

MENA's Debt Crises of the Past and Present

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Outline

- 1. MENA debt crises of the 1980s and 1990s**
- 2. MENA debt problems today**
- 3. Global debt issues**
- 4. Implications for the MENA countries**

1a. Global Background in the 1980s

- **Global economic difficulties in the 1970s and 1980s**
- **Contractionary policies in the U.S. and other OECD countries**
- **Petrodollars and bank lending**
- **Higher interest rates and debt service**
- **Slow debt restructuring process**

1b. MENA Debt Crises, 1980s and 1990s

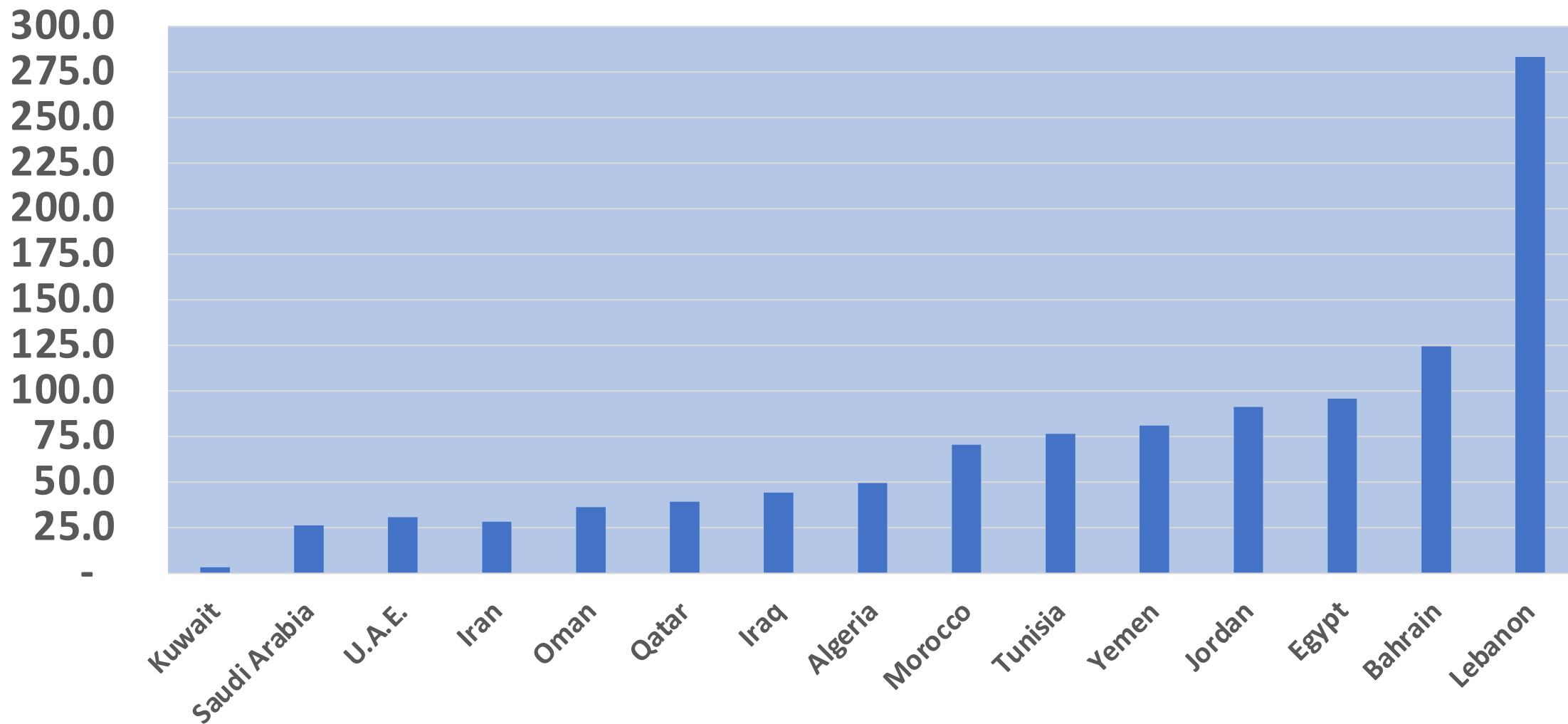
- **Algeria, Egypt, Jordan, Morocco, Sudan, Tunisia**
- **To cover fiscal imbalances and higher imports**
- **Declining ability of MENA oil producers to help after oil prices fell**
- **Geopolitics helped: debt restructurings had strong international support after the First Gulf War (Egypt, Jordan)**
- **The special cases of Iraq (UN Chapter VII) and Syria**
- **Structural adjustment policies**

1c. MENA Debt Restructurings, 1980s, 1990s

Country	Reschedulings
Algeria	1994, 1995
Egypt	1987, 1991
Jordan	1989, 1992, 1994, 1997, 1999, 2002
Morocco	1983, 1985, 1987, 1988, 1990, 1992
Tunisia
Sudan	1979, 1982, 1983, 1984, 2021 (HIPC)

2a. MENA Debt, 2023

(% of GDP; Lebanon 2022; Source: IMF)



2b. MENA Debt Problems Today

- **Egypt, Jordan, Lebanon, Tunisia**
- **The main creditors**
- **The debt instruments**
- **Global geopolitical and economic setting**
- **Regional creditors less willing to help unconditionally**

2c. MENA Public Debt, 2022

Shares of Total

(Sources: FDL; IMF)

	Latest IMF Assessment	Domestic	External
Egypt	Sustainable, but not with high probability	<u>72.9</u>	27.1
Jordan	Sustainable	46.2	53.8
Lebanon	In default	22.2	<u>77.9</u>
Morocco	Sustainable w/ high probability	75.6	24.4
Tunisia	Unsustainable w/out strong measures	39.4	60.6
Sudan	HIPC	5.0	95.0

3a. Global Issues Today

- **Geopolitics, global and regional**
- **High interest rates and low global growth**
- **Bonds (CACs), Non-Paris Club creditors (China), domestic debt**
- **Lack of transparency about amounts and terms (China)**
- **Ineffective global debt resolution framework (Paris Club, Common Framework)**
- **Climate change: more spending, DSAs more speculative**
- **Debt restructurings more difficult, slower**

3b. What Can Be Done on Global Level?

- **Slow, debt reductions inadequate (e.g., Sri Lanka)**
- **G-20 Common Framework only for LICs—extend to include MICs**
- **IMF-World Bank Debt Roundtable is positive, use it as a template**
- **Strengthen IMF's lending into arrears policies, financing assurances, misreporting—some progress made recently**
- **Debt repayment standstills during debt restructuring negotiations**
- **More effective use of creditor committees, including private creditors, more transparency and DSA sharing**

4. Implications for MENA Today

- **Gaza is having considerable impact: MENA may overplay its geopolitical significance and forego reforms**
- **Don't focus not just on fiscal consolidation and restructuring, but also on growth**
- **Social contracts don't allow much fiscal consolidation**
- **Growth requires changes in governance, regulatory framework, transparency, anti-corruption**
- **Restructurings will be politically charged and slow: be pre-emptive if it is needed**