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**The Demands for New Development Models at  
the Center of the Peoples' Revolutions in the Arab Region: Threats from Multilateral and  
Regional Financial and Development Institutions**

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## INTRODUCTION

Economic grievances, poverty, inequalities, unemployment, and deterioration of wages, amongst other violations of social and economic rights have underpinned revolutions and uprisings in the Arab region. Indeed, both revolutions in Tunisia and Egypt have demonstrated the links between political, economic, and social demands and the needed reforms. These revolutions, along with peoples' uprisings in other Arab countries, were triggered by a combination of factors including years of political repression, corruption, and violation of political and civic rights as well as economic and social exclusion and inequalities.

Today, the peoples of several Arab countries have reclaimed their spaces as citizens who have a say in constructing the political and governance systems in their countries. The sustainability of any democratic transition to be achieved as a result will rest upon the ability to establish a new basis for relationships between the citizen and the state, rooted in the respect of rights, active participation, the existence of accountability mechanisms, and acknowledgement of mutual responsibilities. Democracy entails practicing all dimensions of citizenship, whether political, social, cultural, or economic. Accordingly, the revolutions cannot achieve their objectives, including those on the political front, without a reassessment of the economic status quo, whereby economic systems and policies are unpacked and re-constructed to putting people's rights at the forefront. This includes complementing thinking on governance models and mechanisms with a rethinking of the role of the state and statecraft<sup>1</sup> in the Arab countries.

However, the questions on the economic and social fronts have not yet been addressed through a democratic representative dialogue on a national level. Moreover, there is no clarity in countries experiencing change with regard to the national spaces available to discuss reconstruction of the development and economic models. This discussion has found limited, if any, space in the election processes undertaken in Tunisia and Egypt as a result of the revolutions, including those amongst political groups and nominees running for the elections.

Besides a basic assertion of the market economy emerging from political parties and transition government officials<sup>2</sup>, there are deeper and more critical discussions about what model is to be pursued. Among other core social and economic questions: what is the role of the state in this model? And how will macro-economic policies be redesigned to support progress in economic and social rights? Indeed, these hanging questions are not about a choice between a market economy and a state-led and planned economy. Instead, the dialogue ought to focus on the

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<sup>1</sup> Statecraft defined as: "The art of leading a country"; at: <http://www.thefreedictionary.com/statecraft>

<sup>2</sup> See sample quotes:

*"Egypt will not back down on a free market economy, but the state has to be strong and able to enforce the law, and protect competition"*: statement by Finance Minister of Egyptian Transition Government (El-Beblawy); (Source: Egyptian ministry of finance website:

<http://www.mof.gov.eg/English/MOFNews/Media/Pages/Egyptwillnotbackdownonafreemarketeconomy,saysfinanceminister.aspx> )

*"Any change in economic policy will not mean a retreat from the market economy, however more intervention and regulation to increase public revenue and redistribution can be expected"*: statement by Dr. Ibrahim Awad, professor of practice in the Public Policy and Administration Department at the American University of Cairo; (Source: Arab Spring Undermines Support for Economic Liberalization Policies in the Middle East, Published July 26, 2011, available at: <http://knowledge.wharton.upenn.edu/arabic/article.cfm?articleid=2695> )

balance to be achieved between the role of the state and the market. Within this context, some of the main issues revolve around the means of re-building a national economy in which national development policies emerge from the local and national visions that address the developmental challenges the people face (including poverty, unemployment, and inequities).

For years, economic policies have been highly influenced, and often led, by recipe feeding from outside the country. Policies implemented were often a reaction to what was expected, demanded, and sometimes conditioned by external forces. Such realities in global and national governance have been described academically as a manifestation of the erosion of the meaning of ‘democratic state’. This erosion occurs in a context of reallocation of sovereign economic powers to international institutions that limits the possibilities within developing countries to make independent development choices.<sup>3</sup> Indeed, it is inevitable today that national economic agendas are closely linked to global economic governance, including an ideology and system nurtured by multilateral and regional financial and development institutions.

This paper discusses the role and policy influence of multilateral and regional financial and development institutions operating in the Arab countries. While focusing on Egypt and Tunisia, the paper highlights the kind of policy advice that the region’s governments received, before and after the revolutions, and why this advice does not achieve positive results for the peoples of the region. The paper also discusses the resulting threats to the peoples’ revolutions and highlights some of the demands civil society groups have been making.

## **PART I: The Arab Economies and the Role of International Financial Institutions**

For the last three decades, the economies of Tunisia and Egypt, similar to other Arab economies, have been constructed around an approach that prioritizes a form of growth that neglects development objectives and peoples’ economic and social rights. Policy makers have prioritized integration in the global economy through trade and investment liberalization, borrowing, expansion for privatization deals and public-private partnerships, overall economic deregulation, and over-focus on macro-economic stability<sup>4</sup>. Concurrently, national productive capacities have been marginalized along with national development projects generally. Addressing inequalities, empowering people through employment generation and wages, and establishing comprehensive rights-based social plans<sup>5</sup> have been neglected. Accordingly, we saw countries achieve economic growth, while poverty, unemployment, and inequities were on the rise.<sup>6</sup>

<sup>3</sup> B.S. Chimni (2006); “*Third World Approaches to International Law: A Manifesto*” (p. 7); International Community Law Review 8: 3–27, 2006. 3, Koninklijke Brill NV. Printed in the Netherlands.

<sup>4</sup> These are part of the package of neo-liberal policy reforms that came to be known as the Washington Consensus, see: <http://www.cid.harvard.edu/cidtrade/issues/washington.html>.

<sup>5</sup> See: The report entitled “Development Challenges in the Arab States: A Human Development Approach”, by the United Nations Development Program and League of Arab States (December 2009).

<sup>6</sup> Arab countries have been witnessing growth in GDP since 2003, whereby they registered 7.3 percent GDP growth rate in 2003 compared to 3 percent in 2002. This continued throughout 2004, 2005, and 2006, where Arab countries registered an average growth rate of 7.3 percent, 8 percent, and 6.6 percent respectively. The percentage of GDP growth rate achieved by Arab countries in 2008 was around 6.6 percent, up from 5.2 percent in 2007. (Source: Joint Arab Economic Report 2010 and 2009; available online at: <http://www.amf.org.ae/content/joint-arab-economic-report>). When calculated in reference to the national poverty lines, poverty averages around 30 percent in least developing Arab countries, such as Comoros, Sudan, Djibouti, Yemen, Mauritania, and Palestine, and around 20 percent in Egypt, 13 percent in Jordan, 11.4 percent in Syria, 9 percent in Morocco, and 8 percent in Lebanon.

Within this context, the lines between political ruling elites and economic powers blurred as they came to re-enforce each other. The political powers and ruling groups gave up on the state as a major actor in promoting and shaping a developmental project for the country. Rather, they were ready to adopt neo-liberal recipes that resounded with the global mainstream orthodox propositions, allowing them to garner support from the global powers. In this sense, the neo-liberal project came to re-enforce the oppressive and undemocratic practices exercised in the region.

International financial institutions (IFIs) have played a major role in shaping economic and social policies in various Arab countries, and were at the forefront of shaping the structural adjustment programs Arab countries adopted in the 1980s.<sup>7</sup> These programs have promoted the reorientation of macroeconomic policies to focus on combating inflation, attracting foreign direct investment, and greater openness to trade and capital flows, while marginalizing employment and equitable income distribution. Contesting such foreign conditionality on economic and social policy-making has been increasingly absent from public spheres in these countries. This absence was partly due to political repression and limitations on public participation in shaping policies, and partly due to the preoccupation of opposition political parties and civil society groups with fighting for their right to exist. Advice from the International Monetary Fund (IMF) and the World Bank (WB) has often been supported and promoted by other international actors such as the European Union and the United States, and was readily received by authoritarian regimes in the region.

As late as September 2010, the IMF was still lauding Tunisia's "*sound macroeconomic management and structural reforms over the last decade*" and even called for more of the same by "*contain(ing) public spending on wages and food and fuel subsidies*"<sup>8</sup>. Such recommendations came in the same document that took note of the rising food prices in the country due to global pricing fluctuations. Similarly, the IMF report (Article IV Consultation report) issued in April 2010 offered a similar positive input on the Egyptian economy stating that

*five years of reforms and prudent macroeconomic policies created the space needed to respond to the global financial crisis, and the supportive fiscal and monetary policies of the past year have been in line with staff's advice. The authorities (Egyptian authorities) remain committed to resuming fiscal consolidation broadly in keeping with past advice to address fiscal vulnerabilities . . . Such adjustments will be crucial to maintain investor*

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Source: Arab joint economic report 2009, produced by the Arab Monetary Fund. Whereas, the global MDG report 2010 shows that level of poverty in the region of West Asia and North Africa is the lowest among other regions, but with a rising trend between 1990 and 2005 in West Asia, from 2 percent to 6 percent, and decreasing trend in North Africa over the same period, from 5 percent to 3 percent (<http://mdgs.un.org/unsd/mdg/News.aspx?ArticleId=50>). This calculation is based on the one-dollar a day calculations.

<sup>7</sup> Consecutive governments under Ben Ali's regime had faithfully abided by IMF and WB conditions, including the firing of public sector workers, the elimination of price controls over essential consumer goods and the implementation of a sweeping privatization program (Source: Michel Chossudovsky (2011), "*Tunisia and the IMF's Diktats: How Macro-Economic Policy Triggers Worldwide Poverty and Unemployment*" [www.globalresearch.ca/index.php?context=va&aid=22867](http://www.globalresearch.ca/index.php?context=va&aid=22867)). In Egypt, workers and farmers have been especially hurt by the increasing prices and cuts in agricultural subsidies that were part of enforced conditions by the IMF (Source: Gaye B. Muderrisoglu and Jonathan K. Hanson (2008), "*Authoritarian States and IMF Conditionalities*", see page 21).

<sup>8</sup> IMF Public Information Notice (PIN) No. 10/121, September 1 2010, available at: <http://www.imf.org/external/np/sec/pn/2010/pn10121.htm>

*confidence, preserve macroeconomic stability, and create scope for future countercyclical fiscal policy.*<sup>9</sup>

In its reports, the IMF continuously promoted phasing out subsidies, pension and health reforms, broadening the value-added taxes, introducing property tax, resuming privatization and increasing public–private partnerships as means for increasing infrastructure investments. Ironically, this came at a time when transparency and corruption were considered significant problems facing Egypt.<sup>10</sup> Such continuous pursuit of completely inadequate policies over the years and the disregard of the pressing priorities facing the peoples of these countries raise fundamental questions over the role of the IMF and other financial institutions holding similar agendas in the transition quested in both Tunisia and Egypt, among other Arab countries.

## **PART II: Overview of the Policy Advice and Orientation from Global Powers and Institutions to the ‘Arab Spring’**

Following the peoples’ revolutions in Tunisia and Egypt, global institutions and Western powers have been active in putting forward their visions and propositions for economic partnerships along with their expectations for both countries. Aid has been increasingly pledged in support of the people’s revolutions and is associated with increased use of the discourse around transition to democracy, addressing social issues, and tackling unemployment. Following is an overview of some declarations evolving within this context.

The G8 and the G20 have been actively taking declaratory positions towards the peoples’ revolutions in Tunisia and Egypt, which, along with other peoples’ uprisings in the Arab region, which came to be popularly and simplistically referred to as the ‘Arab Spring’. The G8 and G20 made it clear that any assistance will be channelled through the international financial institutions and multilateral development banks. As early as February 2011, in a statement resulting from their meeting in Paris, the G20 countries announced that they “*stand ready to support Egypt and Tunisia, with responses at the appropriate time well coordinated with the international institutions and the regional development banks to accompany reforms designed to the benefit of the whole population and the stabilization of their economies*”<sup>11</sup>. In the G8 meeting at the French city of Deauville (May 2011), the ‘Arab Spring’<sup>12</sup> took significant attention. The outcomes promised a ‘Deauville Partnership’ including “*an economic agenda that will enable reforming governments to meet their populations’ aspiration for strong, comprehensive growth and help facilitate a free and democratic outcome to the political processes*” in addition to

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<sup>9</sup> International Monetary Fund (2010), Arab Republic of Egypt: 2010 Article IV consultation, country report no. 10/94, Washington, April 2010. For more discussion of this report see: Bond, Patrick (2011), “Neo-Liberal Threats to North Africa”, published by Review of African Political Economy, Vol. 38, No. 129, September 2011.

<sup>10</sup> See: Corruption Perception Index; <http://www.transparency.org>

<sup>11</sup> See <http://www.bloomberg.com/news/2011-02-19/g-20-country-ready-to-support-egypt-tunisia-after-revolts.html> (visited October 25<sup>th</sup>) and <http://english.ahram.org.eg/NewsContent/3/12/5955/Business/Economy/G-offers-Egypt.-Tunisia-help.-not-blessing.aspx> (visited October 25<sup>th</sup>)

<sup>12</sup> The Deauville Summit called for appropriate regional extension of the geographic scope of the EBRD’s mandate to cover countries of the region and called for the creation of a dedicated transitional facility, to allow the bank’s operations to start as early as possible. Within this context, the G8 Summit announced that multilateral development banks could provide over (£12bn) \$20bn for Egypt and Tunisia for 2011-2013. Deauville Summit Declaration entitled “” Renewed Commitment for Freedom and Democracy available at: <http://www.canadainternational.gc.ca/g8/summit-sommet/2011/g8deauvilledeclaration2011-05-27.aspx?view=d> .

“*sustaining social cohesion and macroeconomic stability*” in the short-term. Along these lines, the G8 countries offered a package of “deep and comprehensive free trade agreements and investment” to accompany their efforts. The G8 countries also called on the IMF and other multilateral development banks, mainly noting the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the WB to deliver “*support ... to strengthen governance and bolster the business climate.*” By September 2011, complaints rose that little of the billion dollar aid package promised in May had materialized<sup>13</sup>. Yet, both Tunisia and Egypt presented detailed plans in regard to their short and medium-term economic policies to the G8 summit<sup>14</sup>.

### ***The United States (US)***

Multiple visits by American and European officials have been undertaken in the region since the revolutions in Tunisia and Egypt. For example, in March 2011, the US Secretary of State Hilary Clinton visited Tunisia where she addressed issues of economic and political reform, while demonstrators protested against the visit that was described as US interference in Tunisia's homegrown revolution<sup>15</sup>. Later in September 2011, Tunisia and the US signed a US-Tunisia Joint Political and Economic Partnership, which was presented by Secretary Clinton as “*the foundation for our (the two countries’) relationship that will not only support the short-term needs of the Tunisian people, but also their long-term economic aspirations*”<sup>16</sup>. This came before an elected government had the chance to lead a national dialogue on the economic priorities and policy directions that will be adopted by the country. Similarly, through its Ambassador to Egypt, the US declared its vision of the kind of economic support to be extended to the country. The Ambassador stressed the importance of free trade relations between the two countries, hoping that a free trade agreement (FTA) can be concluded soon, and noting that “*we [Egypt and the US] want to move quickly to work on the specific building blocks for freer trade, not only with the US but also with [Egypt’s] neighboring countries.*”<sup>17</sup>

### ***The European Union (EU)***

Similarly, the EU was very active positioning itself and declaring its own aspirations for the ‘Arab Spring’. The High Representative of the EU for Foreign Affairs and Security held several visits to Tunisia starting from early February 2011<sup>18</sup>. Later, the EU announced the establishment

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<sup>13</sup> See: <http://www.nytimes.com/2011/09/22/business/global/western-finance-bodies-face-challenges-in-funding-arab-spring-countries.html?pagewanted=all> & <http://english.ahram.org.eg/NewsContent/3/12/20933/Business/Economy/Egypt-still-waiting-for-international-finance.aspx>

<sup>14</sup> The G8 was held in Marseille during September 2011. See: <http://english.ahram.org.eg/NewsContent/3/12/20933/Business/Economy/Egypt-still-waiting-for-international-finance.aspx>

<sup>15</sup> “Hillary Clinton visits Tunisia to press for reform” by John Thomen (Mar 18, 2011), available at: <http://www.thenational.ae/news/worldwide/middle-east/hillary-clinton-visits-tunisia-to-press-for-reform> (visited October 25, 2011)

<sup>16</sup> Remarks by Hillary Rodham Clinton, US Secretary of State, New York (September 22, 2011), available at: <http://www.state.gov/secretary/rm/2011/09/173785.htm> .

<sup>17</sup> See: The Egyptian Gazette: <http://213.158.162.45/~egyptian/index.php?action=news&id=21097&title=US%20to%20support%20Egypt%27s%20Reforms,%20economy> (visited October 25, 2011)

<sup>18</sup> See: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/119433.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/119433.pdf)

of the EU-Tunisia Task Force focusing on initiatives to boost economic recovery<sup>19</sup>. The High Representative of the EU for Foreign Affairs and Security visited Tunisia during September 2011<sup>20</sup> in a mission entitled “Fostering Growth, Investment and Jobs”, where Tunisian and European representatives of the private sector were an integral part of the discussions<sup>21</sup>. The first meeting of the EU-Tunisia Task Force agreed to restart negotiations to liberalize trade in agriculture and to launch a ‘Deep and Comprehensive FTA’ among other financing and aid programs<sup>22</sup>. The EU had already expanded the mandate of two major financial institutions, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) in both Tunisia and Egypt. This was undertaken without an assessment of the previous interventions by the EIB in the region and their implications on development processes, nor a pre-assessment of the development expectations from first time interventions by the EBRD. For example, while the EBRD has notified a public procurement call for a “Critical Assessment of the Sub-Sovereign Financial Framework” for Egypt and Tunisia, such assessments do not consider an assessment of the added value in terms of poverty reduction, employment creation, and respect of democratic processes, all reflected in the Bank’s mission statement<sup>23</sup>.

Concurrently, EU officials have been making it clear that they do not perceive economic policy pillars agreed to with the previous regimes to be flawed, but rather, encourage that they be pursued and deepened. In announcing that the EU would provide an extra €1.24 billion to the foreseen €5.7 billion support to its southern and eastern neighbors<sup>1</sup>, the European Commission President, Mr. José Manuel Barroso, noted that aid was not enough to respond to the socio-economic challenges in the EU's neighborhood and that “*we (the EU) need to do more to boost growth and jobs... push(ing) for faster free trade agreements, targeted concessions and smart investment facilities*”. The EU Foreign Affairs Council indicated (Monday 26 September, Brussels) the acceleration of a number of on-going negotiations and preparation of “deep and comprehensive” free trade areas that will serve as the basis by which the EU will support the democratic and economic transition of Mediterranean countries<sup>24</sup>.

### ***The International Monetary Fund (IMF)***

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<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/151;>

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/122731.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/122731.pdf)

<sup>19</sup> For more on the first meeting of the task force during September 2011:

<http://europa.eu/eucalendar/event/id/256064-first-session-of-the-eutunisia-task-force/mode/standalone>

<sup>20</sup> See: <http://www.ebrd.com/pages/workingwithus/procurement/notices/csu/34403.shtml>

<sup>21</sup> See <http://www.tunisia-live.net/2011/09/28/catherine-ashton-visits-tunisia/>

<sup>22</sup> See: “EU: New Tunisia is example for entire region” (29 September 2011) available at:

<http://en.trend.az/regions/met/arabicr/1938365.html> .

<sup>23</sup> EBRD mission statement: “...We aim to promote market economies that function well – where businesses are competitive, innovation is encouraged, household incomes reflect rising employment and productivity, and where environmental and social conditions reflect peoples’ needs”. Available at:

<http://www.ebrd.com/pages/about/what/mission.shtml>

<sup>24</sup> The steps decided by the EU Foreign Affairs Council will include launching negotiations with individual countries once economic and political conditions are met (including market access for agricultural goods, accreditation and acceptance of industrial goods services and investment Euro-Mediterranean preferential rules of origin and sufficiently ambitious to provide the prospect of progressive integration into the EU's single market. The EU Commission is expected to present, in November 2011, draft mandates for the negotiation of agreements on deep and comprehensive free trade areas with Egypt, Jordan, Morocco and Tunisia.

The IMF was quick to offer its services to assist in developing "*the economic strategy of the MENA countries and translating it into a costed multi-year sector by-sector development agenda, embedded in a medium-term macroeconomic framework*"<sup>25</sup>. Yet, the role of the IMF and the possible negative consequences of policy conditions associated with a loan from the Fund have been exposed in heated public and official debates with regard to a loan for Egypt. A few months after turning down an IMF loan in June 2011, the finance minister of the Egyptian transitional government re-launched the negotiations with the Fund on a loan of 3.2 billion dollars<sup>26</sup>.

In the wake of the revolutions, the IMF, along with the WB, focused on presenting the shortcomings of the economic model they promoted to previous regimes as stemming from its application within undemocratic and oppressive contexts and not as a failing of the economic model itself<sup>27</sup>. For those purposes, the IMF notes "*one reason for the recent uprisings was discontent with political and economic systems that were perceived to be rigged to benefit a privileged few, and to result in gains from reforms being largely captured by a small segment of the population*"<sup>28</sup>.

Accordingly, IMF recommendations revolve around points that re-enforce the economic choices it promoted with previous regimes, while neglecting to discuss the proven inadequacy of such choices for meeting the development challenges that Arab countries face.

At the forefront of its report entitled "Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity," presented to the G8 Summit (May 2011), the Fund focused on the need for "*substantial increase in the pace of economic growth*" followed by a direct call for "*policies that support an enabling environment for the private sector*" and focus on "*macroeconomic stability needs*"<sup>29</sup>. The IMF<sup>30</sup> continues to underline the need for revisiting the role of the public sector and providing space for a vibrant private sector (including a more commercial approach to public activities such as competitive tendering and contracting out some services to the private sector<sup>31</sup>). The Report's recommendations also include calls for further improving the business climate (promoting more investment zones where investors are credited

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<sup>25</sup> International Monetary Fund (2011), "Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity" (p.3). Paper presented to the G8 Summit, Deauville, France, 27 May 2011.

<sup>26</sup> See: <http://www.reuters.com/article/2011/10/05/us-egypt-financing-idUSTRE7943HK20111005>  
[Egypt considering IMF deal rejected in June](#) (Wed Oct 05 2011)

<sup>27</sup> World Bank (May 2011), "Towards a New Partnership for Inclusive Growth in the Middle East and North Africa (MENA) Region" (p.1) stating "*Economic reforms had started in several countries during the last decade. But in the context of declining state legitimacy, low levels of political participation, nepotism, perceptions of corruption and predation, and little accountability, reforms were too partial to take real hold or to transform sclerotic intuitions. Often they were perceived to increase inequality, and benefit the politically-connected elite*".

<sup>28</sup> International Monetary Fund (2011), "Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity" (p.8). Paper presented to the G8 Summit, Deauville, France, 27 May 2011.

<sup>29</sup> International Monetary Fund (2011), "Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity" (Executive Summary). Paper presented to the G8 Summit, Deauville, France, 27 May 2011.

<sup>30</sup> International Monetary Fund (2011), "Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity" (p.8). Paper presented to the G8 Summit, Deauville, France, 27 May 2011.

<sup>31</sup> International Monetary Fund (2011), "Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity" (p.11). Paper presented to the G8 Summit, Deauville, France, 27 May 2011.

with lower regulation and taxation, as well as strengthening investor rights<sup>32</sup>), developing financial systems with a wider reach (liberalization of entry and reassessing role of state banks)<sup>33</sup>, fostering trade integration (further liberalization of trade in services, liberalization of capital flows and investment, freedom of labor movement, freedom of establishment, and regulatory convergence in areas such as competition policy, trade and investment regimes, public procurement...<sup>34</sup>), and strengthening the functioning of labour markets (relaxing labor regulations). The Fund further stresses the importance of building effective and transparent institutions, focused on revising the legal and regulatory framework for property rights, for competition and anti-trust, and for bankruptcy mechanisms<sup>35</sup>. The IMF continues on to caution against additional spending for social purposes<sup>36</sup> and recommends that governments focus on “*better-targeted social protection mechanisms*”<sup>37</sup> such as cash transfers and other forms of income support.

It is evident that the IMF was quick to repackage its discourse after the revolutions in Tunisia and Egypt with additional reference to social policies, pro-poor development, and inclusivity. Indeed, research on IMF policy advice to the region has shown that beyond this rhetoric appearing in IMF declarations, there appears to be very little difference between what is being advocated to Arab governments and peoples today and what was advocated to Arab dictators yesterday<sup>38</sup>. This kind of ‘discourse repackaging’ is not new to the international institution. Similarly in the aftermath of the crisis, the IMF reinvented itself as an institution that can address the crisis, and has adopted over the years pro-poor gender and environment language as a package for the same orthodox policy advice it promotes.

### ***The World Bank (WB)***

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<sup>32</sup> *Ibid.* (IMF 2011)

<sup>33</sup> International Monetary Fund (2011), “Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity” (p.12). The report states: “*Areas of action include strengthening the financial infrastructure (e.g., credit information and creditor rights); enhancing competition by removing barriers to entry and reducing regulatory tolerance toward large exposures and connected lending, reassessing the role of state banks; developing the nonbank financial system; and deepening local debt and equity markets to provide alternative sources of finance*”.

<sup>34</sup> International Monetary Fund (2011), “Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity” (p.12 and 13). Paper presented to the G8 Summit, Deauville, France, 27 May 2011.

<sup>35</sup> *Ibid.*; IMF 2011 (p. 14).

<sup>36</sup> IMF (2011); “Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity” (p. 7); the report states: “*With mostly limited fiscal space, MENA oil importers confront the immediate challenge of preserving macroeconomic stability while building social cohesion. Additional spending in the short term is understandable and necessary to ensure social cohesion. Nonetheless, oil importers cannot afford to strain public finances, in order not to derail—over the medium-term— the pursuit of the new inclusive growth agenda. To this end, they will need to partially offset some of the additional cost of higher subsidies and other support measures through cuts elsewhere. In the same vein, they will also need to avoid introducing measures that would raise spending on a permanent basis. To preserve market confidence and prevent further escalation of the cost of funding, governments should detail credible plans for unwinding emergency measures*”, and “*Until reforms start to bear fruit that are broadly shared, popular demands for additional spending together with investment needs associated with reform agendas will add to fiscal pressures. Oil exporters have enough resources to undertake investment and respond to such pressures. However, oil importers are more constrained by the need to safeguard external and fiscal sustainability that are the precondition for their longer-term job-creating growth agenda*”.

<sup>37</sup> *Ibid.* IMF 2011 (p. 13).

<sup>38</sup> Bond, Patrick (2011), “Neo-Liberal Threats to North Africa”, published by Review of African Political Economy, Vol. 38, No. 129, September 2011.

The WB has an ongoing portfolio of \$3.8 billion in approved loans to Egypt. After the Egyptian revolution, the Bank commenced discussions with the authorities in Egypt (ongoing as of September 2011) of an additional \$4.5 billion in support for the years 2012-2013. This includes \$2 billion in Development Policy Lending with a focus on governance reforms and employment generation<sup>39</sup>. Moreover, the WB announced its backing of a \$1 billion Arab infrastructure fund, which is a financing facility aiming to focus on regional infrastructure and public-private partnerships across the Arab countries<sup>40</sup>. In June 2011, the Bank had approved a \$500 million loan for Tunisia under the same instrument for Development Policy Lending. The loan is divided among several sectors including social services (30%), general public administration sector (20%), law and justice (20%), banking (20%), and health (10%)<sup>41</sup>.

The Development Policy Lending that the WB provides includes financial assistance to support the achievement of a set of development results through a medium-term program of policy and institutional changes. The WB claims that these policy reforms are “*mutually agreed*” with the receiving countries, and “*are usually consistent with a country's economic and sectoral policies*”<sup>42</sup>. The WB claims as well that the number of economic policy conditions attached to its development finance has decreased since the review of conditionality held in 2005<sup>43</sup>. However, studies have shown that conditionalities are still high and rising in certain areas<sup>44</sup>. Even the WB Report entitled “Development Policy Lending Retrospective”, which undertakes systemic evaluation of the lending policy<sup>45</sup>, acknowledges that there are areas in which progress has been either non-existent or limited, including “*macroeconomic horizons are frequently focused on the short-term and tend to neglect the long-term growth outlook*”. The report also notes that participation and consultation processes are not always documented in program documents and it is unclear to what extent recommendations made by stakeholders are taken into account in

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<sup>39</sup> Source: World Bank website :

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/0,,a:b~contentMDK:22946182~pagePK:146736~piPK:146830~theSitePK:256299,00.html>

(By: Shamshad Akhtar, Vice President of the Middle East and North Africa Region, World Bank, June 2011).

<sup>40</sup> Source: <http://www.infrastructureinvestor.com/article.aspx?article=60472>; Along the Bank, the fund is backed by the IFC and the Islamic Development Bank

<sup>41</sup> World Bank ; Program Information Document (29 April, 2011), Report No.: AB6555; available at: [http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000001843\\_20110601141936](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000001843_20110601141936) & <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23018433~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

<sup>42</sup> Source: World Bank :

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:20120732~menuPK:268725~pagePK:41367~piPK:51533~theSitePK:40941,00.html>

<sup>43</sup> Honkaniemi, Nora (2010), “World Bank crisis-lending contravenes Eurodad responsible lending principles” (26 August 2010) available at:

<http://www.eurodad.org/whatsnew/articles.aspx?id=326&item=4221>

<sup>44</sup> Eurodad (2006), “The World Bank Development Policy Lending retrospective: looking backwards or going forward?”, available at: <http://www.eurodad.org/whatsnew/articles.aspx?id=326>

<sup>45</sup> World Bank (2006), “Development Policy Lending Retrospective”; Operations Policy and Country Services. The purpose of the report as stated by the Bank: “The development policy lending retrospective responds to a request by IDA Deputies and the Board for a systematic review of experience with the implementation of the new policy. It serves as background to the preparation of a framework to assess the readiness .of countries to make productive use o f development policy operations (DPOs) by the time of the IDA14 Mid-Term review. The retrospective also provides a progress report on the implementation of good practice principles on conditionality, put forward in the context o f the 2005 World Bank Conditionality Review, as requested by IDA Deputies and the Board” (see Executive Summary of the report).

program design, while in many cases, and operations do not refer to findings stemming from poverty and social impact analysis<sup>46</sup>.

Moreover, research by the civil society network Eurodad has shown that 57 conditions were attached to three loans given to Ghana in 2009, out of which 12 conditions were not made clearly explicit in loan agreements, but referred to in the Letter of Development Policy by the Government of Ghana<sup>47</sup>. Such practices decrease transparency and block spaces and information needed for national stakeholders to play a role in indentifying and overseeing the policy reforms their governments are undertaking. The stipulated conditions have often been focused on deficit reduction, promoting certain public-private partnerships, with a focus on the energy sector. Consequently, they end up pushing governments to postpone or hold up public investments that are crucial for long term growth and development, and over promoting investments in certain sectors where development and equity outcomes are marginalized, especially when the private sector interests are focused on cost recovery and profit making.

This kind of practice would burden the political processes in Egypt and Tunisia and could close spaces for representative and democratic rethinking of economic and social policies and development visions at the national level. Indeed, the Bank had already stressed the importance of keeping support for social policy within tight fiscal limitations. The Bank cautioned against expanding social protection, addressing minimum wages and unemployment benefits, while it promoted short-term employment in public works as more effective employment policies<sup>48</sup>. Such advice presents a high risk of diverting economic policy making towards objectives of short-term macro-economic stability that are prioritized by the Bank but are not necessarily supportive of the development objectives that the peoples of Egypt and Tunisia hold<sup>49</sup>.

### **PART III: Threats to the Peoples' Revolutions**

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<sup>46</sup> *Ibid.* World Bank (2006), available at:

[http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2006/07/14/000012009\\_20060714104555/Rendered/PDF/367720rev0pdf.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2006/07/14/000012009_20060714104555/Rendered/PDF/367720rev0pdf.pdf)

<sup>47</sup> Honkaniemi, Nora (2010), "World Bank crisis-lending contravenes Eurodad responsible lending principles" (26 August 2010) available at:

<http://www.eurodad.org/whatsnew/articles.aspx?id=326&item=4221>

<sup>48</sup> World Bank (2011), Middle East and North Africa region: regional economic update – "Facing Challenges and Opportunities" (p.12); available at:

<http://siteresources.worldbank.org/INTMENA/Resources/MENAFacingChallengestextjuly13.pdf> ; The Report states: "Already, as governments want to reduce unemployment and ease the burden of high commodity prices, social protection has expanded rapidly in the region. While some measures are desirable, especially those targeted at protecting the most vulnerable, there is a risk that many of these policies are broad and will be very costly. In particular, expansion of public sector employment is costly and difficult to reverse. More effective employment policies are likely to involve short-term employment in public works. In addition, raising minimum wages, public sector wages, and/or unemployment benefits, as has been done in a few countries, will likely reduce equilibrium employment in the absence of other changes. To the extent that fuel is subsidized this creates a distortion and steers resources towards fuel-intensive industries, which tend to be capital intensive"; Referenced by Patrick Bond in "Neo-Liberal Threats to North Africa".

<sup>49</sup> See the opinion of Mahmoud El Khafif <http://www.rosaonline.net/Weekly/News.asp?id=117800>

It is clear from the above overview of the policy advice and expectations declared by the leading global powers and international financial institutions towards Egypt and Tunisia, that the peoples' revolutions are being used as a platform for recycling orthodox economic policies and recipes as answers to the people's quest for change. Within this context, aid is used as a tool for restricting and diverting the revolutions' economic and social justice goals<sup>50</sup>. In discussing that, Adam Hnieh comments that

*the plethora of aid and investment initiatives now being promised by global and regional financial institutions and by leading Western powers is designed, in fact, to consolidate and reinforce the power of Egypt's dominant class in the face of ongoing popular mobilizations. Ostensibly, this external assistance is meant to promote such laudable measures as 'employment creation' and 'infrastructure expansion' but such measures are premised, in reality, upon the classic adjustment policies of privatization, deregulation and greater openness to foreign investment and trade<sup>51</sup>.*

It is evident that the EU is trying to protect and deepen its trade and investment agenda designed for the benefit of corporate interests, while it proved unsupportive of the development needs of its partner countries<sup>52</sup>. Moreover, the US administration and officials, including both Republicans and Democrats, are trying to re-stabilize economic, commercial, and military deals that they developed through close ties with the former dictators. Such an approach could indeed override national democratic transition if maintained or deepened in Egypt and Tunisia, as well as other Arab countries.

There is a clear tendency to repackage orthodox economic advice through referencing social cohesion and employment generation. This is reflected in reports of the global financial institutions that raise alarms on macro-economic stability and caution against stretching the fiscal space and expanding spending for social purposes, while generously offering loan packages. In addition, there is a tendency to present the shortcomings of previous economic policy advice as a result of governance weaknesses and not a failing in the economic policy itself. This represents an attempt to re-establish the space for promoting the underlying assumption of neo-liberalism, which assumes strong links between economic liberalization and democratic transformation<sup>53</sup>.

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<sup>50</sup> See the statement from 67 civil society groups from the Arab region entitled: "A Call of Civil Society Organizations from the Arab Region and International Groups Against Diverting the Revolutions' Economic and Social Justice Goals through conditionalities imposed by the IMF, WB, EIB and EBRD" (June 2011), available at: <http://www.annd.org/userfiles/file/latestnews/Statement-EN.pdf>

<sup>51</sup> Adam Hnieh (July 2011), "Egypt's 'Orderly Economic Transition': Accelerated Structural Adjustment under a Democratic Veneer?"; Department of Development Studies, SOAS.

<sup>52</sup> See: positions by civil society groups on EU trade policy (available at: <http://www.annd.org/userfiles/file/latestnews/Arab%20NGO%20Network%20for%20Development%20submission%20and%20development%20Sept%202011.pdf> and <http://www.annd.org/userfiles/file/latestnews/Brussels%20Declaration.pdf>) and See "Global Europe; Competing in the World" that presents an ambitious programme for the competitiveness of the European Union (EU) and its businesses that places the emphasis on open markets. Available at: [http://europa.eu/legislation\\_summaries/external\\_trade/r11022\\_en.htm](http://europa.eu/legislation_summaries/external_trade/r11022_en.htm)

<sup>53</sup> This approach claims that by undertaking reforms of regulations pertaining to competition, investment, dispute settlement, etc., new economic stakeholders would play a bigger role in the national economy. Under this pretext, international trade liberalization has been presented as a necessary tool for promoting human rights and democracy abroad and ultimately for a more peaceful world. See Daniel Griswold (2007), "Trade, Democracy and Peace: The Virtuous Cycle," (April 20), [http://www.cato.org/pub\\_display.php?pub\\_id=10712](http://www.cato.org/pub_display.php?pub_id=10712); It is worth noting that in 2001, the Bush administration called for the democratization of the Arab region through promoting bilateral free trade agreements.

Moreover, by focusing on governance issues, there is an inclination to avoid discussing the re-establishment of the role of the state and statecraft in leading a nationally-nurtured development policy. Such an approach might also present steps toward restraining the revolution within certain boundaries and convincing governments that the only option on the economic front is to re-stabilize the previous economic models instead of democratically redesigning economic choices and nurturing development policies at the national level.

Furthermore, the over-emphasis on marketing the revolutions in Tunisia and Egypt as products brought about by the wonders of communication technologies holds the prospects of presenting the forces behind these revolutions as depoliticized movements. This tendency has been evident through the focus on the role of information technologies in organizing people around the revolution while marginalizing and failing to highlight the genuine political struggles of organized and unorganized groups in the form of workers groups, women's groups, unions, and various civil society entities. Consequently, this raises the threat of presenting the objectives of the revolutions as void of demands for changing the politics and ideological underpinnings that have been defining the economic and social realities in the region.

Overall, this context is a clear attempt to establish new mechanisms for re-enforcing the oppression of people's economic and social rights and demands, which used to be achieved with the full and unconditional cooperation of the previous dictators in each of Tunisia and Egypt.

## CONCLUDING REMARKS

The revolutions in Tunisia and Egypt have precipitated processes of critical reflection on systems of political governance. Various stakeholders are part of this debate, including existent and new political parties, civil society organizations, labor unions, and groups that emerged as a result of the revolutions themselves, representing a variety of youth voices and adopting various forms of organization. There has been much focus on issues such as constitutional reforms, electoral laws and procedures, the powers of the legislative and judicial branches, as well as dealing with authoritarian institutions such as security agencies. Yet, it is as important to critically and forcefully address the questions on the economic and social front, including the processes needed to rethink development policies.

The United Nations Commission for Trade and Development (UNCTAD) noted that

*...the upheaval in North Africa and West Asia represents a day of reckoning for the trade and economic policy choices made in the region over the past decades, and this is an opportune moment for these countries (and others facing similar pressures) to rebuild neglected public institutions so they can lead the process of reshaping economic and labor governance*<sup>54</sup>. Furthermore, according to UNCTAD<sup>55</sup>, the current period presents an opportunity for "a re-assignment of macroeconomic policies for sustained growth in

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<sup>54</sup> UNCTAD policy brief (2011), "'Social unrest paves the way: A fresh start for economic growth with social equity", referenced by "UNCTAD: Social unrest - an opportunity to reshape economic policies," published in SUNS #7107 (14 March).

<sup>55</sup> UNCTAD policy brief (2011), "'Social unrest paves the way: A fresh start for economic growth with social equity."

*ways that trigger a virtuous circle of investment, productivity, income growth, and employment creation so that income gains from productivity growth are distributed equitably between labor and capital.*<sup>56</sup>

Indeed, there is a need for reclaiming the policy space lost through ad hoc adoption by previous regimes of economic liberalization that have been detached from achieved development levels. This includes favoring productive sector policies, and stopping the ‘business as usual’ approach to trade, investment and finance, while reorienting them to serve production and employment policies.

Accordingly, one of the crucial reforms to be considered includes a process that would kick-off a broad national dialogue on the establishment of a new economic and social model that reflects developmental challenges, prioritizes citizen’s rights, and redresses exclusion on various fronts. Such a process would be characterized by healthy and inclusive national dialogue that engages policy makers, political groups, civil society organizations, and citizen’s voices in general. It would include mobilizing economic and development thinkers nationally and regionally in order to establish the framework for a strategic development vision rooted in national challenges and capacities. Such discussion would address the role of the public as well as private sectors. It would include thinking of the new institutions that need to be at the center of a development process, including the possibilities of national development banks, and a revised role by the central banks for development purposes.

It is evident that given the role that international financial institutions, among other global governance institutions play today, there is a threat of “*reducing the meaning of democracy to electing representatives who irrespective of their ideological affiliations are compelled to pursue the same social and economic policies*”<sup>57</sup>. Such influence by global economic and financial powers should not escape the scrutiny of the people and civil society, including local stakeholders such as political parties, labor unions, and civil society groups, as well as regional and global campaigns and monitors. Along that line, there is a need for continuous public questioning of local political stakeholders- including government officials, legislatures, as well as active political parties- on their social and economic agendas and its relation to a development process that is rooted in serving equity, justice, and citizens’ rights.

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<sup>56</sup> Ibid.

<sup>57</sup> B.S. Chimni (2006); “*Third World Approaches to International Law: A Manifesto*” (p. 1); International Community Law Review 8: 3–27, 2006. 3, Koninklijke Brill NV. Printed in the Netherlands.

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