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"Pandemic, institutional stability, and socio-economic development: where does state failure come from and what about early warning signals of socio-political crisis? A cross-country comparison"

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A thesis submitted for the Joint Master degree in

Global Economic Governance & Public Affairs (GEGPA)

Academic year
2021 – 2022

June 2022

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Reviewer: Cristina Fasone

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11/06/2022 Jacopo Giani

ACKNOWLEDGMENTS

Firstly, I would like to express my gratitude for my family. My grandparents, source of inspiration and first ones to believe in me helping me to start this journey. My parents and little brother Ettore, for relieving me from the weight that sometimes life can have and always being supportive. Ancilla, Erminia, Eugenio, Gaetano, Lorenzo, Patrizia, and Renato, for showing support sponsoring my studies, and the rest of my family for always been there when needed.

In the second place, I would like to express my appreciation to my mentor, Professor Bouchet, for showing me a side of this world that I never knew, but that hit me giving me the passion needed to complete this work. The knowledge he shared will always be part of me.

To Lucia, source of inspiration and tranquillity, for making me believe in myself and discover true love and interest. These months would have not been the same without you. I will always be grateful for having had the opportunity to share this journey with you. I hope to share my whole life with you.

Finally, to Edoardo and Lorenzo, the best friends that this world could give me, for always been there for me and with me, in the good and tough times. Your love and support warmth my heart in the cold days.

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INTRODUCTION

The world we live in is the product of the run to the integration started after the Second World War and accelerated through the digitalization process. As of today, this integration is almost complete and it can be witnessed in many fields, from the decision-making process to the consumption behaviours of the citizens, from the financial sphere to the health one.

In these regards, it is possible to see how integration brought the need in decision makers to always pay attention to the surrounding world, in order not be behind other countries. At the same time, it created the need in the citizens to be able to purchase products that have never been seen in their countries before, just because the internet and the media showed them the existence of such goods. On the financial side, it created a bigger market, that in a first phase was led by deregulation, but had to get regulated after crises experiences demonstrated the need for intervention in the markets. What has been left behind is the health. In this sense, the Covid-19 pandemic showed how this new way to live follows the dualistic concept of risk, including both an opportunity and a threat.

This last point about the non-preparation of the world has been proved by how the pandemic was able to hit under all the points of view. The financial sphere got hit as demonstrated by the unsustainability of debt in the short-term. The institutional sphere suffered stresses that have never been considered before, with high unsatisfaction in the citizens. Under the socio-economic point of view, growth and social inclusion had to leave space to stagnation and social reclusion, due to the restriction to mobility of goods and people.

Considering the already non-ideal conditions where many countries were finding themselves before the pandemic, this shock had strong consequences on both developed and developing countries. This context gave birth to new concerns, namely: how prone are weak countries to become weaker and, eventually fail? Where do these weaknesses come from? And what about early signals of crises in those countries which institutions and markets have lower resilience?

1. CHAPTER I: The effects of the pandemic on the international context

The pandemic, as all the external shocks to the economy and the society, had a huge impact on the international context, both under an economic and a social development point of view. As emerges from different studies made since the Covid-19 outbreak, the magnitude and the immediacy of the effects of a shock can be various, based on the field they touch. The worldwide sanitary crisis suddenly emerged while many countries, both developed and developing, had hardly recovered from the global financial crisis, hence suffering from substantial institutional weaknesses. This is particularly the case of Maghreb and Middle East countries.

The aim of this chapter is to find what impact the pandemic had on sovereign debt, institutional stability, and socio-economic development worldwide, with a focus on Emerging Market Countries. This focus will help to find how this kind of states undergo to such stresses and, eventually, help giving a better response to these external shocks in the future. The contribution to the literature from this chapter is going to be the holistic approach used to tackle the different effects that the pandemic had on the three main affected spheres.

1.1. Effects on debt

While some studies have discussed the effect of the pandemic on corporate debt (Aldasoro, Hardy, and Tarashev 2021; Brunnermeier and Krishnamurthy 2020), this subchapter aims to discuss the public debt situation. It comes without saying how, in the world we live in, the financial condition of a country gives a nitid image of the state of health of it. In this regards, IMF (2021a, 2021b) analyses the implications of the pandemic debt build-up on fiscal policies, yet not assessing how this new wave of debt has a global and integrated dimension. Focusing on the developing and emerging market economies, the Finance & Development published, in September 2020, a very interesting study on the possibility that debt distress may spill-over in defaults in many of these countries (Bulow et al. 2020). Moreover, in November 2021 a comprehensive study on the origin of the actual debt situation (Kose et al. 2021b) came out in form of the World Bank publication "What Has Been the Impact of COVID-19 on Debt? Turning a Wave into a Tsunami." Even though the publication shows a complete picture of the debt condition, the focus is mainly on where it comes from, giving few information about a way forward.

To better understand the international debt context, it is important to underline how, in the history of the last century, there have been different debt waves. According to the World Bank, the last half century has been characterised by four waves of debt (Kose et al. 2021a). While the first three show more similarities between each other, the fourth wave, still ongoing, has some unique characteristics, also considering the actors involved. The first debt wave started in 1970 and ended in 1989, bringing to crises in Latin America and low-income countries. The second debt wave took place between 1990 and 2001, with the East Asian financial crisis and its aftermath. The third debt wave was between 2002 and 2009, interesting the ECA region (Europe & Central Asia). All these crises had a resolution, leaving signs in each of the countries that suffered them, but having the possibility to effectively dissolve with the time. The fourth wave started in 2010, involving EMDEs (Emerging Markets and Developing Economies), excluding China. This wave presents some unique traits if compared to the previous ones. The first big difference is in the size and speed of the proliferation of the debt deterioration, as this wave was able to reach an extension never seen before, also due to the higher integration of the financial system. The second, and most important to the aim of this thesis, difference of this fourth wave, stays in the expected resilience of the global financial system and the better preparation it was expected to have. While the first three waves involved growing and deregulated systems, this last wave is impacting in a regulated and supposed-to-be prepared economic texture. When looking at data in these regards, it is evident that the global financial architecture has changed since the debt restructuring saga of the 1980s and 90s (Bouchet 2022). Since then, the lending structure changed a lot, as the share of non-Paris Club creditors (e.g., China and India), as well as private bondholders and investment funds, grew a lot (ibid). Looking at China as an example for this, in the last two decades it was able to become the lending leader in Sub-Saharan Africa. As of 2020, China was holding 62% of the region's bilateral external debt, coming from a 2% in 2000 (Bertrand and Zoghely 2021). Two thirds of the lending provided by China, accounting for 140 billion US dollars, are mainly concentrated between seven countries: Angola, Ethiopia, Zambia, Kenya, Nigeria, Cameroon, and Sudan (ibid). These methods are an obstacle to the debt reduction schemes that international organizations would like to apply, as they are characterized by opacity, and mostly backed by natural resources and state-owned activities (Bouchet 2022).

This preconcepts create the floor to understand how, under a certain point of view surprisingly, this fourth wave was not absorbed fast enough in order not to be exacerbated by the pandemic. It was due to the Covid-19 outbreak, in fact, that the fourth debt wave became a tsunami (Kose et al 2021b).

Moving to how the pandemic affected the already bad debt situation, there are three main reasons why it can be said that the fourth wave of debt is even more dangerous now. First of all, the Covid-19 crisis put countries' Central Banks in the position of putting in act unprecedent monetary and fiscal policies, due to the high pressure the markets were making on the citizens. This opens the floor to the second point, namely the low labour force use during the pandemic, due to the different restrictions to the mobility in order to contain the diffusion of the virus. In this context, the countries found themselves in the impossibility to collect the expected taxes, bringing the need of extra effort from the Central Banks. While this intervention from the Central Banks was needed to absorb the short-term shock to the consumptions, the long-term effects of such policies are going to hit their debts (ibid). A prove of this can be seen in the global debt to GDP ratio evolution along these last years. The low productivity during the pandemic and the high debt needed to pursue such policies brought the global ratio to deterioration. According to the Institute of International Finance (IIF), the global debt reached over 300 trillion USD for the first time, driven by the United States, China, and the emerging economies. While looking at the global debt to GDP ratio, making a weighted average between the IIF, IMF, BIS, and national sources, right after the pandemic it skyrocketed from 320% to over 360%. (Fig.1)

What just stated, in addition to the low growth expectations, and the precarious international equilibriums, makes the theory of Kose about the debt wave becoming a tsunami even more actual. Implementing to this external shock the Russia-Ukraine situation, it comes without saying how the international context is going to be challenged in the next years.

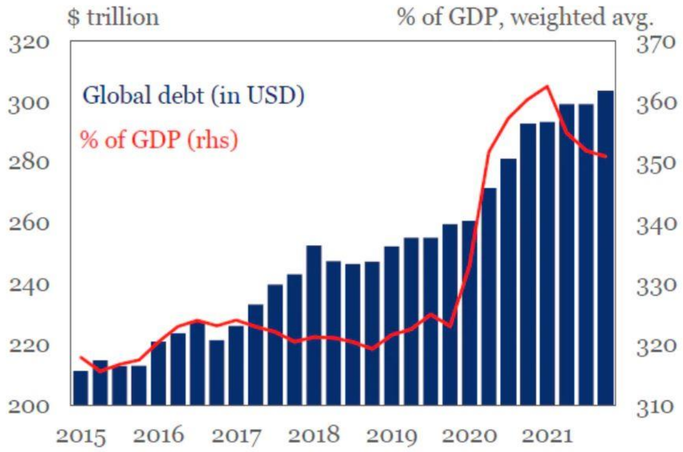

Figure 1. Total global debt and percentage of the debt to the GDP. Source: Reuters, 2022. Based on IIF, IMF, BIS, national sources.

1.2. Effects on institutional stability

Looking at the effects of the pandemic on the institutional stability, there is a lack in the literature. Rather than giving a clear definition or study on the institutional stability in particular, international organizations and academics tent to link it with financial and socio-economic stability. In order to have a clear idea of this part, it may be useful to look at cases from different countries, to better understand how the pandemic affected their institutional systems. To do so, this subchapter will give examples of answer to the Covid-19 crisis both for advanced economies, and for emerging markets and developing economies, following the OECD (2021) study on the territorial impact of Covid-19 and national sources. The division of the two categories will follow the IMF (2012) classification that divides the countries in two major groups, mainly based on per capita income level, export diversification, and degree of integration in the global financial system. Another important tool that will be taken in consideration is the Oxford Covid-19 Government Response Tracker (OxCGRT). This covers more than 180 countries, tracking the policies put in act since January 1st, 2020, coding 23 indicators, such as school closures, travel restrictions, and vaccination policy to have an idea of the effectiveness (Hale et al 2021).

It comes without saying that external shocks like the pandemic, inevitably have repercussions also on the institutional strength of the countries involved. In this case, the whole world has been involved, with some states that suffered more and others less. While looking at the institutional stability, it is important to underline how, to be as comprehensive as possible, this involves the health system, the education system, and the government's choices effectiveness.

Starting with the comparison between the so-called advanced economies and emerging markets and developing economies (IMF 2012), it has been proven how there is a negative correlation between stringency of lockdown measures and other strong choices from the government and number of cases (Çakmaklı et al 2022). It becomes easy to see how the more one moves to advanced economies, the more the institutional strength already present can help with the effectiveness of the measures taken. An example of this can be Canada, that thanks to its preparation after the SARS crisis and the independence on monetary and fiscal policies, mixed with the high value given to the welfare system, was able to manage the pandemic in a better way than the "neighbours" (the United States). Said this, also states like Canada had to deal with popular unsatisfaction due to the stringent choices taken, and this is where the institutional strength starts playing a central role. Moving to emerging markets and developing economies, when the political system is a democratic system, the difficulties start. The already weak infrastructure, mixed with insufficient preparation of the health and education systems, bring the institutional strength lower and lower, with the risk of rebellion from the citizens. Even though this rebellion did not happen to spill over in revolutions, the trust of the population on the government and the institutions goes to the minimum. There have been examples of huge problems, like in Colombia, where death corpses were left in the streets and the government response was insufficient if not absent. When the political system becomes an authoritarian system, the lack of transparency of data and the normality of repression and inability of decisions from the citizens play a fundamental role in making the institutions look better. Nonetheless, this strength is only a façade, and may bring to worse consequences.

Said this, it would be superficial to say that this is enough to address the effectiveness of institutions in these different groups of countries. Even though what just mentioned is important to underline, the OECD (2021) gives a list of ten recommendations in order to strengthen the institutional conditions of states and be able to prepare the states to the next possible challenges:

- Ensure safe and fair access to vaccines across regions within countries through effective coordination mechanisms between national and subnational governments. (OECD 2021)
- Consider adopting a “place-based” or territorially sensitive approach to recovery policies. (ibid)
- Support cooperation across municipalities and regions to help minimise disjointed responses and competition for resources during a crisis. (ibid)
- Strengthen national and subnational-level support to vulnerable groups to limit further deterioration in circumstances and to strengthen inclusiveness in the recovery phase. (ibid)
- Avoid withdrawing abruptly fiscal support. (ibid)
- Ease administrative burden on core regional and local services and those helping SMEs and the self-employed. (ibid)
- Coordinate public investment recovery packages across levels of government. (ibid)
- Balance short-term stimulus objectives with long-term priorities (e.g., sustainability, resilience, smart infrastructure). (ibid)
- Support subnational public investment over the medium-term to avoid the massive cuts that occurred after the 2008 crisis. (ibid)
- Reconsider regional development policy to build more resilient regions, better able to address future shocks. (ibid)

1.3. Effects on socio-economic development

To complete the picture of the impacts of the pandemic on the international context, it is needed to address the effect that it had on the social and economic sphere. More in detail, what can give a nitid image of the overall impacts is how it affected the socio-economic development. The concept of development provided by the United Nations is broad. As stated in the first paragraph of the Agenda for Development (A/RES/51/240, UN 1997), development is one of the main priorities of the United Nations and it is needed to achieve a better quality of life for all people. When talking about development, the United Nations includes social development, economic growth, and environmental protection as crucial to reach their goals. In this context, the Sustainable Development Goals provided by the UN are the brighter example of how interrelated these topics are. In this sense, since the pandemic, the literature is mainly composed of international organizations' studies, also based on national agencies reports. Another interesting source of information is the early study made in June 2020 (Nicola et al. 2020) about the socio-economic implications of the pandemic, even if the fact that it was written only three months after the Covid-19 outbreak makes it for some extent out to date. To start the analysis of the effects, it is needed to underline how the United Nations Development Programme provides a useful tool to address the socio-economic impacts: the SEIA (Socio Economic Impact Assessment).

Dividing the two aspects of this study, the social and the economic one, it has been recognized that while the second one was expected since the first moment to be a worldwide problem that would have affected the whole economy, the first one is something more tailored, that needs to be seen country by country. This comes from the big integration of the economic system, where a shock in a country can create a domino effect that is going to affect all the other economies linked to it. When talking about the social aspect, the storytelling changes. Each country has to face different challenges under the social point of view, as different backgrounds bring different issues to the table. Even if we take as an example the European Union, that is supposed to be a unite entity, of course the economic point of view must be tackled as a whole, but the social one presents huge differences between the states. Different levels of unemployment, education, democratic representation, and welfare make the interventions from the states different.

Finally, the impact that the pandemic had on the international socio-economic development is huge and, as shown by the SEIAs made in different countries, needs to be tackled as first priority. The first explicit effect came as a consequence of the sad but true trade-off between health and economic response (UNDP 2020a). States needed to act promptly to the health crisis and the upcoming economic one, creating, as stated in the subchapter on the effects on debt, a short-term answer that may have long-term implications. This brought to the attention of the public the cuts that many states had made on the health system to foster economic growth, triggering a double bad effect. The second explicit outcome of this crisis is the regression that it had on the hard-to-reach SDGs (UNDP 2020b). This had very bad consequences on many aspects of the socio-economic progresses made in the past years, as out of the seventeen SDGs fourteen are linked either to social or economic development. The third and last evident negative impact useful for the research is the slowdown of economic growth, that emphasizes the secular stagnation the world is witnessing. This low, if not close to zero, growth has a huge impact also on the social sphere, as there is no way to foster social development in absence of resources.

To summarize and close this chapter, the main consequences of Covid-19 on socio economic development are:

- Poverty increase. (UNDP 2020b)
- Gender gap may increase due to the high employment in the informal economy in developing countries. (ibid)
- Students have been out of school for more than a year. (ibid)
- Lack of social protection. Globally, only 20% of unemployed people are covered by unemployment benefits. (ibid)
- Income and job lost. (ibid)
- Remittances flows have seen a reduction of about 20%. (ibid)
- Global trades fell during the pandemic. (ibid)
- Food insecurity increased. The UN declares Covid-19 doubled the number of people facing food crises. (ibid)
- Fall in tourism. States that heavily rely on this kind of industry had dramatic consequences on GDP and employment rate. (ibid)

2. CHAPTER II: The institutional strength indicators

In order to have a quantitative and comparable dimension of the strengths and weaknesses of the institutional context of a country, the international organizations have developed, in the last three decades, a large number of indicators. These indicators are usually composite perceptions-based; therefore, they have limitations that can make them easily be misused. Another important feature that gives the magnitude of the reliability of these indicators is the transparency that underlies the data collection, the indicators composition, and the use that is made (Oman and Arndt, 2010). It is important to underline how the quality of the governance in a country is represented also by its institutional strength: strong and well seen institutions will improve the quality of the governance, giving better outcomes when it comes to the composition of indicators.

The aim of this chapter is to highlight the different indicators that can be useful to address the strength of the institutions in countries. To do so, the first kind of indicators that will be studied is the Governance Indicators, with an explanation of what they are, and why and how investors, international organizations, and academics use them. Once this first part will be done, the focus will be moved on those indicators that give an idea of how likely a state may fail, so-called State Failure Indicators. This will give the reader the tools needed to understand better the State Failure Taxonomy, tackled in the next chapter, and finally the application of these indicators to the selected countries.

2.1. Governance Indicators

To start this subchapter, it may be useful to see the different definitions of governance given by different international organizations. According to the UNDP, "governance is s the system of values, policies and institutions by which a society manages its economic, political and social affairs through interactions within and among the state, civil society and private sector." (UNDP 2004). This means that governance is a comprehensive way that society uses to organize itself to make decisions and to find the best way to implement them. Moving to the European Commission definition, "Governance concerns the state's ability to serve the citizens. It refers to the rules, processes, and behaviours by which interests are articulated, resources are managed, and power is exercised in society. The way public functions are carried out, public resources are managed, and public regulatory powers are exercised is the major issue to be addressed in this context.” (European Commission 2003). This way, the European Commission underlines how, through the transition from a simple society to a more complex political system, governance becomes good governance. The last definition that will be used is the one from the World Bank, which defines governance as “the traditions and institutions by which authority in a country is exercised for the common good. This includes (I) the process by which those in authority are selected, monitored, and replaced, (II) the capacity of the government to effectively manage its resources and implement sound policies, and (III) the respect of citizens and the state for the institutions that govern economic and social interactions among them.” (World Bank 2004). This three different but complementary definitions are useful to underline the central role that governance covers in the decision making and development of a country.

Now that the concept of governance has been explained, it becomes easier to understand how Governance Indicators are those which measure the state of health of governance in a country. These are usually composite indicators, as, to be as specific as possible, indicators on narrow aspects of governance are built individually, and then combined to give a more holistic overview (UNDP and European Commission 2004).

Going in depth in finding consistent and reliable Governance Indicators, the most recognized and used ones are without any doubt the fruit of the outstanding work of Kaufmann and Kraay, helped by Zoido and Mastruzzi: the WGI (World Governance Indicators). These indicators are built on six different dimensions of governance for over 200 countries and territories from 1996 to 2000. The six dimensions are: Voice and Accountability, Political Stability and Absence of Terrorism/Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption (Kaufmann, Kray and Mastruzzi 2010). These six composite indicators are calculated using 30 different data sources, which are combined to have a unique outcome. These are useful to assess cross-county comparison for trends over time periods, but still, to have a better image of the single states’ condition, they need to be complemented with country specific data.

Closing this subchapter, it is useful to look at how each of these six composite indicators are built and what they aim to explain:

- Voice and Accountability gives the perception of the magnitude of how citizens can participate in the decision-making process, as well as their freedom of expression, association, and freedom of the media. (WGI 2021)
- Political Stability and Absence of Violence/Terrorism measures how likely a state may undergo to political instability and/or political-based violence and terrorism. (ibid)
- Government Effectiveness gives the perception of quality and independence form political pressure of public and civil services, as well as the quality of policy making, implementation and commitment of the government to these policies. (ibid)
- Regulatory Quality measures the capability of governments to put in act policies and regulation that promote the private sector initiative and its development. (ibid)
- Rule of Law expresses the perception on the quality of contract enforcement, property rights, police, and courts. (ibid)
- Control of Corruption explains the perceptions of how much public power is used for private gain, including all the forms of corruption (petty and grand). (ibid)

2.2. State Failure Indicators

The topic of state failure is way bigger and more important than people usually think. Even though it is difficult for the less informed to think, state failure is something that in the history of the last century was present and reiterated. When assessing state failure, the existing literature is wide, both from academics and from international organizations. In these regards, a huge contribution for the topic was given from the task force formed by Daniel C. Esty, Jack A. Goldstone, Ted R. Gurr, Pamela T. Surko, and Alan N. Unger. This task force identified four different kinds of state failure: Revolutionary wars, Ethnic wars, Mass killings, and Adverse or disruptive regime changes. Only in the period from 1955 and 1994, the fatalities that fall under these definitions were 113, counting states with more than half a million inhabitants (Esty et al 1995). Coming closer to our years, Robert I. Rotberg made a big effort to identify a new concept of state failure and a taxonomy to pinpoint the position of different states when assessing their conditions. He identified three different stages: Failed States, Collapsed States, and Weak States (Rotberg 2003). Nowadays, the most important tool that ones can use to identify state failure indicators is developed by the Fund for Peace, and this subchapter aims to explain what it consists of, and why it can be useful to assess the health of a state.

The Fragile State Index was developed by the FFP (Fund for Peace) at the start of this century. It consists in a study about the vulnerability of states to collapse and it is based on the so-called CAST, a conflict assessment framework (FFP 2017). This framework uses both quantitative and qualitative indicators, from public sources of data, to have a unique and quantifiable outcome (ibid). The Fragile State Index relies on four main fields of study and the linked indicators, namely Cohesion indicators, Economic indicators, Political indicators, and Social and Cross-Cutting indicators. Each of these is a composite indicator, based on three different markers, which will be explained in the end on this subchapter. To better understand the functioning system and be able to completely understand how this framework works, it is important to make some clarifications. The FSI is annual, it ranks 178 countries based on the pressures they undergo and the possibility that these pressures will make their weaknesses spill-over in a proper crisis. The score is made to be read as the lower, the better, and even if it can be used to do cross-country comparisons, the main objective of this index is to show the improvement, or worsening, made by the same country in different years. The CAST framework, which is the base of the FSI, was made by the FFP in order to have a comprehensive social science approach. This framework triangulates three kind of data, pre-existing quantitative data sets, content analysis, and qualitative expert analysis (ibid). The second stage is the critical review of the data, which is followed by the third and last phase, the finalization and review of the obtained score. The aim of this index is not to just to give a ranking of the countries, but to give snapshots of states' fragilities that will be later used by the countries themselves as hints to improve.

Finally, this chapter will end with the presentation of each composite indicator and the underlying singular indicators.

- Cohesion indicators: (C1) Security Apparatus (C2) Fractionalized Elites (C3) Group grievance. (FFP 2017)
- Economic Indicators: (E1) Economic Decline (E2) Uneven Economic Development (E3) Human Flight and Brain Drain. (ibid)
- Political Indicators: (P1) State Legitimacy (P2) Public Services (P3) Human Rights and Rule of Law. (ibid)
- Social and Cross-Cutting Indicators: (P1) Demographic Pressures (P2) Refugees and IDPs (P3) External Intervention. (ibid)

3. CHAPTER III: The institutional strength taxonomy

After the definitions give in the previous chapters, it is now possible to give a taxonomy of fragile states based on how likely they are to fail. In these regards, it is possible to identify three main categories, with three different levels of likelihood to not withstand the pressures they undergo: Weak States, Rogue States, and Failed States. While the first ones are witnessing signals of fragility, but still have the possibility to reverse the path through state failure, the second ones are already in the phase where the pressure becomes difficult to handle. The third ones, as it is quite easy to evince from their name, are already in an irreversible condition of failure.

The aim of this chapter is to give a comprehensive definition of the three categories, bringing concrete examples in today's international context and possible actions for each kind of state. The main references for this chapter will follow the work of Professor Michel Henry Bouchet on state failure and weaknesses, the study about Weak, Collapsed, and Failed states (Rotberg 2003), the comparison between Rogue and Failed states released by the Oxford University Press's Academic Insights for the Thinking World (Peinhardt and Sandler 2015), and the categorization of states beyond strong and weak (Tikuisis and Carment 2017). In addition, the definitions from international organizations of the three different conditions for states will be used to give a first image.

3.1. Weak States

In order to define what a weak state is, definitions from international organizations will help giving a complete picture. The International Monetary Fund defines weak states as the ones with characteristics that heavily impair their economic and social performances. These characteristics are, for example, weak governance and administrative capacity, humanitarian crises, social tensions that can spill-over in violence, armed internal conflicts and, in some cases, civil wars. This, together with poor quality of policies and governance, and absent institutions, impact the states' economic performance. Quite often these internal aspects have spill-over effects also with neighbour countries (IMF 2008). The European Commission, on the other hand, defines weak states the ones with weak structures and broken social contract. This is due to the incapacity, sometimes unwillingness, of the state to deal with its basic functions and responsibilities. These functions and responsibilities include service delivery, management of resources, rule of law, equity in the access to power, and protection and promotion of the citizens' rights and freedoms (European Commission 2007). Moving to a more straight and narrow definition of weak states, the World Bank bases the individuation of weak states on their ranking in the Country Policy and Institutional Assessment (CPIA). This is a ranking that includes a set of 16 criteria divided in four fields of study: Economic Management, Structural Policies, Policies for Social Inclusion and Equity, Public Sector Management, and Institutions. The outcome of this assessment is yearly and is represented by the Harmonized List of Fragile Situations. Said this, weak states are the ones with either a harmonized CPIA below 3.2, or the presence of a UN/regional peacekeeping mission during the last three years (Independent Evaluation Group 2010).

As these three definitions suggest us, weak states are the ones that don't present the infrastructure needed to fulfil their economic and social duties to the citizens. Furthermore, these states lack in the preparation to govern their territories and people, but still have the possibility to recover through a good balance between internal restoration of the institutions and external help given by the international actors. All three of the institutions mentioned above, as well as other international organizations, have the interest to be the actors to give help in these situations of need. This can be done either through financial and economic support, World Bank and International Monetary Fund, or through social and structural support, European Commission and United Nations.

As seen in the previous chapter, the Fragile State Index is a useful tool to address the strength of states' institutions and governance. In this sense, it can be used to have a clear image of which countries fall in the category of Weak States. Even though the index does not give an explicit taxonomy of the states' strengths, it is structured in ranges, which go from sustainable to alert. For the aim of this thesis, based on the results showed in the map, weak states will be the ones coloured with light orange and orange, scoring an overall from 80 to 90. (Fig. 2)

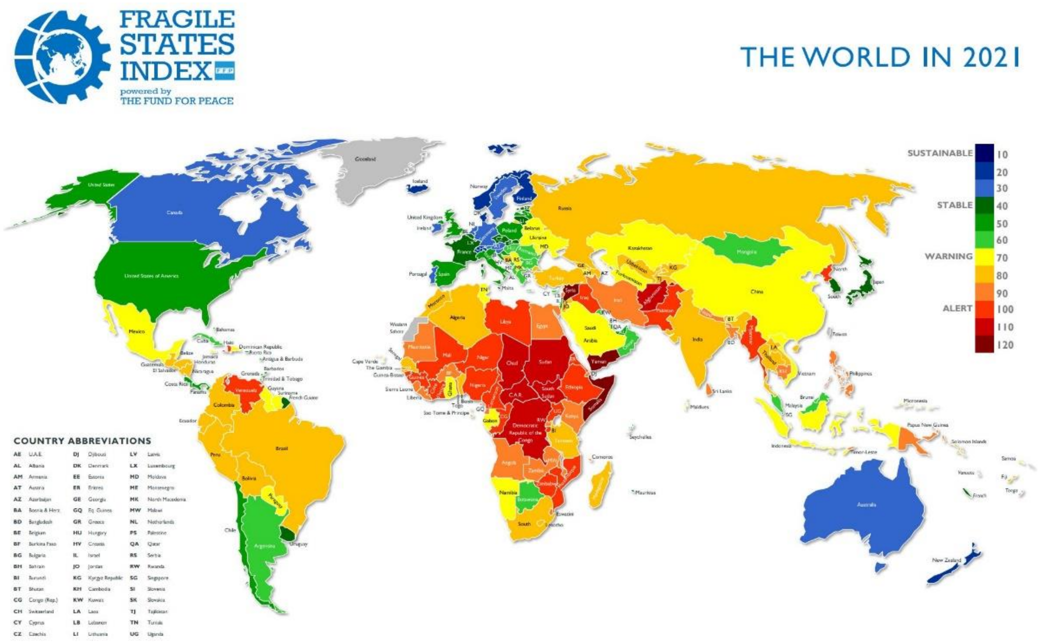

Figure 2. Source: The Fund for Peace, Fragile State Index map 2021.

3.2. Rogue States

The second category of states that is going to be analysed is the one representing the rogue states. If the concept of weak state was clear and easy to understand, also thanks to the international organizations' definitions, rogue states are going to be more difficult to pinpoint, needing a bigger background explanation.

In this context, it is important to underline how the term Rogue States was created by the United States government to indicate those states that represent a threat for the international stability (Bilgin and Morton 2004). It comes without saying how, after the cold war and the terroristic attacks that affected the US, this term has been used to justify their foreign policy (Litwak 2000). Going deeper in Litwak's study on the role of rogue states, he mentions two main critiques. On one hand, he underlines the way too simplistic way countries are labelled as rogue, highlighting how states with different international weights and perspectives are put together in this category. On the other hand, he sees this as an excuse for the US not to diversify their strategy against the so-called "international villains", like South Korea, Iraq, and Iran (Zelikow 2000). Even though this "anti-American" perspective will not be used and fostered by this subchapter, this concept is useful to understand the role of rogue states in the international relations and equilibria. Another important source to complete this subchapter will be the work of Peinhardt and Sandler, with which the authors tried to identify whether rogue or failed states are more a threat to international stability.

Moving now to a definition of rogue states, and the consequent individuation of some of the rogue states, also through the Fragile State Index, it is possible to set six criteria that give an idea of what rogue states are (Forum-scpo.com undated).

- Rogue states usually exploit resources for personal gain of the ruling class, not giving importance to the needs of the citizens. (ibid)
- Rogue states often show no regard for international law, putting the neighbour countries in a position of danger and not applying the international treaties that they sign. (ibid)
- Rogue states put effort in developing weapons of mass destruction with the aim to use them or at least to have a leverage threatening to use them. (ibid)
- Rogue states sponsor or at least do not fight global terrorism. (ibid)
- Rogue states completely lack diplomatic communication and use unconventional methods of negotiation with foreign countries. (ibid)
- Rogue states usually reject basic human rights; therefore, they usually openly apply genocidal practices. (ibid)

As mentioned before, when the term was created by the US government, it used to refer to North Korea, Iraq, and Iran in particular. These states were the main ones in the start of this century, but it is quite clear that, since then, the international context changed, bringing up more than just these three states. To better assess the states that can be considered rogue, and close this chapter, the Fragile State Index as composite is not really on point. What can be useful is to extract some of the underlying indicators that get along with the six criteria just shown. The selected indicators are going to be:

- The three cohesion indicators, namely (C1) Security Apparatus, (C2) Fractionalized Elites, and (C3) Group grievance.
- (E2) Uneven Economic Development.
- (P3) Human Rights and Rule of Law.

Studying these five indicators, it becomes easier to see which states are the worse, highlighting how they can be considered rogue states. It is important to say how, using this framework, some states that poorly score on these indicators are not going to be counted because already part of the failed states category.

Finally, the states that can be considered rogue states using this method are Burkina Faso, Iran, Iraq, Libya, Mali, Myanmar, North Korea, Philippines. These states have been choose based on the scores in the five chosen indicators, and the criterium has been the fact that each of them is in top 10 for at least three of the indicators. Of course, this method is quite superficial, as a better study integrated with other indicators and an interpolation of the data would give a better outcome, but it just wants to be an example of how to locate states with the characteristics needed to be a rogue state.

Through the method used to identify weak states, rogue states can also be seen as the ones scoring an overall Fragile State Index between 90 and 100, dark orange. (Fig. 2) This way, the list would become, from the weakest to the least weak, Zimbabwe, Guinea, Haiti, Iraq, Nigeria, Burundi, Cameroon, Eritrea, Niger, Guinea Bissau, Uganda, Mali, Myanmar, Ethiopia, Pakistan, Kenya, North Korea, Republic of the Congo, Libya, Côte d'Ivoire, Liberia, and Mauritania. Comparing these two analysis, Iran and Philippines are the only ones that are present only in the first one. This is because the Fragile State Index is built on many indicators, so the performance of the cited countries in the rest of the indicators compensates the very bad performance on the five selected above.

3.3. Failed States

The third and last category that will be analysed is the one of the failed states. Between the three, this category is the easiest to assess, as state failure is a concept that finds large use and agreement in the international context. In these regards, this subchapter will start giving a general definition of what makes a state become a failed state. This will be followed by the analysis of how this kind of countries affect the neighbours, how they differ from rogue states, and how the Fragile State Index can give a very well-drawn picture of the states that follow under this category, bringing the average score of these.

The first definition that will be used to pursue the aim of giving a clear image is the one from the Encyclopedia Britannica. This declares that a failed state is a state that is not capable to perform the fundamental functions of sovereignty: the protection of its national boundaries, and the projection of authority on its citizens and territories (Barma 2016). Another useful definition of failed states is the one provided by the Global Policy Forum, saying that failed states can no longer perform basic functions such as education, security, or governance, usually due to fractious violence or extreme poverty (GPF undated). The forum definition also underlines how the causes of the failure of a state can be both internal, and external, with foreign governments that knowingly destabilize a state through support to factions or ethnicities, causing turmoil and, eventually, collapse (ibid).

It comes without saying how, based on these first ideas of failed state, the governing power is close to zero, as these factors make the state lose legitimacy both from the citizens' perspective, and from the international organizations and partners' one. Usually, failed states undergo through different pressures in diverse spheres. Under a criminal point of view, ramification and fortification of organized crime as an alternative to the government's infrastructure, development of the shadow market to replace the institutional impossibility to create employment, intensification of the production of substances, due to the absence of police, and smuggling of the same, and people, are the main consequences. Looking at the social sphere, intensification of race-based violence, mass killings and internal terrorism, as well as food shortage, are some of the tools used by the criminal organizations to impose their supremacy and be able to control territories. In these regards, previous studies showed the big correlation between failed states and the main hubs of international terrorist groups, as these countries live the impossibility, sometimes unwillingness, to stop such actions (Bilgin and Morton 2004, Peinhardt and Sandler 2015). It becomes easy to understand how these territories are perfect training camps and logistic hubs for these organizations. In this context, the attention of the international actors to failed states comes also from how, in these territories, genocides bring to mass mobilization, where it is easier to hide terrorists directed to western countries, usually recognized as destinations (Litwak 2000).

The causes of state failure can be different, in these regards, a taxonomy of failed states has been developed ranging from anarchic states (Somalia, Liberia), to mirage states (Zaïre/Democratic Republic of Congo), to anaemic states (Haiti), to captured states (Rwanda) or aborted states (Angola, Mozambique) (Gros 1996, Bilgin and Morton 2004).

The presence of turmoil in these states can often bring spill-over effects also in neighbour countries. A clear example of this can be taken from the influence that the Syrian civil war had on Lebanon in 2013 (Stiftung 2013). Due to the intense relations between the two countries, and the weakness of the Lebanese institutions at the time, the Syrian revolution-cum-civil war intensified the already deep polarisation between the two main Lebanese political factions (ibid). Other examples can be taken from the African continent, where deeply linked countries can suffer of "the same disease" due to the tensions created in one of them.

The main difference between failed and rogue states are the available means to solve the internal problems, bringing solutions to the international threats they represent. To better explain, while rogue states lack in willingness to improve their conditions, failed states lack in the means to do so. This is why failed states represent a bigger threat to the international security (Peinhardt and Sandler 2015).

To close this chapter, a list of internationally recognized failed states is going to be shown. This is going to be made using the states scoring more than 100 in the Fragile State Index. (Fig. 3)

Fragile States Index 2020

Select Year: 2020

Sort by Indicator: *Hover your mouse at the top of the column you wish to sort and click the sort button:*

Countries	Rank	Total	C1 SA	C2 FE	C3 GG	E1 EC	E2 UD	E3 HF	P1 SL	P2 PS	P3 HR	S1 DP	S2 RD	X1 EX
Yemen	1st	112.4	9.7	10.0	9.7	9.4	7.8	7.0	9.9	9.5	10.0	9.8	9.7	10.0
Somalia	2nd	110.9	9.8	10.0	8.6	9.1	9.4	8.9	8.9	9.1	9.0	10.0	9.1	9.0
South Sudan	3rd	110.8	9.4	9.7	9.1	9.5	9.2	6.8	9.9	9.5	9.0	9.5	9.7	9.5
Syria	4th	110.7	9.9	9.9	10.0	8.7	7.2	8.4	10.0	9.1	10.0	7.6	10.0	10.0
Congo, D.R.	5th	109.4	8.5	9.8	9.7	8.0	8.6	6.9	9.7	9.5	9.5	9.8	10.0	9.4
Central African Republic	6th	107.5	8.3	9.7	8.0	8.4	9.9	6.8	8.9	10.0	9.2	8.8	10.0	9.5
Chad	7th	106.4	9.2	9.5	8.3	8.5	8.9	8.4	9.3	9.4	8.5	9.6	9.2	7.7
Sudan	8th	104.8	8.4	9.4	9.4	8.1	8.0	8.0	9.3	8.3	8.9	9.1	9.3	8.6
Afghanistan	9th	102.9	9.9	8.9	7.5	8.3	7.7	7.5	9.0	9.5	7.6	9.0	9.3	8.6

Figure 3. Source: The Fund for Peace, Fragile State Index data 2020

4. CHAPTER IV: How to apply the indicators to study the state of health of a country

After explaining the effects of the pandemic on debt, institutional stability, and socio-economic development, highlighting the institutional strength indicators, and using them to give a taxonomy based on institutional strength, this chapter aims to have a more holistic view on what has been done and what can still be done. This challenging process will be pursued dividing the chapter in two parts. The first one, will give the most used methodologies already in act to find signals of strength and weaknesses to have an idea of the state of health of different countries. In this sense, the first subchapter will start taking information from international organization on how they study the conditions of countries, focusing on Emerging Market Countries. Then, the focus will move on how private entities (e.g., Coface, TAC economics, Marsh) assess study country risk, looking also at the rating agencies (e.g., Moody’s, Standard & Poor’s, Fitch) to give a focus on the economic factors and a comment of the lack of preparation given by these. Following this, an integrated methodology of risk assessment will be proposed to try to give a better image of the threats to the stability, and how to fight such threats. The aim of this will be to create a set of indicators, including the ones cited before, and ratings that, together, can reflect in a systemic and integrated way country risk. Finally, this will give the basements to apply this country risk analysis to the selected countries and, eventually, give a set of policy and reform recommendations for the three countries.

4.1. Methodology already put in act

As of today, many different countries risk reports are made by various international organizations and private actors. They all differ for the approach used, depending, of course, on the interests of the international organization, as well as the nature of the private entity involved in the production of the report. As widely discussed in the chapters before, many organizations produce different indicators in order to give quantitative and comparable data on the conditions of the countries. In this sense, what will be studied in the first part of this subchapter are the various approaches used by the following international organizations: the IMF, the World Bank, and the UNDP. The choice of these is not casual. The IMF will be useful to understand fiscal and monetary related risks. The World Bank will give a complementary view on the economic and financial point of view. Finally, the UNDP will be useful to have a colourful image of the development and social related issues.

Following these clarifications on methodology, the focus will move to the most recognized private entities that produce country risk reports and/or assess risk in countries for others. In these regards, the first kind of private actors will be represented by Coface, Marsh, and TAC economics. The choice fell on these three because Coface is a well-known and recognized risk assessment provider, and insurer, for many intermediaries that has the added value to give an economic and politic overview of the states it analyses. Marsh gives a comprehensive risk analysis, proved also by the insurance service they provide. TAC economics offers services to financial investors and banks using advanced quantitative techniques together with precise macroeconomic studies.

Moving to the rating agencies, they need to be tackled because of the weight they have in the international financial world. An analysis of the methods used to grade the countries, as well as the use that can be made and the lacks the grading presents, is needed to understand where the main financial intermediaries move based on this. To do so, the so-called big three credit-rating agencies (Moody's, Standard & Poor's, and Fitch) are the best representation of this branch of private actors.

Starting from the International Monetary Fund, the organization focuses mainly on the economic indicators of each country every year. Looking at the website, the first information they give is an image of the country at a glance, where it is possible to see the latest data available. Then it comes to the country data section, where there are infographics on GDP, Inflation, People (Population and unemployment), Current Account, and Government Finance (IMF undated a). Going deeper, the IMF puts effort to release a yearly comprehensive consultation with members that take the name of Article IV consultations, as they are required by Article IV of the IMF's Articles of Agreement (IMF undated b). These consultations are made by a team of economists sent by the IMF to the country itself with the aim of assessing economic and financial developments, discussing the policies with governments and central banks' officials (ibid). These reports give a complete image of the state of arts of each member's economic and financial perspectives, including the fiscal sphere.

Going now to the World Bank, the World Bank Group developed the so-called Country Partnership Framework (CPF), a tool that aims to make the WB's country driven model (World Bank undated a) "more systematic, evidence-based, selective, and focused on the Bank's twin goals of ending extreme poverty and increasing shared prosperity in a sustainable manner." (https://www.worldbank.org/en/projects-operations/country-strategies#1). This framework, together with the Systematic Country Diagnostic (SCD), guides the group's support to member countries. Talking about the SCDs, they are built to identify the main challenges and opportunities that a member country must face to advance towards the cited twin goals (World Bank undated a). These are developed through consultations between the World Bank Group, members' national authorities, and other stakeholders. The aim is to focus the effort on activities with high impact to pursue the twin goals (World Bank undated b). The CPFs are structured in a way that gives a clear image of the context in each country before analysing the interested fields for the achievement of the twin goals and can be used as reports to assess the risks also in other spheres.

The last international organization is the UNDP that, alongside the Human Development Indicators, provides an explanatory note where is possible to find an explanation of the data and the trends about the countries subject of study. The Human Development Report Office releases five composite indices each year: the Human Development Index (HDI), the Inequality-Adjusted Human Development Index (IHDI), the Gender Development Index (GDI), the Gender Inequality Index (GII), and the Multidimensional Poverty Index (MPI) (UNDP undated a). The data used to produce these composite indicators are provided by public international organizations, and these can be helpful to compare different countries' spot conditions, as well as their trends in the last decade. The main indicators that ones can see cover a variety of spheres. These are: Health, Education, Income/Composition of Resources, Inequality, Gender, Poverty, Work, employment and vulnerability, Human Security, Trade and Financial Flows, Mobility and Communication, Environmental sustainability, Demography, and Socio-economic sustainability (ibid).

Now that the international organizations' reports have been tackled, it is the time of the private sector ones. The first entity that will be analysed is Coface (Compagnie Française d'Assurance pour le Commerce Extérieur), founded in France in 1946, who's core business is Credit Insurance. Furthermore, Coface offers analyses based on three main factors: their macroeconomic expertise in assessing country risk, their contextual business expertise, and their microeconomic expertise thanks to over 60 years of payment experience (Coface undated). These evaluations enable whoever uses them to assess the risk of countries' businesses defaulting, as well as the quality of the business environment of the same countries (ibid). In these regards, the country risk analysis offered by Coface covers 160 countries, based on evaluations on the macroeconomic, financial, and political data, and are freely available to the public. In addition to the complete reports produced by Coface, they give a seven-level ranking, which gives an overall view of the combination of the cited factors. The levels are D, C, B, A4, A3, A2, and A1, where D stands for high risk and A1 for almost-absent risk of default. The company also provides an evaluation of the business environment based on the quality of the private sector's governance in a country (ibid).

Another private entity that gives both insurance services and evaluations on risks is the New York based Marsh. Unlike Coface, Marsh offers on-demand services on single states and fields of interest. The most important freely available report they give is the Global Risks Report, published by the World Economic Forum and made with the support of Marsh (Marsh undated). This report highlights key that organizations should safeguard against and capitalize on as part of their overall resiliency plan (ibid).

The last private entity that will be tackled is the French TAC Economics. This has a particular importance in the field of discussion of this thesis because of the approach they use to assess country risk. They only give on-demand reports and the two main services that can be useful for the kind of analysis discussed in this subchapter are: Country Risk Service and Strategic Studies. The first one's main aim is to provide international companies with country risk analyses in order to support risk management and operational decisions (TAC Economics undated a). This is made using a comprehensive set of quantitative tools based on the ability to capture the breaks that characterizes materialization of risks (ibid). Citing the firm's description, "This is supported by a large database that is updated every month along with our risk rating models and early warning signals of economic and financial crises. Complex econometric estimates are used for translating risk ratings into cost of capital." (https://www.taceconomics.com/index.php?p=1&m=as&s=crisk). On the other hand, the strategic studies have been built to provide organizations with a background macroeconomic shocks and political assumptions on the companies' industries, markets, and competitors (TAC Economics undated b). This is usually made to help them with investment decisions through a construction of macroeconomic scenarios using econometrics that allow long-term projections. This top-down approach allows the firm to give perspectives and projections on a 5 to 25 years range (ibid).

Finally, to conclude this subchapter, there is the need of a quick explanation on the rating agencies and the role they cover in the international context. These are the main source for institutional investors, as they give a rate of the creditworthiness of both countries and private companies on the markets. There rating can go from AAA, the highest rate given to the most reliable investments, to D (in Moody's C) that is the default grade. The problem of these rating agencies became popular only after the global financial crisis, as they gave positive rating to insolvent institutes such as Lehman Brothers. This brought them to be accused of being the enablers of the 2008 crisis meltdown (Financial Crisis Inquiry Commission 2011). The answer from the European countries has been to ask them firms and institutions to get the infrastructure to conduct their own credit ratings, relying always less on the so-called "Big Three" (CFI 2022). A criticality of these ratings is that they have always been, and keep being, late on the shocks to which the integrated financial world has to undergo. This way, as they have a key role in influencing debt-related investments, they give a fallacy image of the financial systems of the different countries the assess.

4.2.A forward-looking approach to get early signals

After all the clarifications made in the past chapters, culminating in the last subchapter's explanation of different country risk assessments, this subchapter aims to give a forward-looking approach to get early signals of imminent crises. As highlighted by previous studies, the memory of many regulators looks shorter than it should be, as many crises of the last decades come from the deregulations put in act by many governments. For example, focusing on debt crises, it is quite clear how the tendence of the regulators from all around the world is more to do crisis management than prevention (Reinhart and Rogoff 2013).

As it has made clear in the past chapters, there is a big variety of ways to study the state of health of a country and different assessments can lead to various results. In this sense, using different indicators to assess each of the spheres of a country's health can be useful from the perspective of having a holistic point of view on the country. Even though this is something that is already possible to find moving on the different private and public entities pinpointed in the last subchapter, the application of a framework to try and solve the structural weaknesses is still missing. In these regards, this subchapter will start identifying some interesting spheres of study to assess the risks to which a country undergoes. Once these spheres will be pinpointed, indicators for each of these will be highlighted to have a quantitative and comparable dimension of the health. At that point, the study will move looking at trends more than spot data, in order to try to give a dimension of the needed work and reforms. Once this framework will be developed, in the next chapter it will be applied to the countries of the case study: Jordan, Morocco, and Tunisia.

To start identifying the types of risk that are going to be useful for the analysis, it is important to highlight each sphere and understand why and how it can be useful to study it. In these regards, a huge contribution to the literature has been given by Bouchet et al. work on country risk assessment methods (Bouchet et al. 2003). This work gives an amazing overview of both qualitative and quantitative methods to assess country risk, as the quantitative ones are needed to have a better idea of the investment conditions. In this thesis the aim is more policy-oriented, so the qualitative part will be the main one. The spheres of risk that are going to be studied are: the economic and financial risks, the social and cultural risks, the political and institutional risks, and the environmental risks. It will now be explained why these were the choices and how each of these is going to be assessed.

The economic and financial risks are between the most important ones to identify. In the world we live in, financial ratios and conditions explain a lot about the possibilities of a state and the state of health of the same. This is going to be assessed using data and forecasts from the IMF, World Bank, the Central Banks of the countries of interest, and Coface. The social and cultural risks are going to be necessary to have a detailed context of the countries' socio-cultural conditions to see the systemic strengths and weaknesses that can be a booster or an obstacle to decision makers. This is going to be assessed using the social indicators of the Fragile State Index as well as the Human Development Indicators provided by UNDP. The political and institutional risks are, with the financial ones, the ones that more directly give the magnitude of the possibilities to act in a state. These are going to be assessed using the political indicators of the Fragile State Index, the Worldwide Governance Indicators, and the Political Risk Map provided by Marsh, to have a clear and comparable image of the state of health of institutions and the political sphere of the countries. Finally, environmental risks need to be tackled in order to have a nitid image of the possible threats that the country may have to face in the future. This is really needed as this three next decades are going to be crucial to understand how the planet is going to survive the polluting practices put in act since the nineteenth century, hardly intensified in the last fifty years. To do so the analysis will start from an overview of the current conditions of the countries, moving then to the Climate Projections provided by the Climate Change Knowledge Portal of the World Bank. Finally, the vulnerabilities will be explained and, if present, the answers given by the governments.

Once all these risks are going to be identified and quantified, the focus needs to move on the trends. Using a trends-based approach can give a clear idea of how to anticipate the next possible crises, or at least to start building resilience in the most likely to be affected spheres of the states.

5. CHAPTER V: CASE STUDY. Application of the approach to Jordan, Morocco, and Tunisia

This final chapter will be the application of the framework explained in the last subchapter to the three selected countries: Jordan, Morocco, and Tunisia. It is needed to underline how, as part of this thesis was focused on the taxonomy of states between Weak, Rogue, and Failed, that this study wants to give each state a definition in these terms, in order to find ways to prevent a downgrade (e.g., from weak to rogue, from rogue to failed).

In these regards, as this aims to be a cross country comparison, the country risk analyses will be made assessing each of the spheres of interest for the three states, giving outcomes for each of them and eventually highlighting the presence of early signals of crises.

5.1. The economic and financial risks

Jordan is working to find a way to get over the Covid-19 shock. As a country that heavily relies on tourism, that in 2019 accounted for nearly 18% of both GDP and employment (Coface 2022a), the closures and travel restrictions caused by the pandemic heavily effected the workforce. Nevertheless, the huge focus put on the vaccination campaign for tourism workers created the basis to have signs of recovery in the touristic field, data backed by the hotel occupancy around 70% in the summer 2021 (ibid). Still, when studying the Balance of Payments provided by the IMF for Jordan, it is evident how the biggest effect of the pandemic is on the travel receipts, which went from 5794 million US dollars in 2019 to 1502 million US dollars in 2020, witnessing a reduction of 74% (fig. 4).

Table 3a. Jordan: Summary Balance of Payments, 2019–26

(In millions of U.S. dollars, unless otherwise indicated)

	2019	2020		2021		2022	2023	2024	2025	2026
		1st Rev	Proj.	1st Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account (CA)	-948	-2,970	-3,488	-3,088	-3,785	-1,850	-1,516	-1,400	-1,515	-1,479
Trade balance	-8,747	-7,778	-7,198	-8,159	-8,011	-8,329	-8,406	-8,568	-8,803	-9,010
Exports f.o.b.	8,329	7,651	7,954	8,320	8,565	9,185	9,733	10,318	10,889	11,492
Imports f.o.b.	17,076	15,429	15,153	16,479	16,576	17,514	18,139	18,886	19,692	20,502
Energy	3,080	2,185	1,978	2,312	2,563	2,659	2,615	2,632	2,673	2,681
Non-energy	13,996	13,244	13,174	14,167	14,013	14,855	15,524	16,254	17,019	17,820
Services and income (net), *of which:*	2,953	-207	-779	528	-446	1,845	2,384	2,757	2,944	3,130
Travel receipts	5,794	1,502	1,411	3,081	2,257	5,437	6,174	6,757	7,194	7,632
Current transfers (net), *of which:*	4,846	5,014	4,489	4,542	4,672	4,634	4,506	4,411	4,344	4,401
Public grants	1,331	1,776	1,267	1,407	1,489	1,416	1,262	1,143	1,050	1,043
Remittances	3,338	2,938	3,033	2,939	3,034	3,094	3,187	3,281	3,379	3,480

Figure 4. Source: IMF Second Review Under the Extended Arrangement Under the Extended Fund Facility.

Looking at the data, the GDP growth rate, after being stable around +2,5% in the last decade, it decreased by 1,6% in 2020 (World Bank undated c, IMF undated c), 2% according to Coface (Coface 2022a), going back to an uptrend in 2021, where it is declared to be +2% (IMF undated c, Coface 2022a), +2,2% according to the Jordan Central Bank (Central Bank of Jordan undated). A huge strength of Jordan is the production of phosphate and potash, in these regards, the market shock brought by the war in Ukraine may be a booster in the short term for the Jordan economy. Private consumption, after a decline in 2020 due to the pandemic, is expected to be source of growth for the 2022 economics (Coface 2022a). High spendings have been experienced due to the Covid-19 outbreak, with fiscal policies that amounted around 2,4% of the GDP (ibid, Central Bank of Jordan undated) to sustain the economy. Some of these have been renewed for 2022, also thanks to the 1,5 billion US dollars concessional loan from the IMF for the period 2020-2024 (Coface 2022a, IMF undated c). Thanks to this, combined with the absence of restrictions in 2022, the economy is expected to grow, as well as the public debt, which skyrocketed raising from 78% to 91,5% in the 2019-2021 period (ibid). Private sector consumption, attesting around 80% of the GDP (Coface 2022a) is expected to go back growing thanks to what just stated, even though two big challenges need to be faced by the government. First, the rise in commodities prices brought the real inflation to grow by 2,2% in 2021 and is expected to worsen to 2,7% in 2022 (Coface 2022a, Central Bank of Jordan undated), respectively 1,3% in 2021 and 2,8% in 2022 according to the IMF (IMF undated c). Second, high unemployment rates, especially between women and youth, are going to affect the private spending on the medium-long term and make the shadow market grow. The current account balance presents a deficit around 8% of the GDP both for 2020 and 2021, but it is expected to get lower, around 4%, for 2022, thanks to the possibility to issue foreign currency bonds and for the growing attractiveness in terms of FDIs (IMF undated c, Central Bank of Jordan undated, Coface 2022a). Finally, giving a look at the monetary conditions, the Central Bank is heavily relying on the Fed, due to the issuance of US dollars bonds. This can be a threat, counting the accommodative policies put in act since the pandemic (Coface 2022a, Central Bank of Jordan undated).

Morocco suffered the Covid-19 crisis in a more tangible way, showing a decline of 6,3% of the GDP in 2020 (World Bank undated c, IMF undated d, Coface 2022b). This is caused by the big dependence of Morocco from tourism, around 12% of the country GDP (ibid), and the fall in private consumption, around 57% of the GDP in 2020 (ibid). This private consumption is also helped by the management of inflation brought by the government in the last 2 years, now difficult to control due to the global rise in commodities price (it is important to underline how Morocco depends on both Russia and Ukraine on the importation of cereals and fertilizers). Going deeper, data on the real inflation saw it stable around 1% in the 2019-2021 period (Coface 2022b, IMF undated d), but while Coface still declares it to be around 1,5% in 2022, others see it more realistically around 4% (IMF undated d, Central Bank of Morocco). Going back to the equilibria of imports from Russia to be compensated, it is important to say how the other face of the medal is the growing possibilities for exports in the phosphates, huge production in Morocco. Another crucial point is the export market to the EU, representing 80% of Moroccan exportations. In this sense, 2021 was a very good year for Morocco, with a GDP growth of 7,2% (IMF undated d), 5,7% for Coface (Coface 2022b), that can also be addressed to the good agricultural performance of the state, representing 12% of the GDP and 30% of the labour force (ibid). In 2022, the growth is set to decelerate, with an estimate GDP growth between 1,1% (IMF undated d) and 3% (Coface 2022b). On the investments and productivity side, the implementation of the 2021-2025 Industrialisation Acceleration Plan focused on infrastructures, as well as the Mohammed VI Investment Fund focused on tourism and infrastructures, will be a booster for FDIs. In these regards, three main events will push the country’s FDIs: the establishment of a Chinese vaccine manufacturing plant, the construction of new automotive plants, and the support from the EU for green investments with a fund for 300 million US dollars. The public debt situation is stable around 78%, after growing from 64,8% to 76,4% of the GDP in the 2019-2020 period (ibid). Finally, the current account balance from 2020 to 2022 got worse, going from -1,5% of the GDP in 2020 to -2,9 in 2021 and -6 in 2022 (IMF undated d), respectively -1,5%, -3,7% and -3,5% according to Coface (Coface 2022b).

Closing the Financial risks subchapter, a study of Tunisia will be provided. Tunisia suffered the pandemic crisis in a heavier way if compared to the other two countries, this is also due to worse conditions in the years before the pandemic outbreak. The GDP growth average for the 2010-2019 period is around 1,95% (IMF undated e), but inconsistent, showing peaks from +4,2% to -2% of the GDP (ibid). In 2020, the GDP decreased of 9,2/9,3% (IMF undated e, Coface 2022c, Central Bank of Tunisia), recovering only 3/3,1% in 2021 (Coface 2022c, IMF undated e) and it is expected to slow again in 2022, growing 2,5% according to the IMF and 3,3% according to Coface (the slowing assumption in based on an average between the two of 2,9%, lower than the 3,05% average in 2021). The GDP of Tunisia is mainly driven by household consumption, 75% in 2022 (Coface 2022c), that got hit even worse because of the uncontrolled inflation, attesting at 6,7% in 2019, 5,6% in 2020, 5,7% in 2021 (ibid, IMF undated e) and expected to grow to 6,5% according to Coface and 7,7% to the IMF in 2022. Services account for 50% of the GDP and is led by the tourism, hardly hit by the pandemic and, from the government data, will not go back to pre-pandemic conditions until 2024 (Coface 2022c). The diversification of the manufacturing sector, 16% of GDP, and the production of phosphates and chemicals to export to EU, can be a good drive for recover, even though it is not going to be enough to take Tunisia out from the worrying conditions it shows now. The silver lining can be seen in the olive oil production, still in a very good shape and source of wealth to the state and the sector’s workers. Moving the focus to the finances of Tunisia, the precarious conditions of the country make external action needed to avoid default. First of all, the EU and the African Development Bank lent, in mid-2021, respectively 300 and 60 million US dollars to help recover from both economic and social tensions (ibid). The debt skyrocketed after the pandemic, going from 74,2% of GDP in 2019 to 89,7% in 2020, 90,2% in 2021 and it is expected to grow to 92,7% in 2022 (ibid, IMF undated e). Even though 56% of the debt is held in Euro, the part held in dinar is likely to become unsustainable due to the possibility of a currency depreciation, which may lead to a currency default if not controlled by the government with the help of institutions like the IMF.

Closing this subchapter, it is possible to conclude how:

- Jordan, thanks to a wise management of the Central Bank, has a medium economic-financial risk, with the dependence from the FED that can lead to problems to the Central Bank, but the economic background can support some stress. Reforms to help the labour force to grow and the shadow market to reduce its dimensions may be the way forward to get out the precarious conditions.
- Morocco is the most stable of the three countries, with a growing importance in the African context and direct links to Europe as divers for the economic recover. The presence of ongoing reforms to improve the resilience are a key factor for the country to work on the future years. Gender based disparities, as well as the ones between cities and countryside, and youth and grown people, need to be tackled to make this short-term recover sustainable in the mid-long term.
- Tunisia is the most likely to fail. The reiterated need of external effort, the depreciation of the dinar, the internal tensions, and the huge dependency on Ukraine and Russian imports, make it weaker every month the war continues. The low sustainability of the debt and the high unemployment make the next months and years challenging, and structural reforms need to be created by the decision-makers to counterattack these threats.

5.2. The social and cultural risks

Starting with Jordan, it ranks 102nd, scoring an overall of 0,729 in the Human Development Index provided by the UNDP (UNDP undated b), that becomes 0,622 if adjusted to inequality. Looking deeper in the score composition, about health it is possible to see how the life expectancy at birth is of 74,5 years, the percentage of malnutrition between children younger than 5 years is 7,8%, and the government expenditure on health is 8,1% of the GDP (ibid). The education score is good, with 11,4 years of expected schooling, a literacy rate of the over 15 population of 98,2%, and a primary school dropout rate of 4,1% (ibid). The GDI (Gender Development Index) of Jordan is 0,875, while the GII (Gender Inequality Index) is 0,450. An interesting data is represented by the share of seats held by women in local government, 31,9%, and in parliament, 15,4% (ibid). Looking at the Social Indicators of the Fragile State Index, Jordan trends in the last decade are, respectively: stagnant around 6/10 for Demographic Pressures (S1), worsening from 7/10 in 2011 to 8,6/10 in 2021, with a peak of 9,7/10 in 2017, for Refugees and IDPs (S2), and stagnant around 6,5/10, with a peak of 7,6/10 in 2017, for External Intervention (X1) (FFP undated).

Moving to Morocco, it ranks 121st, scoring an overall of 0,686 in the Human Development Index provided by the UNDP (UNDP undated c), there is no data about the inequality adjusted version of this index. Looking at the health part of the indicator, life expectancy at birth is of 76,7 years, the percentage children younger than 5 years suffering malnutrition is 15,1%, and the government expenditure on health is 5,2% of the GDP (ibid). The education score is average, counting that the years of expected schooling are 13,7, but the literacy rate of the over 15 population is 73,8%, and the primary school dropout rate is 7% (ibid). The GDI (Gender Development Index) of Morocco is 0,835, while the GII (Gender Inequality Index) is 0,454. At the local level, the share of seats held by women is lower than Jordan, with a 20,9%, while in parliament it is higher, with 18,4% of the seats (ibid). Looking at the Social Indicators of the Fragile State Index, Morocco shows improvements in the last decade, going from 7/10 to 4,8/10 in the Demographic Pressures (S1), and from 6,8/10 to 5,3/10 in the Refugees and IDPs (S2). Nevertheless, External Intervention (X1) worsened, going from 4,2/10 to 5,2/10 with peaks touching 6 in 2015 and 2017 (FFP undated).

Finally, Tunisia ranks 95th, scoring an overall of 0,740 in the Human Development Index provided by the UNDP (UNDP undated d), that becomes 0,596 if adjusted to inequality. Taking the same indicators taken for the other two countries, the analysis will start from the health indicators. In Tunisia, the life expectancy at birth is 76,7 years, the percentage of malnourished children younger than 5 years is 8,4%, while the percentage of GDP of government expenditure on health is 7,2% (ibid). Moving to the education, Tunisia has the most expected schooling years, 15,1, while the literacy rate of population over 15 and the primary school dropout are between the other two countries, respectively 79% and 5,8% (ibid). The Gender Development Index is the highest of the three, scoring 0,9, and the Gender Inequality Index is the lowest, scoring 0,296. These good results are confirmed by the best percentages of both local government and parliament share of seats held by women, 48,5% at the local level and 22,6% in the parliament (ibid). To conclude the comparison, Tunisia scores the best also in the Social Indicators of the Fragile State Index. The trend of the Demographic Pressures (S1) in the 2010-2020 decade has been very good, going from 5,7/10 to 3,3/10, even though in 2021 it went back to 4,3/10, still the best score between the three. Looking at the score for Refugees and IDPs (S2) the trend is stagnant around 3,7/10 in the last decade, with a 4,7/10 peak in 2017 and a 3,5/10 in 2021. The last indicator, External Intervention (X1) is the only one where Tunisia does not excel, with a peak in 2015 of 6,9/10. Since then, the trend is descending with a good velocity, scoring 5,2/10 in 2021, as Morocco did (ibid).

Giving an overview of the three countries and the trend they are undergoing it is possible to conclude:

- Jordan is becoming weaker under the Fragile State Index Social Indicators point of view, but still shows good average social conditions if the focus is on the Human Development index. The level of literacy gives a good image of the education system. A big problem to tackle is around Refugees and IDPs, that needs to be a priority for the government.
- Morocco is gaining strength looking at the Fragile State Index Social Indicators, even though the External Intervention is the only one worsening. Nevertheless, it is disappointing under the Human Development Index point of view, also lacking transparency about the Inequality Adjusted version of the same. This lack of data can be seen as collateral effect of the nature of the political regime.
- Tunisia is the best of the three countries for the Social Indicators of the Fragile State Index. The Inequality Adjusted Human Development Index shows a worse picture than the one given from the ranking. Said this, under the socio-

cultural point of view, based on the indicators chosen to do this comparison, Tunisia is the best prospect.

5.3. The political and institutional risks

Looking now at the political and institutional risks, starting with the analysis of Jordan, the Fragile State Index provides political indicators that can give a clear image. The last decade trend for Jordan is slightly worsening overall, with State Legitimacy (P1) going from 5,7/10 in 2011 and attesting around 6,5/10 for the rest of the years, giving 6,3/10 for 2021 (FFP undated). On the other hand, Public Services (P2) started from 4,9/10 in 2011, improving for the whole decade with a minimum of 3,6/10 in 2019, but the pandemic and the turmoil of last year made it skyrocket from 3,8/10 in 2020 to 5/10 in 2021 (ibid). The last indicator is represented by Human Rights and Rule of Law (P3), where Jordan started from 6,8/10 in 2011, worsening since then and reaching a peak of 8/10 in 2016. Since 2016, it improved going back to 6,8/10 in 2021, but still this can't be considered a satisfying result (ibid). Regarding the Worldwide Governance Indicators, it is possible to see that Jordan scores quite poorly in the Voice and Accountability and Political Stability and Absence of Violence/Terrorism, showing strength in Rule of Law and Control of Corruption (WGI 2021). Looking at the trends, the only two slightly worsening are Rule of Law and Government Effectiveness (fig. 5) (ibid). Closing the analysis of Jordan, the Marsh Political Risk Report puts Jordan in the mid risk bracket in 2022, with an average score of 4,46/10 (Marsh 2022). Looking deeper in the indicators, it is important to underline how the country's highest risks are Riots & Civil Commotion (6/10) and Sovereign Credit Risk (6/10) (ibid). In contrast with this, the overall risk is mitigated by mid-low risk in War & Civil War (3/10), Expropriation (3,3/10) and Terrorism (3,7/10) (ibid).

Moving to Morocco, the political indicators from the Fragile State Index reflect the authoritarian regime that the state has. The first one, State Legitimacy (P1) was stable in the last decade around 6,8/10, improving from the 8/10 score of 2006, but still showing weakness (FFP undated). Public Services (P2) as well are the worse between the three countries, but the trend shows an improvement, with a score of 6,6/10 in 2011 going to 4,6/10 in 2020, before rising again to 5,1/10 in 2021 (ibid). Surprisingly, when looking at Human Rights and Rule of Law (P3), Morocco shows strength, going from

6,4/10 in 2011 to 5,6/10 in 2021 (ibid). When it comes to the Worldwide Governance Indicators as said for Jordan, Morocco shows lacks in Voice and Accountability, while it scores the best between the three in Political Stability and Absence of Violence/Terrorism (WGI 2021). For what concerns the trends, in the last decade it worsened in Regulatory Quality and Control of Corruption, scoring lower than the other two countries (fig. 5) (ibid). As done before, the last focus for Morocco will be on the Marsh Political Risk Report, where Morocco scores slightly worse than Jordan, with an overall average of 4,48/10 (Marsh 2022). In this case, all the indicators are around the average score, except for Strikes, Riots & Civil Commotion, where it scores 6,1/10, War & Civil War where the score is 3,3/10, and Currency Inconvertibility & Transfer Risk, 3,5/10 (ibid).

Finally, Tunisia's political indicators of the Fragile State Index are the most volatile between the three. It started the decade with 7,2/10 in State Legitimacy (P1), 5,2/10 in Public Services (P2), and 7,7/10 in Human Rights and Rule of Law (P3), making it the worse of the three in P1 and P3 and the second worse in P2 (FFP undated). In this sense, the Tunisian political condition over the decade shows the best trends, as the scores for the three in 2021 are 5,1/10 for State Legitimacy, 5/10 for Public Services after scoring 4/10 in 2020, and 5,5/10 in Human Rights and Rule of Law (ibid). The Worldwide Governance Indicators for Tunisia, as evidenced by the image below (fig. 5) show bigger volatility as well. The best improvement is the one in Voice and Accountability, where it scores the best between the three states, followed by Control of Corruption, second after Jordan (WGI 2021). It needs to be underlined how the biggest worsening are in Political Stability and Absence of Violence/Terrorism, Government Effectiveness, and Regulatory Quality, where Tunisia has the worse scores if compared to the other two countries (ibid). Finishing with the Marsh Political Risk Report, Tunisia, as the other countries, is part of the mid risk bracket, but the score is the worse, with an overall average of 5,2/10 (Marsh 2022). The most worrying data comes from Strikes, Riots & Civil Commotion, with 7,1/10, Sovereign Credit Risk, 6,9/10, and Terrorism, where the score is 6,1/10 (ibid). These are all scores that Marsh puts in the mid-high-risk bracket. The only two indicators that are in the mid-low range are War & Civil War, 3,1/10, and Expropriation, 3,9/10 (ibid).

Closing this subchapter on the Political and Institutional Risks, it can be said that:

- Jordan is the one that overall shows more strengths, even though is not excelling, still is the most stable of the three. Working on the sovereign debt and the civil society's support can be the game changer in the near future.
- Morocco pays the authoritarian regime under the state is, as shown by the results achieved. The raising score in Strikes, Riots & Civil Commotion can be a red flag that shall not be ignored.
- Tunisia is the most controversial of the three, as the Fragile State Index draws a different picture if compared to the other indicators. Indubitably, political instability is a problem that needs to be tackled as soon as possible, also due to the direct correlation with presence of violence/terrorism. To be able to have

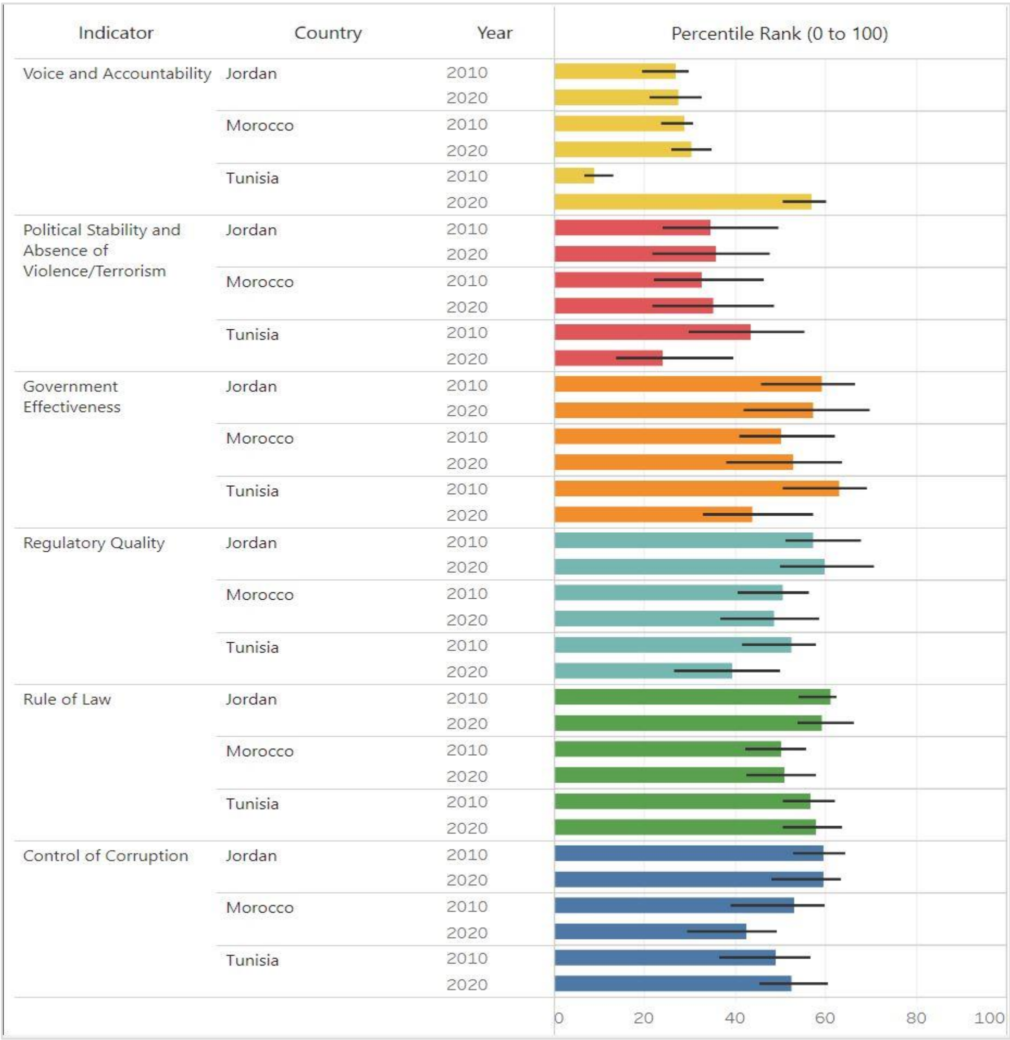

Figure 5. Source: World Bank: The Worldwide Governance Indicators 2010-2020.

control also on the economic sphere, also Regulatory Quality and Government Effectiveness need to be improved.

5.4.The environmental risks

The last sphere tackled by this assessment is going to be the one concerning the environmental risks. An important thing to underline before starting is how these three countries share similarities when it comes to the natural characteristics, as all three of them share similar longitude, arid zones presence, and scarcity of clean water resources.

Starting from Jordan, the country is characterized by arid deserts, rifts, and valleys, and the only coastal part of the country is a little piece of land facing the Red Sea. More than 80% of the country is unpopulated due to the desertic conditions where precipitation falls are below the 50mm a year, bringing up water scarcity as one of the main problems (WBG 2022a). Even though the main economic activity of the country is represented by the services, tourism more than the rest, in the last years mining activities and agriculture gained importance, making Jordan even more exposed to the climate change (ibid). Looking at the projections, with the actual prospects for global warming, Jordan is going to face a reduction of the already insufficient precipitations, with a consequent risk of desertification, affecting the agriculture and bringing more population to the main cities (WBG 2022b). In these regards, water, coastal, and land use management will be the main challenges to the Jordan government in the upcoming years. Closing with the vulnerabilities, the peculiar conditions of Jordan make the land exposed to erosion. Moreover, the aridity of the land makes rainfalls easier to spill-over in floods, as the ground is not capable of absorbing, putting both people and agriculture in real danger (WBG 2022c). The high volatility of precipitations makes planning more complicated, but the need of a wise management of such conditions is even more clear. The economic development and the growth of the productivity in areas that are poorly organized puts many people at risk, as floods and aridity combined can bring disasters that affect humans, activities, and infrastructures (ibid). Finally, the prospects that the government can see as of today make prevention crucial in order to decrease the exposure of the country to these extreme events.

When moving to Morocco, the first important thing to underline is the bigger diversity it has. The dimension of the coasts of Morocco makes the aridity and temperature lower, thanks to the mitigating effect of the sea. The presence of big mountain chains dividing the coastal part to the desertic one, makes Moroccan weather zones more diverse, with a Mediterranean climate in the north and west and desertic climate in the south and east. The main threat for the country is represented by the semi-arid and arid areas, where the living conditions, agricultural production, and presence of water are put in real danger (WBG 2022d). In this sense, looking at the projections, the raise of the temperatures and the raising unpredictability of the precipitations will make the risk of droughts increase, bringing huge problems to the citizens living the most affected area. Being agriculture one of the main sources of revenues for the country, this needs to be tackled as soon as possible. In this sense, 85% of Morocco's clean water is used in the agricultural processes, creating a huge need of water management in the country (WBG 2022e). Due to the highest population of Morocco, as well as the highest concentration of the same if compared to Jordan, the magnitude of the people that can possibly be affected by natural disasters is bigger and needs to be tackled on time (ibid). As predictable by the highest diversity in Morocco's land composition, the vulnerabilities are more diversified than in the case of Jordan. As seen before, floods are a huge threat, but in the case of Morocco, extreme temperature, droughts, fire incidents, and landslides resulting from floods and earthquakes combined, are all vulnerabilities that may affect, combined, millions of people (WBG 2022f). In this sense, Morocco is putting effort to improve its resilience to climate change and its consequences, focusing on water resources, agriculture, energetic transition and development of the sources, and health management.

Not only Tunisia is geographically located mid-way between Jordan and Morocco, it can be also said that it is something between the two countries when looking at the environmental risks. The land composition diversity is more than Jordan, thanks to longer coasts and lower percentage of desertic zones, but less than Morocco. Due to the structure of the coasts, the raise of sea levels is a big threat for the country (WBG 2022g). The projections put Tunisia in a highly vulnerable condition when looking at precipitations, which are expected to diminish for all the seasons in the next years. Moreover, the increase in temperatures make desertification become one of the main problems for the country (WBG 2022h). In this sense, a big threat is also represented by the border states, Algeria and Libya, which environmental awareness is very low. Concluding with the main vulnerabilities of Tunisia, the expected increase of heavy rainfalls in case of high emissions scenarios, as seen before for the other two countries, make floods and droughts are a big issue in Tunisia. Furthermore, extreme hot conditions, are going to bring sandstorms and wildfires as risks for the coastal part, the one with more inhabitants (WBG 2022i). The awareness of the Tunisian government is proved by the effort put in act through different plans in order to foster energetic transition, water management, and sources management, such as the Tunisian Solar Plan and the Tunisia's National Climate Change Strategy of 2012.

Concluding this chapter with a general overview of the different magnitude of the risks for the three countries, it can be said that:

- Jordan needs to act in order to counterattack the high impact that climate change can have on its territory. Water management needs to be the first point in their agenda, followed by strategies to be able to prevent the effects of heavy rainfalls causing floods in rural areas.
- Morocco is on the right path to put itself in better conditions against the high risks it undergoes, even though the plans for economic and infrastructural development can be a threat for this aim. The main preoccupations need to be the water management and the energetic transition.
- Tunisia is the most likely to be heavily affected by climate change, even though, as said before, strategies have been put in act to try and counter the devastating effects of climate change. Moreover, is the one that suffers the most from the presence of its neighbours and the political instability, two factors that make it more difficult to put in act effective policies.

5.5. Outcome of the study

The analysis conducted helped drawing four different images of the three states, where in each of them the focus has been on giving a taxonomy between the three and looking at possible areas where they should focus. This last subchapter will give an overall comment on each country, starting from the stronger and finishing with the weaker, according to the analysis conducted. Before this, a table summarizing the main indicators and data for the three countries will help wrapping up the data just discussed.

Sources: IMF, World Bank, Governments of Jordan, Morocco, and Tunisia, Transparency International, UNDP,

	JORDAN	MOROCCO	TUNISIA
Population (mln people)	10,203	36,911	11,819
Total GDP 2022 (bln USD)	47,75	133,06	45,64
GDP per capita PPP 2022	11860	9040	12300
GDP growth (10y avg)	1,93%	2,47%	0,98%
Coface Country Risk Assessment 2021	C	B	C
Coface Business Climate Assessment 2021	B	A4	B
CPI Rank 2021 Transparency International	58th	87th	70th
HDI 2021 Rank	102nd	121st	95th
Fragile State Index rank 2021	67th	83rd	94th
Confirmed COVID cases since 2020 (mln people)	1,7	1,17	1,04
Confirmed COVID deaths since 2020 (thousand people)	14,068	16,080	28,641
TAC Economics Economic Risk (0 lowest-100 highest)	48	42	45
TAC Economics Political Risk (0 lowest-100 highest)	50	54	51

FFP, WHO, TAC Economics Undated c, d, e.

Morocco has ranked, according to the approach used, first for the economic and financial risks, second for social and cultural risks, second (despite the authoritarian structure) for the political and institutional risks, and first for the environmental risks. The data from TAC Economics ClientGate proves the first point, addressing Morocco the lowest Economic Risk. Said this, on the Political Risk Morocco shows the highest for TAC Economics (TAC Economics undated d). Still, Morocco is the strongest between the three countries, but it doesn't mean that the threats are absent. In this sense, the authoritarian regime represents the bigger threat for the country, because the possibility of insurrections is always present. Having said this, the economic structure, and the presence of effective policies, mixed with the gaining power in the African context, make Morocco's outlook for the future quite solid.

Jordan has ranked respectively second for the economic and financial risks, third for the social and cultural risks, first for the political and institutional ones, and second for the environmental risks. Also in this case, the data from TAC Economics ClientGate proves one point, addressing Jordan the lowest Political Risk, but on the Economic one, Jordan is the riskiest (TAC Economics undated c). These ranks make it the second stronger, or weaker, country studied, with a need of reforms to tackle the social conditions and the environmental risks that will occur in the upcoming years. The west-oriented approach used by the government is a big strength, but the geographical position and the internal tensions may be enough to destabilize the country. If done in time, the implementation of wise reforms may keep Jordan's outlook stable, but as of today the outlook is slightly negative, not enough to make it a rogue state.

Finally, Tunisia has ranked third for the economic and financial risks, first for the social and cultural risks, third for the political and institutional ones, and third for the environmental risks. Looking at TAC Economics data also for Tunisia, it puts this country in the second place both for the Economic and the Political one (TAC Economics undated e) These makes the overall score of Tunisia insufficient, putting it in the weaker position between the three. The precarious equilibrium of the institutional structure, the disappointing economic conditions, with a growing risk of debt default, make Tunisia the most likely to fail. The results are still not negative enough to put Tunisia fully in the category of rogue state, even though some of the results may suggest so. The implementation of structural reforms, going from the labour market to the institutional framework, make Tunisia the most difficult to save between the three countries. The continuous need of external help in times where pandemic and war are challenging even the most developed countries, make the risks increase even more. It would not be surprising if, following this path, Tunisia faced possibility of default in the next decade. Nevertheless, stabilization of the context is being put in act, as the data provided by TAC Economics do not highlight early warning signals for this country.

CONCLUSIONS

Concluding this thesis, it needs to be said that the framework proposed wants to be a first step to reach a more holistic and integrated study of the risks that affect a country. Many companies and professionals already have done something similar, cross-comparing data from different institutions and entities to have a clearer image of the risks. The contribution of this work aims to be the implementation of a method that assesses the taxonomy of the states based on how likely they are to fail.

The use of data from the biggest and most known international organizations, such as the International Monetary Fund, the World Bank, the OECD, the European Commission, and different branches of the United Nations, has been helpful to better understand the institutional side of the weaknesses. This, complemented with the use of information provided by private entities, such ad Coface, Marsh, and TAC Economics, allowed the description to be more precise and on point.

This work is based on quantitative as well as qualitative data, but the latter has been transformed into numeric data to allow for a better comparability. This study may be complemented using bigger datasets and regression methods to receive more unique outcomes, of course followed by explanatory notes to explain each number produced. The amazing tools developed thanks to the digitalization, and vastly used for business purposes, need to be applied to state failure scenarios.

As further discussed, in the recent history the main approach has been more based on repairing than preparing. It would be naïve to think that, from a long-term perspective, the approaches used as of today can be considered sustainable. There is a need of bigger preparation and search for early signals.

The decision of the countries to study has not been random. Developed countries are supposed, and should, have all the information necessary to be able to see upcoming crises earlier, it is only on the actors involved to acknowledge them. When talking about developing countries, the lack of transparency sets the basis for misleading data, creating an asymmetry in the information that, unfortunately, hurts all the actors, starting from the state itself, its citizens, and going to the shareholders. The geographical location of Jordan, Morocco, and Tunisia, together with the strategical position they could play for the development of their continents, make them perfect case studies for this paper. Starting a strengthening process for these kinds of countries may make it easier to then move to weaker states, also through the help of these.

My hope that this dissertation may help somehow starting to move the focus of the next years' decision-makers on how to prevent crises in weak countries.

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