



Good Governance for Economic Resilience

Twenty Years of METAC Capacity Development in the Middle East and North Africa

Panel 3: Emerging Trends in Debt Management and Monetary Operations: Ensuring Financial Stability in a Changing World

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The Sovereign Debt Management Landscape and Implications for METAC Countries

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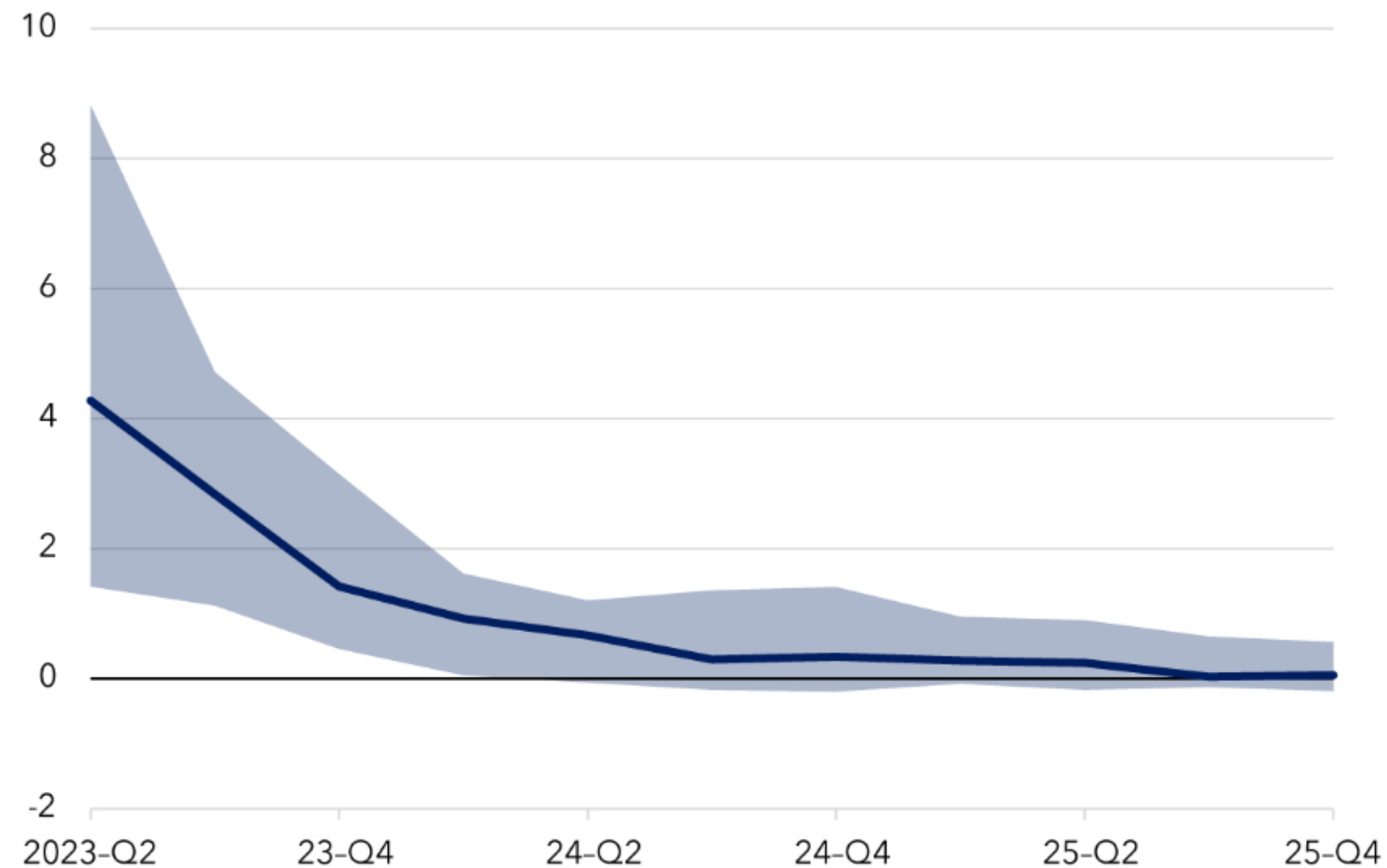


The Macroeconomic Context and Sovereign Debt Landscape

As inflation recedes, global growth is projected to hold steady.

Inflation has receded and is close to central bank targets.

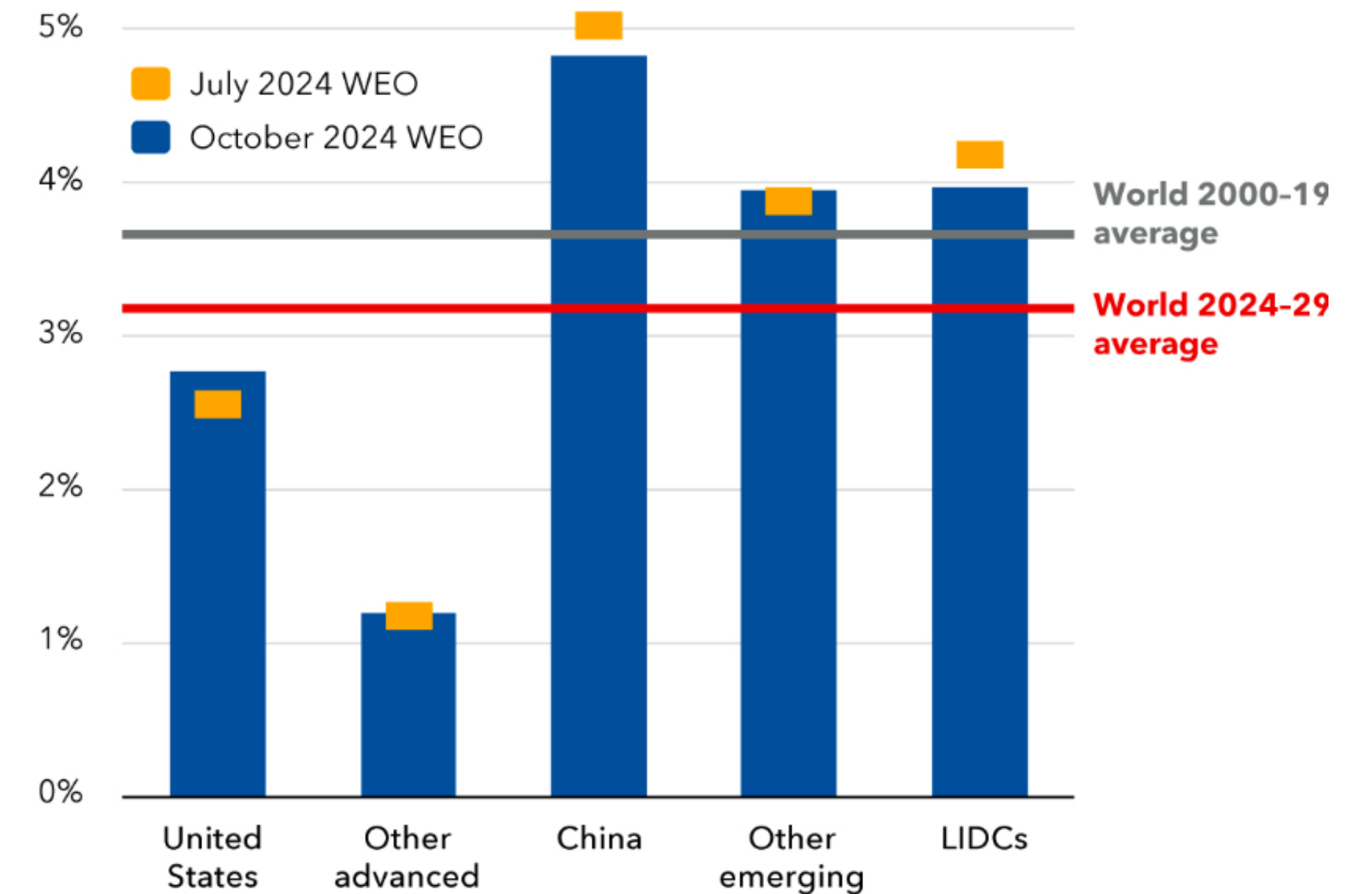
Inflation
(Percentage point deviation from target)



Sources: IMF, World Economic Outlook; and IMF staff estimates.

Growth outlook is largely unchanged and remains at its weakest level in decades.

Real GDP growth
(Percent)

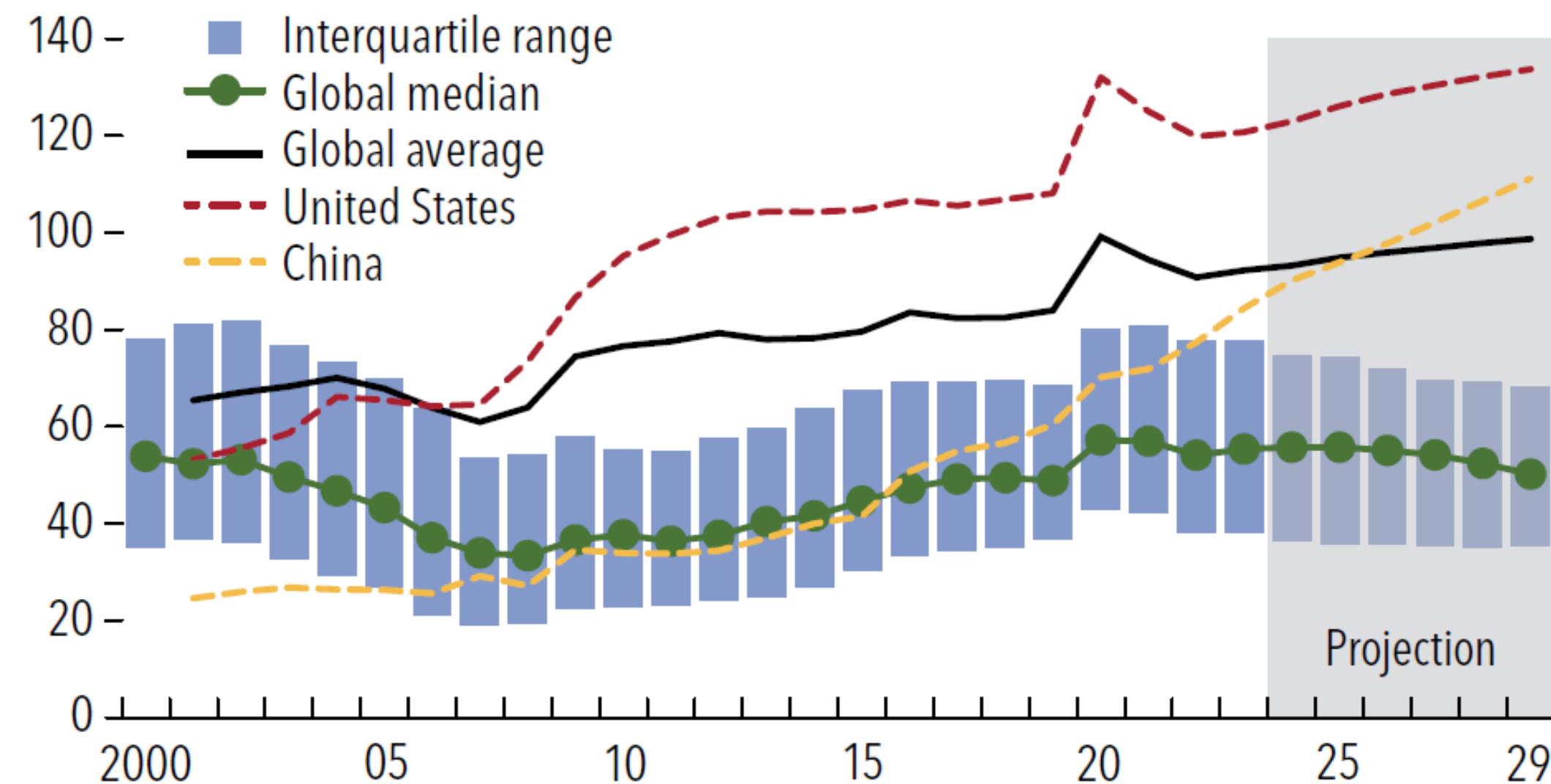


Sources: IMF, World Economic Outlook; and IMF staff estimates.

Global public debt is very high and poses risks.

Although debt is projected to stabilize or decline by 2029 in about two-thirds of the world's countries, it remains higher than before the pandemic.

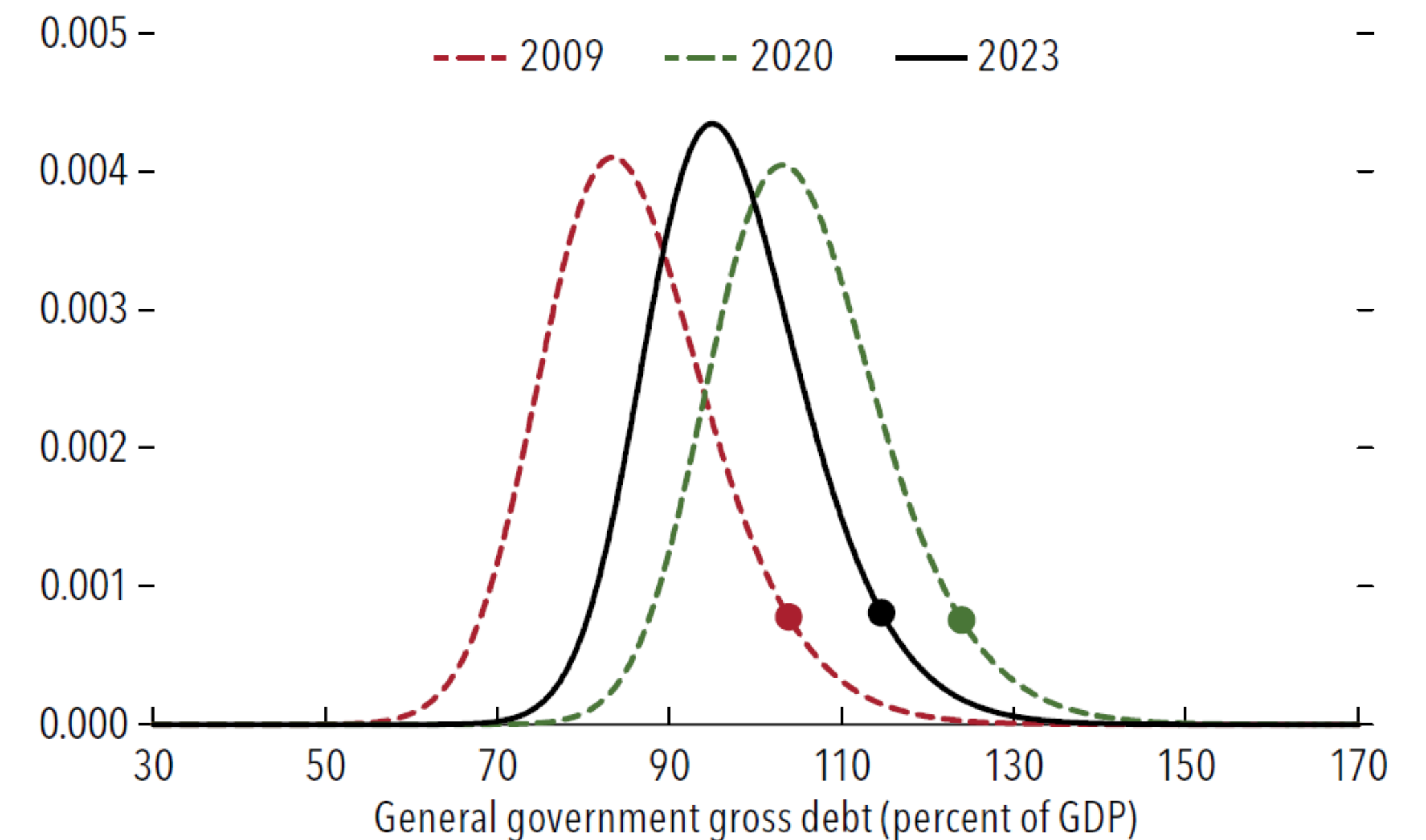
Public Debt-to-GDP Ratio, 2000–29
(Percent of GDP)



Source: IMF, World Economic Outlook database.

The fiscal outlook of many countries may be worse than expected due to large spending pressures, debt projection bias, and sizable unidentified debt.

Global Debt-at-Risk and Its Evolution
(Probability density of three-year-ahead government debt-to-GDP ratio)

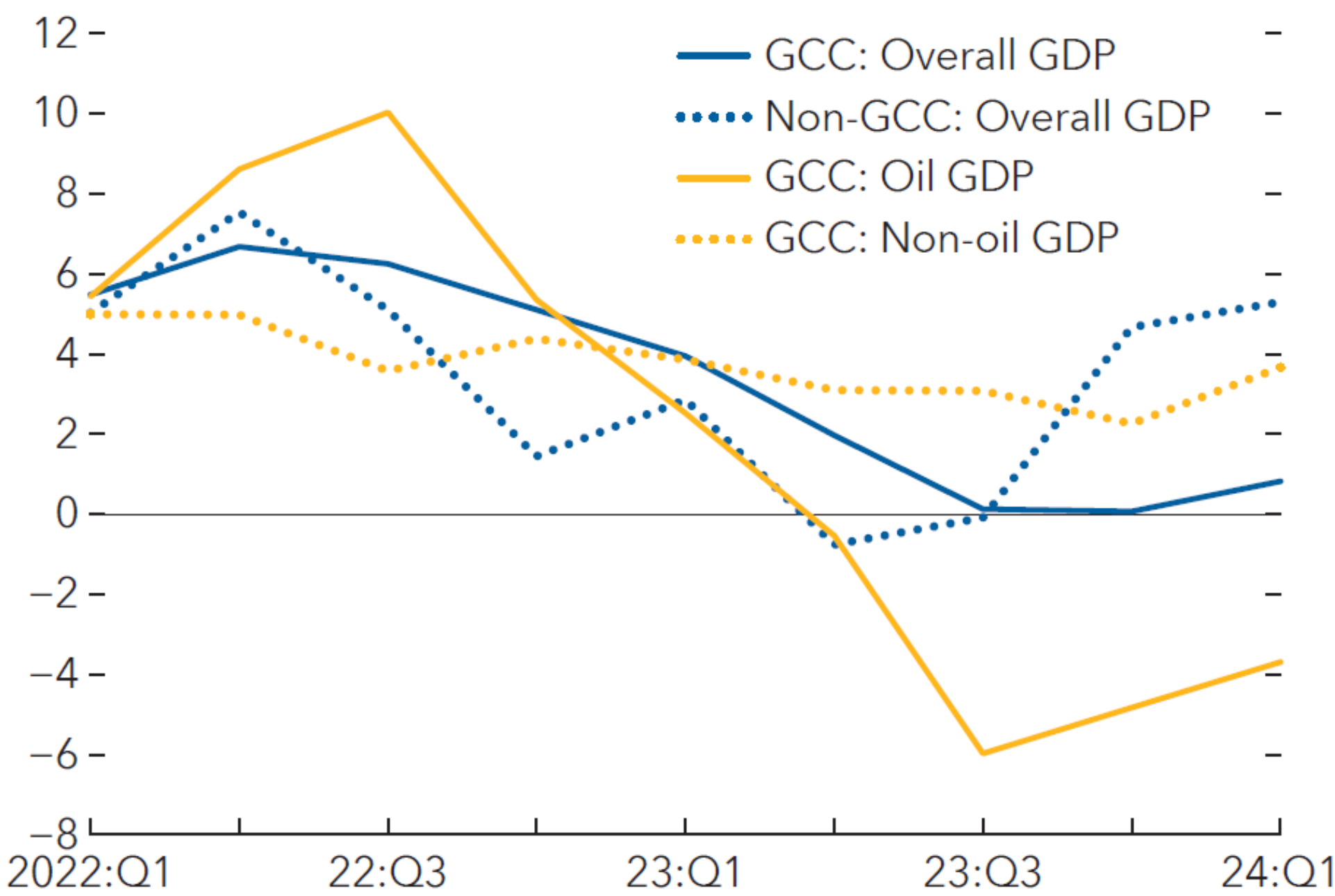


Source: IMF staff calculations.

Growth in MENA is expected to remain sluggish in 2024 and rebound in 2025.

MENA oil exporters have navigated the global landscape well, but the buffers have started to narrow amid ambitious investment strategies and falling oil revenues.

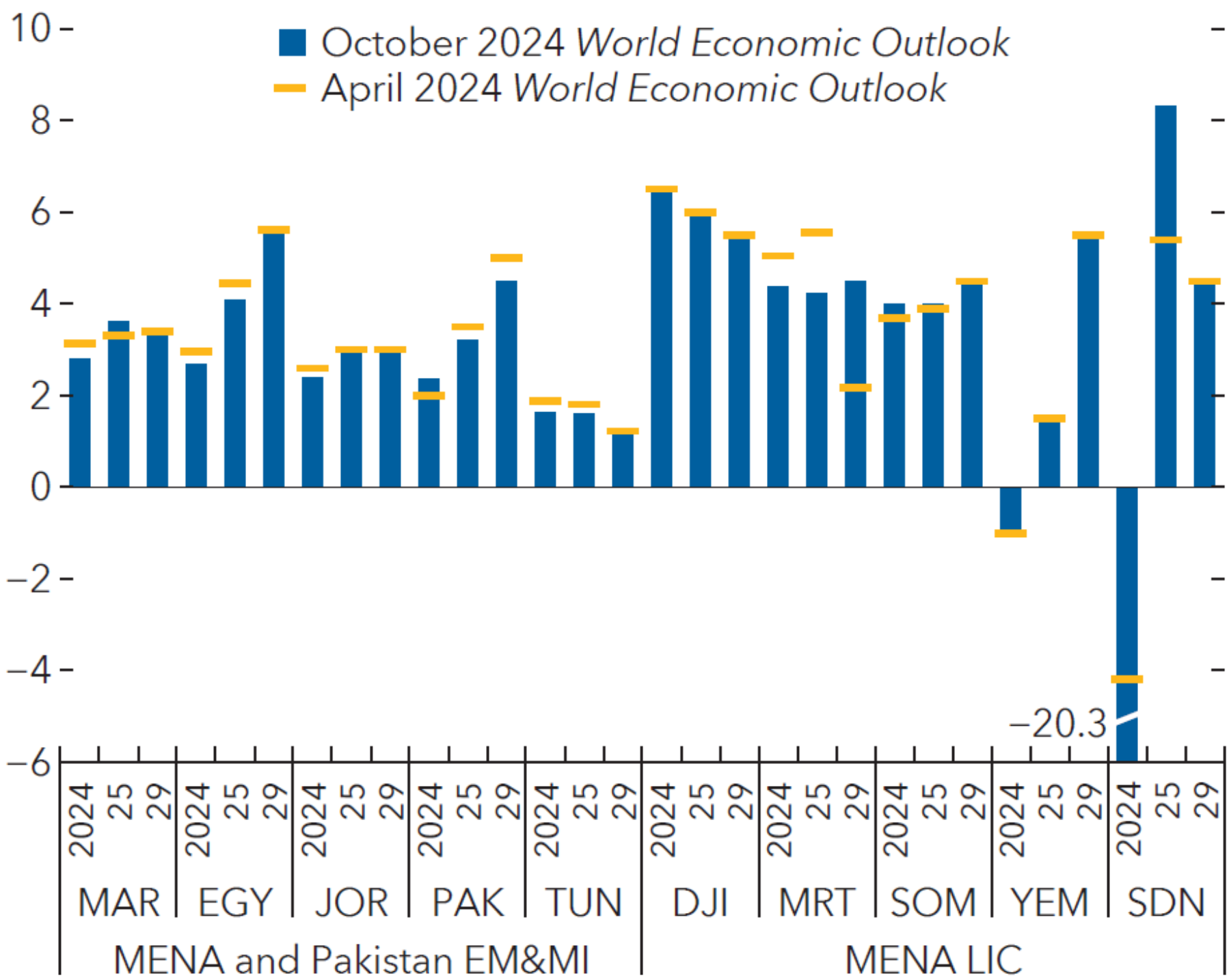
MENA Oil Exporters: Real GDP Growth (Percent)



Sources: Haver Analytics; and IMF staff calculations.

MENA oil importers continue to grapple with vulnerabilities related to conflicts and high gross financing needs.

MENA Oil Importers and Pakistan: Real GDP Growth (Percent)

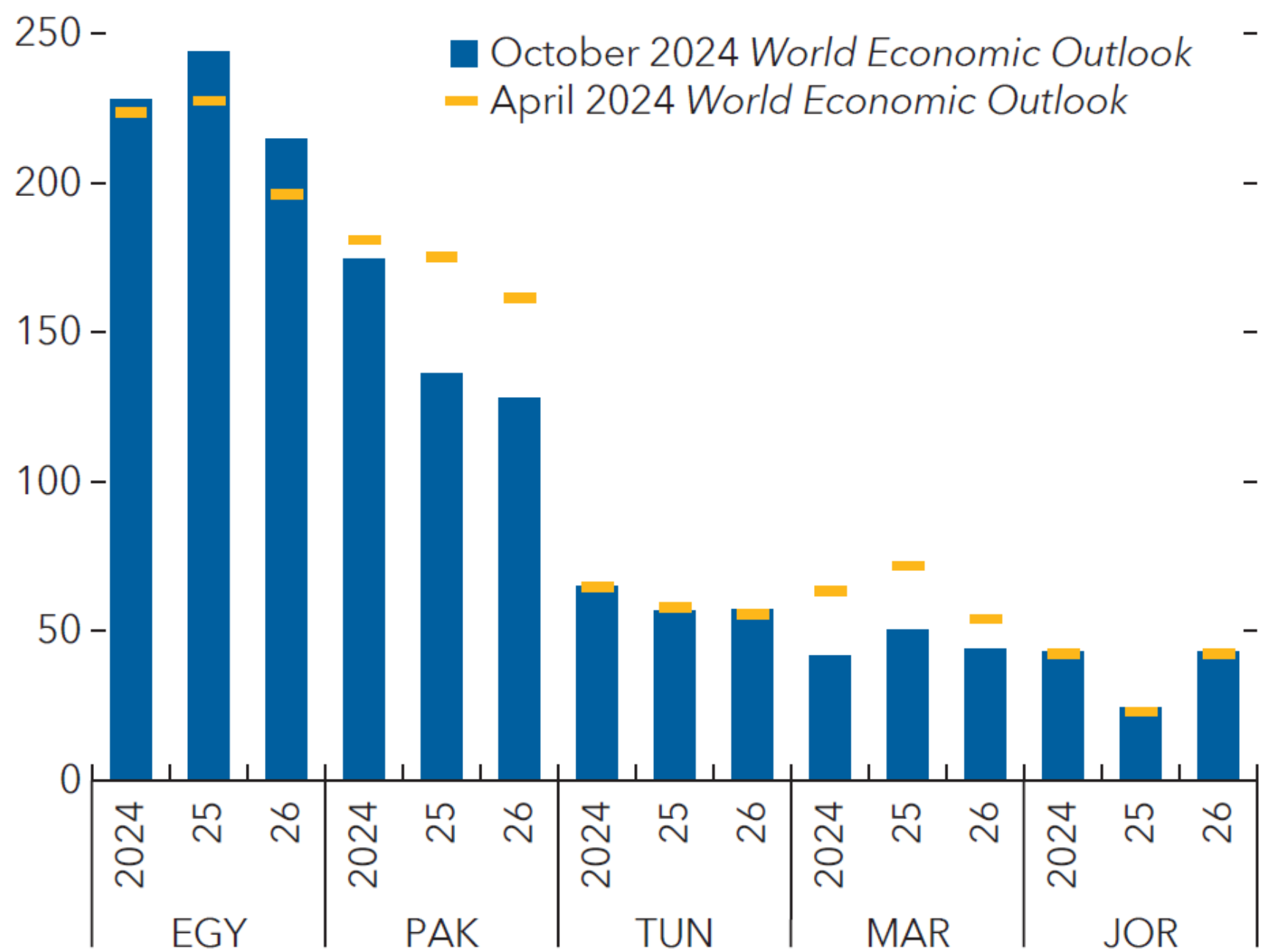


Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Financing needs in the MENA region are expected to remain sizable.

Total gross public financing needs for MENA emerging market and middle-income economies and Pakistan are projected to reach \$268.2 billion in 2025, above 100 percent of fiscal revenues.

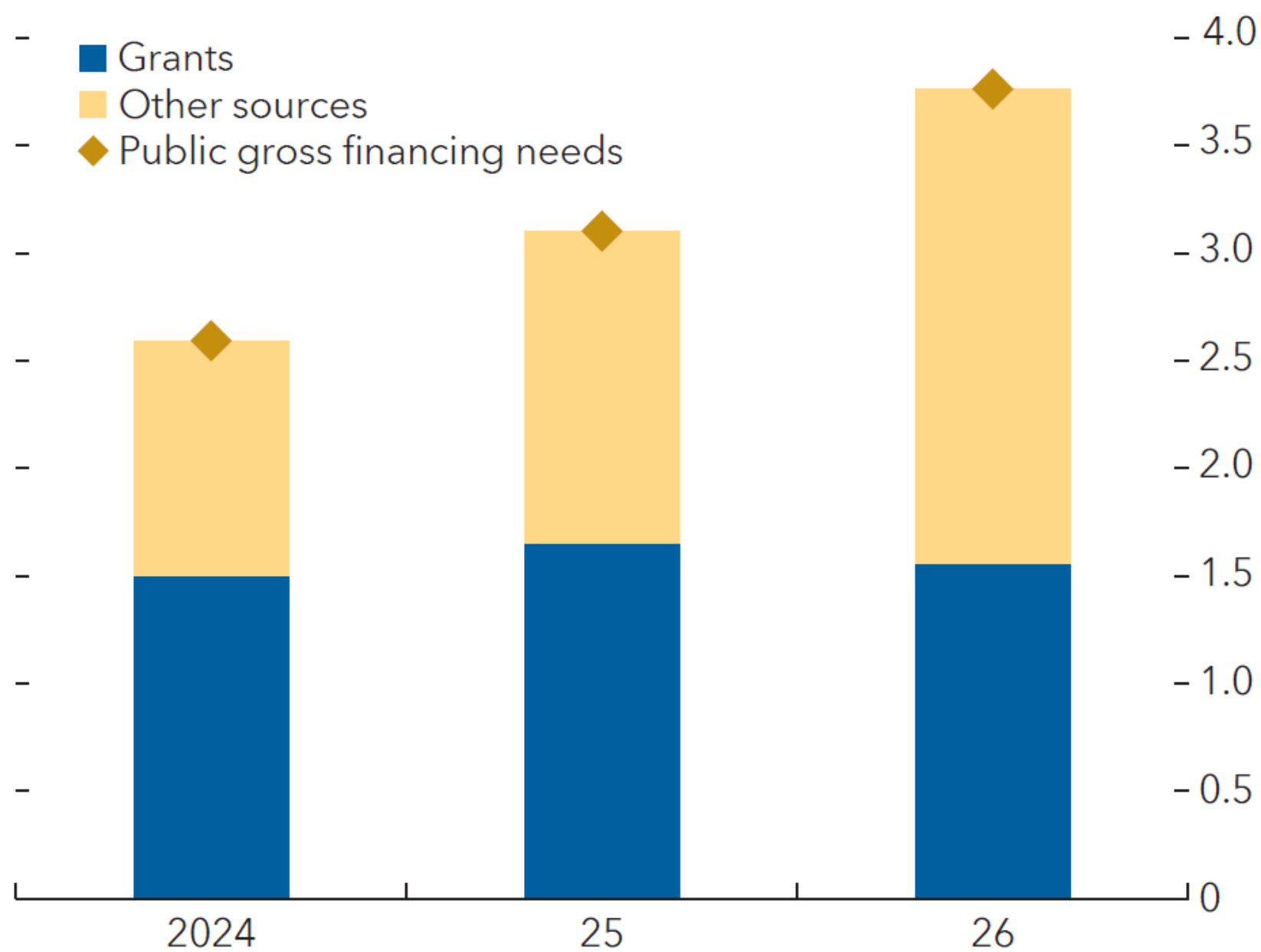
MENA EM&MIs and Pakistan: Public Gross Financing Needs
(Percent of fiscal revenue)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Grant inflows to LICs are expected plateau over 2024-2026 and these LICs will likely need to further rely on alternative financing sources.

MENA LICs: Public Gross Financing Needs and Sources
(Billions of dollars, total)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.



Debt Management Technical Assistance: Challenges and Solutions for the MENA Region

Enhancing debt management: A holistic strategy

Core areas of Debt Capacity Development



Improving institutional arrangements
for debt management



Developing and implementing
debt management strategy



Developing local
currency bond markets



Improving debt recording,
reporting and monitoring

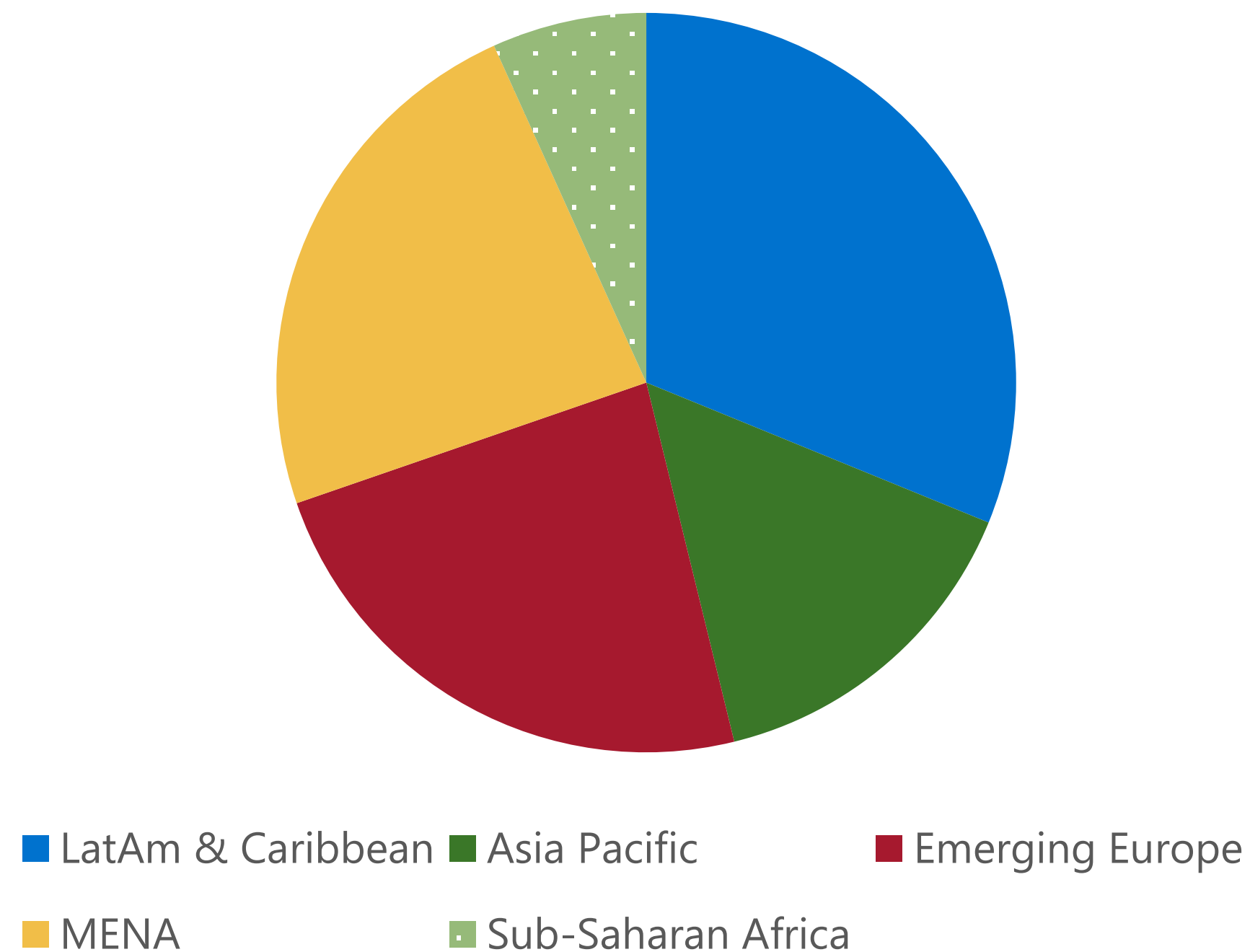
Key factors affecting government bond market functioning

- Investor base not diversified
- Excess liquidity is a persistent issue and central banks often use reserve requirements to manage this excess liquidity
- Interbank and repo markets underdeveloped
- Primary markets skewed towards illiquid instruments and longer maturities at off-market prices
- These factors combined, hinder secondary market development

As a result, MENA's debt markets are less developed at home

The MENA region accounts for about 24 percent of total external debt stock among developing countries.

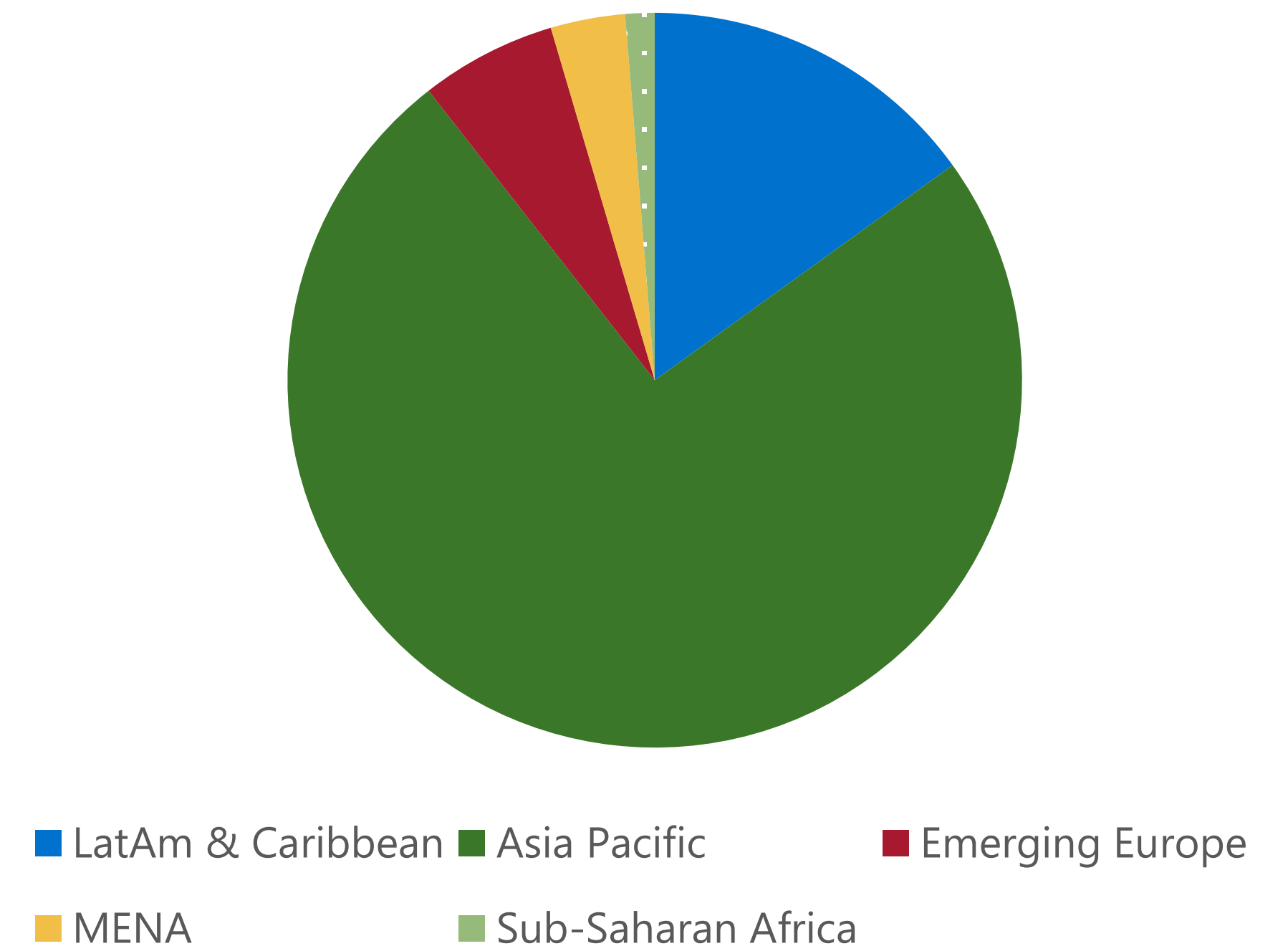
Developing Countries: External Debt Stock by Region (Percent)



Sources: BofA Global Research and IMF staff calculations

However, the region only represents 3 percent of the entire domestic debt stock among developing nations.

Developing Countries: Domestic Debt Stock by Region (Percent)



Sources: BofA Global Research and IMF staff calculations

IMF regional capacity development: key issues and priorities

- **Funding for CD is more scarce for high and middle-income countries**, compared to low-income countries
- **With increased CD resources**, METAC aims to maintain high execution rates despite regional conflicts and METAC office challenges
- **Additional CD** is needed in certain debt areas, including medium-term debt management strategy, annual borrowing plans, debt reporting and local currency bond market development
- **The enhanced workstreams include:** Debt Management, Government Finance Statistics (GFS), Public Sector Debt Statistics (PSDS)