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Arab NGO Network for Development
شبكة المنظمات العربية غير الحكومية للتنمية

المركز المصري للحقوق الاقتصادية و الاجتماعية ECESR

Initiative for Policy Dialogue

Press Statement: From the Arab Revolutions to Global Austerity Trends

FROM THE ARAB REVOLUTIONS….

(Thursday April 18, 2013) In the aftermath of the peoples' revolutions in the Arab region, an expansion of IMF loan agreements was witnessed in the Arab region; including new loans with Jordan, Morocco, and Yemen, and ongoing negotiations for loans with Tunisia and Egypt. People in the Arab countries face multiple social and economic challenges, including high debt and deficits, a youth unemployment bulge, and deepening inequalities since before the global crisis and the peoples' uprisings. Today, peoples' voices in the region are cautioning against the implications of the IMF loans and their austerity conditions. Peoples' aspirations for a genuinely democratic transition towards social and economic justice are in jeopardy if fiscal adjustment constrains the government's ability to carry out public investment for the preservation of vital social sectors and essential services, and to create employment, wages and productive sector growth in the real economy.

Mahinour El Badrawi from the Egyptian Center for Economic and Social Rights (ECESR) notes that the current economic and social reform plan of the Egyptian government mirrors the same IMF recommendations to the Mubarak Government represented in Art. IV Staff Consultation Report of April 2010, focusing on austerity measures including reducing public spending on subsidies, regressive taxes, resuming privatization of state-owned assets, and excessive liberalization policies. Today, the public is upset with the government's economic plan and to the Fund's loan and its subsequent recommendations because it works against a genuine post-revolution economic and social reform that would answer to the people's demands and aspirations for social justice, including progressive taxation, the endorsement of a minimum wage and the effective introduction of a maximum wage, and the reform of the investment framework putting an end to the legacy of corruption and irresponsible unproductive investment patterns.

Bhumika Muchhala from the Third World Network warns that the IMF's historical and demonstrable track record of prescribing austerity-oriented fiscal, monetary, tax, privatization and liberalisation policies pose a grave threat to the ethos and struggles of the Arab revolutions for social justice and economic opportunities and equality. Despite high deficits and unstable macroeconomic conditions in the region, the IMF should not repeat the policy prescriptions from the pre-revolution years in the region. This means regressive tax measures, such as value-added taxes, should not be raised on basic necessities, such as they are in Egypt. It means that public expenditure should not be reduced for food subsidies that the poor depend on, such as they are in both Tunisia and Egypt. It also means that privatization of state-owned enterprises and public banks should not be carried out at a time when the pro-active role of the state in building a social contract with its citizens is of utmost importance.

Kinda Mohamadieh from the Arab NGO Network for Development cautions that the IMF continues to advance recommendations for dismantling tariffs, widening the scope of liberalization, and de-regulation under investment policy. Overall, the vision presented to the region is one of deeper liberalization and deregulation, without serious assessment of the implications that such previous policy experiences have reaped for the region. Furthermore, trade and investment related policy advice advanced by the IMF could often fall in contradiction

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with safeguarding these countries' balance of payments positions. Such longer-term structural change restricts the policy space of governments to design a dynamic longer-term plan that serves production, industrialization, decent employment, and social justice.

ON GLOBAL AUSTERITY

Contrary to public perception, austerity measures are not limited to Europe; in fact, many adjustment measures feature most prominently in developing countries. According to IMF data, 119 countries will be adjusting public expenditures in 2013, increasing to 131 countries in 2014 and the trend will continue at least until 2016.

Isabel Ortiz, Director of the Global Social Justice Program at the Initiative for Policy Dialogue (IPD, Columbia University, New York) presents a global update on austerity, co-published by IPD and the South Centre: "The Age of Austerity – A Review of Public Expenditures and Adjustment Measures in 181 Countries"
http://policydialogue.org/files/publications/Age_of_Austerity_Ortiz_and_Cummins.pdf

She notes that there are two main phases of the global crisis. In a first phase (2008-09), most governments introduced fiscal stimulus programs and ramped up public spending. However, premature expenditure contraction became widespread in 2010, despite vulnerable populations' urgent and significant need of public assistance. Fiscal contraction is most severe in the developing world. Moreover, comparing the 2013-15 and 2005-07 periods suggest that a quarter of countries are undergoing excessive contraction, defined as cutting expenditures below pre-crisis levels. In terms of population, austerity will be affecting 5.8 billion people or 80% of the global population in 2013; this is expected to increase to 6.3 billion or 90% of persons worldwide by 2015.

Regarding austerity measures, a review of IMF country reports published between January 2010 and February 2013 indicates that governments are weighing various adjustment strategies. These include: (i) elimination or reduction of subsidies, including on fuel, agriculture and food products (in 100 countries); (ii) wage bill cuts/caps, including the salaries of education, health and other public sector workers (in 98 countries); (iii) rationalizing and further targeting safety nets (in 80 countries); (iv) pension reform (in 86 countries); (v) healthcare reform (in 37 countries); and (vi) labor flexibilization (in 32 countries). Many governments are also considering revenue-side measures that can adversely impact vulnerable populations, mainly through introducing or broadening consumption taxes, such as value added taxes (VATs), on basic products that are disproportionately consumed by poor households (in 94 countries). The worldwide propensity toward fiscal consolidation can be expected to aggravate the employment crisis and diminish public support at a time when it is most needed. It is imperative that policymakers recognize the high human and developmental costs of poorly designed adjustment strategies and consider alternative policies that support a recovery for all persons.

Join us at our panel seminar on IMF loans in the Arab region and worldwide: Saturday, April 20, 2013 – from 11:00am-12:30pm; Room MC C1-110, World Bank, 1818 H Street, NW, Washington, D.C.

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