

Letter from the Arab NGO Network for Development* Commenting on the Technical Assessment Reports of Egypt and Tunisia

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The role of the European Bank for Reconstruction and Development, along other multilateral development banks and international financial institutions, has significant influence on the national level, including in market and policy processes as well as changes on the regulatory and legislative frameworks. Accordingly, the diagnosis developed by the Bank of the economic, social, and political context in the countries of concern, followed by the policy and project recommendations developed for each country, cannot go unnoticed by development actors and social stakeholders, including development and human rights civil society organizations. Accordingly, the Arab NGO Network for Development is keen to raise the following points of concern with the EBRD responsables, based on revising the technical assessment reports produced for each of Egypt and Tunisia.

(1) Questions around the socio-economic problem in the Arab region boil down to the debate on whether the crux of the problem lies in the economic choices and the models followed by previous regimes or if it is a mere problem of governance and corruption. It is evident that along governance shortcomings, there has been a clear detachment between economic policy choices and development levels and objectives. For those purposes, one of the main questions to be addressed is how economic growth is created, how that process dynamically interacts with development objectives such as employment generation, reduction of poverty, and overall redress of inequalities. As reflected in the Technical Assessment Reports prepared by the EBRD for Egypt and Tunisia, the Bank refers the shortcomings of the policies implemented in the previous period to *“pathologies linked to the implementation and focus of reforms, and their incompleteness, rather than limitations inherent in market-oriented economic systems”*¹. Accordingly, this approach often limits the EBRD’s capacity to identify the mismatch between several areas of policy liberalization and the levels of development in these countries, and accordingly the ability to propose and develop interventions that are more well entrenched with the development objectives at the national level.

(2) While the EBRD focuses on economic transition, the situation in the Arab countries of concern differs from the transition situation of countries in Central and Eastern European countries, where the experience of the EBRD is mainly concentrated. Indeed, unlike the latter’s economic and market conditions at the time of transition, the former have extensively adopted liberalization of trade and finance, privatization, elimination of subsidies and focus on FDI attraction during the previous decades. However, these steps were detached from the development levels achieved and the development objectives of the country, which often were not a priority. Instead of boosting development processes, the liberalization, deregulation, and privatization processes redressed and limited policy space needed for development.

(3) The main issue of concern lies in the diagnosis of the situation in the countries of concern and the proposed kinds of interventions, including areas of operational themes and technical assistance outlined in the Technical Assessment Reports. The proposed interventions are focused in areas that lack decent links to production capacities and longer-term decent employment generation. It is not clear why the EBRD does not render more focus on supporting private actors and investments in longer-term productive capacities in the three main productive sectors of agriculture, industry, and services. Indeed, the over concentration on energy sector, infrastructure, and financial sector in the EBRD’s assessment reports does not allow it to address the main structural deficiencies that characterized the economies of these countries and their inability to diversify their

¹ EBRD; Egypt Technical Assessment Report; p. 20.

economies, build productive capacities, and achieve consistent decent job-generating growth.

(4) Under the umbrella of supporting transition towards open and democratic market economies and supporting the private sector, the EBRD is taking active role promoting certain legislative and regulatory reforms, such as the laws on competition, public-private partnerships, as well as institutional reform and development. These reforms lie at the heart of designing the functioning of the market for development purposes and at the heart of interaction between private sector actors and development processes. Indeed, regulatory reform, in terms of institutions and nature of regulations, should tackle diversity of public policy objectives, including at the development, economic, social, cultural, and environmental fronts, and should be future-oriented. Accordingly, there are major concerns regarding the detachment between the EBRD's proposals on this front and the level of development and development processes needed in these countries.

Within this context, the Arab NGO Network for Development raises several recommendations, including:

- The EBRD's support for market economies should be rooted in support for productive capacities, redistribution mechanisms, decent employment, and overall countries' development goals. The technical assessment reports carry a significant gap in terms of looking at the productive and employment generating capacities of the proposed interventions. Indeed, this is difficult to achieve as long as the Bank's assessment of deficiencies during the previous period does not tackle the interface between policies of liberalization and privatization and their development outcomes (or lack of it). For those purposes, the EBRD would benefit from expanding the scope of discussion with national stakeholders (including labor groups, human rights and development civil society organization, chambers of commerce...) in terms of selecting priority operational themes and areas of interventions, as well as identifying potential investment areas and nature of technical cooperation.
- The EBRD is invited to institutionalize the process of assessing development and rights-based outcomes of the interventions it undertakes, in terms of level of support to productive capacities, decent employment generation, redressing inequalities between various regions of the countries being supported, and access of communities to basic services in areas where the Bank finances basic services as water and health. Such assessments need to be undertaken in the planning phase, including during the process of developing the technical assessments, as well as after the implementation of the intervention.
- In designing the support to the private sector, the EBRD is invited to give priority to private actors involved in productive capacities and contributing to decent-employment generation within a longer development process. When it comes to financial intermediaries, support should be undertaken only if rigorous safeguards are developed to guarantee finances are not channeled to support speculative practices, effective monitoring mechanisms of development, environmental, and social outcomes of the projects is set in place, and exclusion of intermediaries that make use of tax havens is ensured.
- The EBRD is invited to undertake efforts to develop consistent, institutionalized, and structured processes for consultations with national stakeholders, including human rights and development organizations. At this stage, it is crucial that consultations around the technical assessment reports for the four Southern Mediterranean countries be undertaken with civil society groups, at the national and regional levels. These consultation processes ought to be associated with effective disclosure of information, especially in the planning phases as well as in regard to promoting specific regulatory and legislative changes.

* The Arab NGO Network for Development (ANND) is a regional network operating in 11 Arab countries with 7 national networks and 23 NGO members. ANND's work focuses on economic and social policies and rights in the Arab region. ANND was founded in 1997 and has its secretariat office in Beirut since the year 2000.