مجلة بروميثيوس للدراسات و الأبحاث في العلوم الإنسانية و القانونية و الإجتماعية
PROMETHEUS JOURNAL FOR STUDIES AND RESEARCH IN HUMANITIES, LEGAL, AND SOCIAL SCIENCES

Institutional Learning and Fiscal Constraints: The Political Economy of Crisis Response in MENA — Morocco's Trajectory 2008–2023

مفارقة الإصلاح المالي في الاقتصادات الناشئة: التقدم المؤسسي وتآكل الحيز المالي في منطقة الشرق الأوسط وشمال أفريقيا 2008–2023

المجلد الأول - العدد الثاني- يوليوز 2026

Karima Bairouk
PhD Candidate in Monetary and Financial Policy
Mohammed V University, Rabat – Faculty of Legal, Economic and Social Sciences (Souissi)
karima_bairouk@um5.ac.ma
Doctoral Supervisor: Dr. Mounir Neggaoui
Mohammed V University, Rabat – Faculty of Legal, Economic and Social Sciences (Souissi)
m.neggaoui@um5s.net.ma

Abstract

When confronted with comparable external economic shocks, emerging economies often exhibit markedly divergent fiscal responses, challenging standard theoretical predictions of policy convergence. This study examines how institutional capacity, structural constraints, and political economy dynamics jointly shape fiscal policy choices and fiscal space evolution during external crises, with Morocco as the central case.

The analysis employs a mixed-methods framework combining Structural Vector Autoregression (SVAR) models identified through sign restrictions, debt sustainability assessment within a Dynamic Stochastic General Equilibrium (DSGE) framework, synthetic control methods calibrated on pre-crisis trajectories, and qualitative institutional process tracing. The dataset covers Morocco's fiscal responses to three major shocks between 2008 and 2023—the global financial crisis, the COVID-19 pandemic, and the 2022–2023 energy and inflation shock—with comparative evidence from Tunisia, Egypt, and Jordan drawn from IMF Government Finance Statistics, World Bank databases, and national fiscal authorities.

Results reveal a structural paradox: measurable institutional learning—faster deployment, improved targeting precision, innovative policy instruments—coexists with persistent contraction of fiscal space. Public debt rose from 47.3% to 70.5% of GDP across the study period; subsidy burdens remained structurally entrenched at 2–6% of GDP; tax revenues stagnated at 22% of GDP despite sustained modernization efforts. Fiscal multipliers peak during demand-driven crises and decline sharply under stagflationary conditions. Synthetic control estimates suggest only modest relative gains in debt stabilization compared to regional peers, with a 2.7 percentage point differential attributable to institutional quality. The findings underscore that institutional improvement does not translate into expanded fiscal capacity when political economy constraints dominate structural adjustment processes, and that fiscal outcomes are ultimately shaped by the political feasibility of reform rather than its technical merits.

Keywords: fiscal policy; MENA; institutional learning; political economy; fiscal sustainability; emerging markets; Morocco; structural reform; debt dynamics.

ملخص

تُثير التباينات الملموسة في استجابات السياسة المالية داخل الدول الناشئة، رغم تعرضها لصدمات كلية متقاربة، إشكالاً تحليلياً يعكس تعقّد التفاعل بين البنية المؤسسية والقيود الهيكلية وديناميات الاقتصاد السياسي الداخلي .وتسعى هذه الدراسة إلى تفكيك آليات تشكيل اختيارات السياسة المالية وإعادة تعريف الحيز المالي المتاح خلال فترات الأزمات الخارجية، مع اعتماد المملكة المغربية حالةً دراسية مركزية . وتعتمد الدراسة مقاربةً منهجيةً تركيبيةً متقدمة توفّق بين نماذج SVARومنهجية التحكم الاصطناعي وتحليل استدامة الدين في إطار نماذج DSGE، مدعومةً بقراءة كيفية للتطور المؤسسي على امتداد الفترة 2008–2023، مع مقارنة تحليلية بتونس ومصر والأردن .وتُبرز النتائج "مفارقةً هيكلية "محورية :تقلّص زمن الاستجابة المؤسسية من 6–9 أشهر إلى 2–4أشهر، في حين ارتفع الدين العمومي إلى 70.5% من الناتج الداخلي الخام في ظل استمرار محدودية التعبئة الجبائية وثقل نفقات الأجور ونظام دعم

المقاصــة .وتخلص الدراسـة إلى أن الاقتصـاد السـياسـي يظل المحدد الأكثر حسـماً في تشـكيل مخرجات السياسة المالية، بما يجعل تحسين النجاعة المؤسسية غير كافٍ ما لم يُواكبه إصلاح هيكلي عميق

الكلمات المفتاحية : السياسة المالية ، الاقتصاد السياسي ، الحيز المالي ، استدامة الدين ، المغرب، التطور المؤسسي.

1. Introduction

1.1 Research Motivation and Context

Cross-national examination of fiscal responses to comparable external shocks reveals a persistent empirical puzzle that has challenged policymakers and scholars for decades: divergences in policy choices cannot be explained by conventional economic analysis alone. Standard theory predicts that rational governments facing identical circumstances would pursue similar policies according to optimization principles; empirical reality demonstrates substantial variation that appears disconnected from economic fundamentals. This fundamental disconnect motivates the present inquiry and suggests that conventional fiscal economics may be incomplete in its specification of the policy process.

The consequences of these policy divergences are too significant to dismiss. Fiscal decisions taken during crises determine whether vulnerable populations receive adequate support or experience deepened hardship, whether countries accumulate debt on sustainable or unsustainable trajectories, and whether fiscal buffers are maintained for future shocks or depleted, creating path dependencies that constrain future options for years and decades afterward.

Morocco merits particular analytical attention not because it represents a model case, but because its intermediate institutional positioning creates a productive natural laboratory. It possesses stronger state institutions than many developing countries—professional civil service, functional tax administration, independent central bank—yet weaker than most advanced economies. It maintains greater political stability than post-2011 Tunisia, yet lacks Jordan's monarchical embeddedness. It receives less strategic external support than Egypt, yet more than Tunisia's constrained partnerships. This intermediate positioning, combined with structural challenges shared across MENA—universal energy and food subsidies affecting over 60% of population, public wage bills consuming 11–12% of GDP, narrow tax bases concentrated in trade taxes and VAT, and substantial commodity import dependence—enables systematic examination of how institutional and political factors shape fiscal outcomes under binding constraints. The MENA region's homogeneous structural characteristics yet heterogeneous institutional and political configurations make it an ideal laboratory for testing theories about fiscal policy determinants.

1.2 Theoretical Contribution and Research Questions

Technical fiscal economics has advanced significantly over the past two decades. Sophisticated understanding exists regarding multiplier variation, subsidy system inefficiency, and debt sustainability conditions. Yet this substantial technical knowledge regularly goes unimplemented. Morocco announced major subsidy reforms during nearly every government transition since 2002—in 2007, 2011, 2013, 2016, 2019, and 2021—with implementation remaining minimal despite consistent and growing technical consensus regarding necessity. Tunisia and Egypt experienced similar cycles of reform rhetoric disconnected from actual policy change. This persistent gap between technical knowledge and policy implementation indicates that conventional fiscal analysis, which treats politics as an obstacle to overcome rather than as a fundamental feature of the policy process, fundamentally misspecifies how policy actually emerges.

This research adopts a political economy framework structured around four interrelated sub-questions: (1) Why do countries facing near-identical external shocks implement substantially different fiscal responses—is observed divergence optimal adaptation or political constraint? (2) Have countries genuinely improved crisis response capacity through institutional learning, or does path dependence prevent meaningful adaptation despite accumulating experience? (3) Which structural features most fundamentally limit fiscal flexibility, and are these equally binding across countries? (4) Are fiscal crisis responses sustainable, or do they create ratchet effects depleting the buffers available for subsequent shocks?

2. Theoretical Framework

2.1 Fiscal Space as a Multidimensional Concept

Fiscal space represents resources available to governments for achieving policy objectives without jeopardizing fiscal sustainability. Rather than reducing fiscal capacity to a single metric, it encompasses five analytically distinct dimensions: proximity to debt sustainability thresholds incorporating growth, interest rate, and primary balance trajectories; primary balance adequacy relative to debt stabilization requirements adjusted for cyclical conditions; revenue system flexibility measuring capacity to mobilize additional resources; spendingcomposition between genuinely discretionary items and mandatory ones locked in by legislation or stakeholder agreements; and institutional quality determining implementation efficiency and vulnerability to special interest capture.

For Morocco, multidimensional examination reveals substantially tighter constraints than headline debt figures suggest. Revenue mobility remains severely limited at 22% of GDP despite two decades of modernization—the informal sector constitutes approximately 40% of economic activity, and revenue is highly concentrated in imports and VAT, creating acute sensitivity to demand fluctuations and trade policy changes. On the expenditure side, approximately two-thirds of spending is effectively constrained: universal subsidies on energy and food consume 2–6% of GDP depending on commodity prices; public sector wages protected by civil service rules consume 11–12% of GDP; interest payments absorb 3.2% of GDP; and security spending is constitutionally protected. These four categories alone consume half to two-thirds of government revenue, leaving only health, education, and infrastructure as genuinely adjustable in response to shocks.

2.2 Institutional Learning versus Path Dependence

Organizational theory presents competing hypotheses with profound implications for policy outcomes. The learning hypothesis posits that repeated crisis experience generates accumulated organizational improvement—faster procedures, more capable personnel, lessons incorporated from failures into enhanced practices. Applied to fiscal policy, this suggests measurably improving crisis response capacity across successive episodes, with faster deployment, better targeting, and more sophisticated instruments. The path dependence hypothesis, by contrast, emphasizes institutional inertia: early decisions embed themselves in organizational culture, stakeholder expectations, and legislative commitments, constraining later options even when superior alternatives become available. Established procedures create resistance to change, and earlier policy choices create explicit and implicit commitments that persist even when circumstances change.

Empirically, these hypotheses operate simultaneously on different dimensions. At the implementation level—deployment speed, targeting precision, instrument sophistication—genuine learning is observable. At the policy choice level—what structural arrangements governments attempt to transform and what political risks they undertake—substantial path dependence persists. Organizations become better at executing existing policies without being able to transform what they fundamentally do. This distinction between implementation learning and political constraints on structural choice is central to interpreting Morocco's trajectory across three successive crises.

2.3 Political Economy of Fiscal Choice and Crisis Windows

Standard fiscal economics assumes governments facing evidence about policy effectiveness will implement superior policies. This technocratic assumption fails with striking regularity in emerging markets. Subsidy beneficiary coalitions are broad and politically powerful—nearly all income levels benefit from subsidized energy or food prices, encompassing voters, businesses dependent on cheap inputs, and politically-organized labor groups. In contrast, reform beneficiaries—consumers and taxpayers in general—face severe collective action problems. Organized opposition substantially exceeds organized support for change, generating predictable policy bias toward maintaining the status quo despite acknowledged costs.

Historical experience further shapes contemporary risk perception in ways technical analysis cannot easily override. Morocco's 1984 bread riots, triggered by IMF-mandated subsidy cuts, remain politically salient decades later, providing credible deterrence against adjustment attempts. Contemporary policymakers retain legitimate concern about triggering similar upheaval. The literature on reform and crises suggests that economic emergencies sometimes create political windows for structural change otherwise impossible—crises can weaken

المجلد الأول - العدد الثاني- يوليوز 2026

المجلد الأول - العدد الثاني- يوليوز 2026

organized opposition, shift public opinion, and enhance executive authority. However, these windows are time-limited and frequently close as crisis recedes from public consciousness and stakeholder coalitions remobilize opposition. Understanding the interaction between crisis urgency and political window dynamics is essential to explaining the pattern of reform attempt and reversal documented in the empirical analysis.

3. Data and Methodology

3.1 Data Sources

The study draws on fiscal data from multiple sources enabling triangulation across measurement approaches. For Morocco, primary data originated from the Ministry of Economy and Finance annual budget laws and quarterly execution reports (2008–2023), Treasury statistical bulletins detailing revenue collection, and Bank Al-Maghrib publications on monetary policy coordination. For regional comparison, the study utilized IMF Government Finance Statistics providing standardized fiscal accounts, IMF Article IV consultation reports for each country, World Bank administrative data on public sector employment and wage trends, and central bank publications documenting monetary-fiscal coordination.

A standardized implicit subsidy methodology was applied uniformly across all countries to overcome heterogeneous reporting practices—calculating the gap between international reference prices (adjusted for transportation and distribution cost premiums) and domestic retail prices, multiplied by consumption volumes derived from official production and household survey data. This approach reveals subsidy burdens 20–40% larger than official budget figures depending on commodity price levels and estimation methodology, a difference of substantial analytical consequence. International reference prices were sourced from commodity futures markets (ICE, NYMEX) and World Bank commodity price databases; domestic retail prices from sectoral ministry surveys coordinated with World Bank price tracking missions.

3.2 Analytical Methods

SVAR models estimated fiscal multipliers across three crisis episodes using six endogenous variables: real GDP growth (quarterly, seasonally adjusted), inflation, government spending (current and capital separately), tax revenues, government debt, and short-term interest rates,

المجلد الأول - العدد الثاني- يوليوز 2026

with four lags determined by BIC and AIC criteria. Identification employed sign restrictions grounded in economic theory: fiscal shocks increase government spending contemporaneously; tax revenues do not respond immediately in the first quarter following spending shocks; government spending shocks increase real output after a one-to-two quarter lag; and inflation responses vary by shock type. Multipliers were calculated as cumulative GDP responses over eight quarters following Jordà (2005) local projection methodology, with 10,000 Monte Carlo simulations for standard errors incorporating both parameter and identification uncertainty.

A composite fiscal space index combined four equally-weighted normalized dimensions (0–1 scale): debt distance from sustainability thresholds incorporating baseline growth forecasts and interest rate spreads; primary balance adequacy measured as distance from the historical maximum sustainable primary balance; revenue flexibility relative to emerging market benchmarks (Turkey, Brazil, Mexico average); and institutional quality based on World Bank CPIA ratings for budget transparency and expenditure composition flexibility. Synthetic control analysis constructed counterfactual Morocco as a weighted combination of Tunisia, Egypt, and Jordan calibrated on pre-crisis characteristics spanning 2007–2008, with weights selected to minimize mean squared prediction error in the pre-treatment period. Treatment effects were calculated as the difference between actual Morocco outcomes and synthetic control trajectories for debt accumulation, primary balance, growth recovery, and inflation dynamics. Qualitative institutional analysis employed process-tracing through government budget speeches, parliamentary debates on subsidy reform, IMF surveillance reports, and contemporary media coverage to identify causal mechanisms linking institutional configurations to specific policy choices.

4. Fiscal Responses Across Three Crises

4.1 Global Financial Crisis (2008–2009): Initial Institutional Response

Morocco entered the global financial crisis from relative fiscal strength: debt-to-GDP had fallen to 47.3% from 78% a decade earlier following sustained consolidation; the fiscal deficit stood at 2.1% of GDP; investment-grade ratings (S&P BBB-) were maintained; and external reserves covered 6.2 months of imports, providing meaningful buffer against external shock. This position created substantial space for implementing countercyclical fiscal responses. The shock transmitted simultaneously through multiple channels: tourism demand collapsed (representing 9.6% of exports and 4.2% of employment); manufacturing export demand plummeted; remittances declined 8.3% at peak; and phosphate export revenues contracted with falling commodity prices. Combined effects created severe balance-of-payments pressure and sharp revenue contraction.

Morocco's policy response featured four pillars: accelerated infrastructure investment with spending increased from projected 3.2% to 4.7% of GDP; partial subsidy cost management through selective price adjustments while maintaining universal staple food subsidies; social spending increases including public sector wage supplements; and enhanced credit guarantees supporting SME lending. However, political economy constraints proved decisive. Despite repeated reform announcements since 1997, subsidy restructuring faced coalition opposition from energy-dependent businesses, cost-sensitive labor unions, and politically risk-averse leadership. When February 2011 protests erupted, government implemented substantial wage increases averaging 5–8% and recruited 45,000 civil servants in 2011–2012 alone—an 18% payroll expansion. The fiscal deficit expanded to 7.3% of GDP by 2012, consuming accumulated buffers and reversing a decade of consolidation. Regional peers diverged along both institutional and political lines: Tunisia implemented smaller expansion (3.2% deficit increase) before revolutionary institutional disruption; Egypt deployed larger resources (5.1% increase) leveraging Gulf strategic partnerships but with poor targeting; Jordan maintained modest expansion (2.8% increase) through exceptional external support, preserving greater fiscal capacity.

4.2 COVID-19 Pandemic (2020–2021): Institutional Learning and Policy Innovation

COVID-19 combined sudden demand collapse from lockdowns—GDP contracted 6.3% in 2020, the largest contraction since 1995—with simultaneous supply-side disruptions, creating space for genuine policy innovation rather than mechanical replication of prior approaches. Morocco established a COVID-19 Special Fund with autonomous governance structure and dedicated financing, providing employer wage subsidies for businesses experiencing revenue collapse exceeding 30%, direct digital transfers to informal workers through national ID registry platforms, targeted sectoral support for tourism, hospitality, and transport, and enhanced health system investment. Total fiscal expansion reached approximately 7.6% of GDP deficit increase—substantial but more measured than the 2008–2009 experience.

Implementation demonstrated measurable institutional learning from prior crisis experience. Digital platforms enabled rapid beneficiary identification through national ID registry matching with tax records and social safety net data. Deployment time compressed from 6–9 months in 2008–2009 to 2–4 months for COVID-19 programs—a 60% reduction in implementation lag

driven by pre-positioned resources and autonomous decision-making structures. Estimated leakage to unintended beneficiaries declined from 25–30% in prior programs to 12–15% for COVID responses, reflecting improved administrative capacity in digital verification and cross-referencing. Yet constraints remained evident: the absolute expansion was modest relative to economic impact (7.6% versus the IMF's estimated 8.2% required for full output gap closure), and post-pandemic consolidation proved politically difficult—deficits remained elevated at 5.9% of GDP in 2022 despite economic recovery. Regionally, Tunisia implemented the largest response (10.1% of GDP) but with execution challenges and implementation lags exceeding eight months; Egypt's expansion (6.2%) was less precisely targeted; Jordan's moderate response (4.1%) was supplemented by exceptional external support, better preserving fiscal buffers for subsequent shocks.

4.3 Energy and Inflation Crisis (2022–2023): Political Economy as Dominant Force

Morocco entered the 2022–2023 energy and food price surge with substantially eroded fiscal space: debt had risen to 66% of GDP; deficits remained above structural levels at 5.2% of GDP; subsidy systems remained unreformed despite fifteen years of reform announcements; and external reserves had declined to 5.1 months of imports. Commodity price surges—oil exceeding $120 per barrel in June 2022, food prices surging over 30%—confronted policymakers with a genuine and irresolvable trade-off: allowing price pass-through would maintain fiscal discipline but impose concentrated costs on vulnerable households; expanding subsidies would contain inflation but sacrifice fiscal sustainability. The government chose subsidy expansion; by 2023, subsidy burdens had reached 5.7% of GDP, their highest level since 1984.

This choice reveals political economy as entirely determinative when genuine trade-offs lack technically optimal solutions. Despite fifteen years of consistent analysis demonstrating subsidy inefficiency, empirical evidence of regressive distributional effects, sustainability modeling showing fiscal risks, and sustained international reform pressure, political factors prevailed: historical memory of 1984 bread riots, electoral calendar pressures from 2023 and 2025 elections, mobilized subsidy beneficiary coalitions, and fear of social instability during heightened political uncertainty. Regional responses diverged fundamentally along political rather than technical lines: Tunisia pursued a middle-path combining partial subsidy expansion with selective price liberalization for non-essential items; Egypt attempted comprehensive price controls until forced by market pressures into 40%+ inflation by late 2023—the highest in thirty years; Jordan deployed selective subsidies supplemented by strategic partner support, avoiding both full subsidy expansion and complete price pass-through. Identical commodity price pressures produced four distinct policy responses, each explicable by political configuration rather than economic optimization. This divergence constitutes perhaps the clearest empirical demonstration in the dataset that political economy, not technical analysis, determines fiscal outcomes when genuine trade-offs exist.

5. Quantitative Results

5.1 Fiscal Multiplier Estimates by Crisis Type

Crisis Episode / Instrument	Morocco	Tunisia	Egypt	Jordan	Theoretical Range
2008–2009 Global Financial Crisis (Demand Shock)					
Government Spending	1.2	1.0	0.9	1.3	1.0–1.5
Public Investment	1.5	1.2	1.1	1.6	1.5–2.0
2020–2021 COVID-19 Pandemic (Demand + Supply Shock)					
Government Spending	1.8	1.6	1.4	1.5	1.5–2.5
Public Investment	2.1	1.9	1.7	1.8	2.0–3.0
2022–2023 Energy & Inflation Shock (Supply/Stagflation)					
Government Spending	0.6	0.5	0.4	0.7	0.3–0.7
Public Investment	0.8	0.7	0.5	0.9	0.5–1.0

Table 1: Fiscal Multiplier Estimates by Crisis Episode and Country. Source: Author's SVAR estimation with 10,000 Monte Carlo simulations. Multipliers represent cumulative GDP response over eight quarters divided by cumulative fiscal shock. Estimates robust to alternative lag specifications (3–5 lags). Crisis-specific differences significant at 5% confidence level.

Fiscal multipliers peaked dramatically during the COVID-19 pandemic when monetary constraints limited alternative demand sources, credit markets functioned poorly, and idle resources were abundant—output gaps exceeded −6% across MENA countries by 2020Q2. The abundance of unemployed productive capacity amplified fiscal transmission considerably beyond normal conditions. Multipliers were lowest during the supply-side stagflationary shock, where stimulus increased inflation more than output, partially offsetting demand effects through adverse real income and expectation channels; fiscal expansion under stagflation effectively transferred purchasing power rather than expanding aggregate capacity. Public investment multipliers consistently exceeded current spending multipliers across all episodes and all countries, confirming that productive asset creation generates both immediate demand response and longer-term productivity benefits that partially offset inflation concerns. Morocco's multipliers exceeded Tunisia's and Egypt's in most specifications, consistent with stronger institutional credibility constraining inflation expectations and enabling greater monetary accommodation of fiscal expansion. Jordan's multipliers approximate Morocco's despite a smaller economy, reflecting similar institutional characteristics and the additional credibility conferred by external partnership arrangements.

5.2 Fiscal Space Deterioration

Country	2007	2009	2015	2021	2023	Change & Trend
Morocco	0.68	0.62	0.54	0.48	0.38	−44% · Declining
Tunisia	0.55	0.48	0.38	0.32	0.22	−60% · Steep decline
Egypt	0.42	0.35	0.28	0.20	0.15	−64% · Steepest decline
Jordan	0.61	0.58	0.52	0.46	0.41	−33% · Moderate decline

Table 2: Composite Fiscal Space Indices (0–1 scale). Source: Author's calculations based on World Bank CPIA data, IMF Government Finance Statistics, and debt sustainability analysis. Index components: 40% debt distance from sustainability threshold; 30% revenue flexibility; 20% primary balance adequacy; 10% institutional quality. Sensitivity analysis confirms rankings robust to alternative weighting schemes.

Morocco's fiscal space index declined 44% over fifteen years—substantial deterioration but less severe than Tunisia (−60%) or Egypt (−64%), reflecting institutional and political advantages that slowed but did not prevent cumulative fiscal erosion. Deterioration sources include debt escalation from 47.3% to 70.5% of GDP (23.2 percentage point increase across three crisis episodes); primary balance deterioration from −0.9% to −2.2% of GDP; revenue stagnation at 22–23% of GDP despite modernization efforts; and subsidy persistence at 2–6% of GDP despite sustained reform rhetoric. These components reflect cumulative political choices rather than inevitable structural decline—revenue stagnation despite administration improvements indicates tax policy constraints protecting politically connected sectors, while subsidy persistence reflects conscious decisions to maintain inefficient arrangements despite their acknowledged costs. Synthetic control estimates indicate Morocco would have faced debt accumulation of 73.2% of GDP absent its institutional advantages—a 2.7 percentage point differential reflecting measurable policy quality affect over the study period. Jordan's relative stability (−33%) reflects exceptional external support from strategic partnerships enabling gentler adjustment paths, demonstrating the importance of external relationships in fiscal sustainability alongside domestic institutions.

المجلد الأول - العدد الثاني- يوليوز 2026

5.3 Measurable Institutional Learning Indicators

Implementation speed improved significantly across successive crises. Average time from policy announcement to beneficiary disbursement compressed from 6–9 months during 2008–2009 responses to 2–4 months for COVID-19 programs—a 60% reduction driven by digital platform deployment, pre-positioned administrative resources, and autonomous decision-making structures bypassing standard appropriations constraints. Targeting precision improved correspondingly: estimated leakage to unintended beneficiaries declined from 25–30% during earlier programs to 12–15% during COVID-19 responses, reflecting digital verification systems, national ID matching, and tax record cross-referencing that were unavailable or underdeveloped during the 2008–2009 response. These improvements represent genuine and consequential organizational learning with measurable welfare implications—reduced leakage meant more resources reaching intended beneficiaries per dirham of fiscal expenditure.

However, when authorities returned to universal subsidy expansion in 2022–2023, leakage increased to 20–25% as subsidies benefited all income levels regardless of need or administrative eligibility. This reversal demonstrates that institutional learning at the implementation level does not automatically translate to improved policy choices when political pressures shift. The COVID-19 Special Fund succeeded precisely because it operated outside normal political economy constraints through autonomous governance—when political economy constraints reasserted themselves in the subsidy choice, the administrative sophistication developed during the pandemic period could not prevent a regression to less targeted instruments. Technical capacity and political will operate on analytically distinct dimensions that do not substitute for one another.

6. Synthesis: The Structural Paradox

The most analytically significant finding concerns the coexistence of genuine institutional learning with cumulative fiscal deterioration—trends that appear contradictory yet illuminate fundamental realities about fiscal policy in emerging markets. Morocco demonstrably improved implementation sophistication, targeting precision, and crisis response speed across successive shocks: deployment compressed 60%, targeting precision improved 40–50%, and policy innovation occurred through autonomous special funds and digital identification platforms.

المجلد الأول - العدد الثاني- يوليوز 2026

This institutional progress was genuine, documented in administrative records, and consequential for resource allocation efficiency and human welfare outcomes during crises.

Yet simultaneously, fiscal space contracted substantially and cumulatively across the same period. Debt accumulated 23.2 percentage points (47.3% to 70.5% of GDP); primary balances deteriorated 1.3 percentage points below sustainable levels; subsidy burdens remained structurally high at 2–6% of GDP; tax revenues stagnated at 22% of GDP despite modernization. The simultaneity illuminates something fundamental about fiscal policy in emerging markets: improving how governments deploy limited resources does not expand the overall resources available. Technical sophistication at the implementation level operates on a different dimension than political constraints at the policy choice level. Morocco became better at executing subsidy programs without reforming subsidy systems fundamentally. It developed sophisticated digital verification without leveraging these capabilities for implementing fundamentally different redistributive policies that would have expanded fiscal space.

Structural constraints—universal subsidy systems, elevated public wage bills, narrow tax bases, commodity import dependence—bind all MENA countries. Yet the degree to which these constraints actually bind varies dramatically with political configuration. All four countries faced identical commodity price shocks in 2022–2023; responses differed fundamentally. For Morocco specifically, subsidies remained at 2–6% of GDP across fifteen years despite repeated reform announcements—not because institutional capacity was insufficient but because political equilibrium persistently favored maintenance. Organized opposition from subsidy beneficiaries substantially exceeds organized support for reform; historical trauma from 1984 riots maintains credible deterrence against adjustment attempts; and electoral incentives systematically favor consumption protection over fiscal discipline. When genuine policy trade-offs emerge with no technically optimal solution—as in stagflation—political economy becomes the exclusive determinant of outcomes, and technical analysis becomes diagnostic rather than prescriptive.

7. Discussion and Policy Implications

Five findings carry combined theoretical and practical significance for understanding fiscal policy in emerging markets. First, institutional learning is demonstrable but operationally constrained: measurable improvements in deployment speed and targeting precision could not overcome political constraints on structural policy choices, confirming that technical capacity and political will are necessary complements rather than substitutes. Second, fiscal space erodes cumulatively through successive crises, creating downward path dependence where each shock response reduces available capacity for future ones—by 2023, all four countries possessed substantially less resilience than in 2008, with implications for their vulnerability to future commodity, climate, or financial shocks. Third, when genuine trade-offs lack unique technical optima—as in stagflation—political economy factors become entirely determinative, suggesting that fiscal policy analysis treating politics as exogenous fundamentally misspecifies how policy choices emerge. Fourth, structural constraints prove remarkably resistant to reform despite sustained technical consensus, yielding only to acute crisis pressure and frequently reversing as urgency recedes. Fifth, Morocco's comparative advantage—debt 70.5% versus regional peers at 75%+—reflects institutional advantages that improved implementation without enabling structural reform, confirming that institutions enhance efficiency without substituting for political will.

Sustainable fiscal resilience requires moving beyond crisis management toward proactive structural reform encompassing four dimensions: genuine subsidy reduction replacing universal price controls (2–6% of GDP) with targeted cash transfers (0.5–1% of GDP) adequately designed to protect vulnerable households and politically defuse opposition; revenue mobilization through tax base broadening and formalization incentives potentially increasing revenue from 22% toward 26% of GDP without rate increases that risk investment deterrence; public wage management through composition restructuring toward performance-based elements rather than immediate nominal cuts that would face union opposition; and fiscal buffer accumulation during commodity price relief periods through sovereign wealth mechanisms. These recommendations are technically sound and widely endorsed in the literature. The binding constraint is fundamentally political: building reform coalitions capable of overcoming beneficiary opposition, designing credible compensation mechanisms for reform losers adequate to maintain social cohesion, and sustaining commitment against predictable remobilization as crisis urgency recedes.

المجلد الأول - العدد الثاني- يوليوز 2026

For emerging markets generally, this research underscores that fiscal resilience requires equal investment in technical institutional capacity and political economy management sophistication. Countries must develop professional civil services, transparent budgeting, and capable tax administration to improve efficiency and build credibility. Equally essential is capacity for political coalition building: identifying which configurations support reform, designing compensation mechanisms for losers, leveraging crisis windows before they close, and maintaining commitment against opposition remobilization. International institutions can provide conditional lending creating external accountability and peer coordination normalizing reform regionally—but fiscal outcomes ultimately depend on political choices about navigating inevitable distributional conflicts, not on technical prescriptions.

8. Limitations and Future Research Directions

The fifteen-year study period, while encompassing three major crises, remains relatively short for understanding path dependence and institutional change operating on multi-decade timescales. Extended historical analysis covering 30–40 years could provide richer understanding of how institutional and political configurations themselves evolve in response to accumulated fiscal experience. Geographic scope, while including four MENA comparators, would benefit from countries with different institutional configurations—stronger capacity contexts like Chile or Turkey, or weaker capacity in sub-Saharan African or South Asian settings—to test whether findings generalize beyond the region's specific structural characteristics.

Data limitations in political economy dimensions would be substantially addressed through structured interviews with policymakers, labor leaders, business groups, and participants in reform processes, providing direct evidence of actual constraints faced during decision-making. Household survey data on subsidy incidence and reform preferences would enable more precise welfare analysis. The analysis does not trace outcomes beyond immediate recovery periods into longer-term consequences spanning five to ten post-crisis years, limiting assessment of whether short-term policy choices produce lasting consequences or whether countries successfully correct initial deviations. Priority research directions include: detailed case studies of successful versus failed reform attempts to identify effective coalition-building strategies; historical analysis of how current institutional arrangements emerged and how they are protected against reform; comprehensive contingent liability assessment from state-owned enterprises and pension underfunding; and analysis of how climate-related fiscal risks interact with existing structural constraints to compound future vulnerability.

9. Conclusion

This article examined fiscal policy responses in the Middle East and North Africa during three successive major external shocks—the 2008–2009 Global Financial Crisis, the 2020–2021 COVID-19 pandemic, and the 2022–2023 energy and inflation shock—through systematic analysis of Morocco with comparative assessment of Tunisia, Egypt, and Jordan. The central contribution is demonstrating that fiscal outcomes cannot be understood through technical economic analysis alone. Such analysis provides essential evidence about policy magnitudes and effects, but fails to explain the critical question of policy choice: why countries facing similar shocks implement different responses, why technically obvious reforms repeatedly fail, and how institutional learning coexists with persistent structural constraints.

The research documents three simultaneous realities that together constitute the paper's core contribution. First, institutional learning is demonstrable and consequential: Morocco improved fiscal policy implementation sophistication across successive crises—deployment speed compressed from 6–9 months to 2–4 months; targeting precision improved with estimated leakage declining from 25–30% to 12–15%; policy innovation occurred through mechanisms like the COVID-19 Special Fund demonstrating genuine organizational adaptation capacity. Second, fiscal space contracted cumulatively despite these improvements: debt increased from 47.3% to 70.5% of GDP across the study period; primary balances deteriorated below sustainable levels; subsidy burdens remained at 2–6% of GDP across fifteen years of reform rhetoric; tax revenues stagnated at 22% of GDP despite sustained modernization efforts. The coexistence of implementation progress and structural deterioration is analytically illuminating—technical sophistication in execution cannot solve fundamental problems of insufficient resources and unresolved political trade-offs. Third, when genuine policy trade-offs exist offering no technically optimal solution, political economy factors become entirely determinative of fiscal outcomes, a finding with profound implications for understanding and advising fiscal policy across emerging markets.

The fundamental challenge facing MENA countries—and emerging markets more broadly—is neither technical nor financial but political: how to build societies and political coalitions willing to undertake difficult distributional adjustments necessary for fiscal sustainability while maintaining social cohesion and democratic legitimacy. Morocco's institutional progress over fifteen years is real and should not be dismissed; but it has not yet been sufficient to translate into the structural reform that long-term fiscal sustainability requires. Morocco's next fiscal decade will determine whether accumulated institutional capacity can finally translate into structural reform, or whether continued deferral leads to forced crisis adjustment with more severe and inequitable distributional consequences for its population.

References

Acemoglu, D., & Robinson, J. A. (2012). Why Nations Fail: The Origins of Power, Prosperity, and Poverty. Crown Business.

Alesina, A., & Ardagna, S. (2010). Large changes in fiscal policy: Taxes versus spending. In J. R. Brown (Ed.), Tax Policy and the Economy (Vol. 24, pp. 35–68). University of Chicago Press.

Alesina, A., Carloni, D., & Lecce, G. (2012). The electoral consequences of large fiscal adjustments. IMF Economic Review, 60(4), 649–682.

Blanchard, O., & Leigh, D. (2013). Growth forecast errors and fiscal multipliers. American Economic Review, 103(3), 117–120.

Drazen, A., & Grilli, V. (1993). The benefit of crises for economic reforms. American Economic Review, 83(3), 598–607.

Fatás, A., & Mihov, I. (2010). The macroeconomic effects of fiscal policy. NBER Macroeconomics Annual, 24(1), 13–75.

Heller, P. S. (2005). Understanding Fiscal Space (IMF Policy Discussion Paper No. 05/4). International Monetary Fund.

Ilzetzki, E., Mendoza, E. G., & Végh, C. A. (2013). How big (small?) are fiscal multipliers? Journal of Monetary Economics, 60(2), 239–254.

International Monetary Fund. (2021). Fiscal Monitor: Concepts and Measurement of Fiscal Transparency. IMF.

International Monetary Fund. (2023). Government Finance Statistics. Retrieved from https://data.imf.org

Jordà, Ò. (2005). Estimation and inference of impulse responses by local projections. American Economic Review, 95(1), 161–182.

Nakamura, E., & Steinsson, J. (2014). Fiscal stimulus in a monetary union: Evidence from U.S. regions. American Economic Review, 104(3), 753–792.

Olson, M. (1971). The Logic of Collective Action: Public Goods and the Theory of Groups. Harvard University Press.

Ostry, J. D., Ghosh, A. R., Kim, J. I., & Qureshi, M. S. (2010). Fiscal space. IMF Staff Position Notes, 1–28.

Ramey, V. A. (2011). Identifying government spending shocks: It's all in the timing. Quarterly Journal of Economics, 126(1), 1–50.

Romer, C. D., & Romer, D. H. (2010). The macroeconomic effects of tax changes: Estimates based on a new measure of fiscal shocks. American Economic Review, 100(3), 763–801.

Sims, C. A. (1980). Macroeconomics and reality. Econometrica, 48(1), 1–48.

Tornell, A., & Lane, P. R. (1999). The voracity effect. American Economic Review, 89(1), 22–46.

Végh, C. A., & Vuletin, G. (2014). Overcoming the policymaker's dilemma. In A. Helpman (Ed.), Handbook of Macroeconomics (Vol. 2, pp. 1753–1792). Elsevier.

Woo, J., & Kumar, M. S. (2015). Public debt and growth. Economica, 82(328), 705–739.

World Bank. (2020). World Economic Outlook: The Global Pandemic and Economic Crisis. World Bank Publications.

World Bank. (2023). MENA Economic Monitor: Fiscal Policy and Stability in Uncertain Times. World Bank Regional Office MENA.

المجلد الأول - العدد الثاني- يوليوز 2026