

Comments on EU's migration aid to Lebanon in Al Monitor, 10 May 2024

Dr. Nasser Saidi's comments on EU's migration aid to Lebanon appeared in the article titled "[Fears mount EU's \\$1.1B migration aid to Lebanon will feed political corruption](#)" in Al Monitor's 10th May 2024 edition. The comments are posted below.

The 1 billion euros (\$1.08 billion) in financial aid that the EU announced to Lebanon last week will fall short of expectations, according to the Middle Eastern nation's former economic minister, Nasser Saidi. In an interview with Al-Monitor, Saidi said that the financial package will not achieve its objective of ensuring the country's stability and stemming migration to Europe; rather, it will fuel government corruption.

No plan for funds

Saidi, who served as Lebanon's minister of economy and trade and minister of industry between 1998 and 2000, highlighted, however, that the aid had not been subject to cabinet discussion or scrutiny.

"There is no plan as to how the 1 billion euros will be used, how the funds will be allocated, indication of spending priorities, etc.," Saidi, who now runs Nasser Saidi & Associates, an economic advisory firm out of Dubai, told Al-Monitor. He added that there has been no audit of past aid received since 2011 or of how the IMF SDR (special drawing rights, a type of IMF currency) allocation was utilized. As a result, there has been no accountability, he said.

"The absence of transparency and disclosure, of governance, the lack of accountability means that the EU funds will fuel continued corruption and enrich politicians without contributing to the purported objective of contributing to Lebanon's socioeconomic stability," Saidi said.

"It will do little to help the EU achieve its stated policy of controlling the influx of refugees and migrants into the EU, while supporting a failed state in Lebanon and its corrupt politicians," Saidi added.

The EU has provided more than 3 billion euros in support to Lebanon since 2011, including 2.6 billion euros it said was to support Syrian refugees and host communities there.

"Despite the billions in aid, Lebanon has not developed any structured policy, and [it has] displayed incompetence and lack of effectiveness in dealing with Syrian refugees and displaced," Saidi said. "This can be contrasted with the experience of Jordan and Turkey, which have effectively managed to deal with the influx of refugees and displaced."

Lebanon is going through the fifth year of its third-deepest recession in its history. The UN estimates that 80% of the population lives in poverty.

"The polycrisis is not due to a natural disaster or war. It results from deliberate monetary, exchange rate and financial policies undertaken by the central bank that led to the collapse and meltdown of the banking and financial system," said Saidi.

The former minister said that successive governments have done little to address the underlying causes or implement the necessary economic reforms to help the country recover from its financial malaise. He accused the EU deal of undermining the international consensus that Beirut must make these reforms before receiving aid. Saidi said that Lebanon's political establishment will note that, given the war in Gaza

and the violence in south Lebanon, they are offered international aid without having to undertake reforms, perpetuating the polycrisis.

For example, he said the Lebanese government showed a lack of transparency around how it spent the unprecedented IMF SDR allocation (over \$1.135 billion in 2021), which was intended to shore up its depleted international reserves but was “squandered on generalized subsidies and ended up financing smuggling activities.”

“Arab world needs a regional development bank as it continues to tally the cost of war”, Op-ed in The National, 26 Oct 2023

The article titled [“Arab world needs a regional development bank as it continues to tally the cost of war”](#) appeared in the print edition of The National on 26th October 2023 and is posted below.

Arab world needs a regional development bank as it continues to tally the cost of war

Focus needed on post-war stabilisation, recovery and reconstruction and the pre-war economic legacy

Nasser Saidi

We are in the third week of the Israel-Gaza war with a growing risk of it becoming yet another drawn-out battle that will leave severe economic scars.

This and previous wars mean horrendous loss of life and human capital, forced migration and displacement, destruction of infrastructure, housing, businesses and productive capacity, of cuts to public utilities, water, power, fuel – all threatening the survival of the remaining population. Overpopulated Gaza is already “de-developed” and deconstructed.

The International Monetary Fund’s September report on Gaza highlighted the calamitous situation in the enclave before the current war. Gaza’s real gross domestic product growth averaged just 0.4 per cent during 2007-22, with real GDP per capita declining at an annual average rate of 2.5 per cent.

By 2022, per capita income in the West Bank was four times higher than in Gaza, reflecting the blockade and recurrent wars resulting in little trade and investment. Unemployment was as high as 45 per cent in 2022 and 53 per cent of the population lived below the poverty line.

By contrast, Israel’s per capita income was eight times higher than in the West Bank and Gaza.

Reconstruction was one of the only “growth” sectors: in 2022, between \$345 million and \$485 million was required for immediate and short-term recovery and reconstruction needs in Gaza.

Israel’s policy of economic warfare against Gaza has been very costly.



Will the current war engulf Lebanon, Syria, Iran, Iraq and the Gulf? We don’t know yet.

Past wars have disfigured the Middle East. Beyond the human

cost and war-related destruction of physical assets, war-affected countries witnessed a sharp contraction in economic activity, as well as fiscal, current account and balance of payments deficits, currency crises and high inflation.



They also faced sector-specific collapses – tourism, trade, manufacturing, weaker financial systems – along with a diversion of resources to the military and build-up of military assets at the expense of economic and social development.

Wars result in large-scale displacement of populations and forced migration, with the Mena region already hosting (end-2022) about 2.4 million refugees, in addition to about 12.6 million internally displaced persons, according to the UN refugee agency.

More displacement will put severe strain on the hosting nations' budgets and finances as well as their socioeconomic-political stability.

A collapse in investor confidence in the conflict and neighbouring nations results in lower domestic and foreign direct investment flows. An estimate of the opportunity costs in financial, economic, social, political, military, environmental and diplomatic terms for the entire region for the period 1991-2015 is a staggering \$15 trillion.

With the global economy tentatively recovering from the aftermath of the Covid-19 pandemic, the Russia-Ukraine war, high inflation and slow growth, the continuing war generates greater global geo-economic-political risk and uncertainty.

Global markets have already reacted. Safe-haven assets, including the dollar and gold, gained, while credit default swaps on Middle Eastern nations' debt (including Saudi Arabia and Qatar) have spiked.

The current surge in oil prices could accelerate with a further escalation or broadening of the war, with the Middle East accounting for more than one third of the world's seaborne oil trade and the Suez Canal about 15 per cent of world trade.

An oil and commodity shock resulting from the likely disruption in transport and logistics would cut growth and raise inflation rates. A scenario emerges of continued monetary policy tightening by central banks, slower credit growth (affecting both households and businesses alike), increased refinancing risks and, potentially, debt crises or defaults and a global recession.

The future is clouded by the fog of war. A priority is to address humanitarian concerns: amid the massive human toll, Gaza's citizens run the risk of starvation and the spreading of diseases without access to water, food, health care and electricity.

We need to go beyond, to postwar stabilisation, recovery and reconstruction from the destruction wrought by the war and prewar economic legacy. It took 20 years after the Lebanese civil war for real GDP to recover to its prewar level, seven years in Kuwait after the Gulf War.

In the case of Gaza, there is still no consensus what a postwar Gaza would look like. With its economy intrinsically tied to Israel, and the lack of its own (or stand-alone) fiscal, financial or infrastructure resources begs the question of how postwar recovery would be undertaken.

This is a time to develop a new vision for the Mena region. In a multipolar world, the Arab world needs to take the initiative to set up an Arab Bank for Reconstruction and Development (ABRD), backed by the GCC.

Unlike other regions, Mena lacks a regional development bank. This is the historic moment to set up the ABRD given the need

for reconstructing places already devastated by war and violence, such as Palestine, Iraq, Syria, Lebanon, Libya, Sudan and Yemen.

The ABRD would be set up by the region's sovereign wealth funds and existing development funds.

Prior to the latest Israel-Gaza war, a rough estimate of the cost of development and reconstruction of the region's countries destroyed by war and violence was upwards of \$1.5 trillion, to which must be added the massive costs of reconstructing Gaza.

A New Approach to MENA's Refugee Crisis, Project Syndicate Article, Jul 2018

The article titled "A New Approach to MENA's Refugee Crisis", was first published on Project Syndicate on 10 July 2018, and can be directly accessed [here](#). The [Arabic](#) and [French](#) versions of the article have also been published.

There are now more people displaced by conflict than at any time since World War II, and violent conflict in the Middle East and North Africa accounts for the majority of today's refugees. With no evidence that the fighting will end anytime soon, host countries and major donors must adjust their aid accordingly.

The human toll from violence in the Middle East and North

Africa (MENA) has reached [historic proportions](#). Since 2000, [an estimated 60%](#) of the world's conflict-related deaths have been in the MENA region, while violence in Iraq, Libya, Syria, and Yemen continues to displace millions of people annually.

For countries hosting refugees from these conflicts, the challenges have been acute. According to a [2016 report](#) by the International Monetary Fund, MENA states bordering high-intensity conflict zones have suffered an average annual GDP decline of 1.9 percentage points in recent years, while inflation has increased by an average of 2.8 percentage points.

Large influxes of refugees put downward pressure on a host country's wages, exacerbating poverty and increasing social, economic, and political tensions. And yet most current aid strategies focus on short-term assistance rather than long-term integration. Given the scale and duration of MENA's refugee crisis, it is clear that a new approach is needed, one that shifts the focus from temporary to semi-permanent solutions.

To accomplish this, three areas of refugee-related support need urgent attention. First, donor countries must do more to strengthen the economies of host states. For example, by buying more exports from host countries or helping to finance health-care and education sectors, donors could improve economic conditions for conflict-neighboring states and, in the process, create job opportunities for refugees.

For this to pay off, however, host countries will first need to remove restrictions on refugees' ability to work legally. Allowing displaced people to participate in formal labor markets would enable them to earn an income, pay taxes, and eventually become less dependent on handouts as they develop skills that eventually can be used to rebuild their war-ravaged countries.

Employment might seem obvious, but most MENA host countries currently bar refugees from holding jobs in the formal sector (Jordan is one exception, having issued [some 87,000 work permits](#) to Syrian refugees since 2016). As a result, many refugees are forced to find work in the informal economy, where they can become vulnerable to exploitation and abuse.

But evidence from outside the region demonstrates that when integrated properly, refugees are more of a benefit than a drain on host countries' labor markets. For example, a [recent analysis](#) by the Refugee Studies Centre at the University of Oxford found that in Uganda, refugee-run companies actually increase employment opportunities for citizens by significant margins.

A second issue that must be addressed is protecting refugees' "identity," both in terms of actual identification documents and cultural rights. For these reasons, efforts must be made to improve refugees' digital connectivity, to ensure that they have access to their data and to their communities.

One way to do this would be by using blockchain technology to secure the United Nations' refugee registration system. This would strengthen the delivery of food aid, enhance refugee mobility, and improve access to online-payment services, making it easier for refugees to earn and save money.

Improved access to communication networks would also help refugees stay connected with family and friends. By bringing the Internet to refugees, donor states would be supporting programs like "[digital classrooms](#)" and online health-care clinics, services that can be difficult to deliver in refugee communities. Displaced women, who are often the most isolated in resettlement situations, would be among the main beneficiaries.

Finally, when the conflicts end – and they eventually will – the international community must be ready to assist with

reconstruction. After years of fighting, investment opportunities will emerge in places like Iraq, Syria, and Sudan, and for the displaced people of these countries, rebuilding will boost growth and create jobs. Regional construction strategies could reduce overall costs, increase efficiencies, and improve economies of scale.

In fact, the building blocks for the MENA region's postwar period must be put in place now. For example, the establishment of a new Arab Bank for Reconstruction and Development would ensure that financing is available when the need arises. This financial institution – an idea I have [discussed elsewhere](#) – could easily be funded and led by the Gulf Cooperation Council with participation from the European Union, China, Japan, the United States, the Asian Infrastructure Investment Bank, and other international development actors.

With this three-pronged approach, it is possible to manage the worst refugee crisis the world has experienced in decades. By ensuring access to work, strengthening communication and digital access, and laying the groundwork for post-war reconstruction, the people of a shattered region can begin planning for a more prosperous future. The alternative – short-term aid that trickles in with no meaningful strategy – will produce only further disappointment.