



**Fiscal Affairs and Middle East and
Central Asia Departments**



Managing Fiscal Risk in the Middle East and North Africa

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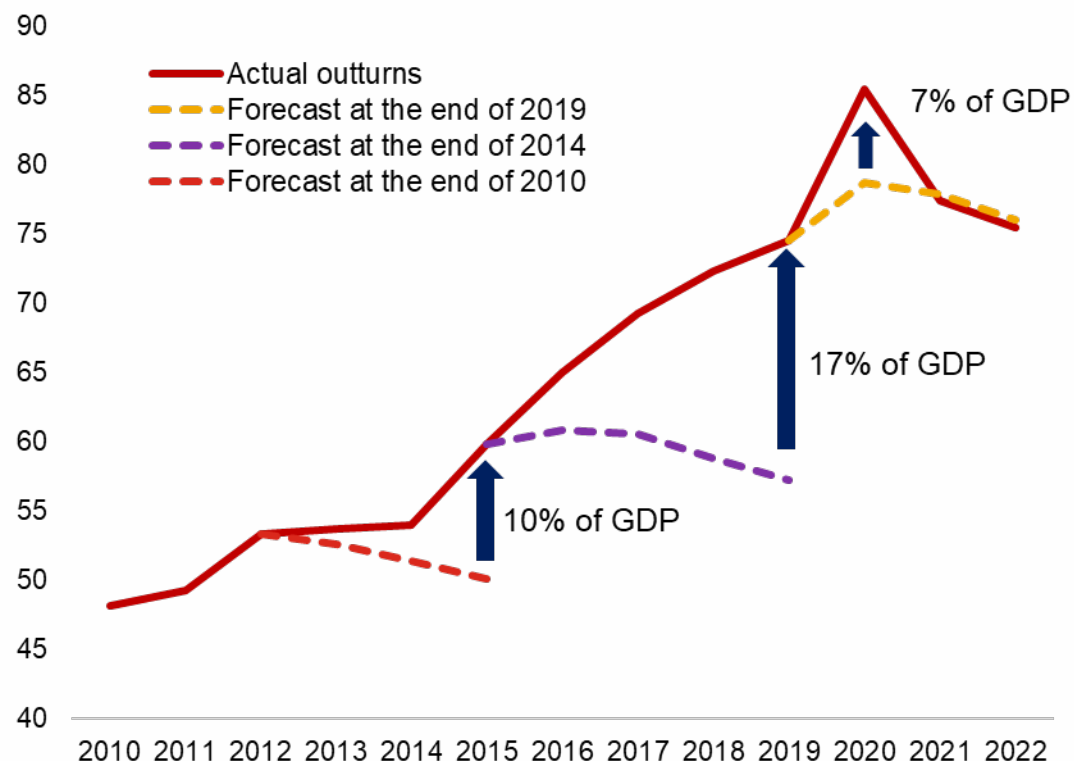


Outline: Fiscal risks...

- What are they?
- What are their sources?
- What can be done?

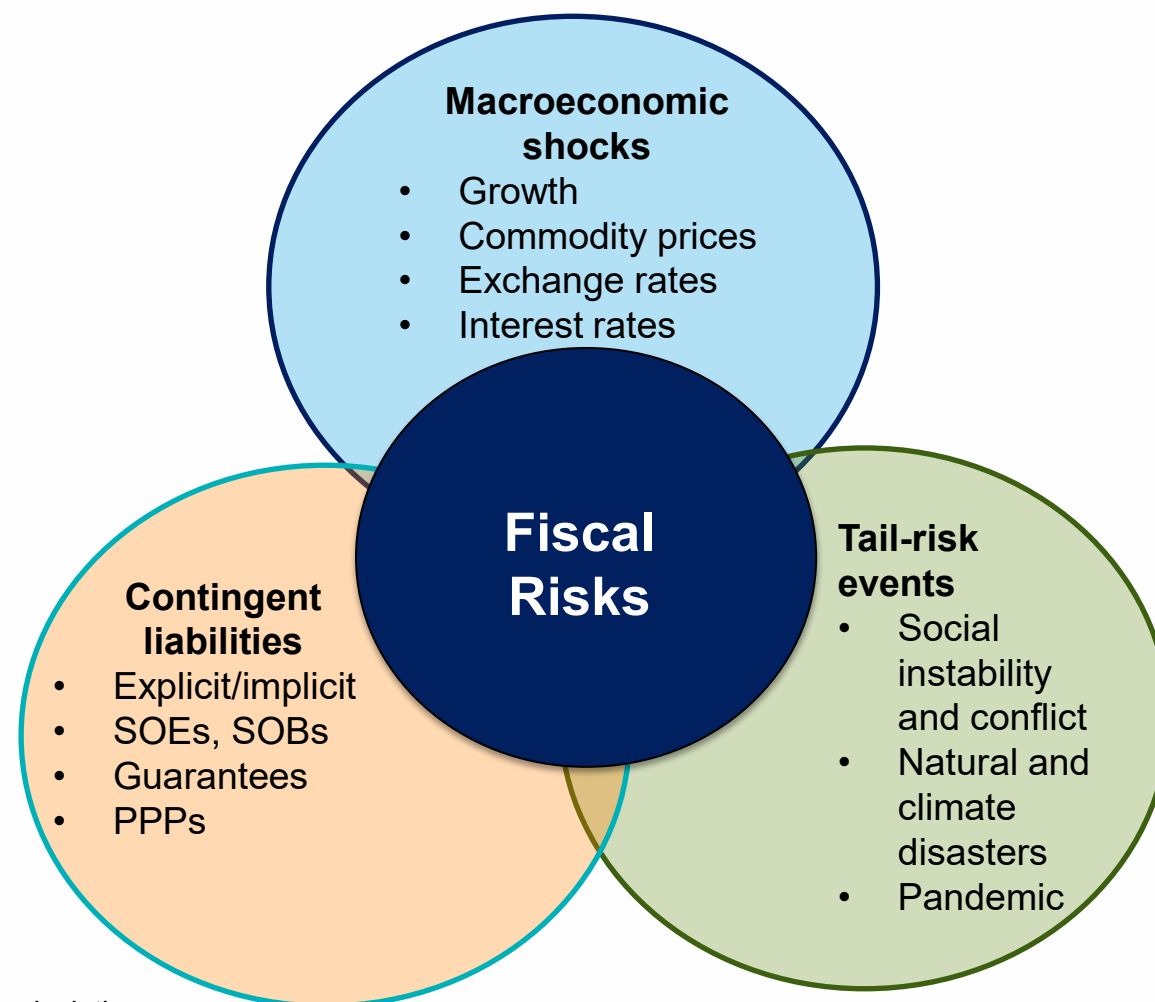
A conceptual framework for fiscal risks – what are they?

Gross Debt (Regional average)



Sources: World Economic Outlook, October vintages from 2010 to 2022; and IMF staff calculations.

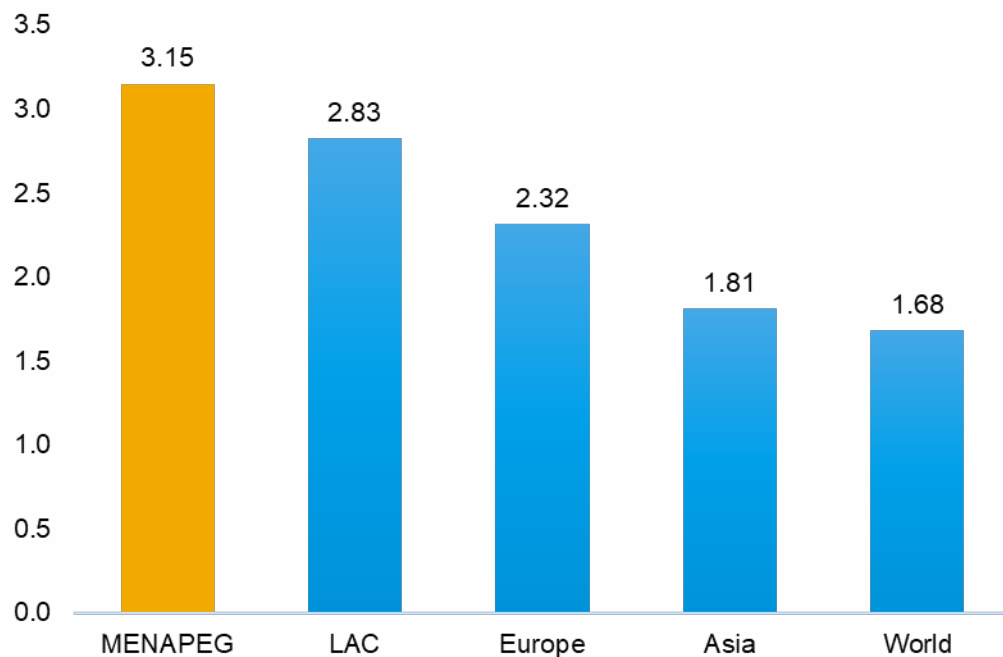
Note: The country sample covered in the paper includes the Islamic Republic of Afghanistan (AFG), Algeria (DZA), Djibouti (DJI), Arab Republic of Egypt (EGY), Iraq (IRQ), Jordan (JOR), Lebanon (LBN), Libya (LBY), Islamic Republic of Mauritania (MRT), Morocco (MAR), Pakistan (PAK), Somalia (SOM), Sudan (SDN), Syrian Arab Republic (SYR), Tunisia (TUN), West Bank and Gaza (WBG), and the Republic of Yemen (YEM). These countries are the members of the IMF Middle East Technical Assistance Center (METAC).



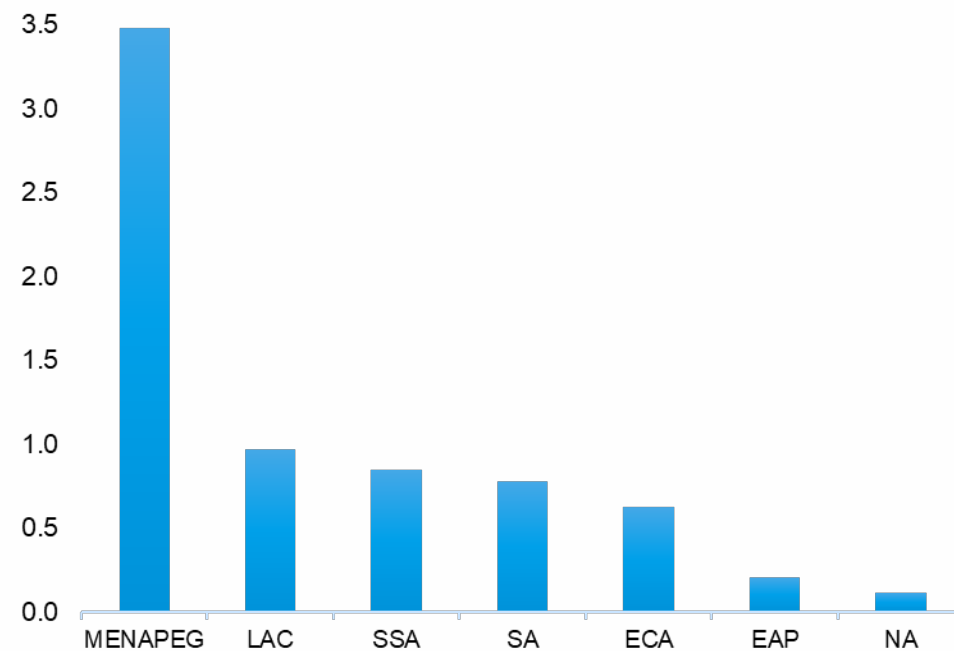
Sources of Fiscal Risk: Macroeconomic shocks

Growth volatility and commodity prices are major triggers of fiscal risks in MENAPEG.

Volatility of Real Growth, 1990-2021
(Standard deviation)



Total Explicit Energy Subsidies by Region, 2020
(Percent of regional GDP)



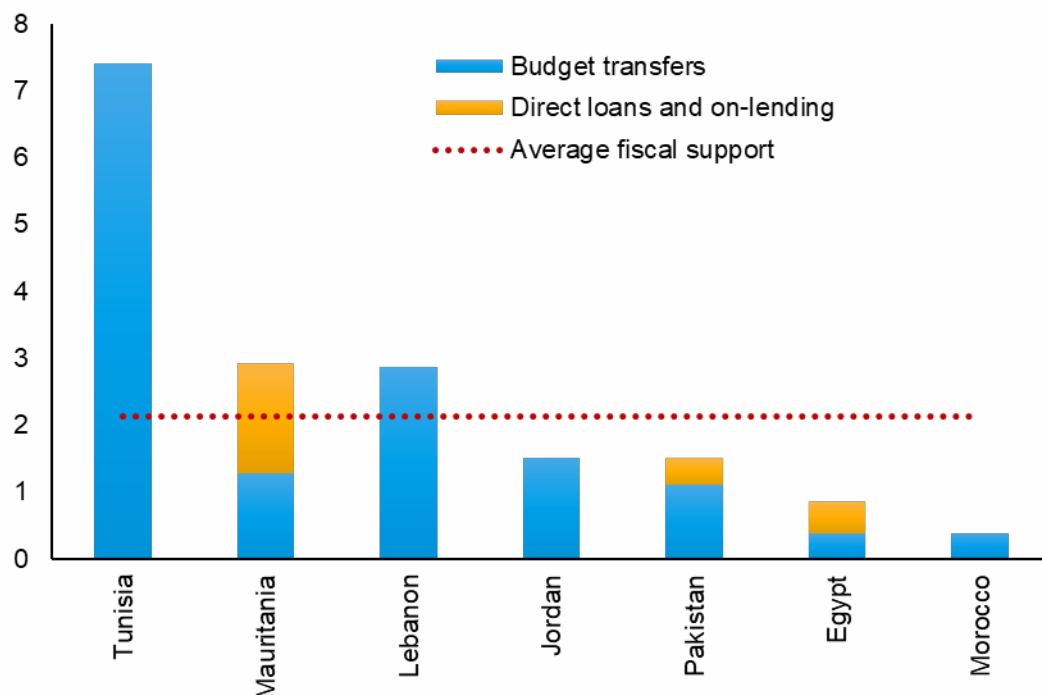
Sources: IMF, World Economic Outlook October 2022; IMF Country-Level Subsidy Estimates Database, 2020; and IMF staff calculations.

Note RHS chart: Explicit subsidies refer to “pre-tax” subsidies and occur when the retail price is below supply cost. ECA = Europe & Central Asia; EAP = East Asia & Pacific; LAC = Latin America and the Caribbean; SA = South Asia; NA = North America; SSA = sub-Saharan Africa.

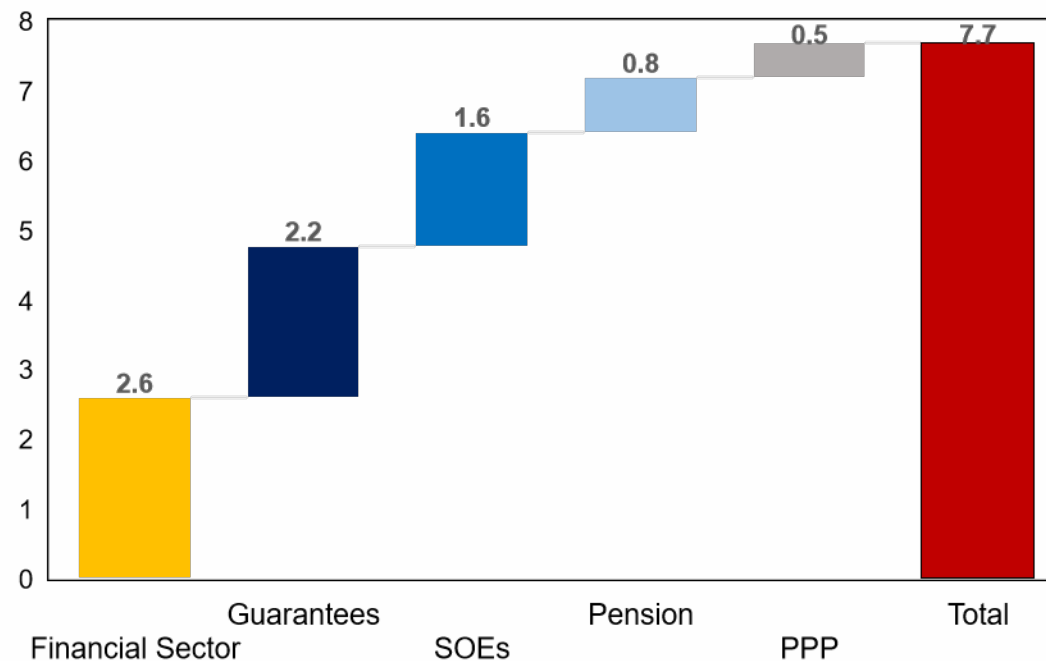
Sources of Fiscal Risk: Contingent liabilities

Large SOE sectors, state-owned banks, guarantees, and PPPs expose governments to sizeable contingent liabilities.

Direct Fiscal Support to SOEs, 2019
(Percent of GDP)



Budgetary Impact of Contingent Liabilities
(Cumulative 1990-2018, percent of GDP)



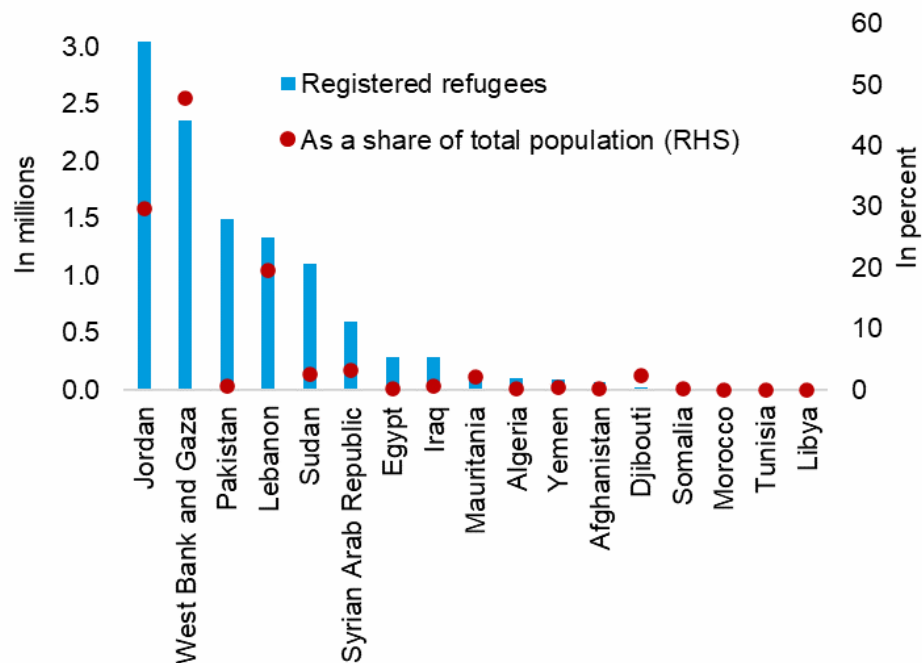
Sources: October 2020 IMF, World Economic Outlook; National authorities; and IMF staff calculations.

Note RHS chart: Contingent liability realizations pertaining to state-owned enterprises include on-budget support measures and exclude off-budget subsidies. The impact of contingent liability realizations refers to the gross payout associated with a contingent liability realization, which captures immediate budgetary pressures and excludes any asset recoveries which are associated with the realization. PPP = public-private partnership; SOEs = state-owned enterprises.

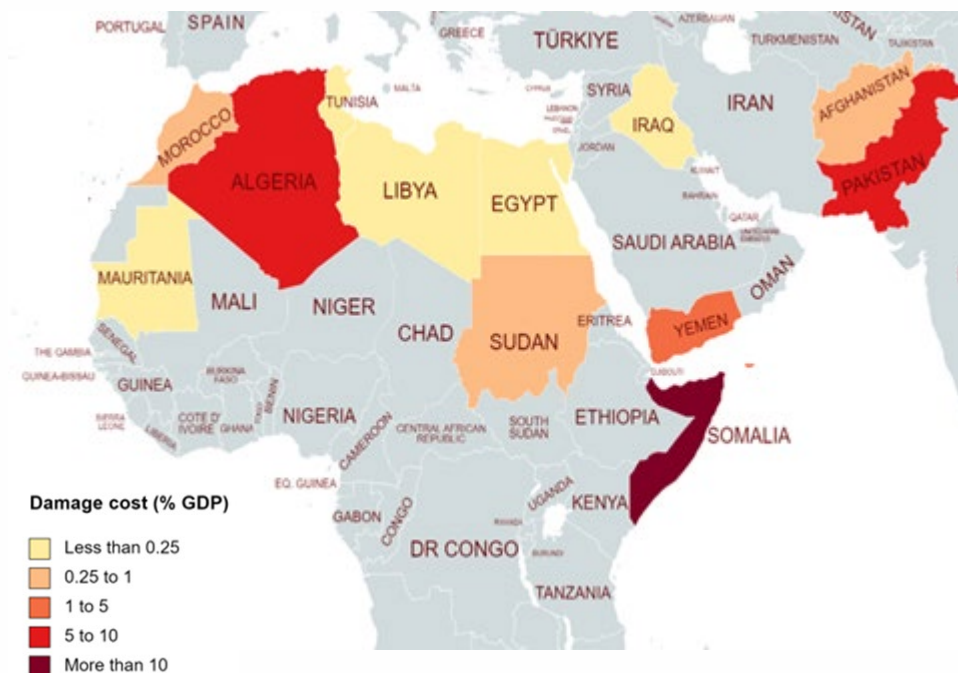
Sources of Fiscal Risk: Tail-risk events

Social unrest and natural and natural disasters have led to large economic and fiscal costs in the region.

Refugee Population Residing in MENAPEG
(By Country or Territory of Asylum, 2021)



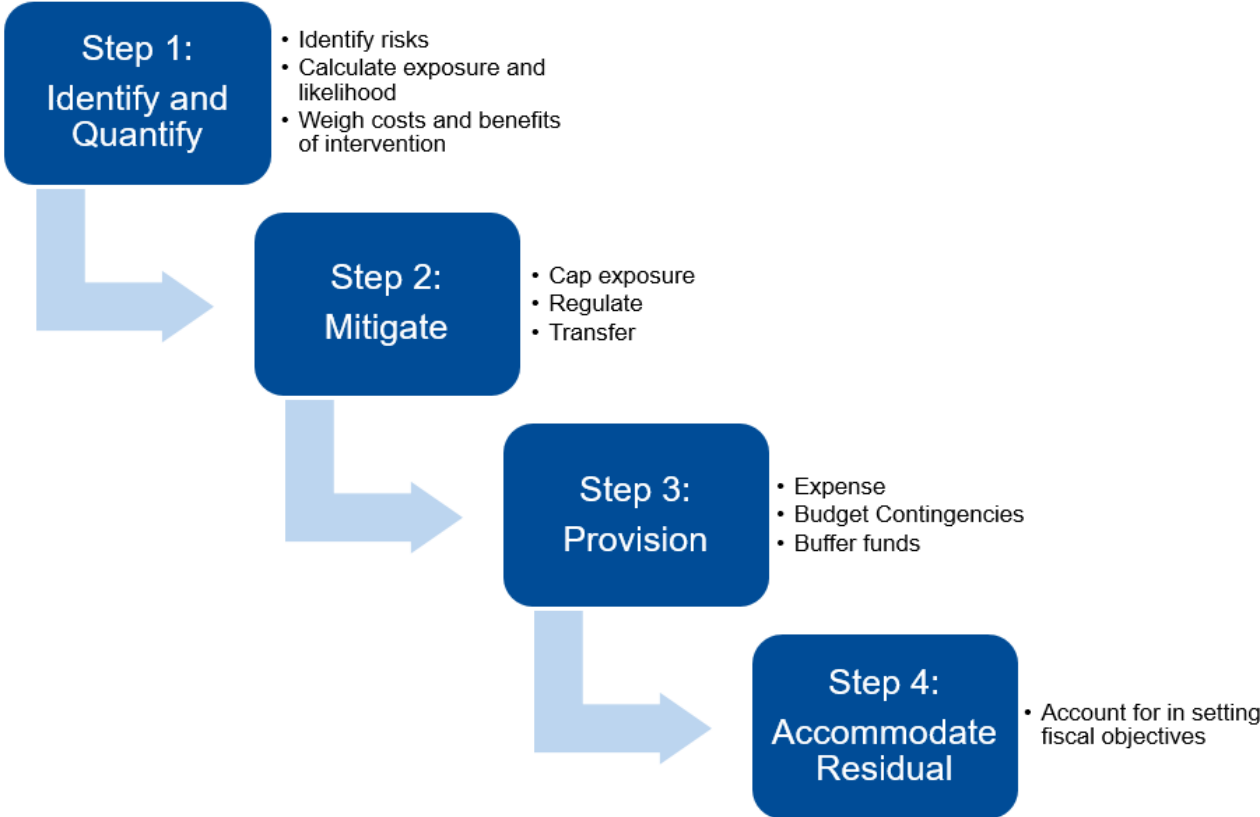
Natural Disasters
(MENAPEG, maximum impact 2000-21, percent GDP)



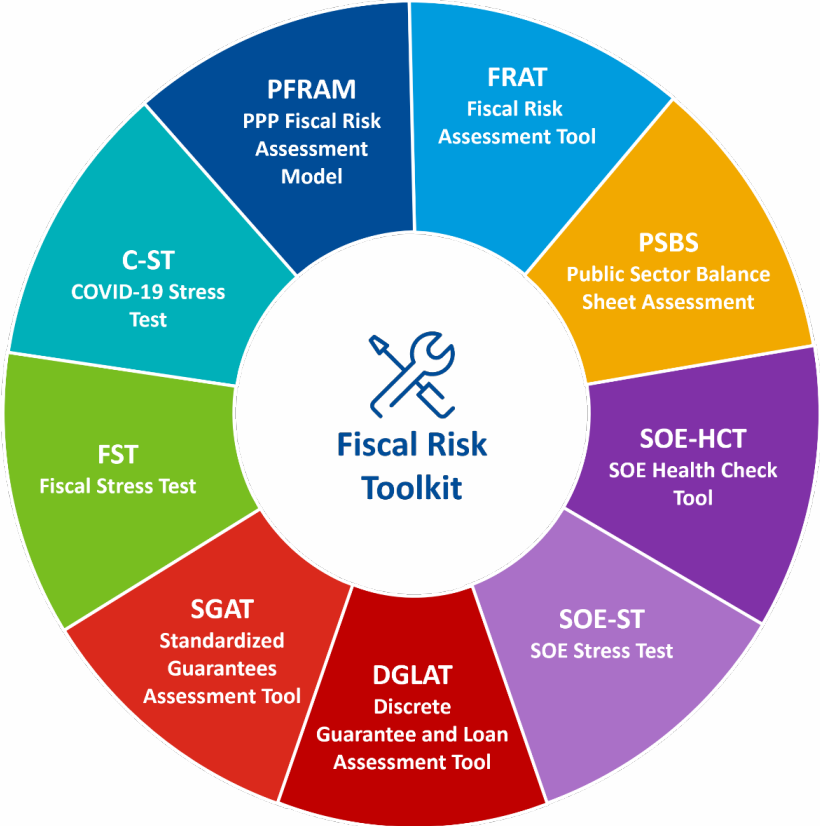
Sources: World Bank, World Development Indicators; UNHCR; UNRWA; Emergency Events database; World Bank, World Development Indicators; and authors' calculations.

A sound and comprehensive framework is a critical to manage fiscal risks

Fiscal Risk Management Strategy



The IMF’s fiscal risk toolkit supports risks analysis ...

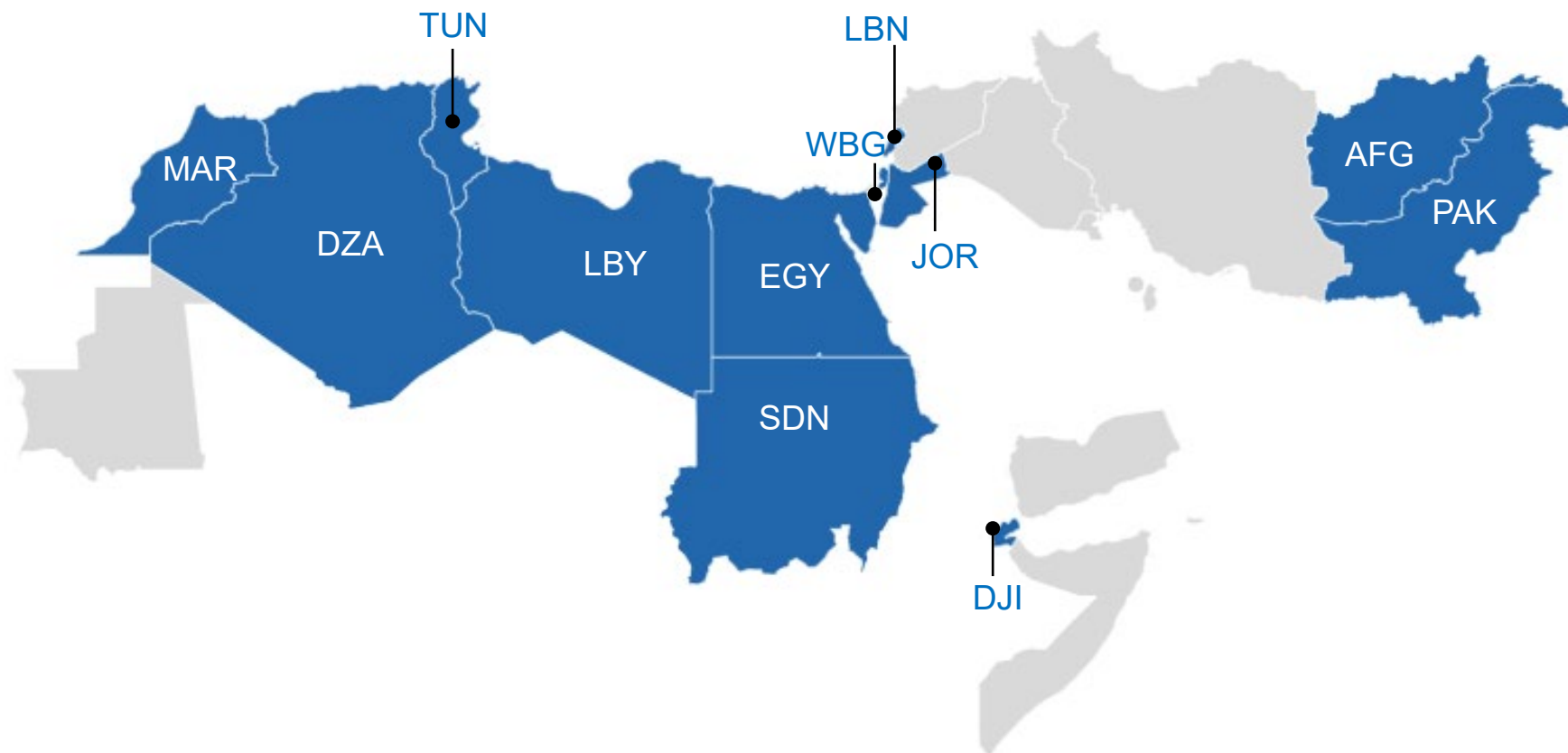


Sources: IMF (2016a); and International Monetary Fund, the Fiscal Transparency Code.

Link to Fiscal Risk Toolkit: [Fiscal-Risks-Toolkit \(imf.org\)](https://www.imf.org/Fiscal-Risks-Toolkit)

Several countries are undertaking reforms: To strengthen institutional arrangements ...

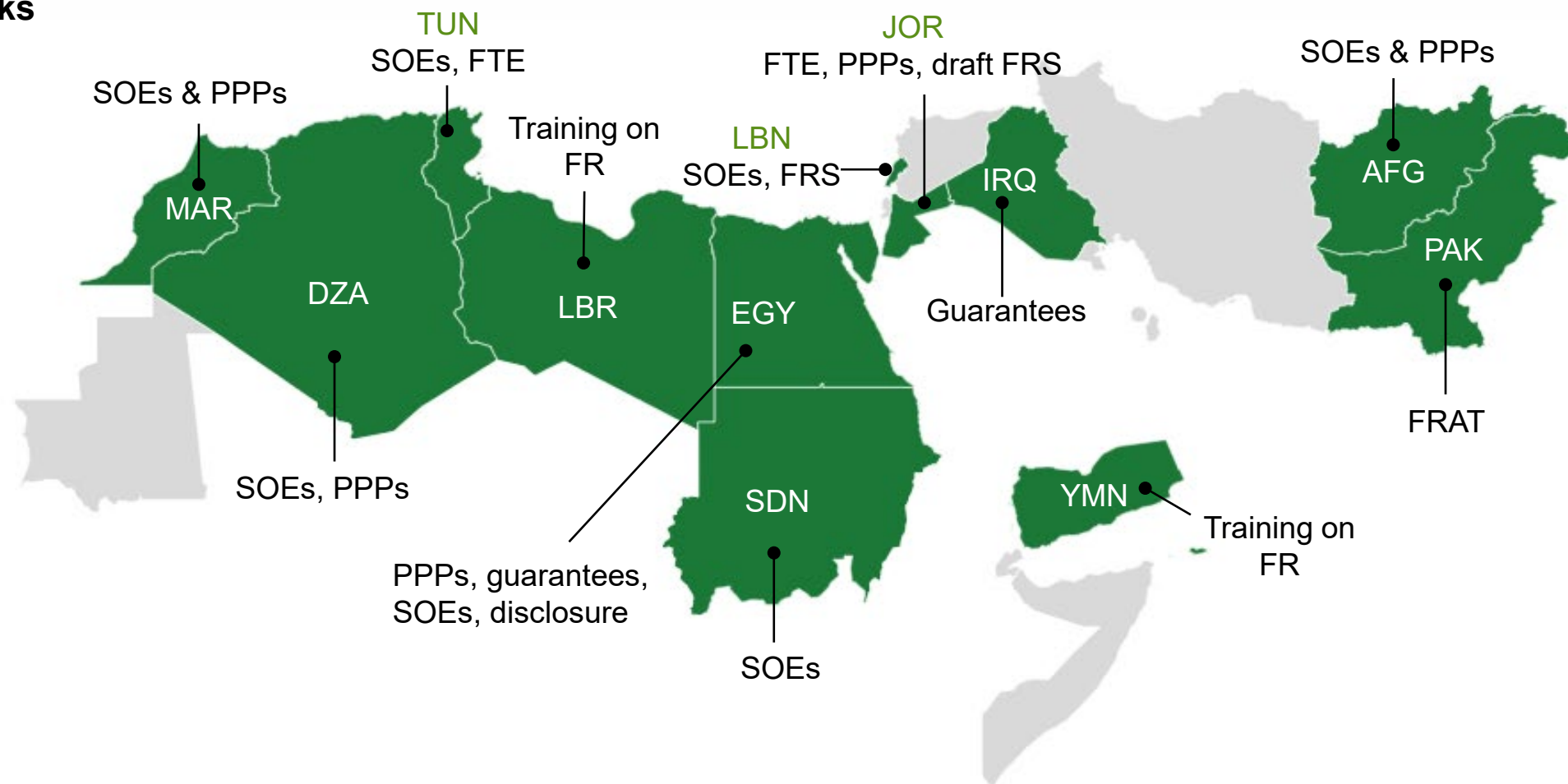
Selected countries in the region are developing medium-term fiscal frameworks and fiscal risk management functions in Ministries of Finance



Note the disclaimer with respect to maps on slide 10.

... and improve analysis, management, and disclosure of fiscal risks

Selected countries in the region that have undertaken reforms in risk analysis, management, and disclosure of fiscal risks

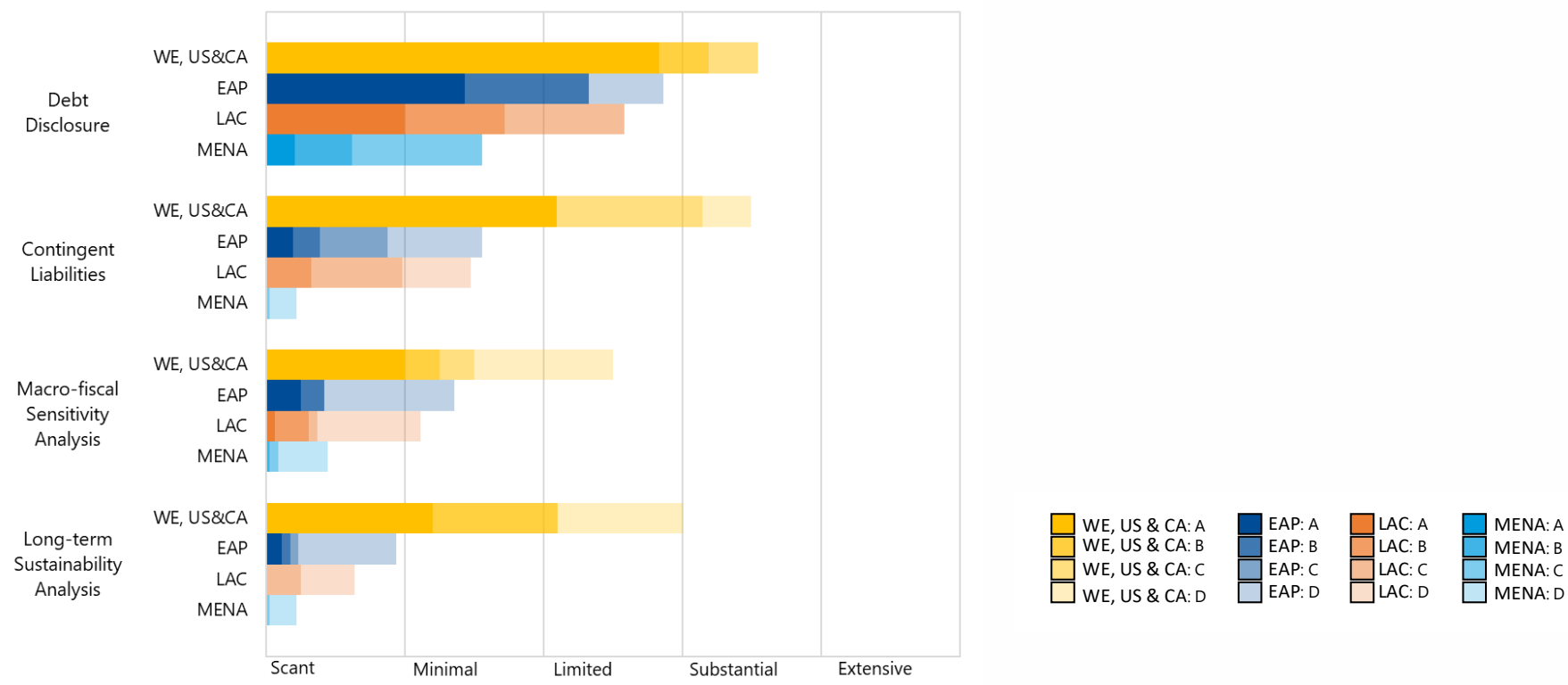


Note the disclaimer with respect to maps on slide 10.

FRAT = Fiscal Risk Assessment Tool, FRS = Fiscal risk statement, FTE = Fiscal transparency evaluation, PPPs = Public private partnerships, SOEs = State-owned enterprises

... but the region continues to lag in fiscal transparency

Performance on selected questions in the Open Budget Survey



Sources: 2021 Open Budget Survey and Fiscal Transparency Evaluations ([Open Budget Survey - International Budget Partnership](#)).

WE = Western Europe, US = United States, CA = Canada, EAP = East Asia and the Pacific, LAC = Latin American and the Caribbean

Note: The boundaries and names shown, and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Regarding Line of Control in Jammu and Kashmir agreed upon by India and Pakistan, the final status of Jammu and Kashmir has not yet been agreed upon by the parties.

Thank you!

<https://www.imf.org/en/News/Seminars/Conferences/2023/06/11/expecting-the-unexpected>

INTERNATIONAL MONETARY FUND

FISCAL AFFAIRS AND MIDDLE EAST
AND CENTRAL ASIA DEPARTMENTS

Managing Fiscal Risks in the Middle East and North Africa

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