation-et-effondrement-de-lecole-publique-en-tunisie-avons-nous-fait-face-a-une-education-de-classe-qui-consacre-linegalite-entre-les-enfants-de-differentes-classes-s/>
- <sup>12</sup> UN Women (2020). The Role of the Care Economy in Promoting Gender Equality. Available at: <https://arabstates.unwomen.org/en/digital-library/publications/2020/12/the-role-of-the-care-economy-in-promoting-gender-equality#view>
- <sup>13</sup> T. Neef and A-S. Robilliard (2021). Half the Sky? The Female Labor Income Share in a Global Perspective. World Inequality Lab. Working paper [2021/22]. Available at: <https://wid.world/document/half-the-sky-the-female-labor-income-share-in-a-global-perspective-world-inequality-lab-working-paper-2021-22/>
- <sup>14</sup> J. Azour, P. Muthoora and G. Verdier (2020). Middle East Needs Fairer Taxes to Aid Growth and Ease Inequality. Available at: <https://www.imf.org/en/Blogs/Articles/2022/07/06/middle-east-needs-fairer-taxes-to-aid-growth-and-ease-inequality>
- <sup>15</sup> OECD (2021). Tax – Tax on Personal Income – OECD Data. Available at: <https://data.oecd.org/tax/tax-on-personal-income.htm>
- <sup>16</sup> Ministère de l'Économie et des Finances, Royaume Maroc (2022). Projet de Loi de Finances pour l'année budgétaire 2022, Rapport sur les dépenses fiscales, page 9 [French]
- <sup>17</sup> The Tunisian Finance Ministry (2022). The Law Draft for the Finance Law 2023: the Report on Tax Expenditure and Financial Incentives, Annex 12, page 30.
- <sup>18</sup> The Financial Tribune. (2018, Aug 31). Lebanon Loses Billions to Tax and VAT Evasion. Available at: <https://financialtribune.com/articles/world-economy/92632/lebanon-loses-billions-to-tax-and-vat-evasion>
- <sup>19</sup> F. Alvaredo, L. Assouad, and T. Piketty (2019). Measuring Inequality in the Middle East 1990–2016.
- <sup>20</sup> Forbes Middle East (25 November 2020). Arab Billionaires Added Nearly \$11B to their Fortunes.
- <sup>21</sup> D. Kallas (2022). In a Region Brought to Its Knees, Inequality Kills. Oxford: Oxfam International. <https://www.oxfam.org/en/blogs/region-brought-its-knees-inequality-kills>
- <sup>22</sup> N. Abdo and S. Almasri (2020). For a Decade of Hope Not Austerity in the Middle East and North Africa: Towards a Fair and Inclusive Recovery to Fight Inequality. Oxfam Policy & Practice. <https://policy-practice.oxfam.org/resources/for-a-decade-of-hope-not-austerity-in-the-middle-east-and-north-africa-towards-621041/>



- <sup>23</sup> M. Cammett and I. Diwan (2016). The Roll-Back of the State and the Rise of Crony Capitalism. *The Middle East Economies in Times of Transition*. Ishac Diwan and Ahmed Galal (eds), London: Palgrave Macmillan UK, 63–98. [https://doi.org/10.1007/978-1-137-52977-0\\_3](https://doi.org/10.1007/978-1-137-52977-0_3)
- <sup>24</sup> L. Assouad (2020). Inequality and Its Discontents in the Middle East. Carnegie Middle East Centre. [https://carnegieendowment.org/files/Assouad\\_Inequality.pdf](https://carnegieendowment.org/files/Assouad_Inequality.pdf); CEIC (2023). European Union Tax Revenue. <https://www.ceicdata.com/en/indicator/european-union/tax-revenue--of-gdp>
- <sup>25</sup> ILO/ERF (2022). Egypt COVID-19 Country Case Study. ILO/ADWA’/ERF. [https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms\\_838226.pdf](https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms_838226.pdf)
- <sup>26</sup> N. Abdo and S. Almasri (2020). For a Decade of Hope Not Austerity in the Middle East and North Africa.
- <sup>27</sup> Ibid.
- <sup>28</sup> IMF (2023). Tunisia: Request for Purchase Under the Rapid Financing Instrument-Press Release; Staff Report; and Statement by the Executive Director for Tunisia. *IMF Country Report* No. 2020/103. <https://www.imf.org/en/Publications/CR/Issues/2020/04/14/Tunisia-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-Report-49327>
- <sup>29</sup> United Nations Human Rights Treaty Bodies. UN Treaty Body Database. [https://tbinternet.ohchr.org/\\_layouts/15/treatybodyexternal/Download.aspx?symbolno=INT%2fCEDAW%2fNGO%2fEGY%2f46821&Lang=en](https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=INT%2fCEDAW%2fNGO%2fEGY%2f46821&Lang=en)
- <sup>30</sup> ILO/ERF (2022). Rapid Labor Force Survey on the Impact of COVID-19 in Morocco. ILO/ADWA’/ERF, [https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms\\_809431.pdf](https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms_809431.pdf)
- <sup>31</sup> N. Abdo and S. Almasri (2020). For a Decade of Hope Not Austerity in the Middle East and North Africa.
- <sup>32</sup> Forbes Middle East (25 November 2020). Arab Billionaires Added Nearly \$11B to their Fortunes.
- <sup>33</sup> General government gross debt (% of GDP), World Economic Outlook (April 2023), IMF. <https://www.imf.org/en/Publications/WEO/weo-database/2023/April>
- <sup>34</sup> Oxfam (2022). First Crisis, Then Catastrophe. Media briefing. <https://www.oxfam.org/en/research/first-crisis-then-catastrophe>
- <sup>35</sup> N. Abdo and S. Almasri (2020). For a Decade of Hope Not Austerity in the Middle East and North Africa.
- <sup>36</sup> Forbes Middle East (25 November 2020). Arab Billionaires Added Nearly \$11B to their Fortunes.
- <sup>37</sup> N. Abdo (2019). The Gendered Impact of IMF Policies in MENA: The case of Egypt, Jordan and Tunisia. Oxfam MENA. <https://policy-practice.oxfam.org/resources/the-gendered-impact-of-imf-policies-in-mena-the-case-of-egypt-jordan-and-tunisi-620878/>
- <sup>38</sup> ILO (2023). SDG indicator 8.3.1 - Proportion of informal employment in total employment (%); Available at: <https://ilostat.ilo.org/topics/informality/>. No data is available for Morocco.
- <sup>39</sup> N. Abdo (2019). The Gendered Impact of IMF Policies in MENA: The case of Egypt, Jordan and Tunisia.
- <sup>40</sup> IMF (2018). Public Wage Bills in the Middle East and Central Asia. <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2018/01/09/Public-Wage-Bills-in-the-Middle-East-and-Central-Asia-45535>
- <sup>41</sup> Poverty rate according to National Poverty line, World Development Indicators, World Bank. <https://databank.worldbank.org/source/world-development-indicators>
- <sup>42</sup> UN ESCWA (2021). Multidimensional poverty in Lebanon (2019-2021). [https://www.unescwa.org/sites/default/files/news/docs/21-00634-multidimensional\\_poverty\\_in\\_lebanon\\_policy\\_brief\\_en.pdf](https://www.unescwa.org/sites/default/files/news/docs/21-00634-multidimensional_poverty_in_lebanon_policy_brief_en.pdf)
- <sup>43</sup> ILO. World Social Protection Database, based on the Social Security Inquiry (SSI). <https://www.social-protection.org/gimi/WSPDB.action?id=15>
- <sup>44</sup> Egypt Social Progress Indicators (2022). <https://www.progressegypt.org/en/indicator.html#cash-transfer>
- <sup>45</sup> Social protection expenditure for Egypt is 9.5%, Morocco 4.5%, Iraq 7.6%, Jordan 9%. ILO. World Social Protection Database, based on the Social Security Inquiry (SSI). <https://www.social-protection.org/gimi/WSPDB.action?id=15>
- <sup>46</sup> UN ESCWA (2022). Inequality in the Arab Region: A Ticking Time Bomb. <https://publications.unescwa.org/2022/iar/sdgs/pdf/en/2200446-inequality-ticking-bomb-EN.pdf>
- <sup>47</sup> A. Kentikelenis et al. (2020). ‘Softening the Blow of the Pandemic: Will the International Monetary Fund and World Bank Make Things Worse?’ *The Lancet Global Health*, 8(6), e758–59; T. Stubbs and A.E.

- Kentikelenis (2018). 'Targeted Social Safeguards in the Age of Universal Social Protection: The IMF and Health Systems of Low-Income Countries'. *Critical Public Health*, 28(2), 132–9.
- <sup>48</sup> UNICEF MENA Regional Office (2015). Equity, Educational Access and Learning Outcomes in the Middle East and North Africa. [https://www.unicef.org/mena/media/6731/file/Equity.%20Educational%20Access%20and%20Learning%20outcomes%20in%20the%20Middle%20East%20and%20North%20Africa%20Region%20\(2015\).pdf%20.pdf](https://www.unicef.org/mena/media/6731/file/Equity.%20Educational%20Access%20and%20Learning%20outcomes%20in%20the%20Middle%20East%20and%20North%20Africa%20Region%20(2015).pdf%20.pdf)
- <sup>49</sup> S. Ille and M.W. Peacy (2019). 'Forced Private Tutoring in Egypt: Moving Away from a Corrupt Social Norm'. *International Journal of Educational Development*, 6, 105–18. <https://www.sciencedirect.com/science/article/pii/S0738059318303894#tbl0025>
- <sup>50</sup> V. Yee (2023). *In Egypt, public classrooms are empty as private tutors get rich*. *The New York Times*. <https://www.nytimes.com/2023/08/06/world/middleeast/egypt-public-schools-tutoring.html>
- <sup>51</sup> R. Mabrouki (2021). Marginalization and Collapse of the Public School in Tunisia.
- <sup>52</sup> Ministry of Education in Tunisia (2021). School Census. [http://www.edunet.tn/article\\_education/statistiques/stat2020\\_2021/stat\\_scolaire.pdf](http://www.edunet.tn/article_education/statistiques/stat2020_2021/stat_scolaire.pdf)
- <sup>53</sup> K. Abdous (2020). Privatisation de l'éducation au Maroc – Un système éducatif à plusieurs vitesses et une société polarisée (French). [https://issuu.com/educationinternational/docs/2020\\_eiresearch\\_morocco\\_final\\_fr?fr=sYzA4Zjc0MZU5Nw](https://issuu.com/educationinternational/docs/2020_eiresearch_morocco_final_fr?fr=sYzA4Zjc0MZU5Nw)
- <sup>54</sup> The World Bank and UNESCO (2022). Education Finance Watch 2022. <https://thedocs.worldbank.org/en/doc/e52f55322528903b27f1b7e61238e416-0200022022/related/EFW-2022-Jul.pdf>
- <sup>55</sup> The World Bank Data: <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?locations=TN-JO-MA-EG-IQ-LB>
- <sup>56</sup> The World Bank Data: <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS?locations=EG>
- <sup>57</sup> World Health Organization (WHO). The Global Health Observatory. [https://www.who.int/data/gho/data/indicators/indicator-details/GHO/population-with-household-expenditures-on-health-greater-than-10-of-total-household-expenditure-or-income-\(sdg-3-8-2\)-\(-\)](https://www.who.int/data/gho/data/indicators/indicator-details/GHO/population-with-household-expenditures-on-health-greater-than-10-of-total-household-expenditure-or-income-(sdg-3-8-2)-(-))
- <sup>58</sup> World Health Organization (WHO) Indicators: <https://www.who.int/data/maternal-newborn-child-adolescent-ageing/indicator-explorer-new/mca/out-of-pocket-health-expenses-as-percentage-of-total-health-expenditure>
- <sup>59</sup> Ministry of Education (2021). School Census. [http://www.edunet.tn/article\\_education/statistiques/stat2020\\_2021/stat\\_scolaire.pdf](http://www.edunet.tn/article_education/statistiques/stat2020_2021/stat_scolaire.pdf)
- <sup>60</sup> UN Women (2020). The Role of the Care Economy in Promoting Gender Equality. <https://arabstates.unwomen.org/en/digital-library/publications/2020/12/the-role-of-the-care-economy-in-promoting-gender-equality#view>
- <sup>61</sup> Ibid.
- <sup>62</sup> T. and A-S. Robilliard (2021). Half the Sky? The Female Labor Income Share in a Global Perspective.
- <sup>63</sup> N. Abdo (2019). The Gendered Impact of IMF Policies in MENA: The case of Egypt, Jordan and Tunisia.
- <sup>64</sup> J. Azour, P. Muthoora and G. Verdier (2020). Middle East Needs Fairer Taxes to Aid Growth and Ease Inequality. <https://www.imf.org/en/Blogs/Articles/2022/07/06/middle-east-needs-fairer-taxes-to-aid-growth-and-ease-inequality>
- <sup>65</sup> World Bank Open Data. Current Health Expenditure (% of GDP) - Middle East & North Africa (Excluding High Income). <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=XQ>
- <sup>66</sup> M. Mansour and E. M. Zolt (2023). Personal Income Taxes in the Middle East and North Africa: Prospects and Possibilities. IMF. <https://www.imf.org/en/Publications/WP/Issues/2023/02/17/Personal-Income-Taxes-in-the-Middle-East-and-North-Africa-Prospects-and-Possibilities-529963>
- <sup>67</sup> OECD (2021). Tax - Tax on Personal Income. <https://data.oecd.org/tax/tax-on-personal-income.htm>
- <sup>68</sup> M. Mansour and E. M. Zolt. (2023). Personal Income Taxes in the Middle East and North Africa.
- <sup>69</sup> Ibid.
- <sup>70</sup> Dalenda Houi Garin (2016). *La budgétisation sensible au genre*, ministère de l'Économie, des finances et de l'appui à l'investissement.
- <sup>71</sup> C. Enache (2023). Dividend Tax Rates in Europe. Tax Foundation. <https://taxfoundation.org/dividend-tax-rates-europe-2022/>

- <sup>72</sup> M. Mansour and E. M. Zolt. (2023). Personal Income Taxes in the Middle East and North Africa; Lebanon Introduced a 15% Tax on Capital Gains from Immovable Property Introduced in 2017. <https://taxsummaries.pwc.com/lebanon/corporate/other-taxes>
- <sup>73</sup> N. Abdo and S. Almasri (2020). For a Decade of Hope Not Austerity in the Middle East and North Africa.
- <sup>74</sup> Tunisian Finance Ministry (2022). Finance Law Annex 1, Report on the National Budget 2023, page 15  
The Tunisian Finance Ministry (2022), Finance Law Annex 7, Report on Public Debt, page 8
- <sup>75</sup> Ministry of Finance – Morocco , Finance Law, pages 8248, 8287
- <sup>76</sup> Ministry of Finance–Jordan (2022), Jordan Debt Quarterly Report (Fourth Quarter 2022). [https://www.mof.gov.jo/ebv4.0/root\\_storage/ar/eb\\_list\\_page/public\\_debt\\_quarterly\\_report\\_-\\_q\\_4\\_2022\\_.pdf](https://www.mof.gov.jo/ebv4.0/root_storage/ar/eb_list_page/public_debt_quarterly_report_-_q_4_2022_.pdf)
- <sup>77</sup> IMF (2017). First Review Under The Extended Arrangement Under The Extended Fund Facility And Requests For Waivers For Nonobservance And Applicability Of Performance Criteria – Press Release; Staff Report; And Statement by the Executive Director for the Arab Republic of Egypt. IMF Country Report No. 17/290; IMF (2023). Request For Extended Arrangement Under The Extended Fund Facility – Press Release; And Staff Report. IMF Country Report No. 23/2.
- <sup>78</sup> IMF (2015). Tunisia: 2015 Article IV Consultation, Sixth Review under the Stand-By Arrangement, and Request for Rephasing–Press Release; Staff Report; and Statement by the Executive Director for Tunisia. *IMF Country Report* No. 2015/285.
- <sup>79</sup> N. Abdo (2019). The Gendered Impact of IMF Policies in MENA: The case of Egypt, Jordan and Tunisia.
- <sup>80</sup> IMF (2023). Lebanon: Technical Assistance Report on Putting Tax Policy Back on Track. IMF. <https://www.imf.org/en/Publications/CR/Issues/2023/01/13/Lebanon-Technical-Assistance-Report-on-Putting-Tax-Policy-Back-on-Track-528121>
- <sup>81</sup> IMF (2019). Lebanon: 2019 Article IV Consultation–Press Release; Staff Report; Informational Annex and Statement by the Executive Director for Lebanon. IMF Country Report No. 17/290, page 13.
- <sup>82</sup> IMF (2023). Lebanon: Technical Assistance Report on Putting Tax Policy Back on Track.
- <sup>83</sup> World Bank Data (2023). Out-of-Pocket Expenditure (% of Current Health Expenditure). <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS?locations=LB>
- <sup>84</sup> E. Bou Sanaye and C. El Chamieh (2023). 'The Fragile Healthcare System in Lebanon: Sounding the Alarm about its Possible Collapse'. *Health Economics Review*. <https://doi.org/10.1186/s13561-023-00435-w>
- <sup>85</sup> Human Rights Watch (2023). 'Cut Off From Life Itself' – Lebanon's Failure on the Right to Electricity. <https://www.hrw.org/report/2023/03/09/cut-life-itself/lebanons-failure-right-electricity>
- <sup>86</sup> OECD (2023). Global Revenue Statistics. [https://stats.oecd.org/Index.aspx?DataSetCode=RS\\_GBL#](https://stats.oecd.org/Index.aspx?DataSetCode=RS_GBL#)
- <sup>87</sup> N.L. Almodóvar–Reteguis (2019). Where in the World Do Women Still Face Legal Barriers to Own and Administer Assets? World Bank. <https://blogs.worldbank.org/opendata/where-world-do-women-still-face-legal-barriers-own-and-administer-assets>
- <sup>88</sup> It should be noted that the tax on built property in Lebanon is progressive, with tax rates ranging from 4% to 14%. PWC (2023). Lebanon-Individual-Other Taxes. Individual - Other taxes. <https://taxsummaries.pwc.com/lebanon/individual/other-taxes>
- <sup>89</sup> Haute Instance des Finances Locales (2020). Annual Report. [http://www.collectiviteslocales.gov.tn/wp-content/uploads/2022/04/HIFL\\_Rapportannuel\\_2020.pdf?fbclid=IwAR2xPIAn\\_Q1oYAw3f9kj8Z\\_5g9yP4ov5zAp90Fd8FlwfpnauETJO\\_sE6LP8](http://www.collectiviteslocales.gov.tn/wp-content/uploads/2022/04/HIFL_Rapportannuel_2020.pdf?fbclid=IwAR2xPIAn_Q1oYAw3f9kj8Z_5g9yP4ov5zAp90Fd8FlwfpnauETJO_sE6LP8)
- <sup>90</sup> Morocco Finance Law 2023.
- <sup>91</sup> Egypt Finance Law 2023.
- <sup>92</sup> KPMG (2023). Corporate tax rates table. <https://kpmg.com/eg/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>
- <sup>93</sup> Journal Officiel de la République Tunisienne (2020). Loi de Finance de l'année 2021. [French]. <https://www.droit-afrique.com/uploads/Tunisie-LF-20211.pdf>
- <sup>94</sup> Orbitax (2017). Lebanon Increase VAT, Corporate Tax, and Other Tax Rates. <https://orbitax.com/news/archive.php/Lebanon-Increase-VAT-Corporat-26799>
- <sup>95</sup> K. Attia and S. Mechmech (2022). A Decade of Austerity. Al Bawsala. <https://www.albawsala.com/files/2022/11/A-decade-of-austerity-en-f.pdf>
- <sup>96</sup> Oxfam (2021). Fair Tax Monitor: Analyse du Système Fiscal Marocain. [French]. <https://www.oxfam.org/fr/publications/fair-tax-monitor-analyse-du-systeme-fiscal-marocain>

- <sup>97</sup> Tunisian Finance Ministry (2023). Réparation Des Ressources Financières: Les Indicateurs Economiques.[French]. <http://www.finances.gov.tn/fr/les-indicateurs/ressources>
- <sup>98</sup> Ibid.
- <sup>99</sup> Ministère de l'Economie et des Finances, Royaume Maroc (2022), Projet de Loi de Finances pour l'année budgétaire 2022, Rapport sur les dépenses fiscales, page 9.
- <sup>100</sup> Ibid., page 13.
- <sup>101</sup> Loi de finances n° 50-22 pour l'année budgétaire 2023. (2022, Morocco).
- <sup>102</sup> Tunisian Finance Ministry (2022). The Law Draft for the Finance Law 2023: the Report on Tax Expenditure and Financial Incentives, Annex 12, page 30.
- <sup>103</sup> The Tunisian Finance Ministry did not account for all tax incentives. Even for the ones identified, the Ministry only calculated the cost of around 70% of identified tax incentives (256 out of 339).
- <sup>104</sup> Ibid., page 33.
- <sup>105</sup> PWC. (2023). Corporate Tax credits and incentives for Lebanon. <https://taxsummaries.pwc.com/lebanon/corporate/tax-credits-and-incentives>
- <sup>106</sup> International Budget Partnership (2011). A Guide to Transparency in Public Finances Looking Beyond the Core Budget. <https://internationalbudget.org/publications/a-guide-to-transparency-in-public-finances-looking-beyond-the-budget/>
- <sup>107</sup> S. El-Khishin (2021). Financing Sustainable Development in Egypt. Debt Management in Egypt and Financing the Sustainable Development Goals. UN ESCWA. <https://publications.unescwa.org/projects/fsde/index.html#8>
- <sup>108</sup> A.H. Elalfy and M. Saad (2018). Impact of New Tax Amendments on Banks, SHUAA Securities Egypt. <https://enterprise.press/wp-content/uploads/2018/11/181124-Egypt-Banks-Sector-En.pdf>
- <sup>109</sup> Orbitax (2023). Egypt - Orbitax Country Chapters. <https://orbitax.com/taxhub/countrychapters/EG/Egypt/7890123caa2f4bbc950c93677678bece/Corporate-Income-Tax-588>.
- <sup>110</sup> S. Mechmech (2020). The Tunisian Tax Administration: A Broken-Down Instrument. Al Bawsala. <https://budget.marsad.tn/ar/blog/reports/2020/tax-aministration>
- <sup>111</sup> Oxfam (2021). Fair Tax Monitor: Analyse du système fiscal marocain. [French]. <https://www.oxfam.org/fr/publications/fair-tax-monitor-analyse-du-systeme-fiscal-marocain>
- <sup>112</sup> A. Bifani, K. Daher, L. Assouad and I. Diwan (2021). Which Tax Policies for Lebanon? Lessons from the Past for a Challenging Future. Arab Reform Initiative. <https://www.arab-reform.net/publication/which-tax-policies-for-lebanon-lessons-from-the-past-for-a-challenging-future/>
- <sup>113</sup> Ibid.
- <sup>114</sup> The Financial Tribune (2018). Lebanon Loses Billions to Tax and VAT Evasion. <https://financialtribune.com/articles/world-economy/92632/lebanon-loses-billions-to-tax-and-vat-evasion>
- <sup>115</sup> A. Bouzaïene (2021). La Justice Fiscale en Tunisie, un Idéal Piétiné par les Politiques D'endettement. [French]. <https://cajif.org.tn/publications/la-justice-fiscale-en-tunisie-un-ideal-pietine-par-les-politiques-dendettement-amine-bouzaïene-friedrich-ebert-stiftung/>
- <sup>116</sup> S. Mechmech (2020). The Tunisian Tax Administration: A Broken-Down Instrument; A. Bifani, K. Daher, L. Assouad and I. Diwan (2021). Which Tax Policies for Lebanon?
- <sup>117</sup> Oxfam (2020). La Justice Fiscale En Tunisie, Un Vaccin Contre L'austerité. [French]. <https://www.oxfam.org/fr/publications/la-justice-fiscale-en-tunisie-un-vaccin-contre-lausterite>
- <sup>118</sup> Y. Khodary (2018). Illicit Financial Flows and Tax Reforms In Egypt, Mapping of the Literature and Synthesis of the Evidence. Partnership for African Social and Governance Research (PASGR). <https://www.pasgr.org/wp-content/uploads/2018/09/Egypt-Illicit-Financial-Flows-Report-1.pdf>
- <sup>119</sup> Oxfam (2022). The Effect of the OECD's Pillar 1 Proposal on Developing Countries – An Impact Assessment. [https://webassets.oxfamamerica.org/media/documents/Pillar\\_1\\_impact\\_assessment\\_v2\\_25JAN2022.pdf?\\_gl=1\\*1kotilp\\*\\_ga\\*MTgyNTU2NDIyNy4xNjkwNTU2MTU5\\*\\_ga\\_R58YETD6XK\\*MTY5MDC00TA0Mi4zLjAuMTY5MDC00TA0Mi42MC4wLjA](https://webassets.oxfamamerica.org/media/documents/Pillar_1_impact_assessment_v2_25JAN2022.pdf?_gl=1*1kotilp*_ga*MTgyNTU2NDIyNy4xNjkwNTU2MTU5*_ga_R58YETD6XK*MTY5MDC00TA0Mi4zLjAuMTY5MDC00TA0Mi42MC4wLjA)
- <sup>120</sup> A. Yaiche (2019). La Discrète Révolution Des Prix de Transfert En Tunisie: Quel Impact Pour Les Groupes Tunisiens? ilboursa.com. <https://www.ilboursa.com/analyses/chronique-la-discrete-revolution-des-prix-de-transfert-en-tunisie-quel-impact-pour-les-groupes-tunisiens>

- <sup>121</sup> Based on Wealth-X data (see methodology note for this paper: <https://policy-practice.oxfam.org/resources/the-middle-east-and-north-africa-gap-prosperity-for-the-rich-austerity-for-the-621549/>). The 10 countries are: Morocco, Egypt, Lebanon, Jordan, Kuwait, Oman, Bahrain, Qatar, Saudi Arabia and the United Arab Emirates.
- <sup>122</sup> Data on government education expenditure is from UNESCO Institute of Statistics. Its availability depends on the latest year the data has been published for (latest year by country: Egypt 2020; Iraq 2016; Jordan 2019; Lebanon 2019; Morocco 2020; Tunisia 2016). <http://data.uis.unesco.org/index.aspx?queryid=3865>. Data on Health Expenditure is from WHO, and is available for 2020 for all countries. <https://apps.who.int/nha/database/Select/Indicators/en>
- <sup>123</sup> A. Kentikelenis and T. Stubbs (2023). IMF Social Spending Floors: A Fig Leaf for Austerity? Oxford: Oxfam International. <https://policy-practice.oxfam.org/resources/imf-social-spending-floors-a-fig-leaf-for-austerity-621495/>
- <sup>124</sup> A. Kentikelenis and T. Stubbs (2023). *A Thousand Cuts: Social Protection in the Age of Austerity*. New York: Oxford University Press.

# OXFAM

Oxfam is an international confederation of 21 organizations, working with its partners and allies, reaching out to millions of people around the world. Together, we tackle inequalities to end poverty and injustice, now and in the long term – for an equal future. Please write to any of the agencies for further information or visit [www.oxfam.org](http://www.oxfam.org)

Oxfam America ([www.oxfamamerica.org](http://www.oxfamamerica.org))

Oxfam Aotearoa ([www.oxfam.org.nz](http://www.oxfam.org.nz))

Oxfam Australia ([www.oxfam.org.au](http://www.oxfam.org.au))

Oxfam-in-Belgium ([www.oxfamsol.be](http://www.oxfamsol.be))

Oxfam Brasil ([www.oxfam.org.br](http://www.oxfam.org.br))

Oxfam Canada ([www.oxfam.ca](http://www.oxfam.ca))

Oxfam Colombia ([lac.oxfam.org/countries/colombia](http://lac.oxfam.org/countries/colombia))

Oxfam France ([www.oxfamfrance.org](http://www.oxfamfrance.org))

Oxfam Germany ([www.oxfam.de](http://www.oxfam.de))

Oxfam GB ([www.oxfam.org.uk](http://www.oxfam.org.uk))

Oxfam Hong Kong ([www.oxfam.org.hk](http://www.oxfam.org.hk))

Oxfam Denmark ([www.oxfam.dk](http://www.oxfam.dk))

Oxfam India ([www.oxfamindia.org](http://www.oxfamindia.org))

Oxfam Intermón (Spain) ([www.oxfamintermon.org](http://www.oxfamintermon.org))

Oxfam Ireland ([www.oxfamireland.org](http://www.oxfamireland.org))

Oxfam Italy ([www.oxfamitalia.org](http://www.oxfamitalia.org))

Oxfam Mexico ([www.oxfammexico.org](http://www.oxfammexico.org))

Oxfam Novib (Netherlands) ([www.oxfamnovib.nl](http://www.oxfamnovib.nl))

Oxfam Québec ([www.oxfam.qc.ca](http://www.oxfam.qc.ca))

Oxfam South Africa ([www.oxfam.org.za](http://www.oxfam.org.za))

KEDV ([www.kedv.org.tr](http://www.kedv.org.tr))