The IMF & World Bank's Grip on MENA

Background Paper

By Shady Hassan

MENA Fem Movement for Economic, Development and Ecological Justice

The IMF & World Bank's Grip on MENA

Background Paper

By Shady Hassan

MENA Fem Movement for Economic, Development, and Ecological Justice

Executive Summary

The background paper reveals a critical reality: lower-middle-income Arab nations in the MENA region are increasingly dependent on International Financial Institutions (IFIs) for funding and debt servicing, primarily the International Monetary Fund (IMF) and the World Bank. This dependence comes with strings attached and with expanding powers for those institutions to shape the region through their conditionality. We estimated that lending programs linked to these two organizations alone over the last 15 years imposed at least 1,365 conditions on the region. Between 2010 and the end of 2024, there were 681 conditions related to the IMF's conventional lending in the region, excluding new lending resilience and sustainability facilities (RSF). Jordan, Mauritania, and Egypt stand out dramatically, with 170, 140, and 110 conditions, respectively. Conditions in Jordan and Mauritania account for nearly half of all conditions across the region, suggesting particularly intense and repeated engagement with the IMF.

Regarding World Bank prior-action conditionality, the region was subject to 684 conditions, with Morocco standing out with 267. Those conditions profoundly shape policy decisions and fiscal strategies, often with far-reaching consequences for the general population, particularly for marginalized groups. These conditions are not benign technical adjustments; they represent a coordinated ideological strategy built on four key pillars: **Enforcing Austerity** (prioritizing debt service over public services), **Privatizing Resources** (transferring vital sectors like energy and water to private control), **Deregulating Capital** (serving international investors over local protections), and **Managing Dissent** (replacing universal rights with targeted handouts to make Austerity politically tenable).

Debt Service on IFIs' debt in the region exceeds the global average and accounts for a significant share of total debt service. Morocco stands out as 55.9% of its public and publicly guaranteed debt service payments go to IFIs, especially the IMF. The IMF has been deeply involved in the region's finances since the pandemic, with Tunisia being the exception.

By mid-2025, the loans from multilateral organizations, in billions of US dollars, were 45.3 for Egypt, 8.03 for Jordan, 17.97 for Morocco, and 8.03 for Tunisia, with a significant portion of that debt stock owed to the International Monetary Fund (IMF).

The cumulative repayment plans for the IMF's loans span till 2042 for some countries. However, for Egypt, the agreed-upon repayment is steep, with most of the loans due within the next 4 years. These will likely not be the actual net payments to the IMF, as new loans are expected. From the history of Jordan and Egypt, it is clear that these governments prefer to smooth out repayments by taking out new, smaller loans. In recent years, Egypt has been reducing its total debt to the International Monetary Fund (IMF). It reached its peak in Q3 of 2021 at 20.3 billion. Since then, the government has reduced its total debt holdings, rescheduled its repayments by taking a new, smaller loan, and is expected to exit the IMF's grip, which was entrenched by successive external shocks and regional issues. The Jordanian and Moroccan governments have tended to keep loan amounts constant by issuing new loans to pay off old ones. This is known as rolling over the debt, where borrowers do not repay the loan but only service it.

Between 2012 and November 2024, Egypt, Tunisia, Jordan, and Morocco all paid surcharges to the IMF, with the majority of these payments made by Egypt. In the coming years, Egypt and Jordan will continue to pay those charges even after the new reformed rules take effect back in November 2024.

The paper critically examines external debt figures in the MENA region, identifying several issues related to the role of IFIs:

1. **The IMF's climate condition may violate international law (Green Colonialism).**

Under the guise of climate mitigation, the IMF's climate-related conditions systematically shift the financial burden of the Western-driven climate crisis onto countries with limited resources, thereby significantly increasing the cost of living for the poorest populations. Egypt and Morocco's per capita carbon emissions are insignificant compared to those of Western polluters. However, in Egypt, EFF programs, and in Morocco, RSF loan programs include conditionalities that increase energy and water costs for the impoverished majority, explicitly for climate mitigation. While these measures are designed to promote a transition to a low-carbon economy, they are shifting the financial burden of the Western-driven climate crisis onto countries with limited resources. This burden is empirically demonstrated in **Table 10**, which shows that Morocco's energy import bill nearly doubled in one year, accounting for 12% of GDP. Adding **Reform**

Measure (RM) 10—a regressive fuel tax—to this existing crisis forces the working class to pay for the transition. The language and implementation of those conditions significantly affect the most vulnerable segment in an already impoverished country. For example, the IMF imposed a gasoline pricing mechanism in Egypt that implicitly subsidizes luxury car owners at the expense of the vast majority of people's transportation costs. This raises significant concerns regarding the violation of the principle of "Common But Differentiated Responsibilities" (CBDR). CBDR acknowledges the diverse historical contributions to climate change and the varying capacities to mitigate its impacts. CBDR is an ethical framework that highlights that most developing countries have minimal pollution footprints and do not significantly contribute to the historical emissions that drive the current climate crisis. The prevailing Western argument for increasing fossil fuel prices, while effective in reducing demand and promoting alternative energy sources, becomes deeply unfair when applied to the most unprivileged, lowest-income segments of the global south. Expecting the average citizen in a developing country like Morocco or Egypt to bear the cost of the West's continued and accumulated pollution is unjust, especially given our limited contribution to the crisis. The experiences of the IMF's conditionalities implemented in Egypt and Morocco illustrate this point. **The IMF is enforcing a form of "Green Colonialism," where low-emission MENA countries are forced to bear the costs of the West's historical pollution through regressive measures like energy price hikes on people experiencing poverty (as seen in Egypt and Morocco)**

2. **The human cost of surcharges remains significant. "penalty for being poor."**

Surcharges are a Penalty on Top of debt and are illegitimate. In Egypt, the projected 4.5 billion LE in surcharges (even after reforms) far exceeds the combined subsidies for electricity and farmers in the 24/25 budget. Between 2012 and November 2024, Egypt, Tunisia, Jordan, and Morocco all paid surcharges to the IMF, with the majority of these payments made by Egypt. Egypt paid surcharges of around 78 billion LE, equivalent to 23% of all subsidies, 55% of food subsidies, and nearly 60% of the energy subsidy in the 2024 budget. From the beginning of 2025 onward, Egypt and Jordan will continue to pay those charges even after the new reformed rules take effect. For Egypt, the projected surcharge payments to the IMF remain significant and are **crowding out essential government services**. The projected surcharge payments to the IMF, starting in November 2024, will amount to 88.264 million USD, or 4.5 billion LE. That figure is far more than the projected combined subsidy payment for electricity by the end of June 2025, at 2.5 billion LE, and for farmers, at 0.6 billion LE. In Morocco, the new surcharge rules remain a threat to the country and to other nations in similar situations, particularly in the event of a moderate external shock, such as a global recession. In that case, Morocco would have to take an FCL loan from the IMF. Based on our estimates, that would trigger a surcharge payment for three or more years. In that scenario, the IMF is using the state of vulnerability as an excuse to impose surcharges on Morocco when the country needs them the most. In that scenario, the IMF implicitly suggests that **people experiencing poverty must be punished for being poor.** Surcharges are a pure form of illegitimate debt. **The data clearly indicate that efforts and advocacy related to Surcharge reforms remain essential for the well-being of average citizens and poverty prevention, and are highly relevant from a debt justice perspective.**

3. **The IMF has a flawed methodology.**

In the case of Lebanon, when examining the IMF's external debt-to-GDP data, we concluded that its regional economic outlook methodology is ineffective for countries experiencing severe currency fluctuations, as it yields misleading ratios. **Figure 11** visualizes this massive discrepancy. As mentioned in the Annex of this paper, the methodology used by the IMF World Economic Outlook (WEO) "significantly overstates the actual external debt burden" for countries experiencing exchange rate volatility. This overstatement renders the IMF's database less relevant to researchers and the general public in developing nations facing such volatility. Consequently, it complicates efforts to replicate the IMF’s external debt sustainability analysis (DSA) using the publicly available IMF methodology and calculation templates.

4. **The IMF is an Engine of inequality and violates fairness norms.**

The IMF has created a financial architecture that compounds domestic debt and massively increases inequality, while shielding the very rich during external inflationary shocks, violating social fairness norms in Egypt. It conditioned Egypt to cancel the central bank's productive initiatives, to reduce the CBE's balance sheet during external shocks, to mandate extremely high interest rates, and to protect the interests of domestic bondholders while ignoring the effects of those measures on domestic debt in their models. The IMF orchestrated a situation in which national income is radically and regressively redistributed from productive sectors and taxpayers to the privileged segment of society at a rate of 7%-12% of GDP per year, with a total nominal value exceeding 5 trillion LE. Our analysis of the data further reveals that **domestic public debt owners alone captured almost 50 percent of the country's nominal growth over the last five years; these preliminary data warrant further investigation**. The IMF's conditionalities benefit debt holders. Making one segment face the burden of inflation and government austerity (reducing public services in relative terms). In contrast, the upper-income segment is insulated against shocks; their assets increase in value, and they benefit from risk-free financial instruments for saving and from domestic debt dynamics, thereby violating fundamental fairness norms in the country. Furthermore, it institutionalizes and rewards **rent-seeking over productive activity, creating a situation in which the return on rent capital has far exceeded economic growth over the last five years and is expected to continue, according to IMF projections for upcoming Egyptian budgets.**

This data from Egypt highlights the need to reevaluate the standard theory and arguments on central bank policy and inequality, particularly regarding interest rates, the central bank's mandate, and its balance sheet operations. Furthermore, it is vital to inform the public in the Global South about the IMF's trend toward imposing radical distributive public policies through conditionalities imposed on central banks, bypassing the regular budget oversight.

Key Policy Recommendations for Civil Society

1. **Institutionalize Fiscal Oversight:** Advocate for the legislative establishment of **Independent Fiscal Councils** in MENA countries. These non-partisan bodies are essential for breaking the monopoly IFIs have over economic data, providing transparent analysis of debt dynamics and the social impact of budget cuts. Such a body would provide transparent, non-partisan analysis of budget policy and monitor debt dynamics, acting as a crucial check against the IMF's policies that prioritize short-term financial stabilization over long-term fiscal health and equitable development.
2. **Re-launch the Campaign Against Surcharges as Illegitimate Debt:** Surcharges are still significant on the fiscal space in the region. "The 4.5 billion LE Egypt pays in surcharges equals two years of electricity subsidies".
3. **Debt-for-Climate Swaps and Climate Reparations:** Mobilize against "green austerity." CSOs must demand that climate finance from IFIs does not come with strings that increase the cost of living for the vulnerable. Negotiations should prioritize **Debt-for-Climate Swaps** over new debt-creating instruments like the RSF.
4. **Demand Methodological Accountability:** Challenge the narratives of insolvency based on opaque data. CSOs should demand that the IMF publish the full Metadata and methodology for its debt statistics in its Regional Economic Outlooks to prevent the manipulation of crisis narratives.

In conclusion, the IMF and the World Bank leverage External debt and moments of global and regional crises to expand their influence over policymaking in the MENA region. The patterns and timing of the IMF and World Bank's conditionalities in the region show a relentless wave of Interventions, using moments of global crisis and local fragility to shape public policy for generations to come. Their policies reflect the interests of the countries that control these institutions, aligning with Western imperialist agendas aimed at restructuring economies to hinder their growth and potential, thereby maintaining their dominance of Earth's resources. The IMF and World Bank execute a coordinated strategy that promotes the failed trickle-down economics. **The result is not shared prosperity, but a re-engineering of the economy that benefits a small elite while maintaining the extractivism agenda.** These IFI-driven policies disproportionately burden marginalized groups, particularly women, who face the dual impact of rising living costs and the withdrawal of essential public services as the state retreats.

In light of these facts, there are tangible impacts on marginalized groups, especially women, who bear the brunt of the rising cost of living and the state's withdrawal from providing public services. Policies imposed by the International Monetary Fund and the World Bank not only perpetuate economic dependency but also reinforce patterns of gender, social, and political inequality, thereby deepening the vulnerability of groups working in the informal economy. From this standpoint, MenaFem stresses that confronting financial colonialism goes hand in hand with resisting patriarchal and neoliberal systems. MenaFem emphasizes that the people of the region urgently require fairer alternatives rooted in economic sovereignty, gender equality, and climate justice.

Table of Contents

List of Visuals

List of Tables:

List Of Figures:

I. Introduction

The current External debt framework for developing nations is dominated by institutions such as the International Monetary Fund (IMF) and the World Bank. It has a profound impact on economic development, particularly in the Middle East and North Africa (MENA) region. The IMF typically imposes immediate stabilization (Austerity, asset sales, high interest rates) to secure creditor interests. The World Bank follows with "prior actions" to enforce long-term structural adjustment (privatization, deregulation) that aligns the economy with Western consumption patterns and resource extraction. The biased Financial architecture biases are often hidden in plain sight within various documents, such as footnotes and technical reports, or implicitly embedded in economic equations.

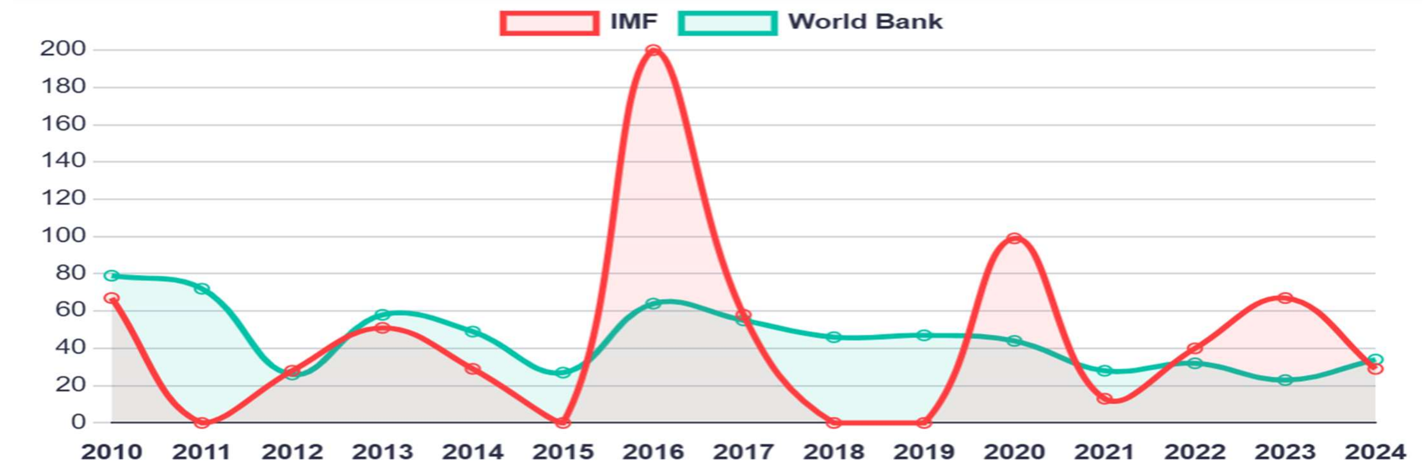
The biased financial system is most apparent during external shocks, such as pandemics, global recessions, or sovereign debt defaults. When the United States defaulted on its external debt obligations denominated in gold in 1970, it did not face the consequences that a developing nation typically would. During the 2008 global financial crisis and the pandemic, the European banking system and Japan lacked sufficient funds to cover their basic external obligations in US dollars. In those cases, with the push of a button, the US Federal Reserve created trillions of US dollars and directly sent them to the European Central Bank (ECB) and the Bank of Japan (BOJ).[1] No IMF adjustment programs, no devaluation, and no selling of their assets. After all, they are partner in their global financial dominance. Meanwhile, the Global South is instantly plunged into an external debt crisis. Now, developing nations must follow the IMF's recipe: sell their public assets to foreign companies, implement austerity measures, and raise interest rates to suppress local productive activity.

Meanwhile, the World Bank simultaneously offers funding for projects and activities that benefit the Western pattern of consumption and growth, forcing developing nations to orient their economies towards export. The system is built to keep most countries trapped in the middle, stable enough to extract their resources for the benefit of imperial powers. To break free from this neo-colonial system of debt and control, we must first adopt a bottom-up approach to understanding the region's debt profile and the IFIs' tools of exerting influence and control. This paper is part of that effort to understand the MENA region's debt and the role of the IFIs.

The MENA region's economic landscape is characterized by significant challenges, including substantial debt burdens, persistent structural inequalities, external economic pressures, and the growing influence of international financial institutions (IFIs) on regional public policy. The increased dependence on IFIs for funding and debt servicing, primarily the International Monetary Fund (IMF) and the World Bank, comes with strings attached —a concept known as conditionality. Some of the Conditions are mandatory reorganization of the national economy and public policy, as well as the fundamental nature of the relationship between the government and its citizens. Furthermore, in our most conservative estimates, the region has been hit by a relentless wave of Interventions. The MENA region is particularly susceptible to IFI leverage due to its geopolitical significance, ongoing conflicts, energy price volatility, and economic aftermath.

[1] Federal Reserve Board - Central bank liquidity swaps: https://www.federalreserve.gov/monetarypolicy/bst_liquidityswaps.htm

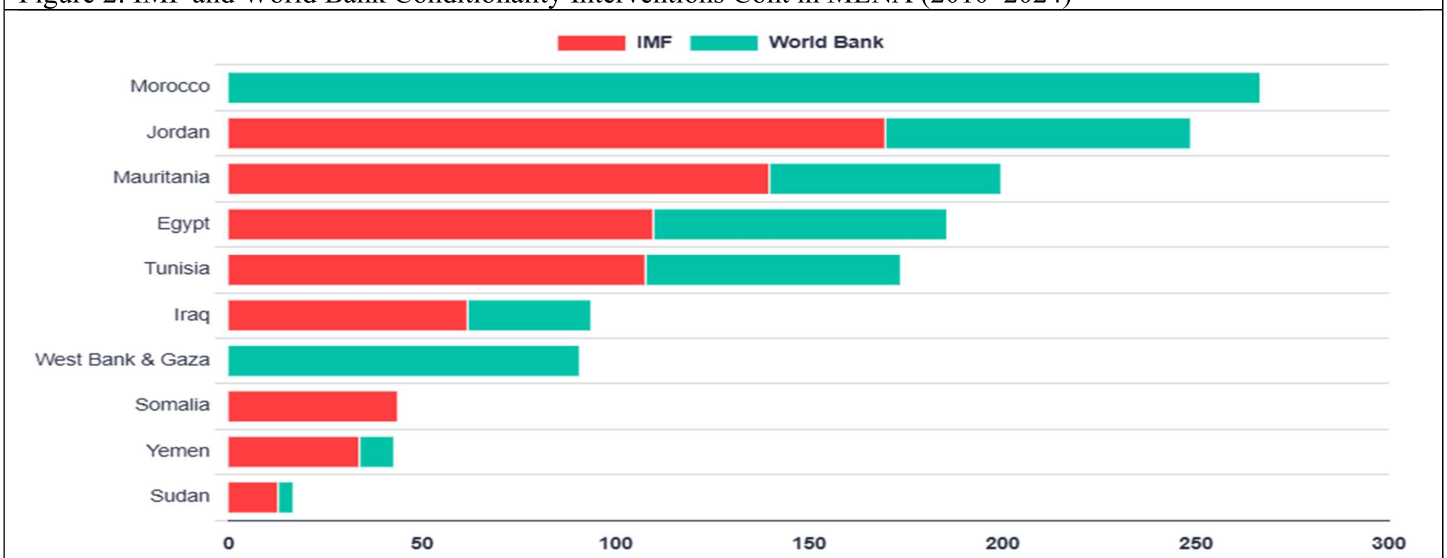
Figure 1: Waves of IMF and World Bank Conditionality Interventions in MENA Time Series (2010–2024)



Compiled and estimated from World Bank (2025d) prior action database, IMF (2025) data and statistics, and Hassan (2025a) MENA fem conditionality explorer online tool.

Figure 1 presents and estimates the trends in IMF and World Bank interventions in MENA countries from 2010 to 2024, based on the World Bank's prior actions and IMF conditions. The red line represents IMF condition counts at the year of program approval. The green line shows the World Bank's count of prior actions required by the World Bank. The Peaks in IMF intervention are visible in 2016 and 2023. The pattern is clear and cynical: these institutions exploit moments of regional and global crises to increase their influence. The peaks in intervention—notably in 2016 (post-Arab Spring adjustments and commodity shocks) and 2020/2023 (pandemic and inflationary crises)—demonstrate opportunistic timing to advance a neoliberal agenda that would face significant domestic opposition during periods of stability.

Figure 2: IMF and World Bank Conditionality Interventions Cont in MENA (2010–2024)

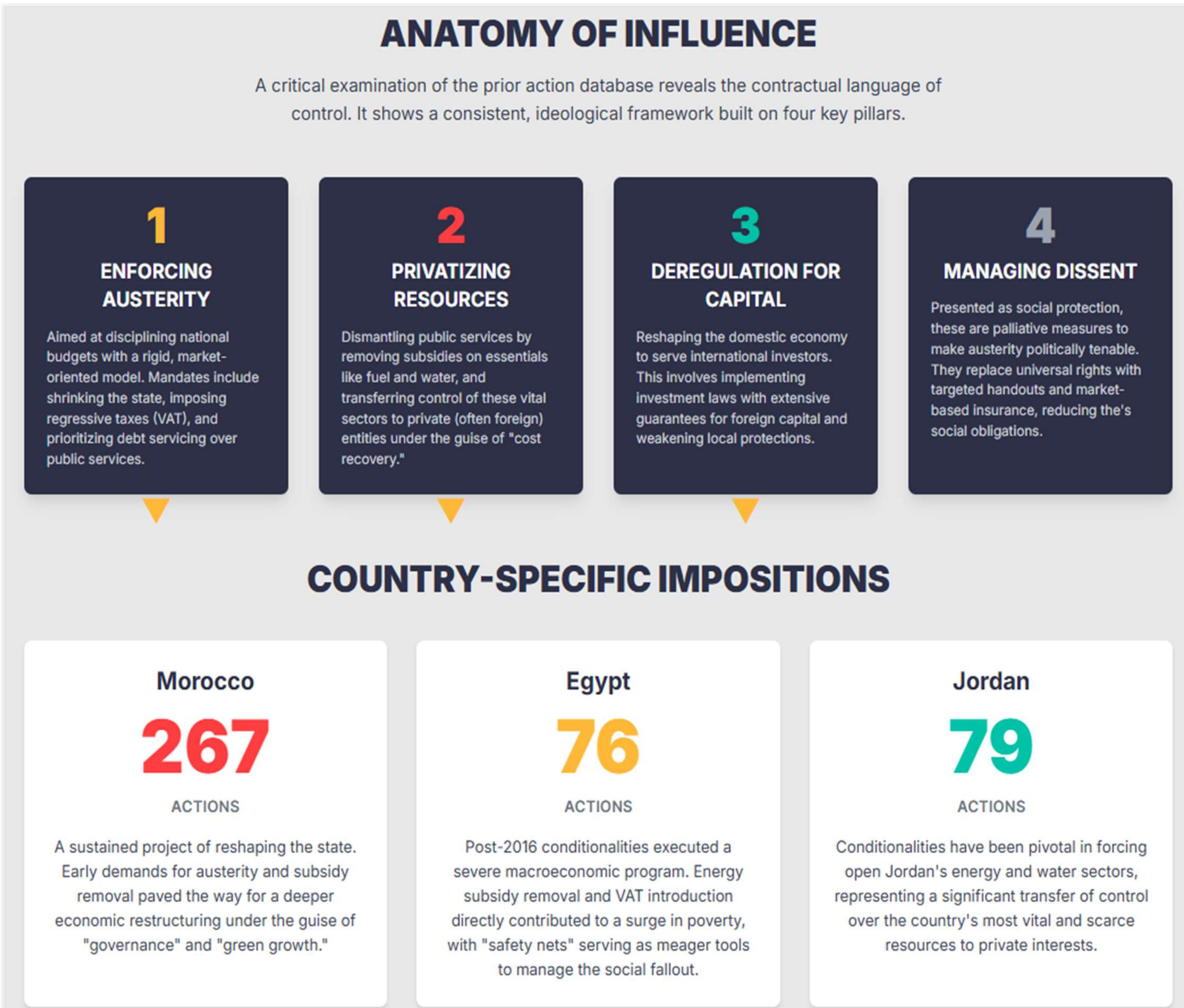


Compiled and estimated from World Bank (2025d) prior action database, IMF (2025) data and statistics, and Hassan (2025a) MENA fem conditionality explorer online tool.

Figure 2 is a stacked bar chart that reveals that the conditions of those institutions are a primary driver of policy change in the MENA region. We estimate that between the beginning of 2010 and the end of 2024, there were 1,365 conditions related to the IMF and the World Bank lending in the MENA region. For the IMF's' conditions', **Jordan** and **Mauritania** stand out dramatically, with 170 for the former and 140 for the latter, accounting **for nearly half of all conditions across the**

region, which suggests a particularly intense and repeated engagement with the IMF.[2] Regarding World Bank prior-action conditionality, we estimate that the region was subject to 684 conditions, with Morocco standing out with 267. Both institutions heavily impact nations like Jordan and Egypt, while the World Bank largely shapes Morocco's policies.

Since 2010, the conditions in the MENA region have profoundly shaped policy decisions and fiscal strategies, often with far-reaching consequences for the populations they serve. The IMF's dogma and its recipes are well known. However, the World Bank's prior actions are often overlooked by the wider public, even though they extend the IMF's neoliberal policies, which are underpinned by a consistent ideological framework built on four key pillars: Enforcing Austerity, Privatizing Resources, Deregulating Capital, and Managing Dissent. (Infographics)



[2] Hassan, Shady (2025a) "IMF Conditionality Explorer. IFI Economics, MENA Fem Movement. https://ifi-economics.com/IMF-conditions/en. Based on the IMF MONA Database. Data cleaned and curated by the author. Accessed [Jul 2025].

The primary objective of this paper is to provide a comprehensive overview of the external debt situation, focusing on IFIs, enabling civil society organizations, journalists, students, and the general public to understand how IFIs affect people's daily lives across the MENA region. The next chapter, titled "Overview of the external debt situation in MENA," presents a brief overview of the MENA region's external debt indicators in general and multilateral debt in particular, including the development through time and the decomposition of that debt. Then, it delves into a deeper analysis of lower-middle-income nations, including Egypt, Morocco, and Jordan.

The data used in this paper are publicly available from the International Monetary Fund (IMF) and the World Bank. The data on external debt for Egypt, Tunisia, Morocco, and Jordan are summarized in two publicly available links on the World Bank database website: MENAfem and MENAfem Debt Two. **MENAfem** data sets include "Joint External Debt Hub."[3] **MENAfem Debt 2** contains data from the World Development Indicators datasets."[4] The paper also uses the MENA-fem conditionalities exploration tool, which we compiled from the IMF and the World Bank and contains the full conditionality descriptions of both institutions from 2010 onwards.[5] This tool is available in both Arabic and English. The IMF data are sourced from their Data Portal, IMF Finance, and the Regional Economic Outlook.

You can also browse the paper's data, arguments, findings, and policy recommendations in our interactive infographic series on our website, available in both English and Arabic.

- The English Infographics - MENA Debt & IFIs can be accessed by clicking the following link (EN Infographic series): https://ifi-economics.com/infographic/
- The Arabic infographics MENA debt & IFIs can be accessed by clicking the following link: (إنفوغرافيك بالعربية - ديون الشرق الأوسط والمؤسسات المالية الدولية): https://ifi-economics.com/infographic-ar/
- IMF conditions can be accessed through the IMF conditionality explorer in the following link in English and Arabic (Beta access): MENA Fem Movement - IMF Conditionality Explorer: https://ifi-economics.com/IMF-conditions/en/

[3] MENAfem: https://databank.worldbank.org/MENAfem/id/ac41d160
[4] MENAfem Debt 2: https://databank.worldbank.org/MENAfem-Debt-2/id/5398c4ac
[5] Hassan, Shady (2025a). "IMF Conditionality Explorer." IFI Economics Research project, MENA Fem Movement. Based on the IMF MONA Database. Data cleaned and curated by the author. Accessed [Jul 2025]: https://ifi-economics.com/IMF-conditions/en.
Hassan, Shady (2025b). "أداة استكشاف شروط صندوق النقد الدولي" [IMF Conditionality Explorer – Arabic]. IFI Economics Research project, MENA Fem Movement, based on the IMF MONA Database. Data cleaned, curated, and Translations by the author. Accessed [Jul 2025]: https://ifi-economics.com/IMF-conditions/ar/

II. Overview of the MENA's Middle-Income Nations' External Debt

The MENA region's economic landscape is characterized by significant challenges, substantial debt burdens, persistent structural inequalities, and the growing influence of international financial institutions (IFIs) on regional public policy.

Table 1: Selected Debt And Income Indicators For Lower-Middle-Income MENA Countries, 2023.

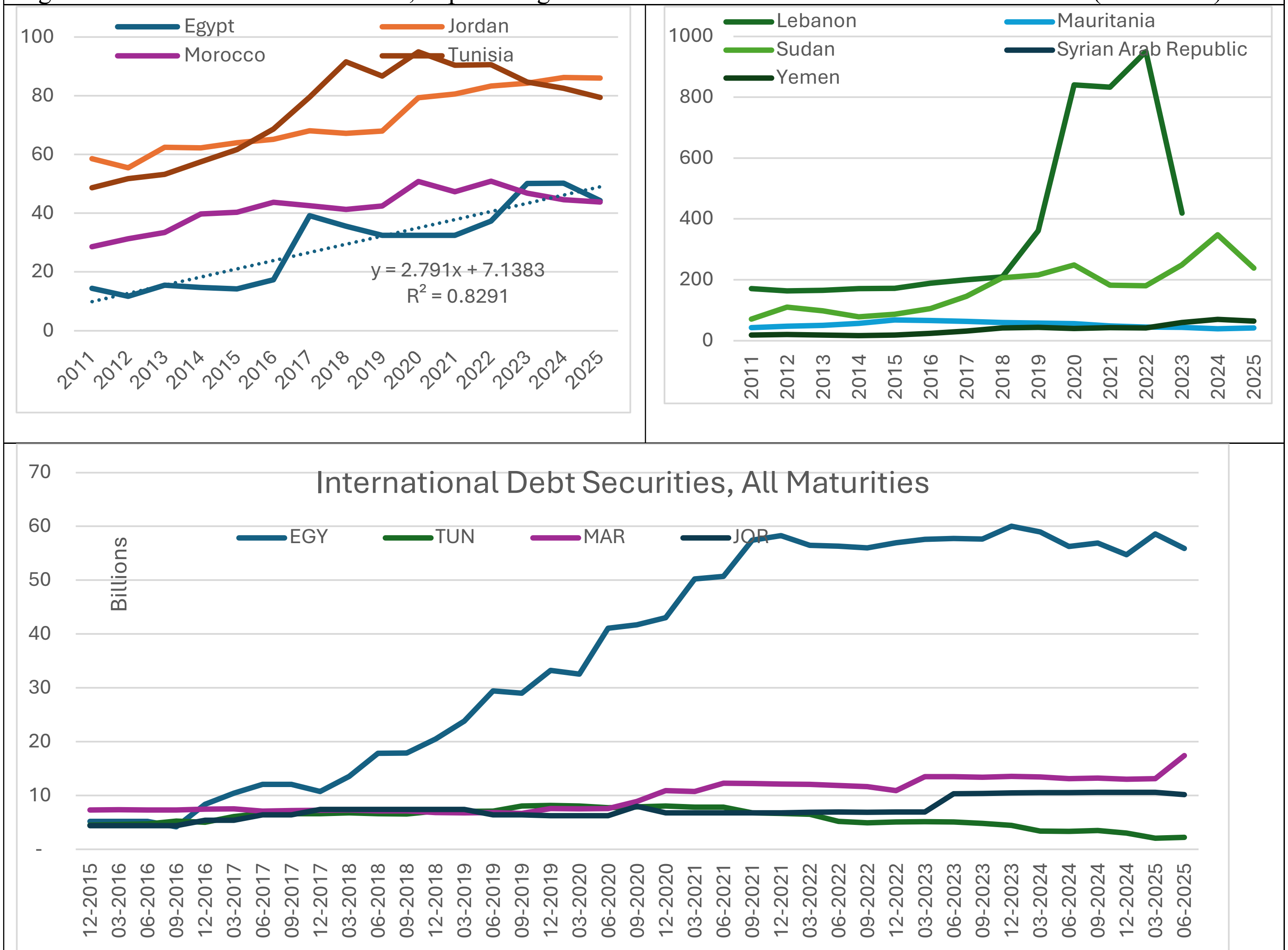
Country Name	Egypt	Tunisia	Morocco	Jordan	Lower Middle Income Average
Multilateral debt service (% of public and publicly guaranteed debt service)	35.4	38.2	55.9	36.4	34.4
Public and publicly guaranteed debt service (% of GNI)	4.0	6.9	2.5	4.7	1.5
Short-term debt (% of total external debt)	17.5	33.4	14.5	35.8	16.2
Short-term debt (% of total reserves)	89.2	149.0	27.6	104	27.1
Total debt service (% of exports of goods, services, and primary income)	30.4	23.2	9.2	16.1	13.0
Total debt service (% of GNI)	5.6	11.3	4.1	7.7	3.5
Total reserves (% of total external debt)	19.7	22.4	52.4	35.8	59.6
Present value of external debt (% of exports of goods, services, and primary income)	172.3	97.3	70.6	90.2	
GINI for the latest reported year by the World Bank (2024)	31.9 2019	33.7 2021	39.5 2013	33.7 2010	
Share of the top 10% of the national income (pre-tax) World Inequality Database (2025)	47.8 2023	52.5 2023	47.6 2023	50 2022	

Compiled from World Bank (2025) databank; World Inequality Database (2025); IMF (2024j. p.28)
*Jordan, Short-term external debt stock: 15.98 billion, USD 6 Net international reserves: 15.352 IMF (2024j. p.28)

Table 1 indicates that the MENA region's economic landscape is characterized by significant challenges, substantial debt burdens, persistent structural inequalities, and the growing influence of international financial institutions (IFIs) on regional public policy. The table reveals a stark divergence from the average for lower-middle-income countries. Morocco pays nearly 56% of its debt service to multilateral institutions, indicating a deep entanglement with the World Bank and the IMF. Tunisia and Jordan have dangerously high short-term debt relative to reserves (149% and 104%, respectively), signaling acute liquidity risks. The inequality data is equally damning: in all cases, the top decile captures near or over half of national income. Debt service in all the sample countries exceeds the lower-middle-income average as a percentage of GDP.

Hassan (2025) "Anatomy of a Flawed Calculation: The IMF's REO & Lebanon." infographics: https://ifi-economics.com/infographic/lebanon-reo.html

Figure 3: MENA Total External Debt, in percentage of GDP and International Debt Securities Trends (2011-2025)



Sources: External Debt to GDP are from the IMF's MCD Regional Economic Outlook (MCDREO) on the IMF data portal (IMF 2025); International Debt Securities, All Maturities, is from the World Bank (2025) Joint External Debt Hub.

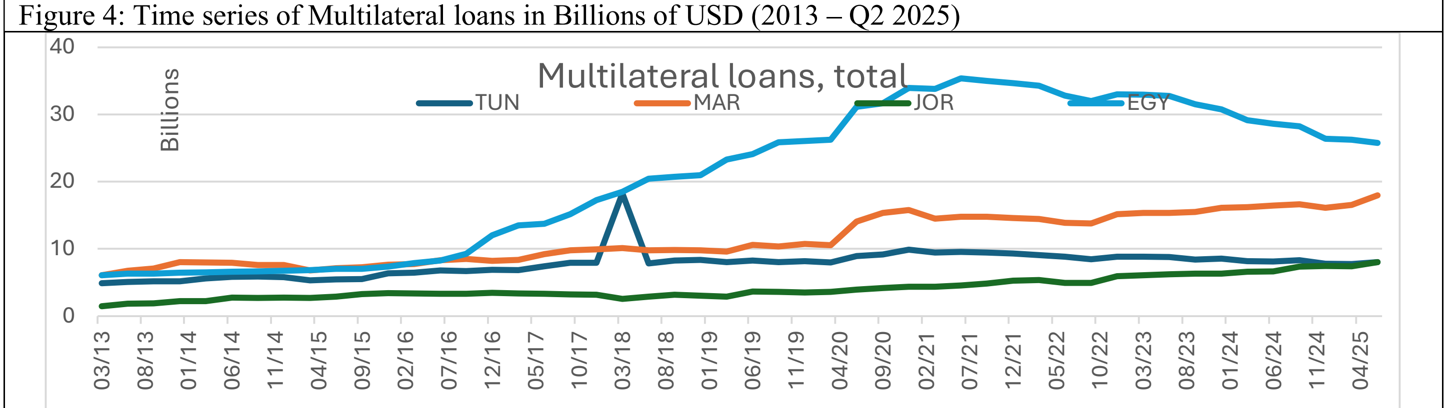
Figure 3 indicates the historical and projected total external debt-to-GDP ratios. The figures for 2024 and 2025 are projections from the IMF's Regional Economic Outlook, accessed March 2025. As middle- and lower-income countries exhibit fundamental differences in external debt, each group is represented in a separate chart for enhanced clarity. According to the IMF (2025), by the end of 2025, external total debt is expected to reach 44 percent of GDP in Egypt and Morocco, while Tunisia's and Jordan's external debt is likely to remain at 80%. Meanwhile, countries like Lebanon have defaulted on some external debt obligations, with external debt reaching an all-time high of 950% of GDP in 2022. The region has been grappling with persistent fiscal deficits, rising public debt, and increasing reliance on external borrowing to fund essential services and development projects. Egypt and Tunisia have been particularly hard-hit by high inflation and unemployment rates, which exacerbate social inequalities and erode purchasing power among vulnerable populations. Morocco has made strides in economic reform but continues to face regional disparities in wealth and access to resources. Jordan faces mounting debt and limited fiscal space, compounded by the pressures of hosting refugees and its energy dependence. Lebanon is experiencing a severe economic crisis marked by currency collapse, hyperinflation, and widespread poverty, which the recent attack by the Israeli occupation forces has exacerbated.

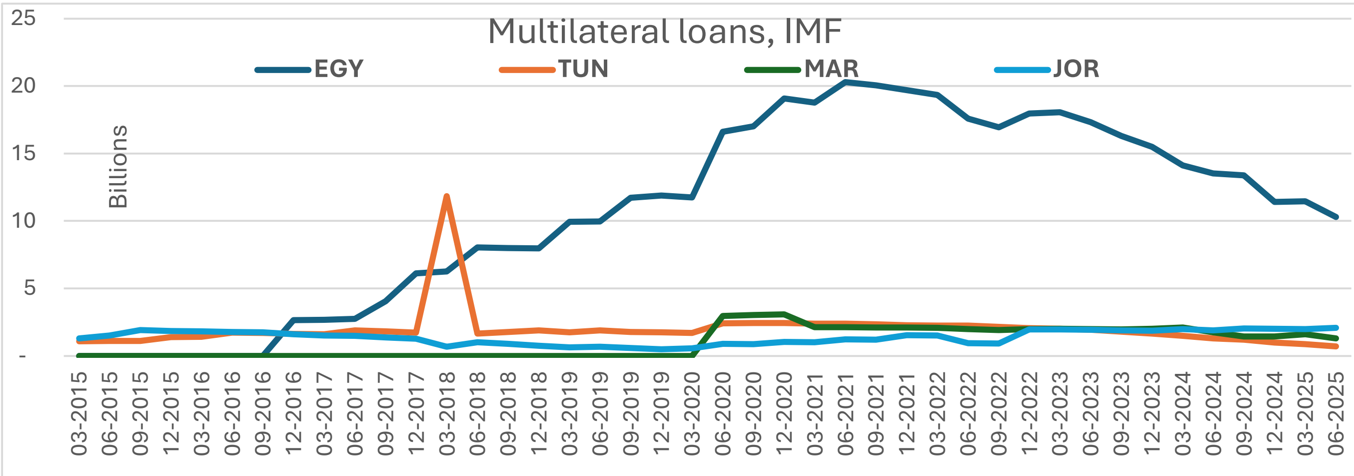
Since 2011, external debt has increased significantly for almost all countries, with notable examples including Egypt and Jordan, which have exhibited a linear upward trend. The focus group countries in the left chart vary in size and location. Egypt and Jordan border the occupied Palestinian territory, suggesting comparable external pressures on foreign currency inflows. However, the economic dimensions of these countries vary significantly. For instance, in 2024, despite having high external debt relative to GDP (86% and 82.5%, respectively), Tunisia and Jordan are comparable in this regard. In nominal terms, their loans are relatively small compared to those of their allies, and the amount required to fill their foreign financing gaps is also small. Conversely, Egypt's external debt-to-GDP ratio is more favorable, at 50% of GDP, although its nominal value is significantly larger. To put that into perspective, the 2024 Egyptian real estate deal for Ras El-Hekma, valued at $30 billion, is almost equal to Jordan's total external debt.

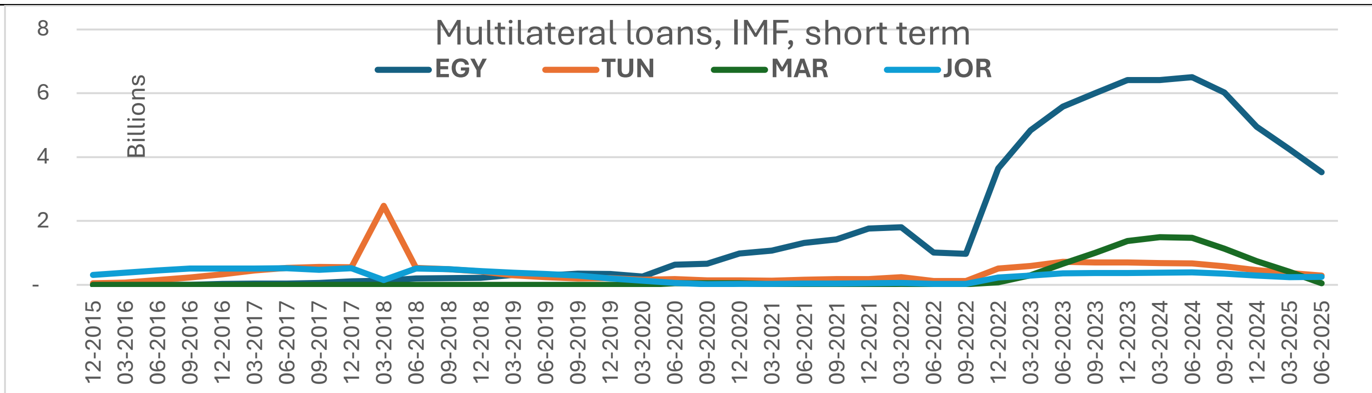
A. Multilateral loans

Multilateral organizations are institutions composed of three or more countries that pursue common goals and address global issues. These organizations typically concentrate on economic development, health, education, and environmental sustainability, and the International Monetary Fund (IMF) and the World Bank are notable examples of such organizations. However, these institutions are part of the global financial order dominated by the West, and their charters are drafted to allow a victorious allied country from WW2 to control how they operate. They were established following a pivotal meeting of Allied representatives in Bretton Woods. According to economic historians, the United States did not want to give the IMF significant influence over post-war construction policies in Europe. The IMF's actions became a topic of considerable discussion following the 1956 invasion of Egypt. The events that led Egypt to suspend its sterling holdings, the subsequent decline of the UK currency (sterling), and the UK's need for an IMF loan, initially opposed by the Americans, who designed the institution to be used as leverage over any country and serve their interests. Following the UK's compliance with US demands and the restoration of Egyptian territory, the IMF began lending to all warring parties, thereby solidifying its reputation as a tool for post-war American hegemony and soft power (Eichengreen et al., 2021, pp. 136-137). This also highlighted the IMF's role in promoting American influence in the post-war era. The IMF also serves as a gatekeeper for loans and other funds from several countries and organizations (Reuters, 2023). Developing countries often prefer to borrow from multilateral organizations because of the lower interest rates and longer maturities these organizations offer.

Figure 4: Time series of Multilateral loans in Billions of USD (2013 – Q2 2025)







Source: World Bank (2024a), the Joint External Debt Hub at the World Bank.

Figure 4 illustrates the billions of dollars our sample countries borrowed from Multilateral organizations from the end of 2015 to Q2 2025. The first top figure focuses on total multilateral loans. The second chart is a subset of the first, focusing on IMF loans. The bottom chart is a time series of short-term loans that a country should repay within the next 12 months. The amount indicates the extent to which this type of borrowing is relied upon in our region.

As indicated before (See Figure 2), the IMF has maintained significant, continuous engagements with MENA over the past decade. The International Monetary Fund (IMF) and the World Bank are the largest multilateral lenders to developing countries. Their role and engagement must be thoroughly examined, as their policies can sometimes even define the nature of the relationship between citizens and their government when distributing gains and losses from external debt. Their conditions and policies could easily violate societal fairness norms, leading to political instability, as recent lessons from Greece and the IMF have shown. In estimating external public debt risk, the larger share of multilateral debt in total external debt works in favor of the borrowing country, as those loans have low interest rates and long terms and can be restructured more easily. However, borrowing from those institutions comes with strings attached —conditionalities. That gives them significant influence in shaping the public policy of developing nations.

Table 2: Multilateral organizations' loans in billions of USD (2025)

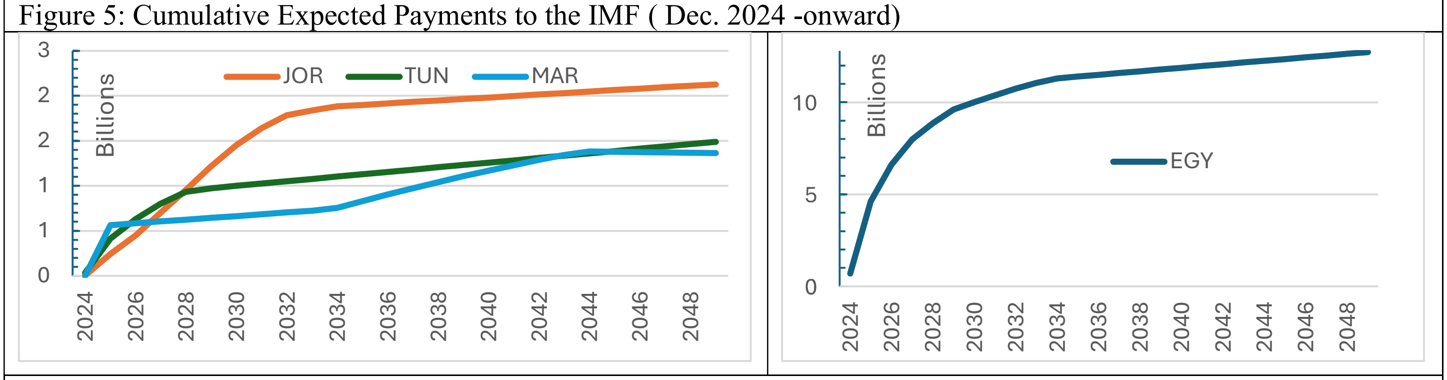
billions	GDP current prices	Multilateral loans Q2 2025**	Multilateral loans/ GDP***	IMF loans 2025 Q2**	External debt, Percent of GDP
EGY	349.264	25.7(WB) 45.329 (CBE)	7.36% (WB) 12.99% CBE	10.3 (WB) 15.219 (CBE)[7]	45.26 44.5 (CBE)
JOR	56.156	8.03	14.3%	2.1	87.74
MAR	179.61	17.968	10%	1.288	46.2
TUN	59.07	8.03	13.6%	0.723	75.46

Sources: CBE (2025, pp. 11,12). The Central Bank of Egypt data is for the end of March 2025. Other major multilateral creditors include the International Bank for Reconstruction and Development (IBRD) (US$12.01 billion), the European Investment Bank (EIB) (US$3.64 billion), and the African Development Bank (AfDB) (US$2.47 billion). That is approximately 25.0 percent, 7.6 percent, and 5.1 percent, respectively, of the total multilateral loans.
*IMF (2025) IMF's Oct. MCD Regional Economic Outlook (MCDREO) Expected 2025 GDP
** World Bank (2025) Joint External Debt Hub
*** Authors' estimate

Table 2 presents a snapshot of the end of the second quarter of 2024 regarding regional external debt to Multilateral organizations. The table is compiled from several sources to indicate and estimate the relative size of this type of debt in proportion to GDP. The table only provides a relative comparison, as the GDP is expressed in current prices rather than estimated simultaneously with the debt. The multilateral debt across all countries is at least 10% of their GDP at current USD prices. Overall, multilateral organizations hold substantial external debt in the region.

B. Payments to the IMF and Surcharge (Infographics)

Figure 5: Cumulative Expected Payments to the IMF (Dec. 2024 -onward)



Source: IMF finance data as of the end of November 2024.

As indicated, the region engaged extensively with the IMF and incurred substantial debt. Figure 5 represents the cumulative repayment plans estimated from data published at the end of November 2024. These will likely not be the actual net payments to the IMF, as new loans are expected or a new portion of an existing loan will be approved. Examining the history of Jordan and Egypt, we can conclude that these governments would like to smooth out the repayment by taking out new, smaller loans. Since 2021, Egypt has been reducing its total debt stock to the IMF. It reached its high in Q3 of 2021 of 20.3 billion. Since then, the government has reduced its debt holdings; however, the US Fed has begun raising interest rates, and wars have made servicing loans from other sources more expensive for developing nations. Since the pandemic, the

[7] IMF loan as of march 2025 classified as follow US$ 6.1 billion in Extended Fund Facility (EFF). - US$ 3.8 billion representing SDR allocation. - US$ 3.2 billion representing the New Extended Fund Facility. - US$ 1.8 billion in Stand-by Arrangement (SBA). - US$ 0.3 billion in Rapid Financing Instrument (RFI).

Jordanian and Moroccan governments have tended to keep loan amounts constant by issuing new loans to pay off old ones. This is called rolling over the debt, in which borrowers do not have to repay the loan but only service it.

Table 3: Surcharges Payments in MENA (From 2012 to Nov. 2024)					
Surcharges Type\ Country	Egypt	Jordan	Tunisia	Morocco	Grand Total
GRA Level-Based Surcharge	930.71	84.65	62.8	7.2	1,085
GRA Time-Based Surcharge	272.43	5.82	20.2		298.4
Grand Total (millions SDR)	1,203.14	90.5	83	7.2	1,383.8
Source: Authors' calculation from the IMF Finance Flows data. The authors selected data from November 2012 to November 2024. The data was selected for Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Mauritania, Morocco, Sudan, Tunisia, and Yemen. All data are in SDR.					

Table 3 indicates the total amount of surcharges paid to the IMF. From the beginning of 2012 to November 2024, Egypt, Tunisia, and Jordan had IMF loans exceeding their quotas by 187.5% for a significant period. Therefore, the two types of Surcharges were applied to them. Meanwhile, Morocco only briefly exceeded that limit in 2020 during the pandemic. Hence, Morocco’s total surcharges were 7,146,332. In total, we estimate that those three countries paid the IMF 1,383,780,092 SDR in surcharges, with Egypt paying 1,203,139,991 SDR, Tunisia 83,022,847, and Jordan 90,470,922 SDR. To put those numbers into perspective, a relative comparison with the Egyptian budget for 2023/24 is most revealing. Egypt paid surcharges of around 78 billion LE, equivalent to 23% of all subsidies, 55% of food subsidies, and nearly 60% of the energy subsidy, which the IMF opposes. It is worth noting that instability in energy prices has had devastating consequences for the people experiencing poverty and inflation expectations.

Table 4: Estimated changes to IMF fees under the new rules by country as of Oct. 2024			
Members	Surcharges and margin payment reduction (SDR million)	Share in total reduction (Percent)	Surcharge payments under the reform package (SDR million)
Egypt	108.5	12.5	64.9
Jordan	19.3	2.2	15.1
Argentina	291.1	33.6	614.7
Pakistan	100	11.5	29.8
Ukraine	124.5	14.4	137.5
Source: IMF (2024)			

In October 2024, the IMF approved reforms to make borrowing cheaper, starting in November of the same year. The new reforms reduced the Basic Rate from 1% to 0.6%. The level-based surcharge threshold has increased from 187.5% to 300% of the quota. The rate remains at 2% for borrowing above the new level. Meanwhile, the rate for Time-Based Surcharges has decreased to 0.75 percent. Commitment Fees have also been restructured and linked to cumulative access to IMF resources.

Table 4 estimates the consequences of those reforms. Increasing the quota limit to 300% effectively removed all surcharges for several countries, as their borrowing is below the new threshold. Additionally, these changes had an immediate impact on Egypt and Jordan’s external debt to the IMF. Egypt’s surcharges and margin payment reduction are estimated to be 108.5 million SDR, equivalent to 142.25 million USD or 7.2 billion EGP. According to the Egyptian budget 2023/24, this exceeds the government's budget support for health insurance and medicines, which is approximately 6 billion LE. For Jordan, the reduction is estimated to be 19.3 million SDR.

Table 4 also shows that, after accounting for the new rules and Egypt's current IMF debt, the projected surcharge payments to the IMF remain significant and crowd **out essential government services**. The projected surcharge payments to the IMF, starting in November 2024, will amount to 64.9 million SDR for Egypt. That is equivalent to 88.264 million USD or 4.5 billion LE. That figure is far more than the projected combined subsidy payment for electricity by the end of June 2025, at 2.5 billion LE, and for farmers, at 0.6 billion LE. With many developing nations facing external shocks from the pandemic and wars, the Surcharges under these conditions have no economic or moral justification and constitute illegitimate external debt that needs to be continuously highlighted and reported as such, as illegitimate debt owed by developing nations to the IMF. **The data clearly show that the efforts and advocacy related to Surcharge reforms remain essential for the well-being of average citizens and poverty prevention, and are highly relevant from a debt justice perspective.**

III. Lower Middle-Income MENA

This section focuses on countries with an ongoing IMF program or ongoing negotiations to implement one, classified as lower-middle income. Those countries are Egypt, Jordan, Morocco, and Lebanon.

A. Egypt's External Debt

Table 5: Egypt External Debt Composition FY (2020 – 2025)							
End of June, in billions of US$	2020	2021	2022	2023	2024	2025*	2025 in %
Total External Debt	123.49	137.86	155.71	164.73	152.89	156.689	100%
1. Long-term debt	112.63	124.14	129.1	136.58	126.9	126.654	80.8%
Other bilateral debt	10.29	11.38	11.14	12.04	14.05	16.8	10.7%
- Paris Club countries	5.71	6.58	6.7	8.21	9.79	11.59	7.4%
- Other countries	4.59	4.8	4.45	3.83	4.26	5.22	3.3%
Multilateral Institutions	43.01	49.95	51.28	52.75	49.9	45.33	28.9%
Bonds, Notes & Sukuk	23.9	28.71	29.01	29.48	27.7	28.9	18.44%
Short-term debt	10.87	13.72	26.62	28.15	26.02	30.03 **	19.1%
Debt Service (Principal & Interest)	17.2	15.9	26.3	25.4	32.9	30.1	19.1%
Source: CBE 2025 *2025 numbers are till March 2025. **External debt by residual maturity up to one year is 53.0828 billion USD as of the end of March. (CBE 2025 p. 10) [8]							

As the general overview shows, Egypt's external debt relative to its economic size has increased linearly since 2011. However, external debt decreased in the most recent Egyptian financial year, in part due to the UAE's "Ras El-Hekma Deal." Table 5 provides a comprehensive breakdown of Egypt's debt over the past five financial years. The data suggest that a significant portion of foreign direct investment (FDI) may have been allocated to reducing external debt in 2024. Additionally, in 2024, debt service reached a record high of 32.9 billion USD. By March 2025, the external debt with a residual maturity of up to 1 year was reported at 53.0828 billion USD (CBE, 2025, p. 10). Furthermore, external debt service increased by 6.3 billion USD, totaling 30.1 billion USD from July to March 2024/2025, compared to 23.8 billion USD for the same period in the previous year. This rise is primarily attributable to an increase in principal repayments of approximately 6.8 billion USD, while interest payments decreased by about 0.5 billion USD.

It is worth noting that, according to the CBE, Arab countries' deposits at the Central Bank of Egypt (CBE) stood at **US$9.3 billion in long-term deposits** (unchanged from the previous quarter) and about **US$11.1 billion in short-term deposits**, which together make up a significant portion of Egypt's external debt structure. To estimate future external debt further, a deeper look at some of the components of that external debt and future repayment plans should be taken, starting with a) bond, b) long-term external debt structure, and c) IMF loan payments.

1. Bonds

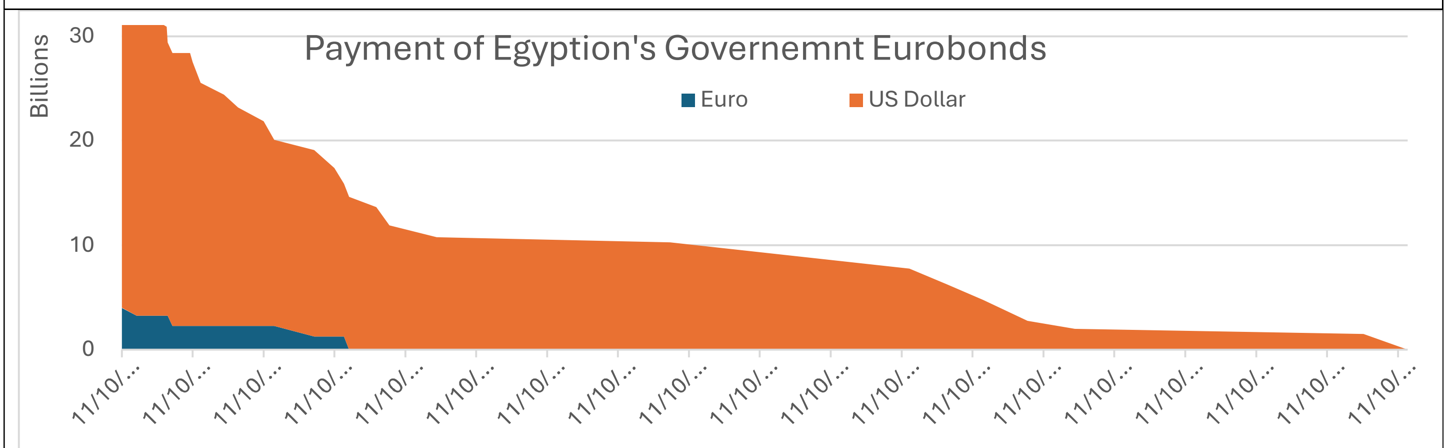
Table 6: Outstanding stock of Egyptian Sovereign Bond as of 30-8-2024.	
Bond Type	Nominal
Samurai Bonds Yen	135,000,000,000
Euro Eurobonds	4,000,000,000

[8] **Note on Liquidity Risk:** While official 'Short-term debt' is $30.03 billion, the actual immediate burden is found in the 'External debt by residual maturity', which stands at **$53.08 billion**. This figure includes long-term debt maturing within the next 12 months as of the end of March 2025.

Eurobond's US Dollar	31,960,000,000
Panda Bonds Yuan	3,500,000,000
Source: Data estimated from The Egyptian Ministry of Finance (MOF, 2024)	

According to Tables 5 and 6, outstanding foreign-currency-denominated Egyptian government bonds account for almost 18.11% of total external debt. They are primarily in US dollars and Euros. Generally, bonds are a debt instrument; a country does not have to explain or account for where the funds go to international lenders. However, a specific type of bond Egypt issued is for 750 million USD and is labeled "Green" (MOF, 2024). It was issued in 2020 and is expected to be repaid in October 2025. Green bonds have a dedicated monitoring system to ensure funds are allocated to projects that comply with environmental standards. Several documents analyze and monitor the Green Bond Fund, providing detailed breakdowns of its investments and fund allocations. The green-labeled bond amount was used to finance environmentally friendly projects in Egypt, either partially or entirely. Approximately 46% of the net proceeds from the 2020 green bond were allocated to the Cairo Monorail. The remaining 54% of the net proceeds were allocated to finance projects related to eight Tertiary Sewage treatment plants, five Wastewater treatment projects, and one seawater desalination plant. The interest rate on that bond was 5.25%, which is half a percentage point (0.5%) lower than Egypt's average borrowing rate from conventional sources at the time. The monitoring structure for green bonds enhances transparency regarding public debt, particularly regarding external borrowing. However, the incentives for developing nations in the region to pursue this type of borrowing are limited. The modest 0.5% reduction in interest rates, combined with short maturities, does not compensate for the long time required to realize the benefits of most green projects and achieve neutrality in considering the Return on Investment (ROI).

Figure 6: Expected Debt Repayments of the Egyptian Government's Eurobonds

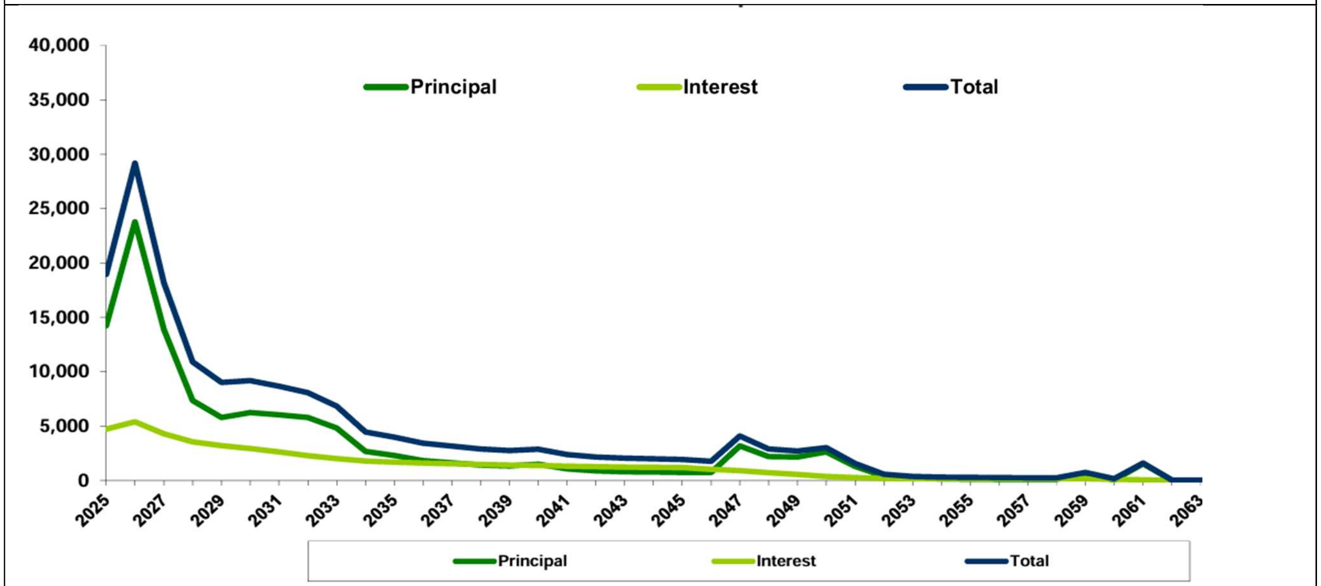


Source: Author estimation from The Egyptian Ministry of Finance (MOF, 2024). "[External Debt](https://mof.gov.eg/en/posts/publicDept/601acd1f10ca760007b20d25/External%20Debt)" https://mof.gov.eg/en/posts/publicDept/601acd1f10ca760007b20d25/External%20Debt

Figure 6 presents the complete Payment plan for the Egyptian government's outstanding Eurobonds as of the end of August 2024. Eurobonds are a label that encompasses debt denominated in both USD and EUR. The bonds are primarily denominated in USD and diversified by maturity. The long-term total bond outstanding, expected to be paid over 12 months, is estimated at $27.6 billion. USD at the average exchange rate of Jun. 2024.

2. Long-Term External Debt

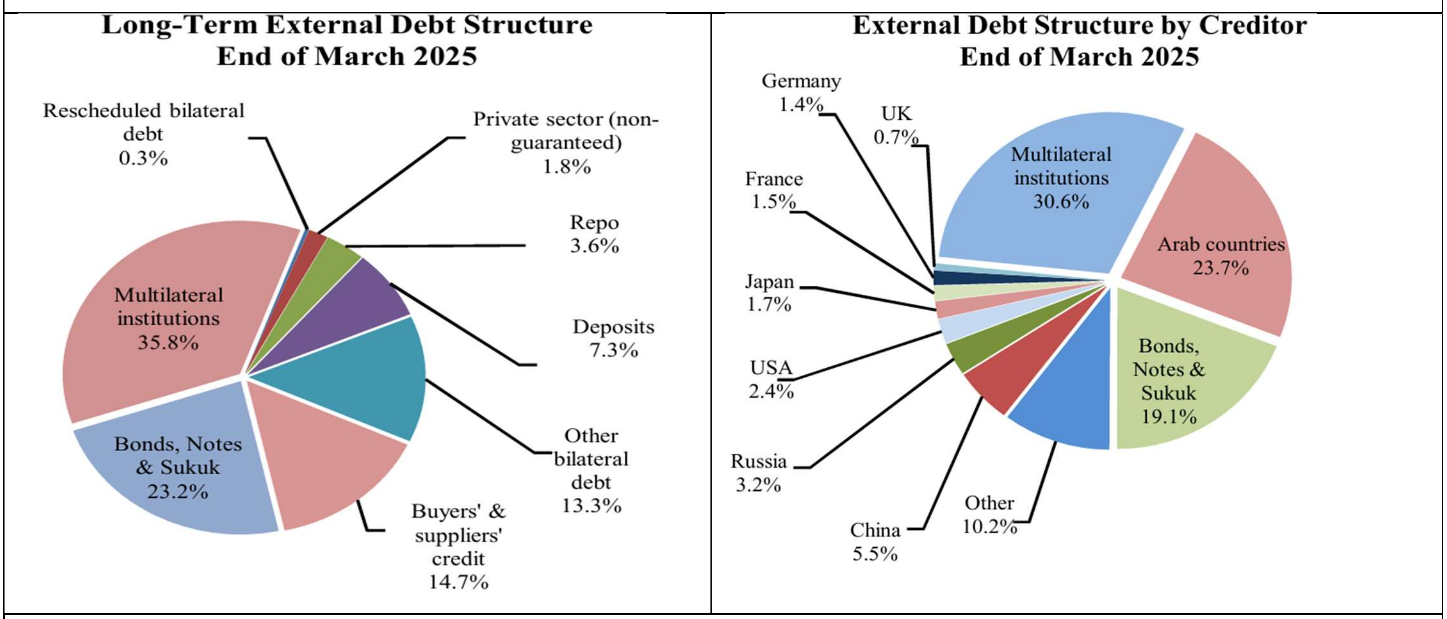
Figure 7: Egypt Medium and Long-Term Public and Publicly Guaranteed External Debt Service (2025-2063)



(CBE, 2025, p. 39) Service as of April 1, 2025

External debt service in the post-pandemic era, marked by high interest rates, wars, and supply chain shocks, has severely affected the Egyptian economy. Figure 7 shows the time series of expected external debt consolidation payments. According to the CBE data, Egyptian debt service reached an all-time high of 32.9 billion in fiscal year 2024. The figure assumes that no change or rescheduling of debt will occur at a later date. However, that is unlikely. Looking more closely at the debt structure and types of creditors in the following charts, we can infer the likelihood of future debt-service easing.

Figure 8: Egypt's Long-term External Debt structure as of the end of March 2025



Source: CBE (2025, pp. 10,12).

Figure 8, on the right-hand side, indicates that more than 70% of creditors are willing to restructure the debt. For example, Germany has rescheduled a portion of Egypt's debt each year over the last three years, and the creditors of Arab countries could convert debt into investment. Furthermore, it is expected to receive more loans from multilateral institutions for developmental purposes. For completeness, Table 7 lists multilateral institutions and their corresponding debt. The IMF is the largest creditor in this category, controlling the flow of funds to institutions and countries.

Table 7: Egypt's Multilateral Institutions Debt in billions USD.

Multilateral Institutions	2022	2023	2024	2025
IMF	23.287	21.895	18.168	15.219
IBRD	11.789	11.998	12.062	12.014
European Investment Bank	4.723	4.662	4.646	3.640
African Export - Import Bank	3.117	4.214	4.135	3.525
African Development Bank	2.711	2.630	2.703	2.467
Arab Fund for Economic and Social Development	2.125	2.213	2.151	2.151
Africa Finance Corporation (AFC)	0.000	0.500	1.000	1.350
European Bank For Reconstruction and Development	0.655	0.806	1.298	1.347
Islamic Development Bank	1.122	1.141	1.075	1.089
Arab Monetary Fund	1.175	0.860	0.778	0.663
Asian Infrastructure Investment Bank	0.069	0.555	0.546	0.516
OPEC	0.313	0.323	0.311	0.286
International Finance Corporation (IFC)	0.000	0.000	0.234	0.255
Arab Trade Financing Program	0.137	0.209	0.187	0.158
International Fund for Agricultural Development	0.138	0.130	0.130	0.125
Clean Technology Fund	0.120	0.118	0.115	0.113
African Development Fund	0.129	0.119	0.109	0.102
Green Fund	0.093	0.101	0.098	0.102
IDA	0.265	0.177	0.126	0.100
Africa Growing Together Fund	0.044	0.049	0.047	0.043
Green Climate Fund	0.025	0.027	0.019	0.034
Islamic Corporation for Development	0.006	0.000	0.000	0.030
Grand Total	52.044	52.728	49.940	45.329

CBE (2025) p. 31

3. IMF Loan Repayments

Examining Egypt's history of engagement with the IMF, we can conclude that Egypt tends to smooth out repayment by taking new, smaller loans. Since 2021, Egypt has been reducing its total debt to the International Monetary Fund (IMF). It reached its high in Q3 of 2021 at $ 20.3 billion. Since then, the government has been reducing its debt holdings; however, as the US Fed began raising interest rates and other unfavorable conditions emerged, servicing loans from various sources became expensive for developing nations, particularly Egypt.

4. Interest Burden And Public Service

Table 8: Public Services and Domestic Interest Payment in Egypt

In billions of Egyptian pounds	**2019/20**	**2020/21**	**2021/22**	**2022/ 23**	**2023/ 24**	**2024/ 25***	**25/26***
Total Revenue:**	975.4	1,108.6	1,347.2	1,563.92	2,142.1	2,625.17	3,408

Tax revenues**	739.6	833.99	991.4	1,258.58	1,529.99	2,021.99	2,829
Wages (W)	289	319	358	400	499	575	686
Interest: Domestic	526	518	528	825	1,674	2,146	2,341
Foreign	43	48	56	80	177	267	306
Subsidies: Food (S)	81	83	98	118	135	150	153
Subsidies: Transfer to (SIF)	55	99	120	127	135	143	151
Nominal GDP	6,153	6,663	7,843	9,545	13,862	17,673	21,262
Interest Domestic / (W+SIF+S)	**124%**	**103%**	**92%**	**128%**	**218%**	**247%**	**236%**
Food Subsidies/ Interest Domestic	15%	16%	19%	14%	8%	7%	6.5%
*IMF projection (IMF 2024e pp. 30 -33; IMF 2025e. p. 46); ratios are the author's calculation. Food subsidies include subsidies paid to farmers, and the Social Insurance Fund (SIF) is classified in the budget as a form of subsidy. ** (MOF, 2024) Egyptian government budgets							

Table 8 indicates that the general government's public debt interest payments have a significant impact on the government's finances. At the end of the 2023/24 financial year, the Egyptian government is projected to have paid 1.851 trillion LE in interest payments. That is almost all of the government revenue of 2.14 trillion LE, or more than the taxes collected simultaneously. In the 2024/25 financial year government budget, interest on public debt is expected to exceed the taxes planned to be collected by the end of June 2025. However, almost all of that interest payment is due to domestic debt. The domestic interest is more than double the entire combined Egyptian budget sector wages, food subsidies, and transfers to the Social Insurance Fund (SIF). That is to say, the country's food subsidies account for approximately 7% of domestic interest payments.

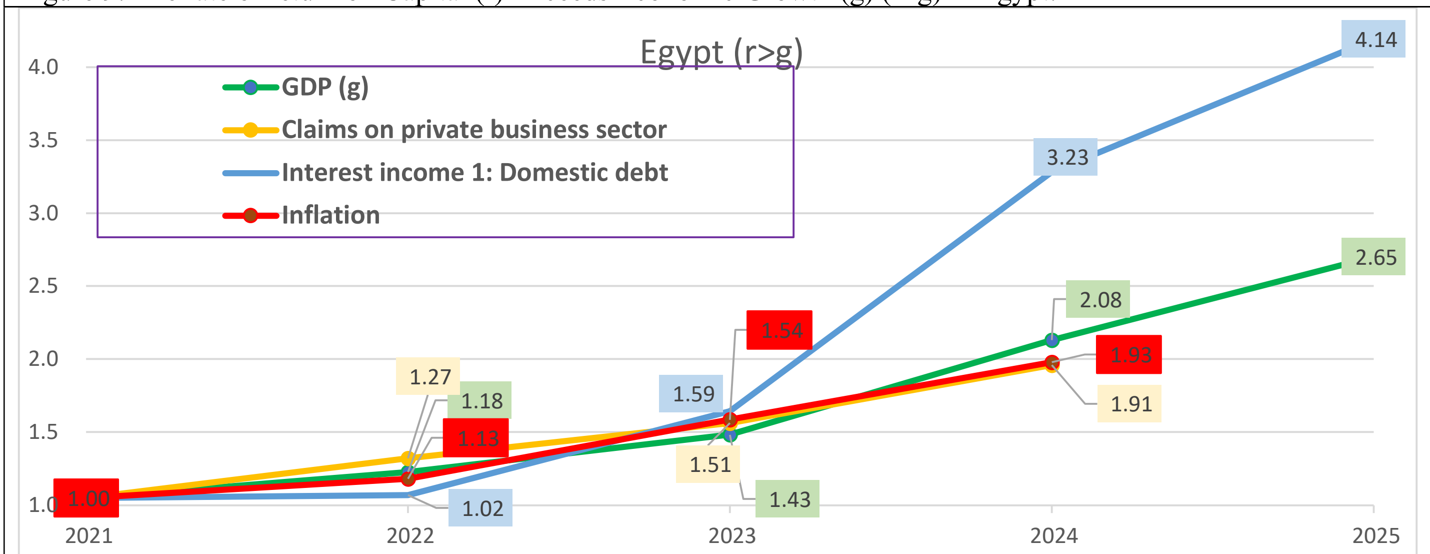
The ratio "Interest Domestic / (W+SIF+S)" is 247%, meaning interest payments are 2.5x higher than wages and subsidies combined. In simple terms, for every 1 LE spent on public wages and social support, the government pays nearly 2.5 LE to domestic creditor.

The situation in which all taxes are collected for the domestic elites who benefit from the debt dynamic is a severely **regressive taxation system** and is a direct consequence of the IMF-imposed conditions on the CBE, mainly the high interest rates to attract hot money and to protect bondholders during external shocks, leaving the majority facing inflation and their public services cut (IMF, 2024). This is further compounded by the IMF's explicit condition to cut funding for the CBE's subsidized mortgage interest rates for middle- and lower-income households, as well as for other foreign currency-generating private local businesses. **The IMF's program design in Egypt is violating fundamental fairness norms in the country.**

The IMF's conditionalities on CBE make the internal dynamics of domestic debt management unsustainable as they entail radical redistributive consequences. From 2020 to the end of June 2025, resident beneficiaries of domestic debt have been growing their income at a rate exceeding that of the entire economy. According to the table, when comparing GDP numbers and domestic interest payments, we can conclude that the nation's income (GDP) has been, and still is, radically redistributed from productive sectors and taxpayers to the privileged segment of society at a rate ranging from 7% to 12% of GDP, with a total nominal value exceeding 5 trillion LE. This regressive situation could be attributed, in part, to the IMF models on debt sustainability analysis (DSA), as it prioritizes external debt while neglecting to estimate the ramifications of their public policy conditions on domestic debt and fiscal space, and ignoring social and fiscal norms regarding fair distributions of gains and losses in an equitable manner in a society.

Our analysis of the table's data further reveals that domestic public debt owners alone accounted for **more than 50 percent of the country's nominal growth over the last five years**. According to the table, by June 2025, the country's nominal GDP is expected to reach 17.67 trillion LE, up from 6.37 trillion LE in 2020. Meanwhile, beneficiaries of domestic debt income are expected to have received 5.7 trillion LE during the same period, according to the IMF projection. That is almost 50% of the growth that occurred during that time, casting doubt on the IMF's claim that its program is for inclusive growth. Furthermore, the share of return on Capital (r) from rent-seeking activities, domestic debt, and local savings far exceeds the rate of economic growth (g). **The IMF's advocacy of high interest rates created a situation in which r > g, unsustainable domestic debt, and institutionalized rent-seeking hindered local productive activities.**
The consequence of this policy of regressive redistribution is the entrenchment of a dynamic where the rate of return on Capital (r) is significantly and persistently higher than the rate of economic growth (g). This r>g inequality, analyzed by Piketty & Goldhammer (2014), is a powerful driver of widening wealth concentration. In Egypt, this is not an abstract trend but a direct, engineered outcome of the IMF's advocated monetary policy.

Figure 9: The rate of return on Capital (r) Exceeds Economic Growth (g) (r>g) in Egypt.



Compiled data from the IMF (2024), MOF (2025), CBE (2024), and the author's estimations. Inflation, nominal GDP—both actual and projected—along with domestic interest payments and estimates of local currency time and savings deposits, is compiled to calculate the indexed estimated value. This approach facilitates visualization of the inequality process in Egypt by enabling the calculation of the cumulative rate of return for selected indicators.

Figure 9 illustrates and quantifies the Egyptian r > g dynamics with stark clarity. The 'Gap' between the red line (Return on Capital) and the blue line (GDP) represents regressive redistribution. Passive wealth stored in debt is growing significantly faster than the real economy, creating a mechanism where debt holders capture the majority of national growth.

Between June 2021 and a projection for June 2025, while the Egyptian economy (nominal GDP) is expected to grow by a cumulative factor of 2.65, the total income flowing to domestic fixed-income channels is projected to grow by a factor of 4.14. The returns on passive financial wealth are growing substantially faster than the real economy that is supposed to support it. **This has created a situation in which, by June 2025, an estimated 50% of the country's nominal GDP growth over the preceding five-year period will have been directed to resident beneficiaries of domestic public debt.**

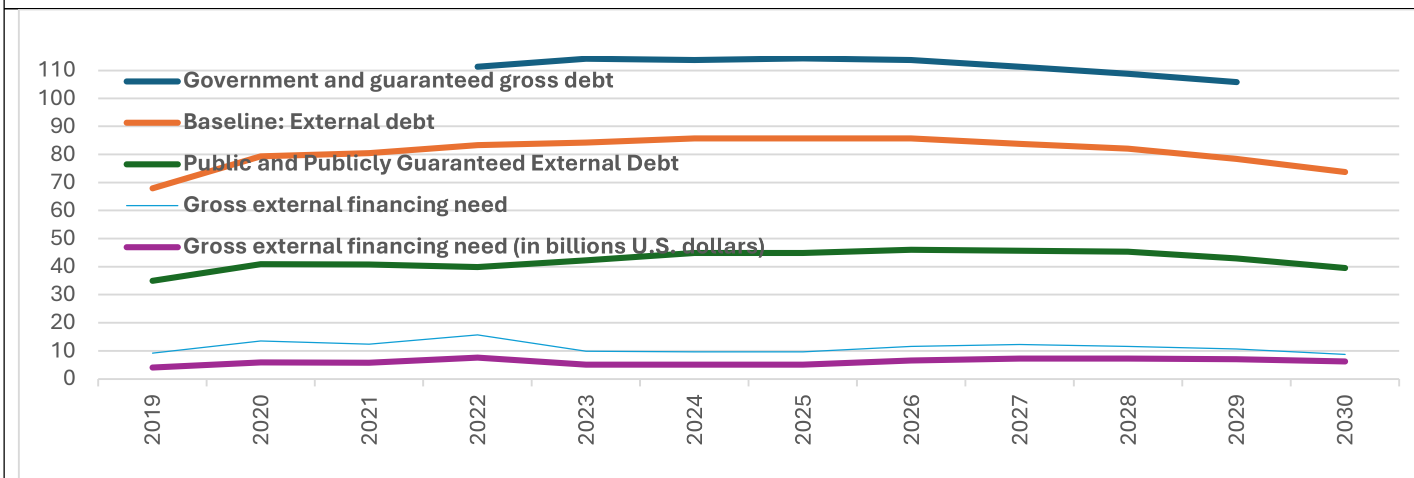
This financialization of the economy comes at the direct expense of productive investment. The same high interest rates that generate massive returns for bondholders make credit prohibitively expensive for private businesses. As a result, credit to the productive sector has stagnated. As a devastating indicator of this trend, by 2024, our estimate of the total amount of money being created annually to service domestic interest income (2.35 trillion LE) surpassed the entire stock of outstanding credit to the private business sector in local currency (1.87 trillion LE) (CBE, 2024).

According to the Egyptian Ministry of Finance (MOF, 2025, p. 4), as of June 2024, the domestic debt stock stood at 8.7 trillion LE. Based on this number, we can roughly estimate that, by the end of June 2025, a 1% interest rate on the domestic public debt stock at that time would cost the public approximately 87 billion LE. That amount is significantly more than the proceeds expected from the sale of public assets for that financial year, according to the state budget (MOF, 2024a). The CBE interest rate at that time was 27.75 %. **This highlights the need for a broader debate on interest rates and central banks' mandates, viewed through the lens of public policy.**

This data from Egypt highlights the need to reevaluate the standard theory and arguments on central bank policy and inequality, particularly regarding interest rates and the central bank's mandate. Furthermore, it **is vital to inform and educate the public in the Global South about the IMF's trend of imposing radical distributive public policies through the conditionalities of central banks.** Therefore, a critical step would be **to advocate for the establishment of an independent Fiscal Council in developing economies**. Such a body would provide transparent, non-partisan analysis of budget policy and monitor debt dynamics, acting as a crucial check against the IMF's policies that prioritize short-term financial stabilization over long-term fiscal health and equitable development.

B. Jordan's External Debt

Figure 10: Jordan's Actual and Projected Debt Composition in Percent of GDP. (2019-2030)



Source: Author estimation from IMF (2024j)

Jordan's small size makes it highly vulnerable to external factors, including ongoing wars and its humanitarian obligations. However, its small size also makes it easier for Jordan's external backers to help stabilize the country. Figure 10 consolidates some data from the IMF's December 2024 report, which revised its earlier optimistic projections as Jordan's economy deteriorated. In relative terms, the external debt-to-GDP ratio is increasing, and the immediate and projected external finance requirements intensify relative to GDP. In nominal terms, this does not require a large sum relative to the country's economic capacity. The external debt is projected to exceed 85% of GDP. As Jordan's obligations toward its refugee population increase and regional conflicts affecting the country's hard-currency sources intensify, that level is not expected to decline anytime soon. However, the economy's small size works in Jordan's favor, as the expected financial gap over the next few years is negligible in nominal terms. As indicated in Table 9, titled "IMF Projected External Financing Gap for Jordan," almost all of the gap is projected to be filled without a large IMF loan. That puts Jordan in a good position with the Fund, as its fixed exchange rate regime will not be modified anytime soon.

Table 9: IMF projected external financing gap for Jordan (2024- 2027)

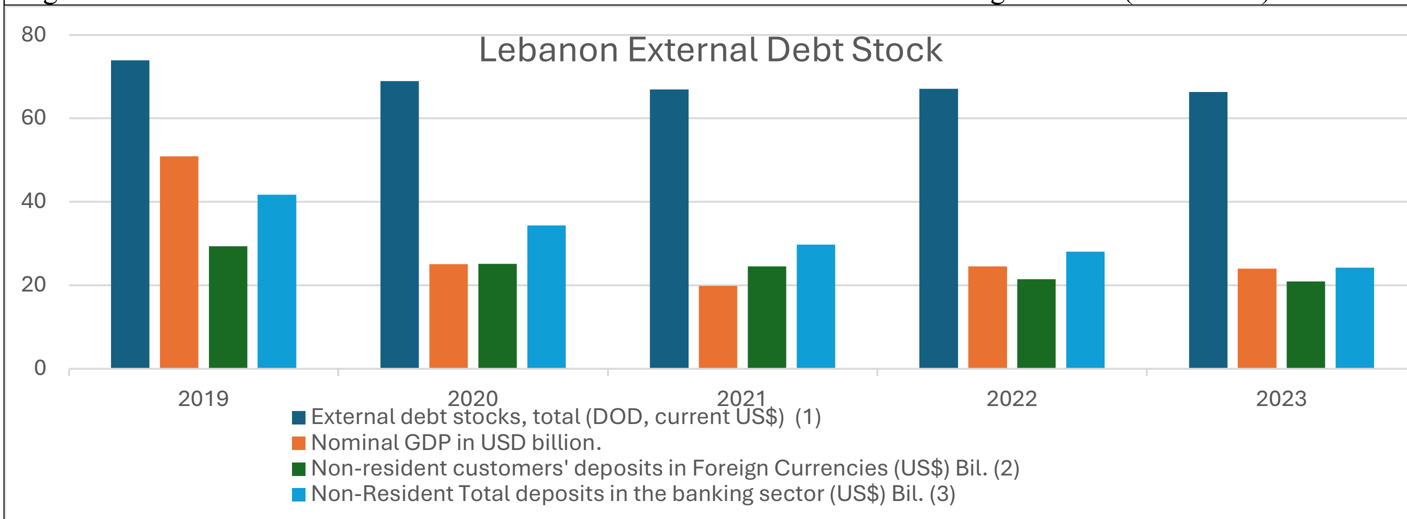
Mil. US$	2024	2025	2026	2027
Nominal GDP (US$ billions)	48.7	50.9	53.3	56.1
Financing Gap	2,599	2,193	2,023	1,656
IMF EFF Disbursement	452	262	263	263
Identified Official Public External Financing	2,146	1,931	1,193	733
World Bank	1,202	1,034	968	654
European Union	0	220	0	0
EIB	127	110	44	44
Others 1/	818	567	236	35
Unidentified Official Public External Financing	0	0	556	660

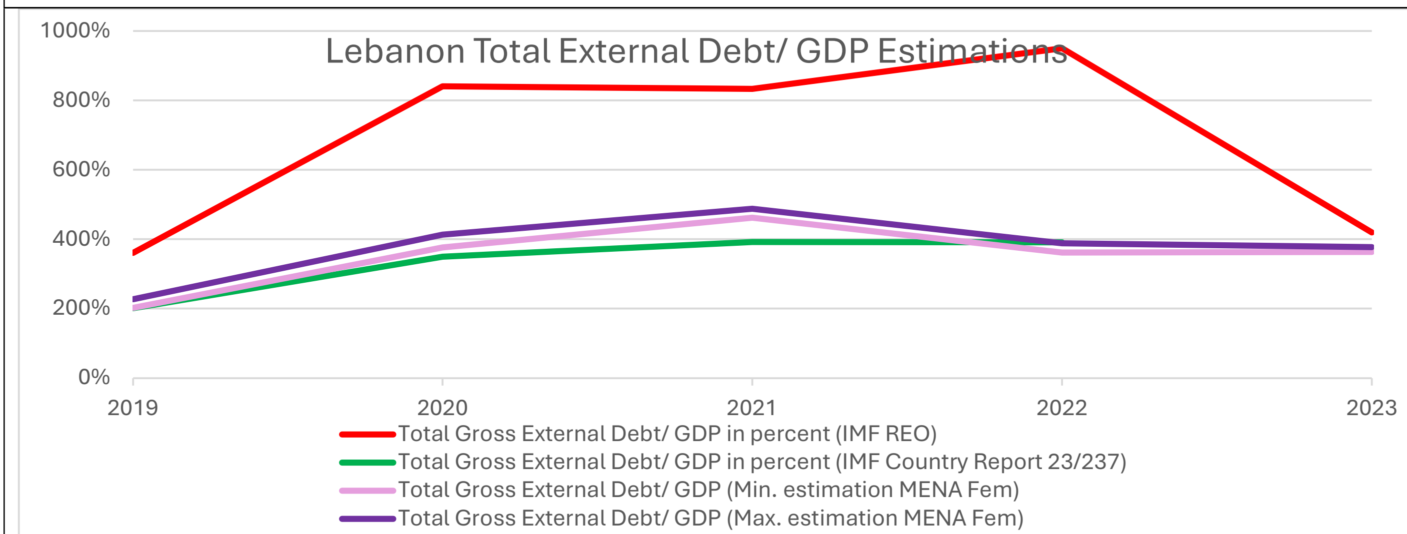
Source: IMF (2024j)

C. Lebanon External Debt (Infographic)

For years, Lebanon has been torn by its neighboring countries' instability, their humanitarian obligations toward refugees, interventionist powers in their political landscape, and, from the south, they are bordering and an aggressive, genocidal state that keeps on destroying its infrastructure. The country has defaulted on some of its external debt amid a power vacuum and severe political instability, with no president and limited governmental authority. On June 1, 2023, Lebanese authorities reiterated their intention to proceed with an IMF-supported program once a President is elected and a government with full powers is in place (IMF, 2023, pp. 2-3). In 2025, that moment has finally arrived. The country is preparing for an IMF program and estimating that the magnitude of its external obligations has become increasingly important. However, assessing the extent of the country's External debt, as presented in most IMF (2025) databases, with Lebanon's external debt-to-GDP ratio reaching 950%, warrants a closer examination to understand the dynamics of external debt. This is mainly because earlier data on Lebanon's external debt stock diverge significantly from our estimate and from those of the World Bank and the IMF (2023). Given that the IMF (2025) database is the most recent and updated from the Regional Economic Outlook, several possibilities arose. First, the IMF identified external debt sources or flows that were previously unknown or had a different methodology, which they had not previously disclosed, and this proved to be the case.

Figure 11: Lebanon's External Debt Estimates in Nominal Terms and as a Percentage of GDP (2019-2023)





Compiled and estimated by the author from the IMF (2023;2025), World Bank (2025), and several monthly bulletins from the Central Bank of Lebanon (Banque du Lebanon, 2025).

According to the IMF (2025), Lebanon's external debt to GDP data, as represented in Figure 3, in 2019, Lebanon reached a critical juncture, resulting in a substantial increase in its external debt, which climbed to 950% of GDP by 2022, far exceeding the earlier estimate in the IMF (2023) Country Report of 391%[9]. **Figure 11** visualizes this massive discrepancy. The figure compiles data from various sources on the stock of external debt and uses a bottom-up approach to consolidate and recalculate the external debt-to-GDP ratio. The World Bank's report on Lebanon's total external debt stock is $67.1 billion, while its GDP is estimated at $24.5 billion. The IMF's estimates of external debt include non-resident deposits in the Lebanese banking sector, which differ from the World Bank's definitions. Our maximum estimate for this figure, based on Central Bank of Lebanon data, is $28 billion. Therefore, according to our maximum total external debt for that year, it would be 388%, significantly lower than the IMF's estimate of 950%. After contacting the IMF's statistical department to inquire about the lack of a detailed methodology in their database for regional economic outlook data and further examining

[9] I would like to thank Professor Dr. Hassan Sherry from the Lebanese American University (LAU) for being the first to highlight that Lebanon's numbers need further clarification, which motivated my follow-up with the IMF.

their methods, we conclude that the IMF's Regional Economic Outlook estimates for Lebanon and similar countries are unreliable and lack economic relevance. The IMF employs a distinct methodology in its database, derived from the regional economic outlook methodology, which differs significantly in its treatment of exchange rates, timing, and application, with no explicit mention in its online databases or reports.

Additionally, we have concerns about inconsistent treatment of stock and flow variables, the lack of comparability across countries, the potential for manipulating debt assessments, and the absence of a clear definition in the Metadata. We concluded that a more nuanced approach is urgently needed for estimating Lebanon's external debt. **We advocated for alternative methodologies and greater transparency from the IMF to clarify their methodology, Metadata definitions, and update their online database.**

After contacting several IMF staff members, we received positive responses and addressed many of our concerns. Although the global methodology will not change, modifications to the IMF metadata related to the circumstances mentioned above will be appended to the WEO/REO reports going forward, starting with their May 2025 reports. As noted in the **Annex** to this paper, those changes highlight the limitations of WEO/REO in countries experiencing currency fluctuations and in the assessment of external debt, thereby achieving greater transparency.[10] (Infographic)

D. Morocco's External Debt

Morocco heavily relies on IFIs for external financing, and these institutions significantly influence the country's public policy. More than half of public and publicly guaranteed debt is owed to the IFI, at 55.6%. The World Bank has significant influence over the country's public policy, with 267 mandatory prior actions required. The IMF's inflation is ever-present, with conditions related to the Resilience and Sustainability Facility Lending Program (RSF). However, the IMF does not report these conditions for the country as "Conditions," but rather as Reform Measures (RM). Under the RSF program, RMs in Morocco are required to increase the costs of energy and water for the wider public (IMF 2024m).

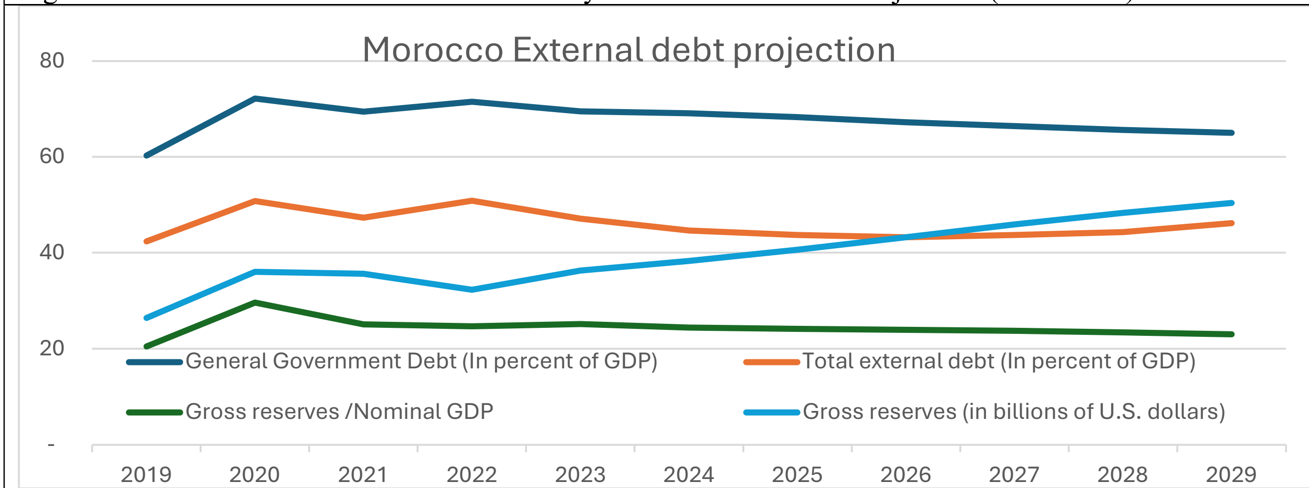
According to the IMF, Morocco's economic policies are sound, with moderate vulnerabilities; therefore, the country can access the Precautionary and Liquidity Line (PLL). That program provides financial support to prevent crises and address balance-of-payments needs, and Morocco is the only country in the region that can access it. That is because, until the pandemic, Morocco's external debt management had shown only moderate risk. However, in recent years, Morocco has faced many external shocks (high interest rates, increased commodity and energy prices). Energy prices have hit the country especially hard, affecting its external debt. Morocco is under tight capital controls to conserve and reduce the country's hard-currency demand. Morocco's exchange rate is a fixed exchange rate within horizontal bands, transitioning to a flexible exchange rate under the guidance of the IMF. On March 6, 2020, the horizontal bands shifted from a ±2.5 percent fluctuation band to a ±5 percent fluctuation band.[11] Since then, the country's government has actively resisted the IMF's implementation of some RM "conditions" on devaluation and additional taxes, citing high unemployment and inflation. According to the IMF's (2024m) latest report for December, it is likely that the flexible exchange rate plan will be resumed soon, accompanied by a relaxation of capital controls.

---

[10] A detailed technical article about that issue is forthcoming from MENA-fem. Shady Hassan 2025 "Critical examination of the IMF's Regional Economic Outlook Methodology for External Debt to GDP in countries experiencing extreme exchange rate volatility: Lebanon case study".

[11] based on a Euro/US dollar basket with respective weights of 60 and 40 percent.

Figure 12: Morocco External Debt and Currency Reserves Actual and Projection. (2019-2029)



Source: author estimation from (IMF 2024m)

1. Morocco Energy Shocks

Energy shocks are one of the most significant external risks to a country's external debt. Energy prices generally affect developing nations. However, post-pandemic recovery, the invasion of Ukraine, and Morocco's geopolitics compounded the harmful effects on the country's net imports and the demand for hard currency.

Table 10: Morocco's External Debt Risk and Energy costs in billions of US dollars (2019-2028)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Nominal GDP	129	121	142	131	144	157	168	181	193	207
Gross Reserves	26	36	36	32	36	38	41	43	46	48
Net imports of energy products	8	5	8	15	12	12	12	12	13	13
As a percentage of Gross Reserves	31 %	14%	22%	47%	33%	32%	29%	28%	28%	27%
As a percent of Nominal GDP	6%	4%	6%	12%	8%	7%	7%	7%	6%	6%
Source: adapted from IMF (2024m)										

Table 10 indicates that Morocco is facing a stark long-term energy crisis. Starting from 2022, the country's energy bills almost doubled. The new energy cost structure is projected to remain in place for the foreseeable future. Furthermore, the new energy cost structure places significant strain on the country's foreign currency reserves. In 2022, the energy import bill is estimated to account for 46.9 percent of the country's reserves or 12% of Morocco's GDP. That puts a considerable strain on public finances, currency, and external debt. Although the situation improved slightly starting in 2023, energy independence and sustainability must remain central when addressing external debt sustainability. In this regard, alternative energy sources could serve as a long-term solution.

2. Interest Burden And Public Service

Table 11: Morocco's Government Interest payment and government services. (2019-2028)

Budgetary Central Government Finance	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Government Interest payment	26.3	28.8	27.1	28.5	31.2	37.2	40.8	42.1	42.7	43.3

Government Interest Payment As A Percent Of:										
Taxes	10.7	12.5	10.8	9.8	10.2	11.2	11.7	11.4	11.0	10.5
Expense	9.2	8.8	8.3	7.5	7.9	8.5	9.0	9.1	8.8	8.6
Subsidies	163	213	124	68	104	219	355	540	577	734
Subsidies +Social benefits	138	78	83	50	72	72	85	90	88	87
Source: adapted from IMF (2024m1) data, which are in billions of dirhams.										

As Table 11 indicates, the general government's public debt interest payments have a significant impact on government finances. In 2025, it is expected that 11.7% of taxes will cover interest, accounting for 8.5% of all government expenses. In public service terms, the interest is approximately 355% of all budget sector subsidies, or 85% of "Subsidies and social benefits." However, in the event of external shocks, such as a global recession, Morocco's external debt remains manageable and poses limited risk to government services, as shown in the following table.

3. External Shock Readiness

Table 12: Morocco's hypothetical external shock and financial gap. (2024-2031)								
Fund credit outstanding as a percentage of	2024	2025	2026	2027	2028	2029	2030	2031
Quota	540	528	528	372	164	112	112	112
GDP	4	4	4	2	1	1	1	1
Exports of goods and services	10	9	9	6	3	2	3	3
Gross international reserves	17	16	15	10	4	3	3	3
Government revenue	14.9	14.2	13.7	9.2	3.9	2.5	2.4	2.3
External debt, public	1.4	1.3	1.2	0.8	0.3	0.2	0.2	0.2
IMF (2024m) estimates an adverse scenario in which the FCL is drawn in 2024.								

According to IMF estimates in Table 12, Morocco is well-positioned to withstand a moderate external shock, such as a global recession. However, in this case, Morocco will access the IMF's FCL loan to fill the financial gap. According to our analysis, under the new fee and surcharge rule, the country will incur surcharges for at least 3 years. **In that scenario, the IMF is using the state of vulnerability as an excuse to impose surcharges on Morocco when the country needs them the most. In the IMF's adverse scenario, Morocco faces an external shock beyond its control. Nevertheless, according to updated Surcharge rules, the people of Morocco must be punished for repeated access to IMF resources, implicitly arguing that people experiencing poverty must be punished for being poor.**

4. The IMF-Climate-Related Conditionalities

The International Monetary Fund's (IMF) loan programs, specifically through the Resilience and Sustainability Facility (RSF), increasingly include conditionalities aimed at climate mitigation. These measures often require restricting carbon emissions and increasing taxation on polluting activities (IMF, 2024m). While nominally designed to promote a transition to a low-carbon economy, these requirements risk shifting the financial burden of a Western-driven climate crisis onto nations with limited resources. By disproportionately burdening developing nations, these conditionalities exacerbate global inequality and raise significant ethical concerns about violating the principle of "Common But Differentiated Responsibilities" (CBDR).

The CBDR framework recognizes that while climate change is a global issue, countries have varying historical contributions to the crisis and differing capacities to address it. Developing nations, particularly in the MENA region, have much lower historical pollution footprints than Western industrialized nations. Consequently, the prevailing Western argument for increasing fossil fuel prices—while perhaps effective for curbing demand—becomes deeply inequitable when applied to the lowest-income segments of the Global South. Expecting average citizens in countries like Morocco and Egypt to bear the costs of accumulated Western pollution violates the core tenets of climate justice.

This inequity is empirically demonstrated in Morocco. Under the RSF, the IMF introduced Reform Measure (RM) 10, which stipulates a specific increase in energy taxes. Moroccan authorities initially resisted this measure, explicitly citing concerns about its direct inflationary impact and the undue burden it would place on a population where the energy import bill had already nearly doubled in one year, consuming 12% of GDP (see Table 10). The implementation of a regressive fuel tax in this economic climate would effectively force the working class to finance the energy transition.

Due to this resistance, the measure was not implemented by the first review deadline, leading to the non-disbursement of SDR 62.5 million in committed funds. This incident highlights an aggressive attempt by the IMF to enforce "**Green Colonialism**," where low-emission nations are coerced into adopting regressive measures that hurt people experiencing poverty. By December 2024, Moroccan authorities had devised an alternative plan to achieve similar emission reductions by targeting specific manufacturing sectors rather than average citizens, thereby mitigating the inflationary impact. However, the initial friction underscores the fundamental injustice of enforcing Western-centric climate policies on developing economies without adequate regard for local socio-economic realities.

IV. Results and Discussions

The background paper reveals a critical reality: lower-middle-income Arab nations in the MENA region are increasingly dependent on International Financial Institutions (IFIs) for funding and debt servicing, primarily the International Monetary Fund (IMF) and the World Bank. This dependence is not just a line item on a budget; it comes with strings attached, known as conditionality. It profoundly shapes policy decisions and fiscal strategies, often with far-reaching consequences for the populations they serve. Those Washington-based institutions are a tool of Western hegemony in the Global South. Failing to acknowledge that the IMF is a political tool for the Western agenda is a disregard for historical knowledge. This data-driven investigation into External debt and the IFIs' role and involvement aims to foster a more informed engagement strategy.

The main findings of this investigation:

A. The IMF Climate Condition might be in Violation of International Law. (Green Colonialism).

In Egypt and Morocco, the IMF's loan programs include conditionalities that increase energy costs for the impoverished majority by imposing restrictions on carbon emissions and raising taxes on polluting activities (IMF 2024m). While these measures are designed to promote a transition to a low-carbon economy, they shift the financial burden of the Western-driven climate crisis onto countries with limited resources. The IMF's logic—that higher fuel prices discourage consumption and thus emissions—fails to account for the poor's lack of access to alternative energy sources. The IMF's climate-related conditionalities disproportionately burden developing nations, exacerbating global inequality. This raises significant concerns regarding the violation of the principle of "Common But Differentiated Responsibilities" (CBDR). CBDR acknowledges the diverse historical contributions to climate change and the varying capacities to mitigate its impacts. CBDR is an ethical framework that emphasizes that most developing countries have minimal pollution footprints and do not significantly contribute to historical emissions that have driven the current climate crisis. The prevailing Western argument for increasing fossil fuel prices by cutting their subsidies, while effective in reducing demand and promoting alternative energy sources, becomes deeply unfair when applied to the most unprivileged, lowest-income segments of the global south. Expecting the average citizen in a developing country like Morocco or Egypt to bear the cost of the West's continued and accumulated pollution is unjust, especially given our limited contribution to the crisis. The experiences of the IMF's conditionalities implemented in Egypt and Morocco illustrate this point.

In Morocco, RSF climate-related conditionalities increase the burden on average citizens, as they require a tax on energy use by the vast majority of the country's disadvantaged citizens. The conditions under the RSF are referred to as reform measures (RM), and number 10 is the original agreement to implement a specific energy tax increase (IMF, 2024m). The authorities in Morocco resisted the increase in the tax on the fuels that the vast majority use under RM number 10. The authorities explicitly cited concerns about its direct inflationary impact and the increased burdens on low-income citizens. This resistance led to the measure not being implemented by the first review deadline. That resulted in the non-disbursement of a significant portion of the committed funds (SDR 62.5 million). By December 2024, the Moroccan authorities had devised an alternative plan to achieve similar emission reductions with less impact on inflation and the average citizen. This example highlights how climate-related conditionalities, such as increased energy taxes, can directly burden the disadvantaged majority in developing nations. The Moroccan case exemplifies how RSF climate-related conditionalities can shift the costs of climate action onto the world's poorest populations by raising the price of essential energy for middle- and lower-income citizens.

In Egypt, the IMF's Extended Fund Facility (EFF) includes climate-related conditionalities that have led to increased energy prices and inflation for the disadvantaged majority of the population. One conditionality affects the adjustments in the retail fuel price indexation mechanism. This mechanism implicitly subsidizes fuel consumption for luxury vehicles. The general argument implied by that conditionality is that the fuel used for luxury cars is more carbon-efficient. At the same time, the disadvantaged majority faces higher energy costs and inflation on necessities as a result of the IMF's implementation methodology for reducing carbon emissions.

Overall, Morocco's and Egypt's examples highlight how the IMF's climate-related conditionalities shift the costs of climate action onto the world's disadvantaged populations. In both cases, the IMF's implementation of climate-linked so-called reforms increases inflation, economic hardship, and unemployment. **These real-world consequences raise serious questions about the IMF's climate-related conditionalities in the context of climate justice and the violation of the principle of common but differentiated responsibilities.**

B. Human Costs Of Surcharges. There Is Work To Be Done.

Between 2012 and November 2024, Egypt, Tunisia, Jordan, and Morocco all paid surcharges to the IMF, with the majority of these payments made by Egypt. Egypt paid surcharges of around 78 billion LE, equivalent to 23% of all subsidies, 55% of food subsidies, and nearly 60% of the energy subsidy. In the coming years, Egypt and Jordan will continue to pay those charges even after the new reformed rules take effect in November 2024. For Egypt, the projected surcharge payments to the IMF remain significant and are **crowding out essential government services**. The projected surcharge payments to the IMF, starting in November 2024, will amount to 88.264 million USD, or 4.5 billion LE. That figure is far more than the projected combined subsidy payment for electricity by the end of June 2025, at 2.5 billion LE, and for farmers, at 0.6 billion LE.

Surcharges are a Penalty on Top of debt and are illegitimate. We demonstrated that in the Moroccan case, the country is well-equipped to handle a moderate external shock, such as a global recession. However, they would have to pay surcharges for 3 years in that scenario. Morocco would access the IMF’s FCL loan, resulting in surcharges under the new surcharge rules. This situation highlights how the IMF’s new surcharge rules penalize a country and exploit its state of vulnerability to impose additional external debt in the form of surcharges, even when Morocco faces external shocks beyond its control, without any economic justification. It is a pure form of illegitimate debt. It continues to crowd out essential public services in Egypt and Jordan, while also posing a threat to Morocco, creating the pure form of illegitimate debt. **The data clearly show that the efforts and advocacy related to Surcharge reforms remain essential for the well-being of average citizens and poverty prevention, and are highly relevant from a debt justice perspective.**

C. The IMF's Conditions Violate Fundamental Fairness Norms and Are an Engine of Inequality.

The IMF has created a financial architecture that compounds domestic debt and massively increases inequality. Shielding the very rich during external inflationary shocks violates social fairness norms in Egypt. It orchestrated a situation in which national income is radically and regressively redistributed from productive sectors and taxpayers to the privileged segment of society at a rate of 7% to 12% of GDP per year, with a total nominal value exceeding 5 trillion LE. This redistributive disaster is quantified in **Figure 9**, which shows the return on passive capital (r) consistently outpacing economic growth (g). Furthermore, **Table 8** confirms that domestic interest payments (projected at 2.34 trillion LE) have grown to exceed the combined total of government wages and subsidies (a ratio of 247%), effectively prioritizing rent-seekers over public service delivery. Our analysis of the data further reveals that domestic public debt owners alone captured almost 50 percent of the country's nominal growth over the last five years. The

IMF's conditionalities on CBE generally benefit debt holders. Making one segment face the burden of inflation and government austerity (reducing public services). In contrast, the upper segment is compensated by seeing their assets increase in value, benefiting from risk-free financial instruments for saving, and taking advantage of domestic debt dynamics that institutionalize and reward rent-seeking over productive activity.

This data from Egypt highlights the need to reevaluate the standard theory and arguments on central bank policy and inequality, particularly regarding interest rates and the central bank's mandate. Furthermore, it is vital to inform and educate the public in the Global South about the IMF's trend toward imposing radical distributive public policies through the conditionalities of central banks. **Therefore, a critical step would be to advocate for the establishment of an independent Fiscal Council in developing economies. Such a body would provide transparent, non-partisan analysis of budget policy and monitor debt dynamics, acting as a crucial check against the IMF's policies that prioritize short-term financial stabilization over long-term fiscal health and equitable development.**

D. IMF's Flawed Methodology.

In the case of Lebanon, when examining the IMF's external debt-to-GDP data, we concluded that its regional economic outlook methodology is useless for countries experiencing extreme currency fluctuations, as it yields misleading ratios. According to the IMF database, Lebanon's external debt reached 950% of its GDP by 2022. However, the World Bank reported Lebanon's total external debt stock as $67.1 billion, while its GDP is estimated at $24.5 billion. The IMF's regional economic outlook (REO) includes non-resident deposits in the Lebanese banking sector as part of its external debt, whereas the World Bank uses different definitions. Our maximum estimate for this figure, based on Central Bank of Lebanon data, is $28 billion. Therefore, according to our maximum total external debt for that year, it would be 388%, significantly lower than the IMF's estimate of 950%. **Figure 11** visualizes this massive discrepancy. Crucially, as noted in the **Annex** of this paper, the IMF WEO methodology 'significantly overstates the actual external debt burden' for countries with exchange rate volatility (See Annex for the official IMF correspondence confirming that their WEO methodology 'significantly overstates' the actual debt burden). These findings validate the need for independent data verification. **We conclude that the IMF's Regional Economic Outlook estimates for Lebanon and similar countries are unreliable and lack economic relevance. After contacting several IMF staff members, we received positive responses and addressed many of our concerns. Although the global methodology will not change, modifications to the IMF metadata related to the circumstances mentioned above will be appended to the WEO/REO reports going forward, starting with their May 2025 reports. Those changes highlight the limitations of WEO/REO in that particular case, thereby achieving greater transparency.**

These findings are interconnected. The IMF's financial architecture fuels domestic inequality (r > g), thereby stifling productive growth and increasing reliance on external debt. Simultaneously, illegitimate mechanisms like surcharges extract vital resources, while the imposition of 'Green Colonialism' further burdens people experiencing poverty. This coordinated strategy ensures economies remain trapped in dependency and political vulnerability.

V. Conclusions and Recommendations

In conclusion, the IMF and the World Bank leverage External debt and moments of global and regional crises to expand their influence over policymaking in the MENA region. Their policies reflect the interests of the countries that control these institutions, aligning with Western imperialist agendas aimed at restructuring economies to facilitate resource extraction and shifting the costs of climate change onto the world's poor, hindering their growth and their potential to maintain their dominance over Earth's resources. This approach not only exacerbates the impacts of climate change on the poorest populations but also shifts the brunt of Western-driven climate change costs onto the world's most vulnerable, as we demonstrated in Egypt and Morocco.

The patterns and timing of the IMF and World Bank's conditionalities in the region show a relentless wave of Interventions, using moments of global crisis and local fragility to shape public policy for generations to come. The IMF and World Bank execute a coordinated strategy that promotes the failed trickle-down economics. These IFI-driven policies disproportionately burden marginalized groups, particularly women, who face the dual impact of rising living costs and the withdrawal of essential public services as the state retreats. The result is not shared prosperity, but a re-engineering of the economy that benefits a small elite while maintaining the extractivism agenda.

The research also highlights and documents notable instances of Moroccan authorities' resistance to climate-related tax increases, specifically regarding RM 10. This resistance was primarily driven by concerns for the well-being of low-income citizens, demonstrating a commitment to social equity amidst fiscal challenges. Additionally, data-driven advocacy played a crucial role in prompting the IMF to commit to greater transparency, as documented in Lebanon. These examples underscore that vigilance and effective advocacy can successfully challenge the mandates of International Financial Institutions, paving the way for more equitable policies.

In light of these facts, there are tangible impacts on marginalized groups, especially women, who bear the brunt of the rising cost of living and the state's withdrawal from providing public services. Policies imposed by the International Monetary Fund and the World Bank not only perpetuate economic dependency but also reinforce patterns of gender, social, and political inequality, thereby deepening the vulnerability of groups working in the informal economy. From this standpoint, MenaFem stresses that confronting financial colonialism goes hand in hand with resisting patriarchal and neoliberal systems. MenaFem emphasizes that the people of the region urgently require fairer alternatives rooted in economic sovereignty, gender equality, and climate justice.

Recommendations for Civil Society Organizations to integrate into their advocacy strategies:

1**. Establish Independent Fiscal Councils.**
CSOs should advocate for the creation of Independent Fiscal Councils through legislation.

> **Function**: These bodies would act as independent watchdogs, providing non-partisan analysis of government budgets and IFI programs. The necessity of this oversight is evident in **Table 8**, which reveals that domestic interest payments have cannibalized fiscal space, now exceeding the combined budget for wages and subsidies.
> **Impact**: They would challenge the monopoly on economic "truth" held by the (IFIs). An Independent Fiscal Council could assess whether a subsidy cut is genuinely necessary or whether alternative revenue sources, such as wealth taxes, are available. Additionally, it could clarify the motivations behind the IFI's subsidy cuts, whether they are purely for fiscal reasons or, as seen in the cases of Egypt and Morocco, used to transfer the burden of climate action onto marginalized populations in those countries. This would institutionalize a counter-narrative to Austerity.
> **Action:** The Council should have a mandate to monitor the structural inequality shown in **Figure 9**, ensuring that the return on passive capital (*r*) does not continue to outpace economic growth (*g*) at the expense of public services.

2. **Re-Launch a "Stop Surcharges" Campaign**
Shift the advocacy goal from "reform" to "abolition."

Narrative: Surcharges as Illegitimate Debt are still significant to the marginalized in the region. Data from this report supports this fact. Surcharge payments significantly crowd out public goods (Table 4: The 4.5 billion LE Egypt is paying in surcharges equals two years of electricity subsidies). Furthermore, **Table 12** demonstrates a "Surcharge Trap in Morocco". Even with sound policies, a global recession would force Morocco to access an FCL loan, automatically triggering punitive surcharges.

Demand: At least a call for an immediate suspension of surcharge payments for all lower-middle-income countries facing exogenous shocks and framing Surcharges as a “Tax on distress" that crowds out essential social spending.

3. **Operationalize Debt-for-Climate Swaps and Climate Reparations.**

CSOs should highlight the injustice in the "Green Austerity" loan conditions attached to the RSF, demanding Debt-for-Climate swaps instead.

Mechanism: Advocate for converting outstanding bilateral and multilateral debt into local currency funds dedicated to climate adaptation (water security, renewable energy).

Argument: Use the CBDR principle to argue that the Global North owes this debt relief as part of its **climate reparations**.

4. **Demand Data Sovereignty and Methodological Accountability**

Challenge the "black box" of IFI methodologies, especially for Debt Sustainability Analysis (DSA).

Action: CSOs must demand the complete publication of Metadata for debt statistics and a transparent, replicable methodology that meets academic standards for replicating results.

Goals: Prevent the use of inflated debt ratios or miscalculations by them to justify "fire-sale" privatizations. Also, **Civil society must build its own capacity to analyze and contest macroeconomic data.**

Reference

Banque du Lebanon (2025). “MONTHLY BULLETIN”. Department of Statistics and Economic Research, https://bdl.gov.lb/publicationssub.php?pubid=282

CBE (2025). “*External Position of the Egyptian Economy: Fiscal Year 2024/2025*”. Central Bank of Egypt (CBE), Volume No. (89), https://www.cbe.org.eg/-/media/project/cbe/listing/research/position/external-position-89.pdf

Eichengreen, et. al. (2021). “*In Defense of Public Debt* “. New York), https://doi.org/10.1093/oso/9780197577899.001.0001,

Hassan, Shady (2025). "The Impact of IMF’s Monetary Policy Conditionalities on Inequality in Egypt." AUC Political Science Department's 7th Annual Conference, conference paper, 10-11 May 2025, Cairo, Egypt. (Forthcoming)

Hassan, Shady (2025a). “IMF Conditionality Explorer.” IFI Economics Research project, MENA Fem Movement. Based on the IMF MONA Database. Data cleaned and curated by the author. Accessed [Jul 2025]: https://ifi-economics.com/IMF-conditions/en.

Hassan, Shady (2025b). “أداة استكشاف شروط صندوق النقد الدولي” [IMF Conditionality Explorer – Arabic]. IFI Economics Research project, MENA Fem Movement, based on the IMF MONA Database. Data cleaned, curated, and translated. Accessed [Jul 2025]: https://ifi-economics.com/IMF-conditions/ar/

IMF (2023), "Lebanon: 2023 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Lebanon”

IMF (2024). *“Review Of Charges And The Surcharge Policy—Reform Proposals.”* Policy & Review Department, International Monetary Fund (IMF), Policy Papers 046, accessed December 13, 2024, https://doi.org/10.5089/9798400291388.007

IMF (2024e). *“Arab Republic of Egypt: Third Review Under the Extended Arrangement Under the Extended Fund Facility, Monetary Policy Consultation Clause, Requests for Waivers of Nonobservance of a Performance Criterion and Applicability of Performance Criteria, and Request for Modification of Performance Criteria-Press Release; and Staff Report,”* Middle East and Central Asia Dept., International Monetary Fund (IMF), IMF Staff Country Reports Volume 2024, Issue (274), https://www.elibrary.imf.org/view/journals/002/2024/274/article-A001-en.xml

IMF (2024j). “*Jordan: First Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modification of Performance Criteria-Press Release; and Staff Report.”* IMF Staff Country Reports, Volume 2024 Issue (197). https://doi.org/10.5089/9798400282447.002.A001

IMF (2024m). “*Morocco: 2024 Article IV Consultation, Review Under the Flexible Credit Line Arrangement, First Review Under the Resilience and Sustainability Arrangement, and Rephasing of Access Under the Resilience and Sustainability Facility-Press Release; Staff Report; and Statement by the Executive Director for Morocco.”* Middle East and Central Asia Dept., International Monetary Fund (IMF), IMF Staff Country Reports, Volume 2024 Issue (099). https://doi.org/10.5089/9798400273551.002

IMF (2024m1*). “Morocco: Second Review Under The Arrangement Under the Resilience and Sustainability Facility-Press Release; Staff Report; and Statement by the Executive Director for Morocco.”* Middle East and Central Asia Dept. International Monetary Fund (IMF), Volume 2024 Issue (324) https://doi.org/10.5089/9798400292941.002.A001

IMF (2025). “*IMF Data Portal”*. International Monetary Fund (IMF), accessed March 1, 2025, https://data.imf.org/?sk=388dfa60-1d26-4ade-b505-a05a558d9a42

IMF (2025e). "Arab Republic of Egypt: 2025 Article IV Consultation, Fourth Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Waivers of Nonobservance and Modification of Performance Criteria and Request for an Arrangement Under the Resilience and Sustainability Facility-Press Release; Staff Report; and Statement by the Executive Director for Egypt", IMF Staff Country Reports 2025, 186, https://doi.org/10.5089/9798229014700.002

IMF Finance (2024). "*IMF Financial Data Query Tool*." accessed December 20, 2024, https://www.imf.org/external/np/fin/tad/query.aspx

Leckow, R. B. (2005). "*CHAPTER 3 Conditionality in the International Monetary Fund*". In Current Developments in Monetary and Financial Law, Vol. 3. USA: International Monetary Fund. Retrieved December 12, 2024, from https://doi.org/10.5089/9781589063341.072.ch003

MOF (2024). "*External Debt*." Egyptian Ministry of Finance (MOF), https://mof.gov.eg/en/posts/publicDept/601acd1f10ca760007b20d25/External%20Debt

MOF (2024a) "State Draft Budget 2024/25 Economic Division classification," Egyptian Ministry of Finance, https://mof.gov.eg/ar/posts/stateGeneralBudget/65911fe582bd240008c29151/%D9%85%D9%88%D8%A7%D8%B2%D9%86%D8%A9%20%D8%B9%D8%A7%D9%85%D8%A9%202024 %2025

MOF (2025). "The Financial Monthly Report for January 2025", Egyptian Ministry of Finance (MOF). https://mof.gov.eg/ar/archive/monthlyFinancialReport/general/%D8%AA%D9%82%D8%A7%D8%B1%D9%8A%D8%B1-%D8%B4%D9%87%D8%B1%D9%8A%D8%A9

Reuters (2023). "*Saudi Arabia is changing no-strings aid, the finance minister says.*" " https://www.reuters.com/world/middle-east/davos-2023-saudi-arabia-changing-no-strings-aid-finance-minister-says-2023-01-18/

Sherry, Hassan, & Hussein Zeaiter (2024). "*IMF Conditionality and Government Education Spending: The Case of 10 MENA Countries"*. Economies 12, no. 9: 234. https://doi.org/10.3390/economies12090234

World Bank (2025). "*MENAfem Debt.*" Joint External Debt Hub, DataBank, World Bank, accessed January 12, 2025: https://databank.worldbank.org/MENAfem-debt-/id/63363903

World Bank (2025b). **Error! Hyperlink reference not valid.**." World Development Indicators, DataBank, World Bank, accessed January 12, 2025: https://databank.worldbank.org/MENAfem-Debt-2/id/5398c4ac

World Bank (2025d). "Development Policy Action Database (DPAD)", Development Policy Financing (DPF) World Bank https://thedocs.worldbank.org/en/doc/4557efd6410a7d7c75bc05ad68975754-0290012025/original/DPAD-database-FY24-ext.xlsx

World Inequality Database (2025). "Data." Accessed July 16, 2025: https://wid.world/data

Annex

Lebanon External Debt To GDP Ratio Discrepancy

All the IMF departments and teams provided useful and constructive responses and engaged in positive discussions. The IMF country team provided the following clarification and explanation.

Explanatory note on statistical issues surrounding the measurement of Lebanon's external debt

Methodology**:** For Lebanon, it should be noted that the methodology for calculating external debt-to-GDP ratios (public and private) in the WEO and REO differs from the approach used by the country team in its staff reports. While the external debt-to-GDP ratio is calculated by applying the end of period (eop) exchange rate to the stock of outstanding debt in foreign currency and dividing it by nominal GDP in local currency, the country team calculates the ratio by dividing external debt in foreign currency by nominal GDP in foreign currency (weighted at the year's average exchange rate as GDP is a flow variable). This can lead to large differences in years with rapid exchange rate depreciation and high inflation. In such years, the approach employed in the WEO significantly overstates the actual external debt burden, and the team's approach provides an economically more meaningful measure. Moreover, it should be noted that across such years, there are large jumps in the external debt-to-GDP ratio related to the high variation in the real exchange rate and lags between exchange rate depreciation and inflation across years.

Exchange rate: The exchange rate used is the official rate, except for 2020-2023, where a combined weighted rate of the official and the parallel market exchange rate is used (based on prevailing market transactions) due to the large differences between both rates. That said, for 2020 and 2021, staff use the official exchange rate applied by the Lebanese Central Statistics Office for the calculation of national accounts statistics.

Public debt data*:* The public debt data are staff estimates and informed by official data, which is available until the end of 2022. It includes all debt contracted by the treasury on behalf of the central government and public agencies other than the Banque du Liban (BdL). It excludes BdL lending to Électricité du Liban (EdL) but includes estimates of bilateral liabilities incurred for the import of fuel for EdL since 2023. It includes Lebanon's net negative SDR position as well as Eurobond principal and interest in arrears, but no interest on arrears. The distribution of Eurobond holdings across residents and non-residents are staff estimates.