MENA’s Debt Crises of the Past and Present

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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

<table>
<thead>
<tr>
<th>Country</th>
<th>Reschedulings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>1994, 1995</td>
</tr>
<tr>
<td>Egypt</td>
<td>1987, 1991</td>
</tr>
<tr>
<td>Tunisia</td>
<td>..................</td>
</tr>
</tbody>
</table>
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)

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