# North Africans Revolt Against New Public Management as Well as *For* Democracy

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## Abstract

This opinion piece argues that the current revolts across North Africa and the Middle East are in favour of the introduction of democracy, but they are also against inequality. This has been accentuated by the Neoliberal reforms of privatisation, deregulation and other market based reforms. These included New Public Management and the standard reforms in public financial management. The paper considers how these reforms reflect the aims of Neoliberalism and how these were introduced in Egypt and Tunisia over the last three decades and more. It then considers an alternative programme of reforms. These are arising from the successful revolutions against tyranny and may mark a turning point towards the implementation of Shivj's three principles of popular livelihoods, popular participation and popular power.

**Key words:** democracy, inequality, Neoliberalism, New Public Management, North African revolutions, privatisation

## Introduction

After a slow start, the US and other western powers expressed support for the North African revolutions, called for an orderly transition to democracy in Egypt and Tunisia and led an attack on Libya. The West's initial hesitation was because these revolts are against dictators who were their key allies in the region. Mubarak in Egypt was the second highest recipient of US aid in the world (after Israel) and received an estimated $30billion over the last thirty years. Ben Ali, in Tunisia, was heavily backed by France (receiving €147million, the third highest amount of official development assistance for any country in 2005). The French foreign minister resigned after holidaying in Tunisia in December 2010 and flying there in a private jet belonging to a friend of the ousted Tunisian dictator. France last shipped tear gas grenades to Tunis just two days before the then President, Ben Ali, was toppled from power. After coming in from the cold, Gaddafi was supported and armed by the UK in recent years. The British Prime Minister managed to combine a visit to the protesters in Egypt with an arms selling tour to the remaining dictators of the Gulf region.

Many people argue that the revolts across North Africa and the Middle East are an expression of an aspiration for democracy and market capitalism, as experienced by people of the major industrial countries. However, it may be a mistake to see the revolts in this light. This article argues that it is more appropriate to see the revolts as being in favour of democracy, but also against Neoliberalism, New Public Management and other 'modern' reforms. The people who led the revolts early this year also suffered from these reforms over the last two or three decades. Far from supporting such reforms, the revolts were against the increased inequality that they produced.

The support to Mubarak, Ben Ali, Gaddafi and others was in return for the political support for western policies in the region, but also for their support for the Neoliberal project of privatisation and deregulation, including New Public Management style reforms of public financial management.

The governments of the Middle East and North Africa re-affirmed their support for Neoliberalism in the *Marrakech Declaration on Governance and Investment* of November 2009 in which they declared their, "strong commitment to private initiative to generate employment and raise living standards" and "a vibrant business environment". The autocratic governments signing the declaration went on to claim that they:

> *Reaffirm our commitment to involve* ***citizens and civil society*** *in policy-making and to use consultation mechanisms prior to decision-making as an effective means to ensure better public services and successful policy implementation*

The revolutions are a problem for globalization and the assumption that the market must shape affairs across the planet. Ordinary people created a mass movement that finally gave them a chance to reject the political and economic policies they had endured for over 30 years. The revolts raise huge questions, especially about Egypt and Tunisia as models for economic reform. The revolutions have delivered a resounding "No" to free market neoliberal capitalism, but also to New Public Management and the associated 'modernization' of public financial management. The financial crisis which provoked the global economic recession led to a questioning of the dominant economic orthodoxy. The North African revolutions provide the beginnings of an alternative to the domination of neoliberalism and New Public Management.

> *One of the things that make the Egyptian and Tunisian revolutions potentially important on a global scale is that they took place in states that were already neoliberalized. The complete failure of neoliberalism to deliver "human well-being" to a large majority of Egyptians was one of the prime causes of the revolution* (Abu Atris 2011).

Before the global rise of Neoliberalism, with Regan and Thatcher, President Sadat of Egypt introduced the "infitah" or "opening" from 1974 (Carana Corporation 2002). This was a commitment to dismantle the social and welfare provisions of the state and to hand the initiative to private business. Mubarak embraced this and in the 1980s and 1990s he reduced state subsidies on staple foods—government spending on bread, flour, rice, sugar and cooking oil declined by two thirds.

In 1991, the newly appointed Prime Minister, Ebeid, agreed to the International Monetary Fund/World Bank Structural Adjustment Programme in return for a $300 million stand-by loan, a $28 billion loan from the Paris Club and $15 billion in debt restructuring, and inaugurated Egypt's privatization program with Law 203. By mid 2002, 190 public enterprises of the 314 identified in Law 203 had been privatized. As a result, the number of workers employed by these Government businesses halved from just over a million employees. USAID made direct disbursements of US$ 321 million to the government between 1995-2002 in support of Egypt's privatization program (Carana Corporation 2002).

In 2007 the World Bank declared that Egypt was "the world's top reformer". "The World Bank's 2010 Doing Business report identifies Egypt as among the top reformers" (IMF 2010: 24). Economic journalists in Cairo described Mubarak as "an IMF poster child". The regime became a model for the IMF. States worldwide were encouraged to follow its example. In April 2010 the IMF praised Egypt's reforms saying, "Egypt made significant progress in wide-ranging structural reforms that accelerated after 2004" (2010: 6). The introduction of universal health insurance with focus on self-financing were supported, but the report called for further reduction of "inefficient and costly energy subsidies" despite moves to reduce these since 2004 (2010: 22). Similarly in Tunisia, Ben Ali's neoliberal restructuring won praise from the World Bank and Western governments. In November 2008, the Director General of the IMF, Dominique Stauss-Kahn personally visited Tunis to complement Ben Ali. In August 2010, the IMF again praised the economic policies of the Ben Ali government, saying, "Over the last two decades, Tunisia has carried out a wide ranging reform program based on improving the competitiveness of the economy, enhancing the business environment and increasing trade openness" (IMF 2010a: 3).

In recent years, the IMF and the World Bank have also supported the reform measures in Libya. In early February 2011, the Executive Board of the IMF, "welcomed Libya's strong macroeconomic performance and the progress on enhancing the role of the private sector and supporting growth in the non-oil economy" and "commended the authorities for their ambitious reform agenda", but they recommended that the "retrenchment program be accelerated" despite 324,000 public employees having been identified for retrenchment (IMF 2011).

Egyptians have long known who benefits from pro-business policies. Mubarak enriched himself and his family, but also protected a network of new capitalists, financiers and speculators who acquired huge wealth. According to the Egyptian commentator Abu Atris on al Jazeera:

> *Privatization provided windfalls for politically well-connected individuals who could purchase state-owned assets for much less than their market value, or monopolise rents from such diverse sources as tourism and foreign aid* (2010).

On the other hand, inequalities increased. In 2000 the World Bank said that 16 percent of Egyptians lived on under $2 a day, just before the revolution it had reached 40 percent.

In April 2010 the *Egyptian Gazette* reported (Kamel 2010) that there were only 153 State-owned companies left out of 314 firms back in 1991. This led to a huge increase in unemployment as employment in the country's public-sector firms fell from one million in the 1990s to around 373,000 in 2009, according to official reports. This contributed to an official level of unemployment of around nine percent in 2010.

In 1987, when Ben Ali became president of Tunisia, a series of reforms towards becoming a market-based economy were introduced. The privatization program was launched in 1989 (World Bank 2000). One hundred and forty (140) companies were included in the initial privatization program, of which about half had been fully privatized and about 25 percent liquidated by the end of 2000 (World Bank 2000). By early 2010, the country had privatized at total of 219 state enterprises and Tunisia had established itself as one of the most attractive destinations in the region for foreign investment (Reuters 2010). This program was also supported by the industrial countries, with the EU, for example, providing € 10 million to support the government privatization program.

This program contributed to unemployment in Tunisia, the official jobless figure was around 14 percent in 2010, but higher unemployment levels existed in towns such as Sidi Bouzid, where the uprising began. There were also extremely high levels of youth and college graduate unemployment. It was this unemployment that sparked the revolts, but they did not come out of the blue.

In late December 2006 over 20,000 Egyptian textile workers in Mahal el-Kubra went on strike against privatization and won. Workers drove out the hated security police during their strike. They also held massive rallies that became a symbol of freedom in a country where speaking out was considered a crime. The victory at the Mahala Textile Company was the first significant victory by Egyptian workers for a generation. Similarly in Tunisia, a rebellion had rocked the phosphate mining region of Gafsa in early 2008.

## What is neoliberalism?

In his *Brief History of Neoliberalism*, the eminent social geographer David Harvey outlined "a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade." Shivji (2009) argues it is “par excellence the ideology, nay, the propaganda of, for and by the vested interests of the status quo” (page 23). He provides a history of its effect on the Global South in general and Sub-Saharan Africa, specifically (Shivji 2009b).

According to Neoliberalism, guaranteeing the sanctity of markets is the limit of legitimate state activity, and state interventions should always be subordinate to markets. So New Public Management and ‘modern’ public financial management reforms are part of the Neoliberal project. Each of the currently standard reforms of public financial management aim to produce or facilitate a smaller state and the introduction of private sector type approaches to the management of the public sector.

The emphasis on balanced budgets, reduced deficits and low government debt all reduce the reach and size of government. If government borrowing is reduced then the resources available for the state are lessened. But the costs of funding the public infrastructure will also increase if is provided by the private sector as the risk premium increases the rate at which they are able to borrow money (as with the case of Public Private Partnerships – called PFI in the UK). Pressure on governments to reduce their debt and borrowing has also increased as the abolition of capital controls has increased the ease with which money can be exported and the banks have been give a greater say in the rates of interests which governments are forced to pay for their loans.

The emphasis on efficiency, performance and value for money also aims to reduce the size of the state. There is supposed to be a balance between inputs and outputs in maximizing efficiency. But it is economy, or reduced spending, which is dominant and is clearly the major aim. So, for example, the UK National Audit Office claims to save eight pounds for each pound it spends, whilst in the US the GAO says it saves $95 for each $1 of its budget. However, money is always available if considered necessary. The one time when, as minister of finance, Gordon Brown said that money was no object was during the invasion of Iraq. In the final week before Hosni Mubarak was removed the Egyptian government borrowed $2.2billion to fund, amongst other things, a 15% increase in pay and pensions for public sector workers (BBC 2011). Similarly in Libya, each family was promised monthly payments of about $400 in early March.

Program budgeting and the Medium Term Expenditure Frameworks (MTEF) facilitate cost cutting or economy by eliminating expenditures which are not directly related to the government's core objectives. They also assist governments in ensuring that their future fiscal plans are sustainable, thus providing a further brake on the growth in government spending.

The objective of governments to reduce poverty through redistribution has been side lined. Poverty reduction is expected to be achieved through economic growth. So progressive taxation like import duties, income taxes and property taxes are reduced whilst regressive taxes like Value Added Tax (VAT) are promoted (Christian Aid and SOMO 2011)

Decentralisation helps to reduce the size and power of the central state and so its ability to try and plan for the future.

Integrated Financial Management Information Systems (IFMIS) and accrual accounting are private sector tools and approaches which are touted as being part of the process of transformation and modernization of the public sector.

Similarly the rise of 'civil society organizations' are promoted as an alternative to provision of services by the central state. However, trade unions, often the largest CSOs after religious institutions, are usually ignored. Their potential power was again emphasized with their central role in the overthrow of Ben Ali and then Mubarak.

A recent World Bank review of public financial management reforms across North Africa and the Middle East (World Bank 2010) concluded that, "Egypt's experience during the past decade clearly illustrates that successful implementation of PFM reform is much more than a technical exercise. With the support of donors, and under the leadership of the Ministry of Finance, Egypt has tackled many of the crucial dimensions of PFM." (page 14). This report also noted that, "it is encouraging that public financial management (PFM) reform and modernization has occupied a prominent place on Egypt's policy agenda over the past decade. The reforms have covered a range of areas, including revenue administration, financial information systems, cash management, financial decentralization and internal financial control." (page 12).

The World Bank report (2010) also noted that support for Egypt's public financial management reforms was provided by a range of multilateral and bilateral sources. These included the United States, Netherlands, European Commission, International Monetary Fund and the World Bank. The largest donor by far was the United States, which has invested heavily in improving PFM. Among the reforms supported by the United States Agency for International Development (USAID) have been tax policy and administrative reform, financial management information systems, introduction of the Treasury Single Account, budget reform and organizational development of the Ministry of Finance.

The same World Bank report (2010) also provided praise for the public financial management reforms in Tunisia.   Which it claimed showed, "solid performance on [World Bank Institute] governance rankings and is well ahead of the rest of the region in terms of government effectiveness, control of corruption, rule of law and regulatory quality (page 67).  The report went on to praise the political support at the highest level for the public financial management reform program, noting:

> *The 2004 Presidential electoral program proposed PFM reforms, such as performance based budgeting, which were then integrated in the XIth Development Plan (2007-2011). The 2009 presidential program added the accounting and public administration reforms (e-governance and public service quality)* (page 67).

These reforms included decentralization of powers to the 24 governorates who were responsible for "an increasing amount of public expenditures" (page 68).  They also include the introduction of MTEFs, at least on a pilot basis:

> *Initially, three ministries and a division of the Ministry of Education have been selected as pilots for the MTEF and performance budgeting initiative. The 2008 agreement with the EC provides for three additional pilot ministries in 2010. The whole Ministry of Education has been made a pilot in late 2009, at the request of its minister and staff. The [World] Bank and the EC will provide technical assistance in these pilots.* (page 75)

An OECD study (2010) of public management reforms in the Middle East and North Africa noted the following standard public financial management reforms as common features across the region:

i) "modernising audit and control functions to reinforce ex post performance audits; and
ii) granting managers more spending autonomy in exchange for firm obligations to deliver measured outputs and eventually outcomes." (page 98)

## What should we support?

In February 2010 independent trade unionists in Egypt outlined "a workers' programme" which included the following eight demands:

1. Raising the national minimum wage and pension
2. The freedom to organise independent trade unions
3. Job security and protection from dismissal
4. Renationalization of all privatized enterprises
5. Complete removal of corrupt managers
6. The right of Egyptian workers to strike

7. Decent health care for all workers

8. Dissolution of the Egyptian Trade Union Federation.

Similarly, in mid-February 2010 the giant factory, Egyptian Spinning and Weaving was on strike. The workers were demanding the sacking of the chief executive of the factory, Fouad Hassan, who they accused of corruption. They were also demanding an increase in their salaries and benefits and improvements in their working conditions (Le Monde Diplomatique, March 2011, page 13).

These developments reflect the concepts of popular livelihoods, popular participation and popular power, as the three cornerstones of a new consensus which were developed by Prof Issa Shivji of the University of Dar es Salaam in the late 1990s. Shivji uses the term popular to mean being anti-imperialist, based on the mass of the poor people in the towns and rural areas and to be based on customs and cultures developed in a "living terrain of struggles" (2009, page 14).

Popular livelihoods are necessary to address the poverty of millions who cannot be expected to make further sacrifices when the corrupt elite prosper whilst "their children's lives are reduced to sub-human existence" (page 15). So the workers of Egypt are correct to demand pay increases for themselves and increases in the minimum wage.

Popular participation describes the extension of politics to include the "issue of control and distribution of resources and differences in society" (page 15). So, for example, the demands of the Egyptian workers for the dismissal of corrupt managers and the renationalization of all privatised enterprises are justified.

Finally popular power draws attention to political legitimacy and the institutional organization of state power. We have to develop a new consensus which does not restrict politics to the casting of votes every five years and allows the majority of people greater control over their lives. The Egyptian workers are correct to demand greater job security, an end to temporary contracts and the right to form independent trade unions and the right to strike.

Shivji (2009) has also questioned the legitimacy of the current governance agenda of the IMF, World Bank and other donors. He points out the hypocrisy of these institutions which in the past provided despotic colonial regimes, organized the overthrow, and in some cases the assassination of radical nationalist leaders such as Kwame Nkrumah of Ghana, Patrice Lumumba of what is now the Democratic Republic of the Congo and Thomas Sankara of Burkina Faso. They also supported such corrupt and autocratic dictators as Mobutu in the Democratic Republic of the Congo and, until a couple of months ago, Mubarak of Egypt and Ben Ali of Tunisia. As a result,

> *economic and political conditionalities, including those on good governance, are an expression of the reassertion of imperial domination, however it may be labelled.* (Shivji 2009page 26)

In terms of public financial management these principals mean that poverty reduction will only be successful if it includes the redistribution of wealth, income and power and so states should have this as one of their main objectives. As Roy Radner once put it, "When you allocate resources by market prices, you discriminate against poor people." This is because in the market price you have one vote for each dollar that you possess. Whereas in a democracy each person has one vote, progressive taxation of wealth and income should be used to increase state incomes to fund quality public services which are accessible to the poor (and so have to be provided at no direct cost to the recipients).

Public financial management reforms should be firmly based on existing good practice and should be resolutely controlled by local people (not the sham of country led development which ensures that reforms are consistent with the currently dominant international agenda). Government's should not longer be required or encouraged to waste untold millions on repeated white elephants of MTEFs or IFMISs, but should incrementally improve their financial systems based on approaches which have been clearly demonstrated to work in similar environments (a key advantage of countries in the Global South should be that they do not repeat the mistakes of the industrial countries). As a recent report by regional public financial management officials in Africa said: "it is difficult to determine whether governments themselves would have embarked on various budget reform approaches, such as Medium Term Expenditure Frameworks (MTEFs), programme budgeting or the introduction of Integrated Financial Management Systems (IFMSs) in the absence of donor pressure to do so" (CABRI 2010, page 28).

Transparency should mean accessible and understandable by the poor majority of people, not the complexity of accrual accounting or programme budgeting. Key revenue streams should be published including taxation income provided by the larger taxpayers and natural resource rents received by the government (see the work of Publish What You Pay (PWYP), for example). Expenditure reports should include the resources made available to local public services units, for example, schools and health facilities, as well as the salaries and other benefits provided to higher paid public officials and the ubiquitous consultants.

Central states need to be strengthened and enabled to undertake effective regulation of the private sector. Far from requiring decentralization, many states in the Global South need to come together so that they are able to collectively regulate and tax the multi-national corporations that operate in their jurisdictions (see work of Tax Justice Network). Rather than an endless game of beggar thy neighbour to attract foreign direct investment, states in the Global South should co-operate to increase the rate of taxation of the international companies.

The demands of the Egyptian workers referred to above and Shivji's concepts of popular livelihoods, popular participation and popular power provide a reasonable basis for an alternative approach to public financial management reforms. This alternative is needed if we are really to achieve poverty reduction and the Millennium Development Goals across the Global South.

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