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The American University in Cairo

School of Global Affairs and Public Policy

The Social Effect of the IMF Policies Post Arab-Spring in the Middle East

A Thesis Submitted to the

Middle East Studies Center

in partial fulfillment of the requirements for the

degree of Master of Arts in Middle East Studies

by Noha Nafie

Fall 2021

Acknowledgments

Special thanks and appreciation is for my thesis supervisor Dr. Noura Wahby for her professional guidance, valuable inputs and consistent encouragement throughout this journey.

I would also like to thank my thesis readers Dr. Khaled Amin and Dr. Amr Adly who took the time out of their busy schedules to serve on the committee and for their insightful comments and feedback regarding the research.

I would like to express my sincere gratitude for both of Dr. Mahmoud Mohieldin and Dr. Sahar Nasr for their constructive discussions and academic advices during the preparation of this research.

Last but not least, thank you to my family who always pushed me forward and showed me nothing but unconditional support.

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List of Abbreviations

AMGI	Assistance Médicale Gratuite I (Tunisia)
AUC	The American University in Cairo
CAPMAS	Central Agency for Public Mobilization and Statistics (Egypt)
EFF	Extended Funded Facility
ERSAP	Economic and Reform Structural Adjustment Program
ESCWA	United Nations Economic and Social Commission for Western Asia
GDP	Gross Domestic Product
IBRD	International Bank of Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
IRB	Institutional Review Board
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
MOSD	Ministry of Social Development (Egypt)
MOSS	Ministry of Social Solidarity (Egypt)
NAF	National Aid Fund (Jordan)
NGOs	Non-governmental Organizations
NZF	National Zakat Fund (Jordan)

PNAFN	Programme National d'Aide aux Familles Nécessiteuses (Tunisia)
SBA	Stand-by Agreement
SFD	Social Fund for Development (Egypt)
TIS	Tunisian Institute of Statistics
US	United States of America
VAT	Value-added Tax
WB	World Bank

Abstract

This study discusses how International Financial Institutions (IFIs), primarily the International Monetary Fund (IMF), have incorporated the social dimension when designing their reform programs in the Middle East. This research explores three case studies of IMF programs in Tunisia, Jordan and Egypt, and examines how the process of designing and implementing social protection programs has changed after the Arab Spring. The Egyptian case study provides an in-depth analysis of the design of Takaful and Karama in particular and its implementation. Moreover, it provides a future outlook on the protection programs in Egypt with implications for the wider MENA region. This study adopts a case study approach using qualitative tools such as content analysis of the three countries mentioned above in addition to in-depth, semi-structured interviews with regional experts. The interviewees for this research included IFI officials, government representatives, academics and researchers in the field of social policies as well as beneficiaries from the Egyptian Takaful and Karama programs. The findings of the research denotes that IMF's inclusion of the social protection aspect is evident post 2011 Arab Spring. The study provides an insights governments' efforts towards the social protection programs and looks at the future outlook for Middle East state-run social protection programs. Among the main findings was that the paradigm shift of the IMF reflected a change in rhetoric with minimal on the ground changes, which shoes how the IMF's role in the region regarding social protection programs needs to be further examined, especially in the policy recommendations. The region is in the early stages regarding the design of the protection programs and in the future should widen the scope to focus on inequality issues rather than addressing the reduction of poverty.

Chapter 1: Introduction

The Bretton Woods agreement, which took place in 1944, in the United States of America, was designed to rebuild the global economy after the Second World War and to endorse international economic cooperation. This agreement brought the International Monetary Fund (IMF) and the World Bank Group (WB) into existence. Under the umbrella of the WB, several agencies were created such as: the International Finance Corporation (IFC), International Bank of Reconstruction and Development (IBRD), the International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID) according to their official website. Generally, these institutions are known as the International Financial Institutions (IFIs). IFIs have a long history of interventions across countries of the so-called ‘Global South’, and particularly in the Middle East and North Africa (MENA) region (Ortiz and Béjar, 2013). Their overarching objective is to facilitate the economic and social development of nations, especially that of the developing economies. Their roles are not just limited to simply advising and strategizing for developmental projects, but they also stretch out to funding and implementation mechanisms (Pastor Jr., 1987). These numerous agencies work primarily with national government entities to provide them with the financial resources to implement the designated program or projects. This type of assistance is known as multilateral aid. Nonetheless, IFIs have been subjected to criticism by non-governmental organizations (NGOs) and civil society institutions for their negligence of the social and environmental impacts of their projects and programs that target indiscriminate global development and cut-out economic interventions as it was stated in the Bretton Woods Project’s (2019) article titled “What are the main criticisms of the World Bank and the IMF?”. This article

basically sheds the light on the main critiques that the IFIs receive among of which are the environmental and social issues.

The Middle East has often been tangled with economic and political dilemmas, as other regions across the world. Oftentimes the political unrest is exacerbated by economic hardships and vice versa. In particular, when an economic downturn occurs and national governments tend to seek the IMF to help better economic conditions. The IMF supplies these countries with the necessary funds and technical assistance to lessen the magnitude of such economic hardships, usually in the form of multilateral loans (Driscoll, 1996). These countries, in return, have to impose a set of macroeconomic policies based on the Fund's advice to ensure that they will eventually pay back this loan. However, the problem with this strategy is that the Fund is dominantly driven by achieving macroeconomic stability and the impact of such policies on society is often overlooked and underestimated. However, with the recent social upheavals in different parts of the world and especially in the MENA, IFIs have been forced to modify their approach and embrace fast-changing socio-political contexts (Hanieh, 2015). One of these modifications has been the turn toward investing in social protection programs and safety nets for the marginalized cohorts of these societies. These have been suggested in the IMF's recommendations to national governments, and there have been varying degrees of enforcement across different regions, as it was referred to in their staff reports especially those after 2011. In light of the 2011 Arab uprisings, the IMF and the WB specifically have been keen on incorporating such protection programs as it has helped them realize that the investment in human capital is one of the root causes that could perhaps lead to the sustainability of their programs.

This thesis aims to decipher the role of the IMF in particular in the implementation and design of social protection programs as a part of its changing mandate in the MENA region. The

following introduction will provide an overview of the IMF's socio-economic practices, its historical intervention in the region, the problem statement and objectives this research aims to achieve, and finally the ensuing structure of the thesis.

1.1 The IMF and Socio-economic Development in the Global South

This section aims to delve deeper into the role of prominent IFIs in socio-economic development globally, specifically the International Monetary Fund and its differentiation from the World Bank. Tackling each in a wider scope, the IMF and WB have a different area of focus but with a mutual and shared goal of the improvement of the global economy. The former's main focus, however, is on the stability of the global monetary system. It offers policymaking consultancy, structures plans and provides loans to countries to implement these programs (Driscoll, 1996). This approach is reflected in their programs' design, as they are geared towards achieving macroeconomic stability. On the other hand, the WB remains concerned with the developmental aspect and works primarily on reducing poverty. They offer aid to middle and low-income countries and promote economic and social progress. However, the series of interventions that took place in an attempt to save the economy by the IMF has witnessed several issues along the way in order to finally design programs that would serve the purpose of these entities (Driscoll, 1996).

These agencies' contributions are more evident in developing nations; specifically, those that need assistance in the policy-making realm. The Middle East, especially in more recent years, has been undergoing several turbulences and changes that are restructuring the region both economically and politically. There is no denying that it is a wealthy region, in terms of natural resources and human capital due to dense populations in some of its countries. Nevertheless,

managing these two factors could be somehow challenging. Therefore, the interference of the IFIs was needed in several instances. However, IFIs do not have a one-shot remedy to solve all dilemmas; rather they rely on a ‘know-how’ plan that they can translate into action in this part of the world in an attempt to ease this management process.

For instance, the series of Structural Adjustment Programs (SAP) implemented globally under the WB and IMF’s supervision in the late 1980s till early 1990s, was heavily criticized for the “overall failure” of their policies (Raffer, 1993). It has been argued that these programs have increased the debt burden of these countries and did not succeed in reducing their budget deficits. This could be attributed to the unclear mechanism by which the IFIs have designed and implemented their programs. Consequently, the outcomes were not very favorable for the recipient nations as this led to a deterioration of the standard of living and unemployment among other social ailments (Raffer, 1993).

These severe interventions and their social consequences have led the IMF and its allies to be held in a bad light across many regions. IMF reform programs are usually regarded with distrust and dread, which could be due to the miscommunication of the program goals, or more likely, the fact that these goals solely focused on achieving macroeconomic gains (Prince et al., 2018). These interventions more than likely would include a bundle of austerity measures, that would directly impact citizens' livelihoods. For instance, countries across Latin America have witnessed several interventions from the IMF which brought about harsh austerity measures. In particular, Venezuela witnessed one of the most excruciating experiences with the IMF. In the late 1980s, the IMF dictated the economic policies to save the nation from an economic crisis due to the sharp decline in oil prices. As a result, this scheme harmed the Venezuelan economy as it was one of the large oil-exporting nations (Lander and Fierro, 1996). The austerity measures

that were implemented led to the collapse of the state. It not only showcased that the state was in a financial crisis but it highlighted that it was in a political one as well. The financial crisis resulted in high inflation, high interest rate and fiscal deficit. This ultimately reflected in the demotion of the business environment, which resulted in many citizens being worse-off (Lander and Fierro, 1996).

Another example of the volatility of these SAP programs was in Argentina. In 2001, Argentina was a recipient of a loan of USD 1.3 billion part of the IMF's SAP. At that time, this loan was given to save the Argentinian Peso as the nation was facing an economic crisis. Argentina was also defaulting; this meant that it was unable to pay back its debt obligations. As a result, the economy began to collapse. The unemployment rate peaked at 25%, inflation to 50% and poverty to 47% (Morgan-Foster, 2002). With the nation's economy crumbling down, the government is regarded as feeble which eventually creates political unrest as people see the government as wholly responsible for economic performance. As a result, many governments have turned to the IMF as a last resort to their economic woes.

Despite having some setbacks and pitfalls in the implementation process, it is worth noting the interventions in which the IMF was able to successfully conclude its program with Argentina. The economy was able to rebound early in 2002 and continued to recover until the global economic slowdown of 2008 (Weisbrot et al., 2011). During this phase, Argentina witnessed substantial economic growth. Furthermore, the government was able to withstand the global slowdown and to increase its expenditure on social protection programs and to launch the "Universal Allocation per Child" (Asignación Universal por Hijo). This was a conditional cash transfer program which targeted reduction of poverty and improvement of children's' welfare (Wisbrot et al., 2011, p.2).

1.1.1 The IMF's intervention in the Middle East

Globally, programs designed by the IMF have been tailored to improve macroeconomic indicators, but not much attention is given to the social safety component. Consequently, the austerity measures that result from these reform programs create a negative connotation between the IFIs and common citizens. In 2011, as the Arab uprisings spread across the region, one of the ensuing results is the deterioration of the economies of these nations. For many countries in the region, there was no solution but to resort to the IMF to help them recover from the economic losses they were suffering from (Brown, 2009; Momani, 2021).

The IMF and the Middle East have had a long withstanding history of intervention. As a matter of fact, since the 1960s “the MENA region has been the second largest regional recipient of aid” (Harrigan et al., 2006, p.248). During these engagements that involved austerity measures, they have resulted in some of the earliest rounds of food riots of the region, such as in Egypt in 1977, Tunisia in 1978 and Jordan in 1989, which are discussed in further details throughout the research. IFIs during this phase were not quite concerned with the social dimension as the macroeconomic stability was given the top priority. Nevertheless, as the global perceptions have changed the Fund was able to alter its perception of social justice specifically in the late 1990s. Added by the financial crisis of 2008 and the wake of the Arab Spring in the region, IFIs had to engage in addressing the issues of inequality.

An important aspect when comparing the different IMF programs that were implemented before and after 2011 is the social protection element. Given the past experiences with the Fund, whether in Latin America or the Middle East, Christine Lagarde who was the Managing Director at that time, realized that their approach had to be altered. This internal pushback was altered in the programs that were designed in the Middle East post the Arab Spring. On December 6th,

2011, Lagarde mentioned in her speech, reflecting a year after the eruption of the Arab Spring events, "we were not paying enough attention to how the fruits of economic growth were being shared" (Lagarde, 2019). In addition, she also mentions later in the same speech that "macroeconomic stability and inclusive growth can—and indeed must—go hand in hand." This demonstrates how the IMF started to become generally aware that not all segments of society were reaping the benefits of these reforms. The importance of social justice was slowly being recognized by the Fund. Despite these claims that were made, in reality it can be noted that not much has changed. This was rather a window-dressing strategy that the Fund used in order to integrate with the global call for inclusiveness and addressing inequality. If the Fund goes aims to inherently invest in social protection programs, this may not go in harmony with the short-term intervention. The reason for that is that addressing matters like inequality issues require a long-term sustainable planning and funding, in contrast to this quick wins of poverty reduction schemes. This could actually cripple a nation's budget where it could inject these funds into other projects or investments that would yield return faster than that made in the human capital type of investment.

1.2 Problem Statement

In the aftermath of the Arab Spring, the international community, as well as national governments, were faced with the dilemma of addressing social inequalities in the region. Several countries, including Jordan, Tunisia and Egypt, resorted to IMF loans in order to better their economic conditions but were faced with a new set of conditionalities (Hanieh, 2015; Mossallam, 2015). Among these was, for the first time, the emphasis on reinforcing social protection programs in the region. The rationale for this shift in IFIs' interest in social safety nets has been undermined in the literature and not given much attention. Thus, this research will aim

to fill this gap by focusing on the impact of the IFIs' paradigm shift which has manifested in its loan programs post Arab Spring 2011.

The importance of the social protection programs lies in its essence, which is mitigating poverty and inequality. Especially in current times of the political and economic instability of the world, citizens of the developing economies tend to struggle more. So as previously noted, it is the role of the IFIs such as the Fund and World Bank to protect these citizens. The other reason that Loewe and Jawad (2018) argue for regarding the need for these programs is that they “compensate for the lack of political participation and accountability, free public health and education systems, generous food, energy and water subsidies” (p.3). This alludes to the concept of the patron-client relationship that existed in the region. Generally this type of relationship is when the patron, which is usually the authorities provides to its citizens -the clients, social and economic security in return for securing political legitimacy or allegiance (Yaghi, 2018). This trade-off between political and social rights has been at the heart of debates on social protection programs, especially in the Middle East. This has led to increased critique of these programs as tools for political legitimacy of authoritarian regimes, and the global legitimation of the IFI's approach to development and democracy.

Similarly, one of the problems associated with social protection programs in the region is the construction of the programs in itself. In the ESCWA's report (2017), it states the cash transfer schemes in specific are “heterogeneous” in terms of design and implementation (p.36). This is justified by the notion of the localization of each program to fit its society's needs. However, this makes it difficult to assess on the general scope as there are minor commonalities between the programs.

To be able to address the research topic which looks at the IMF's paradigm shift, it is important to understand how social protection programs operate in the region and the cooperation between the IFIs and governments. Jawad (2015) talks about social protection such schemes in the MENA region. The main takeaway from the research is that social protection programs of the region are focused on the short run rather than finding a radical approach to alleviate the citizens' living standards. The other issue that Jawad (2015) and Mossallam (2015) address is the inconsistency between the IFIs recommendation and the on-ground experience. This results in a waste of funds as they are not being effectively utilized in programs that would produce contributory society members. Consequently, it is difficult to assess the effectiveness and efficiency of these programs (ESCWA, 2017).

Research Objectives

The purpose of this research is to provide multiple scales of analysis of IMF programs in the region, from a regional, national and bottom-up perspective. First, the research aims to address how the IMF programs at the regional level have reflected a paradigm shift (or not) in their approach to program design, implementation and evaluation. The new commitment to social justice and building a social contract in the MENA will be assessed by looking through a multi-country perspective at the regional level. Three countries will be discussed namely Jordan, Tunisia and Egypt. Second, the study will provide an in-depth analysis of program implementation at the national scale by assessing the Takaful and Karama program in Egypt, which has been launched in line with the IMF's Extended Fund Facility (EFF) program (2016). Third, the study will provide a bottom-up snapshot from recipients of social protection programs in Egypt as a means to include the voices of beneficiaries in reflecting on local policy-making.

Combined together, these aims serve to construct the overarching goal of examining the role of the IMF and its contribution to the proliferation of social protection programs in the MENA region. The research aims in particular to discover the roots of how and to what extent did this shift take place in the region and the impact of the 2011 uprisings on the ethos of the IMF.

Research Question

Based on the research objectives, the main research question this study aims to answer is:

“How has the role of the IMF shifted in the aftermath of the Arab Spring toward social protection policies?”

The study asks how and why the IMF has changed its approach with regards to national program design, while paying attention to any changing dynamics before and after the Arab Spring. It aims to ultimately decipher what has led to the change in IFIs' structural approach when constructing their programs to create economic stability in the region.

The research will look at how the social protection programs were previously designed, where they currently stand and what amendments need to be done in order to enhance these programs. Focusing on the importance of the inclusion of social protection programs in the Middle East, the research will first address the regional question by examining the cases of Tunisia and Jordan. Second, it will delve into the Egyptian case study to construct a comprehensive examination of the implementation and design of a national social protection program.

1.3 Structure of the research

This study aims to explore the role of the IMF in the creation and sustainability of social protection programs in the MENA region, and understand the overall paradigm shift in the international institution's orientation. The thesis will be primarily divided into six chapters that bring together case studies from across the region. **This first introductory chapter** discusses the IMF's historical socio-economic goals and the societal resistance to its mandate. It also provides the problem statement and research question guiding the research study. **The second chapter** analyses scholarly literature on the IMF's role in designing austerity measures, the institution's conceptualization of social justice and traces how a paradigm shift has been brewing within the entity. **The third chapter** focuses on the methodology of the research speaking to the research design, the parameters of the case studies, the conceptual framework as well as ethical considerations.

The fourth chapter tackles the MENA's social protection programs and their implementation in the region. The chapter also explores the political economy of the IMF through the recent interventions made in the region pre and post-Arab Spring. This will allow for a better and more comprehensive overview to trace how a paradigm shift has taken place. A thorough analysis will be then made by discussing two case studies based on content analysis. In particular, Jordan and Tunisia will be used to provide a regional lens for the Middle East and the IMF.

The fifth chapter will then focus extensively on explaining the relationship between the IMF and Egypt by presenting data from primary field research. This chapter will provide an assessment of the recently adopted Extended Fund Facility program of 2016 and the social protection program of Takaful and Karama. Finally, **chapter six** will analyze how the design of

the social protection programs has changed in the region and provide a discussion of the IMF's role and contribution.

Chapter 2: Literature Review

This review of scholarly literature concentrates on the social impact of the International Financial Institutions (IFIs) and their recent role in the Middle East and North Africa (MENA) region. A thorough examination of the shift in the IMF programs' paradigm was anchored towards achieving enhancements on both the macroeconomic and the social fronts. This section draws focal points on three strands of literature. The first examines the IMF and its austerity measures that were adopted. It will attempt to provide a global overview of different countries' experiences. The second will tackle the notion of IMF and social justice. It provides the guidelines needed to define 'social justice' and how the Fund has conceptualized the abstract concept. This shows how this definition was translated operationally in its programs. Finally, the last section delves deeper into the relationship between the IMF and the Middle East.

2.1 The IMF and Austerity Measures

When nations are faced with economic hardships, they usually attempt to exhaust their internal resources before resorting to aid from the IFIs. In particular, the IMF's remedies usually require strict measures to save the economy. Mainly, the Fund is concerned with improving macroeconomic indicators like: employment, inflation and GDP growth with an ultimate goal of achieving financial stability, booming international trade and ultimately reaching economic growth (Driscoll, 1996). It pushes forth this agenda by providing loans and offering technical assistance to aid the recipient nation in an attempt to alleviate deteriorating economic conditions. The austerity measures that the Fund implements in the proposed conditions have been perceived to be against the ethos of the assistance that it provides (Drazen, 2002). For some scholars, countries are being placed on the right track through the economic prescription that is offered by

the Fund regarding the economic aspect, but oftentimes the social element is compromised (Harrigan and El-Said, 2014; Hanieh, 2015).

The purpose of such austerity measures is to prevent any further economic damages and achieve stabilization to enhance economic performance. Tactically, the Fund's loans are disbursed after a set of conditions are satisfied by the recipient nations (Buirra, 2002; Brown; 2009; Dreher, 2009). The conditions are imposed to ensure the recipients will be able to pay back the loan. It is important to note that the IMF, primarily, is a lender- thus, it must ensure that the borrower will gain economic strength and be able to pay back this money. Mussa and Savastano (1999) and Ghosh et. al (2005) denote that projections for macroeconomic indicators for the programs that will be adopted have to be made to certify that this money will be paid back. The IMF's conditionalities are where the issues usually arise as will be explained further on. According to Dreher (2009), "...conditionality in IMF programs continuously increased over time, with the number of conditions steadily rising" (p.233). These conditions have been heavily criticized and slandered as they are deemed to be ineffective when attempting to overcome the dependence of a range of low-income countries on IMF money, as well as an assault on democratic ideals (Brown, 2009; Lang, 2020).

It is also important to highlight that the actors that influence the IMF's program design are tailored to the decision made in terms of distribution of the burdens of economic adjustment. The IMF's decision-making strategy ultimately reflects the interest of its major shareholder governments and its staff (Stone, 2008; Copelovitch, 2010; Nelson, 2014; Dreher et al., 2015). As Lang (2020) explains: "major shareholder governments exploit their influence on the IMF to further their own political and economic interests, while the staff shapes the IMF's policy decisions in accordance with their material interests and ideological preferences" (p.5). This

means that the decision-making has to yield a general benefit for all stakeholders. However, the Fund is driven by a specific rationale which makes it inclined to take decisions that would guarantee that it will be eventually paid back despite the consequences of its decision on the citizens of the recipient nation.

Economic stabilization is one of the prominent goals that the IMF strives to achieve. To succeed in it, oftentimes social welfare is compromised. This is reflected in poverty and unemployment rates which are spiked. Lang's (2020) hypothesis is that IMF programs additionally result in widening inequality. This is linked to public wage and pension cuts since, as gross income is reduced; this leads to inequality which also influences the socio-economic structure of society. Similarly, Pastor (1987) claims the matching argument that third world countries retain "short-run recessionary impacts" in the social realm to sustain these stabilization programs (Pastor, 1987, p.249). The following sections will discuss in further detail these different trends that are inherent in the design of the IMF programs.

Starting in 1982 till the early 2000s, the implementation of the SAP in Latin America and the Middle East required rigid austerity measures that ultimately reduced government expenditure on social services (Morgan-Foster, 2002). It was a common characteristic for these programs to be coupled with a set of 'conditionalities'. These sets of policy reforms aim in decreasing government expenditure and increasing their revenue. Also, these reforms constitute economic, financial, institutional and administrative policy amendments. Such modifications may include policies like: devaluation of the country's currency, trade liberalization policies and privatization programs. The rationale behind these is to stimulate the private sector and promote economic growth which will eventually cascade to all segments of society (Barakat, 2019).

However, many scholars have highlighted that these structural reforms could produce adverse socio-economic outcomes, resulting in social unrest and political opposition in host countries. This argument is highlighted by the Venezuelan experience in the 1990s when the nation witnessed political instability and opposition as a result of the "increasing inequality caused by structural reform" (Brown, 2009, p.435). Similarly, the Fund's austerity measures also took their toll in Greece in 2009-2010, in the aftermath of the financial crisis. The Fund, in this case, has gone beyond its capacity and its regulations and lent Greece more than it can pay back. Policymakers and scholars argued that "the International Monetary Fund admitted it had failed to realize the damage austerity would do to Greece as the Washington-based organization cataloged mistakes made during the bailout of the stricken eurozone country" (Elliott et. al, 2013). Despite Greece remaining in the Eurozone, the bailout was deemed unsuccessful as each round of austerity further deteriorated the economy, reduced revenues and increased Greece's deficit. Instead of altering their previous methodology of recovering the economic situation, the international organizations amplified the austerity measures adopted demanding deeper, additional cuts to government employment and basic public services. At the same time, no social protection was there to mitigate the impact of these measures on the vulnerable groups.

A vast amount of literature has critiqued the different dimensions of the IMF programs. It is argued that socio-economic inequality rises quickly in programs that feature more extensive conditionality and social-spending cuts (Wade, 2004; Lang, 2020). Some researchers have even claimed that the Fund's programs focus specifically on reducing aggregate demand, therefore jeopardizing growth (Allen, 1984).

Another important critique is the negligence of the social protection component and failure of considering the social consequences when imposing austerity measures on vulnerable

groups (Payer, 1974; Dreher, 2009). This purposeful negligence creates inequality as the “absolute incomes for the poor” are shrunk remarkably (Lang, 2020). Once again, these criticisms are also applicable to the scenarios which were aforementioned in Latin America- superficially in Argentina. In 2001-2002 the unemployment rates were mounting and the inexistence of a proper social cushion made the situation even worse resulting in the entrapment of debts. There was no excess income received by the government to be allocated to social protection programs to protect the poor.

Another criticism aimed at these programs focuses on the shareholders’ stake, which determines how the programs are crafted and designed. The Fund has been led by neoliberals¹ in the 1980s (Clift, 2018), this is when the austerity measures of the IMF were at their peak. These neo-liberal leaning officials sought to reduce government spending, promote deregulation and support free-market capitalism. In developing countries, this approach was seen to result in economic damage. For instance, Pastor (1987) and Payer (1974) suggested that the short-term stabilization policies recommended through SBA directly harm the economy. The growth, consequently, is hindered as the economy is “open” and, as a result, destroys the potentiality of any “autonomous development” (Pastor, 1987, p.253). Furthermore, these economies fall into a never ending loop of what is known as a ‘debt-trap’ (Pastor, 1987, p.253). These economies then become eligible to receive money from official and private sources, this enables them to sustain the balance of payments crises through either increasing indebtedness of “auctioning” off domestic assets to foreign investors (Pastor, 1987, p.253). Accordingly, the country ends up not spending this money to enhance its human capital, which could ultimately lead to better macroeconomic indicators (such as lower unemployment, lower inflation rate, higher national

¹ Neoliberals are those who advocate for market deregulations, reduction in government expenditure and reducing government intervention in the economy.

output). Instead, the country is entangled in debt and its expenditure is reimbursed on repayment of these debts. This entanglement has hindered the countries' economic growth and if there were any groups that could survive, the vulnerable groups of societies were the ones who suffered the most. Thus, even if there was a slight growth in any of the economies, it was most likely an inequitable growth.

2.2 The IMF and Conceptualizing Social Justice

Social justice has been defined and conceptualized in different domains and sectors based on a variety of social, political, legal, and economic theories. Within the neoliberal viewpoint, social justice is focused on distributing the benefits and the burdens of economic opportunities as well as protecting the individuals' rights (Reisch, 2002). On the other hand, social justice also addresses the assigning of fundamental rights and duties, economic opportunities and social conditions to individuals (Tomasi, 2001). Gathering and deducting from these definitions, it can be assumed that social justice is unachievable if there are disparities in the distribution of economic assets/income. This may occur when a certain segment in society accumulates wealth, for instance, or if a certain group has better opportunities in social welfare or accessibility to certain luxuries while other groups are denied these privileges due to structural factors embodied in the political and economic systems of nations, but also in the ideologies leading policy-making (Clapp and Wilkinson, 2010). Early on in its vision, the Fund did not include social justice as an aim of development in its domain of direct program implementation (Clift and Robles, 2021). The reason for that was because the Fund was focused on trying to achieve economic growth, through its programs, which was tackled in a manner that they believed would enhance the overall economic conditions of society. Eventually, this approach was forced to be

altered as the Fund explicitly focused on the importance of creating a social cushion in their prescriptions as will be further explained.

Numerous arguments have existed on what constitutes a fair distribution of wealth in society coming from the critique of neoliberal policies. Fischer (1999) claims that social justice is fulfilled when all society members are able to reap the benefits of economic growth. Usually, the concept of the 'trickle-down effect' is used to promote structural adjustment programs across various nations, where the expectation was that changes at the top policy level would 'trickle down' into positive effects for those at the bottom (Clapp and Wilkinson, 2010, p.71). However, there has been a general criticism that this effect was not achieved in nations receiving IMF loans, as this institution has received several criticisms of "callousness" towards certain segments of society (Clapp and Wilkinson, 2010, p.73).

In recent years and as a response to these criticisms, the WB and IMF have resorted to incorporating social protection programs through which they can aid in easing the socio-economic impact of its programs (Fischer, 1999). This demonstrates to a certain extent a contradiction with the previously hard-held belief in the 'trickle-down' concept that the Fund previously adhered to. Therefore, the Fund had to intervene to address this issue that was existing. One of the common criticisms, however, was the unavailability of a "standard definition of social protection" provided by the IMF (Wojnilower, 2017). In 1998 Mr. Michel Camdessus, the Managing Director of the Fund at this time, gave a speech to discuss how they address the general issue of inequality and how the IMF defines social justice. He specifically refers to Amartya Sen, Nobel Prize winner and renowned economics Professor, who cited that "the greatest relevance of ideas of justice lies in the identification of patent injustice, on which reasoned agreement is possible, rather than in the derivation of some precise formula for

determining how the world should be run. To elevate this, patent injustice government's commitment and determination are needed to succeed in doing so" (Camdessus, 1998). The Fund, on its own, will not be able to guarantee the success of implementing such social reforms and this favorable outcome is dependent on the government's willingness and persistence to achieve these goals.

Among the list of principles needed to reduce injustice to be resolved is ensuring "cost-effective and well-targeted" social safety nets. In June 2019, Christine Lagarde, the former Managing Director of the Fund, resonated with the same concept- the importance of the 'social contract'. Her speech discussed the impact of social spending and its importance to achieving social justice on the global level. "In all of our programs, protecting the poor and vulnerable is now, and will continue to be, a core objective" (Lagarde, 2019). Peter Heller (2003), Deputy Director in the Fiscal Affairs Department at the IMF also had a prominent speech on the IMF's perspective on social justice. For the IMF, macroeconomic stability does not only promote "rapid growth" but also "sustained poverty reduction". Despite the recognition of the significance of achieving justice, the Fund has not given a precise definition of what social justice is. But what can be deduced from the IMF's view on social justice is that there is a need for the implementation of these in tandem with the macroeconomic policies. Moreover, it sheds light on the need for social spending on protection programs and safety nets which are needed to develop and elevate human capital. The extent to which this constitutes as a shift from the dominance of the macroeconomic ethos is what this research aims to highlight.

Social injustice is one of the accusations that was always been associated with the IMF; the policies included helping the capitalists prosper at the expense of the people's well-being (Payer, 1974; Dreher, 2009). This was especially clear in the social and political disruptions

globally against the Fund in particular, and the solution seemed to be the addition of a social dimension to the IMF programs (Morgan-Foster, 2003). This became an attempt to positively contribute to the socio-economic component and to break the negative connotation of ordinary citizens' perception of these foreign entities. This was especially clear after the 2008 financial crisis where the Fund realized that it has to enhance its involvement in social protection and inequality questions (Clift, 2018; Clift and Robles, 2021). These authors strongly point out to the crisis as the trigger in the shift in the IMF's rationale, however, no tangible change had occurred yet.

Another important concept that is discussed in tandem with concepts of 'social justice' is the notion of 'social contract'. A 'social contract' is where people may partially give up some of their freedom in exchange for other types of protection or rights that are granted to maintain both public and social order (Hertog, 2017). Authors have talked about the social contract that should be negotiated during the implementation of IMF programs, where citizens' are promised a better life after the austerity measures are imposed. Morgan-Foster (2003) mentions that the concept of 'social contract,' which prominent economist and Nobel prize winner Joseph Stiglitz also calls for, is as equally important as the contract made between the Fund and the borrowing country. For instance, in the 1990s, despite economic hardships, the Argentinian government refused to disregard its policies of social assistance even if this would delay the IMF's support. The reason was to ensure that political unrest does not take place and the country is forced to forfeit from the Fund's program and the vicious cycle restarts. In 2002, the situation in Argentina was gloomy as it was deemed a "constant deadlock over competing goals of fiscal austerity and social spending" (Morgan-Foster, 2003, p.621). As it shall be discussed later, it has become quite evident that the

‘social contract’ became an important component that is considered by the IMF when designing a new program.

Ultimately, one of the root causes of the failure of the SAP programs in several countries, was what Brown (2009) has called the “the one-size-fits-all approach” which was ineffective in achieving socio-economic stability. The on-ground effort of the Fund has been claiming that their programs are “tailor-made” but what can be seen from reality is that the same prescription, generally, is given with minor alterations to fit the socio-economic realm of the recipient nation. The conditions that are pre-set by the Fund need to be tailored to achieve its purpose in each country. Continuing on the same thread, Ortiz and Bejar (2013) analyze the relationship between the participation in IMF programs and the likelihood of social protests. They argue that the people in recipient countries of Latin America protest the "unpopular IMF mandates" due to the negative impact of the economic policies inflicted on their living standards (p.492). The following section discusses the particularities of these programs with regards to the MENA region.

2.3 Tracing the IMF’s Paradigm Shift in the Middle East

As pointed out in several works of literature, the general shift in the IFI’s approach to macroeconomic improvements was brought about after the financial crisis of 2008 (Mosallam, 2015; Clift, 2018; Radwan 2020). As aforementioned, these institutions focused on emphasizing the notion of reducing inequality and creating social protection schemes rather than strictly emphasizing the national macroeconomic enhancements. This section will focus on how this shift has occurred in the programs associated with the MENA region.

Discussing the paradigm shift that occurred in the Middle Eastern context, Mohammed Mossallam's article, "The IMF in the Arab World: Lessons Unlearned" examined the IMF's intervention in the MENA region dating back to 2008. He compares the policy shift pre and post-Arab Spring by presenting case studies about Jordan, Egypt, Tunisia and Morocco. In addition, he provides extensive information through comparison in each case study provided in terms of how the IMF has changed its policies and tailored the reform programs to fit each country's situation. It is particularly important if IFIs have generally adopted a different perspective of their policies in the region as this was the point at which IFIs recognized that their prescription to the crippling economies had to be altered. This analysis is also pointed out in the case of Jordan by Momani (2020). She states that the Fund had its doubts on "its own orthodoxy on fiscal consolidation" (Momani, 2020, p.64); however, it did not change its approach to resolve the existing challenges as it can be explained by both authors.

Looking specifically at Mossallam's (2015) analysis of the Tunisian case, he compares the IMF's policy approach to highlight how this institution's objectives have shifted. To elaborate, pre-2011, Tunisia's programs were anchored towards reducing public sector employment, eliminating price controls, implementing a rigorous privatization program and lifting trade barriers. This has been attributed to the causes of deteriorating poverty and unemployment figures in the country due to the absence of a solid social protection scheme to protect these vulnerable groups. Hibou (2006) also contributes to such analysis that Mossallam (2015) makes but also provides the political element. She demonstrates how the Tunisian regime achieved its control over the economic resources of the country and how these ruling elites were dominating through the privatization schemes that were taking place (Hibou 2006). Therefore, the concept of proper social protection was not among the priorities of the government. After

2011, the IMF stated that Tunisia must implement reforms with the aim to achieve an increase in inclusive growth and birth new employment opportunities. In 2012, the IMF's staff report on Tunisia in particular suggested a different mechanism, noting the creation of a social safety net and "shifting budgetary resources to infrastructure investment, education and health should improve growth prospects and social outcomes" (p.6).

Representing the paradigm shift from the neoliberal policies of these institutions in the aftermath of the Arab Spring, in "Shifting Priorities or Business as Usual?" by Adam Hanieh (2015) examines the re-engagement of IFIs in the North African region. Much like the literature above, Hanieh looks at Morocco, Tunisia and Egypt to expand on his arguments. He highlights that IFIs have merely changed their approach to include social justice goals after 2011 but when looking at the figures and the on-ground effect, this claim is unnoticeable. He states that the IFIs engagement in North Africa will always constitute a policy issue for the "new political arrangements in the region" (p.134). Perhaps the reason for such analysis by Hanieh (2015) is that Egypt and Tunisia have witnessed political instability for a decent period of time. Despite these regime changes however, the ruling faction at the time was unwelcoming of the IMF's intervention. Instead, these regimes wanted the reimbursement of the loans but with their rules, and not the Fund's.

Recognizing the importance of tailoring the reform programs, Adel Abdel Ghaffar (2020) adds to this argument stating that the IFIs have a contributing role in the uprisings and demonstrations in the Middle East and North Africa region. To build on his view, he takes on several uprisings and protests in Egypt, Morocco and Tunisia, where uprisings took place after there was an IFI intervention in economic policies. Dissecting his argument, he notes that these IFIs are mainly concerned with achieving progressive economic growth, promoting foreign

investment and reducing subsidies. These policies have created an unfavorable hostility from the people towards any IMF program. Drawing from this interconnection of the Fund's focus on just the macroeconomic indicators and the negligence of the social dimension, Abdel Ghaffar's (2020) thesis can be complemented by using the examples from Alissa's study (2007b) to showcase the correlation of economic insecurity and social uprisings. The latter suggests that the reform policies that have been adopted during President Mubarak's regime would widen the gap between the rich and the poor. This would create resistance from the people due to this socioeconomic concern. Accompanied by the pre-existence of the political reform, this could create a state of political instability which the regime at the time would not allow.

Analyzing the Egyptian scene even further, both Amr Adly (2020) and Gilbert Achcar (2020) look at how programs are implemented in Egypt. Despite the heavy engagement with IFIs, Egypt has not achieved the immense success which it was deemed to have on the socioeconomic realm. Emphasizing Egypt's challenge in coping with the inequality and unemployment issues, Achcar (2020) correlates the rising inequality that persisted with the protests of the "squeezed middle class" that took place in 2011 as they were frustrated that only a certain segment of society at that time was the one enjoying the benefits of the economic growth (p.21). This goes along with Adly's (2020) claim of how the "state institutions maintained ties with only limited segments of society" (p. 234). This shows how the inequitable economic growth was creating a social issue in Egypt.

2.3.1 Assessing Social Protection Programs in the Middle East

In order to construct the research and explain what has changed throughout the IMF's approach, it is essential to study how their programs were designed and to evaluate its outcome.

As previously stated, the programs that were applied in Latin America, for instance, have led to deterioration in the social realm. But the question is, was the Middle East after 2011 able to push the IMF to rethink and redesign its programs? The program assessments will allow for a case studies of the different policies adopted post-Arab Spring.

First, Ahmad Awad's (2017) article assesses the IMF and WB's intervention on Jordan. He argues that the IFI's intervention did more harm than good. Jordan has a history of extensive interference of IFIs which began in 1989 till 2004. However, this period did not result in the economic prosperity that Jordan has hoped for; on the contrary, the austerity measures that were implemented through the IMF and WB's prescription have resulted in socio-economic deterioration. Awad then examined the Fund's involvement post-2011. His analysis is useful as he delves into Jordan's problematic states of poverty and unemployment and connects this to the unsustainable resolutions of the IMF.

A similar assessment approach has also been carried out by The Tahrir Institute for Middle East Policy (2018) on the Egyptian case. This study however, takes it a step further to assess the effect of the IMF reform program of 2016 by looking at the policies and fiscal, monetary and socio-economic trends. Among the main findings is that despite the success of the social program "Takaful and Karama", it does not counterbalance the inflation, devaluation and subsidy cuts that were implemented. Furthermore, this report denotes that the austerity measures that the IMF suggested, such as reducing the wage bill that was met with high inflation and rising costs, have disproportionately reduced the wage brackets (p.6). Ultimately, this could undermine one of the IMF's social objectives, which is the female participation in the formal economy (p.21). On the positive side though, the IMF program has enhanced the business environment as

the Egyptian government has gone through some significant law restructurings that made the investment climate attractive to the domestic and foreign investors (p.9).

Looking at Sufyan Alissa's (2007b) article, "The Political Economy of Reform in Egypt: Understanding the Role of Institutions", it talks about the Egyptian 1991 economic reform plan. It extensively examines the program's outcomes economically and socially and highlights the limits of the reform efforts. Alissa notes that Egypt's Economic Reform and Structural Adjustment Program (ERSAP) had "three interlinked constrains" (Alissa, 2007b, p.17). The first issue was the lack of coordination with social and sectoral policies. As previously noted, the IMF programs have a tendency to pay focused attention to financial and macroeconomic reform unlike that paid to the social and structural issues. Not addressing such issues in a country like Egypt, will not guarantee the success of any program. The second issue is the inability to foster a healthy business environment that can compete with the global economy. Egypt did not have proper investment policies added by "bureaucratic inefficiency, red tape and wasteful government expenditure" (Alissa, 2007b, p.17). As for the third issue is the lack of consensus of the reform efforts regarding timing, means, and goals. This time inconsistency issue has been a prolonging dilemma in Egyptian politics. The issue here lies within the "bureaucratic inefficiency" and that the Ministers do not guarantee to remain in their position for quite some time; they tend to focus on achieving short-term rather than long-term goals. This creates an inconsistency in the goals that need to be achieved, which does not enhance the business environment.

The same article also focuses on the drawbacks of this program and provides recommendations that should be made in future arrangements to avoid such pitfalls (2007b). One of the recommendations that were made was to include a social safety net so that people,

especially those who rely on government subsidies or assistance, do not suffer. A large segment of Egyptian society is poor, many of whom barely earn what can feed their families for one day. These people feel helpless and insecure if they cannot guarantee that they can afford to feed their families. The need for a change in the policymaking side of the coin was needed. The sole focus on enhancing the macroeconomic indicators was sidelining the social element directly impacting the regular citizen.

This literature review has focused on relating the themes of austerity, social justice and the shifting priorities of the IMF in particular when it comes to the social dimension of economic development. The austerity measures that are brought by the IMF in their reform programs are usually where the issue lies. From the literature that was viewed, the Fund is keen on putting forward quick remedies to the economic woes that the recipient country suffers from. These austerity measures which shall put the nation back on track tend to harm some segments of society, especially vulnerable groups. Similarly, from a social justice perspective, there have been concrete debates as to whether austerity measures that are implemented do achieve a better standard of living for citizens in the long-run, and achieve fairness. The outcomes of these experiences in Latin America and elsewhere have thusfar proven contrary to these aspirations. Another issue is the Fund's unclear definition of social justice whereby it claims that the general benefit will trickle-down on all segments of society. From what was explored in the literature, it can be deemed that the Fund realized the inaccuracy of this belief and thus, it resorted to incorporating social protection program to achieve social justice by reducing inequality.

The region in particular has remain understudied in the assessment of social effects of the IMF's newest structural programs. Specifically examining the Fund's approach towards social protection schemes in the Middle East, the literature that has been written on this

phenomena demonstrates that not much has actually been achieved on the ground. Instead, this has been argued to be window-dressing approach by the Fund to be in line with the global institutions that call for reducing inequality and to promote social justice. The examples that the literature focused on also refutes the claims that correlates the Arab Spring to the Fund's enforcement of social protection schemes. In fact, the Fund has not really done much from its side regarding these schemes.

The recently adopted IMF programs have heavily emphasized the inclusion of social protection programs. Thus, it is important to understand the reason for the inclusion of these programs and whether or not they have achieved their designated role. Ultimately, this will help in assessing whether or not there has been a paradigm shift of the IMF's schemes and their extent of implementation in practice not just in theory. Most of the studies point towards the notion that the IMF has just provided its public consent to the inclusion of social protection schemes into its programs but there has not been any fundamental change in its policies to enforce this. This analysis is critical as it shows that the paradigm shift was not quite there. This goes in tandem with the literature theme that looks at the Fund's conceptualization of social justice. We draw from the Fund's vague definition is that it alludes how the Fund views the idea of social protection in general to be a secondary goal to the macroeconomic reforms.

Chapter 3: Methodology

This chapter discusses the research methodology adopted for this study. The aim of this study is to provide a regional, national and bottom-up perspective on the role of the IMF in developing and promoting social protection programs in the MENA region. In order to achieve this overarching objective, this section details first the conceptual framework that guides the analysis of primary and secondary data sources, followed by an explanation of the research design, data collection, data analysis and ethical considerations.

3.1 Conceptual Framework

Different authors have addressed the question of how to assess and evaluate the IMF's role in the region in the aftermath of the Arab uprisings, especially regarding its social contract with the region's citizenry. For the purposes of this research, the main variables that this research focuses on are related to the social dimensions of the examined countries; and it looks specifically at the unemployment and poverty levels as they tend to reflect the effect of the reform policies which are adopted. Also, the research demonstrates how these countries have been shaped since engaging with the IMF on the social level and to what extent has this element developed.

However, to begin with there needs to be a definition of the main concepts that this research tackles, as previously highlighted in the literature review. A first set of concepts relate to the austerity measures and the economic downturn that countries face. It is important to note that these structural programs are a neoliberal policy approach (Simon, 2008). The issue that lies with the adoption of the structural programs is the citizens inability to cope with the abrupt tight economic conditions which are usually not compensated by social assistance. These tight

economic conditions are known as the austerity measures, which are the tough economic conditions that are adopted by the governments in response to the IFIs' mandates to reduce public expenditure. These measures are part of the structural adjustment programs that countries sign up for to obtain loans from the WB and IMF in order to save and improve the economic conditions of a country (Harrigan and El-Said, 2014).

The second set of concepts that are important to note are those concerned with the paradigm shift that this study aims to examine. This shift is related to the social dimension of development that has been the critique of IMF programs in the past. To begin with, the paradigm shift here talks about the change in the rationale by which the IMF adopts and implements its policies. Thus, this research aims to determine whether or not the IMF was able to change its rationale regarding the importance of including the social dimension in its programs. Social protection programs are programs that are created to ensure that the most vulnerable groups of society are not harmed by the austerity measures adopted and that they are provided with a safety cushion to enable them to maintain their basic needs. It is worth noting that existence of the social protection programs does not guarantee social justice as it will be seen later in the research. Social justice as explained in the literature earlier and in the eyes of the Fund, is basically the reduction of inequality and providing equal economic opportunity and social conditions to reap the benefits of the reform programs.

For the sake of this research, the focus will be on one segment of the social protection schemes, which is the cash transfer programs. Cash transfer programs gained their popularity in Latin America in the 1990s and subsequently, became a global trend due to their impressive results in combating poverty and inequality (ESCWA, 2017). These programs give financial transfers to households/individuals. This money is given in the form of investment in human

capital- which is mainly reflected in health care and education. To explain this further, the government provides these beneficiaries with the money to be spent on health and education- usually such type of transfer programs are known as conditional transfer programs (ESCWA, 2017). Cash transfer programs have made their way to the Middle East in the past decade in Morocco, Yemen, Egypt, Jordan, and partial implementation took place in Palestine as well. This research examines the national cash transfer programs in the three cases studies of Tunisia, Jordan and Egypt.

Several key articles have been reviewed to understand the IMF programs that were implemented in Jordan, Tunisia and Egypt. The themes that emerged from these articles guided the research design and the types of questions that interviewees have been asked to reflect on. These articles also form the basis of the construction of the regional case studies. From this literature, the main themes identified that will aid in the construction of the country focuses on the country's history of social protection programs, the division of labor between national governments and the IMF (policy design, implementation and evaluation), the relationship dynamics between the IMF and these countries before and after the Arab Spring, the state of national programs, their recorded pitfalls and shortcomings, and what future cooperation lies between local state actors and their international counterparts.

3.2 Research Design

This research adopts a qualitative research approach. In order to tackle the research question, the case-study approach has been used to look at the countries that are examined to achieve the research objectives of constructing a regional understanding of the study rationale of these programs and an in-depth analysis of one social protection program. The three countries

have been selected to this end, are namely Tunisia, Jordan and Egypt. This study explores the IMF programs and studies the model by which they construct these programs through meticulous content analysis. The reason for choosing these Middle Eastern countries is because they share common political and socio-economic challenges. Despite the regime changes that occurred in Tunisia and Egypt during the Arab Spring, the three nations had a similar political pattern of the patron-client relationship. Because of this relationship, the citizens of these nations have suffered from "denial of socio-economic rights and regimes [have failed] to provide social justice" (Teti et al., 2017).

Particularly in Egypt and Tunisia, Yaghi (2018) talks about the general history of the patron-client relationship that existed until the rise of the Arab Spring. Focusing on the ruling period of Ben Ali in Tunisia and Mubarak in Egypt, the author claims is that the citizens of both countries were resistant to change that was brought about with the SAP policies that were adopted as they have been accustomed to subsidies that were on basic commodities. Realizing this, Ben Ali and Mubarak pursued their liberalization policies that made them monopolize the economies in their hands and provide their citizens with what they needed in exchange for the political control.

The in-depth analysis of the case of Egypt was selected to provide a more holistic view of how social protection programs adopted through the IMF are designed, implemented and evaluated by national partners. This case study is constructed through secondary data collected from the IFIs websites, as well as primary data collected through interviews with policymakers, aid recipients and social policy researchers. The following sections discuss these two axes in more detail.

3.3 Case Study

In these case studies of the IFIs, the IMF programs of three countries are assessed. Understanding and measuring the effect of the "social safety net" introduced in these programs requires a thorough analysis of their implementation, impact and results. The parameters of this study cover the economic background of the country, its social policies before and after the Arab Spring as well as examine the relationship between the IMF and the nation before and after this period. The reason for selecting Tunisia, Jordan and Egypt is because these three countries have had an extensive partnership with the Fund. Moreover, in the recent programs adopted after 2011, they have tended to share common characteristics and similar socio-economic structures as argued for in the literature (Momani and Lanz, 2014; Mossallam, 2015).

The research is going to begin by discussing the three countries' reform programs and how they have tackled the social dimension with the IMF. This has been achieved through the use of social research procedures as they "systematically investigate the effectiveness of social intervention programs" (Rossi, Lipsey, & Freeman, 2004). This means that evaluation generally tackles social problems, the conceptualization and program design, the process of implementation and administration, and the efficiency and effectiveness of the programs to yield the desired outcomes. Therefore, the use of this technique evaluates if a certain social intervention is suitable to tackle a certain social issue. Also to see whether that the intervention adequately reaches the targeted population and beneficiaries, the feasibility of the program, its cost-effectiveness, how well it is designed and implemented, and if it produced the desired benefits and outcomes (Rossi, Lipsey, & Freeman, 2004).

Secondary data sources and content analysis were used to construct the cases of Jordan and Tunisia. The will allow in exploring the policy literature on this topic specifically, the IMF

staff reports which are periodically published after each assessment of the programs implemented (especially those after the Arab Spring). It is important to note that this is going to also allow for deriving a better understanding and analysis of the effect of the IMF's programs on these countries. The data sources include but are not limited to IMF staff reports, World Bank reports and data, and journal articles. The content analysis will rely on policy documents, which are published by the IFIs and the governments and scholarly articles. This analysis is conducted by individually discussing each country thoroughly on its own with regards to socio-economic and political dynamics and how this has influenced the relationship with the Fund and the Fund's response to the changes that took place in the region.

These secondary sources talking about program assessment will explain the reform programs that were created post the Arab Spring compared to the programs before this period. This will constitute a large portion of the research as each country will have its pre and post-Arab Spring assessments. To demonstrate the paradigm shift of IFIs, it is important to look at how their previous programs were designed and how and what changed. Perhaps it could be viewed that IMF's evaluation and recommendations might be biased; therefore, the use of scholarly articles provides a comprehensive view for the assessment.

This thorough type of research is very useful to analyze the historical trend of the programs as well. To demonstrate this shift, the programs that were implemented in Jordan, Tunisia, and Egypt in the 1980-1990s will be studied. This time period was particularly chosen as the economics of the region was quite intense. Then it will look specifically at the programs that took place throughout 2011 till 2016.

In addition, although the data sources for Jordan and Tunisia are primarily written documentation from the IFI and national programs, primary data from interviews with experts is also used to triangulate and verify the results.

Case Study on Egypt

The research is covering an in-depth analysis of the Egyptian scenario. The reason for this is because there is more accessibility to primary resources from both the implementer's side, which is the Egyptian Ministry of Social Solidarity (MOSS) and the direct beneficiaries of the social protection programs. In addition, Egypt is currently regarded as one of the top-performing economies of the region which makes it worthy of further analysis. The use of a case-study research approach is an appropriate method to utilize in this research. Referring to Neuman (2000) on the strength of the case study approach, "the intricate details of social processes and cause-effect relations become more visible" (Neuman, 2000, p.42).

The Egyptian case study has been constructed using both primary and secondary sources. Concerning the latter, policy documents were acquired from internal sources at the Ministry of Social Solidarity (MOSS) which looks at interim and a proposed end line assessment of the social protection program. Primary data was also collected to verify experiences and triangulate the data with a diversity of points of view, as will be further explained in the following section.

3.4 Primary Data Collection and Interviews

Since the research is studying ongoing programs in the region, it is important to obtain feedback on these reforms from first-hand recipients and policymakers. This included in-depth interviews that encompassed the two sides of this coin -the program designers and recipients.

The sampling strategy by which both groups were selected is known as ‘convenience sampling’; the primary criteria for selection is based on ease of reachability (Neuman, 2002, p.248). In addition, the chain referrals or ‘snowball sampling’ technique has allowed for reaching the desired targeted interviewees as they were provided through referrals from one person to the other (Neuman, 2002, p.275).

Interviews conducted were semi-structured with pre-prepared guides with questions based on an initial reading of the literature. A semi-structured approach was used for two reasons. First, interviewees may not want to adhere to a strict series of questions given their sensitive titles. Second is that it is intended to leave the floor open for them to elaborate on key matters that they feel are important so the questions will merely draw the mainframe of the topic.

A total of 10 interviews were conducted based on four categories: Takaful and Karama beneficiaries, IFI officials, state officials, and academic experts. In particular, one interview was conducted with the Egyptian Ministry of Social Solidarity (MOSS) official, two interviews with international IFI consultants, and two interviews with social policy researchers and academics. This first set of interviews focused on how “social safety nets” were designed and implemented across the region but also more specifically in Egypt. Additional questions in the interview guides for the MOSS representative focused on the Takaful and Karama program and they were asked about the rationale of the program design, the process of cooperation between the IMF and WB, current dilemmas, and future visions. As for the IFIs officials, they have been asked more on the general scope of the IFIs paradigm shift- how these programs were enhanced and the reasons for incorporating the social safety nets. Social Policy researchers were asked about their holistic view of the MENA’s social protection programs and what further work needs to be done. Answers from these interviews were used in the regional case studies.

A second set of interviews were conducted with Takaful and Karama recipients, totaling five interviews. They represented widows, families and children with chronic diseases. They were asked about the process of application to the social protection program, its effect on their well-being and what needs to be done to enhance these programs.

3.5 Data Analysis

Two levels of data were collected in this study: both primary and secondary data. Data analysis was an ongoing process as is common with qualitative research (Ambert el al., 1995). Open coding was used to read interviews, internal documents and expert opinions alongside one another, and this data was categorized into the themes developed in the conceptual framework, based on an inductive approach compatible with qualitative research (Neuman 2002).

3.6 Ethical Considerations and Limitations

Participants provided their written and/or oral consent before conducting the interviews. In addition, it was clarified to the interviewees that the information shared will be solely used for academic purposes. The real names of these interviewees have been replaced with pseudonym names unless otherwise stated. Also, it was noted that their participation is voluntary and they have the right to refuse to participate or opt-out during the interview if they wish so. The interviews have been conducted after obtaining the approval, which has been granted on September 16th, 2021, by the Institutional Review Board (IRB) at the American University in Cairo (AUC).

The most evident limitation was the process by which the interviews were held. Due to the COVID-19 and the accessibility to interviewees being difficult so most of the interviews have been done remotely through phone calls or through online platforms. However, this was

tackled through conducting these interviews remotely over the phone. Also, some were not entirely comfortable when they were first approached to participate but this was mitigated through having a much more friendly conversation rather than creating a tense, formal tone especially with the absence of the human interaction component.

Chapter 4: Social Protection and the IMF in the Middle East

Social protection programs in the Middle East target vulnerable groups who are affected by the austerity measures that are accompanied by the IMF programs. The term ‘social protection’ is synonymous with safety net programs; yet, the former places an emphasis on the long-term developmental approach. It encompasses cash transfer programs, social insurance and social assistance (Jawad, 2014). This chapter will provide an explanation for the meaning of social protection and how the Middle East fares in these programs before and after the Arab Spring. To properly analyze this, the chapter will be split into two parts. The first will explore the relationship between the IMF and countries of the Middle East region regarding social protection programs and their implementation, particularly cash transfer programs. The second part of the chapter will focus on the case studies of Tunisia and Jordan. These case studies will then be divided into five subsections. They will provide a brief economic history of the country, the dynamics of the relationship between the IMF, an overview of the country’s social policies, the IMF’s view of national social protection programs and finally, it will showcase the shortcomings of these programs.

4.1 Social Protection Programs in the Middle East

The Middle East has a prolonged challenge with employment and poverty rates. This has always resulted in an issue to the governments of the region since they have always acted as the main providers for basic needs for the people where these grants are given and not earned. This attitude was facilitated by the lucrative earnings made, especially in oil-rich countries because of high oil prices. This resulted in a trickle-down effect for the remaining countries of the region, as a result, expatriates used to send back home their remittances, providing a source of revenue to

the governments (Momani, 2020). Ultimately, this trend did not last long. When the oil prices began to drop in the late 1980s and governments were unable to cope with these expenses, the economic performance of the Arab countries began to decline with some countries coping better than others. Those countries that suffered dramatically resorted to the IMF for assistance. When the IMF came with its tightening policies, the assistance the governments provided to its people began to lessen. This has impacted the different segments of societies. However, these governments began to realize that the most vulnerable groups had to be secured and this is when the social protection programs began to evolve.

“The situation in the Middle East is dismal” is how Dr. Ghada Barsoum, associate Professor and Chair of the Department of Public Policy and Administration at The American University in Cairo (AUC), begins her reflection on the social protection programs in the region:

To begin with, accessibility to services is the first building block for a proper social protection program. This is difficult to achieve due to the region’s population growth which is unmatched by enough financial commitment by the government to support social services. There is a financial burden to properly invest in human capital through education and healthcare services. Another issue is that usually, these programs have a poor level of outreach and inadequate amounts of financial support are being transferred to those who need it (interview with Dr. Ghada Barsoum, October 2021).

This analysis indicates that the governments need to effectively manage their resources and to allocate a sizable amount of their budget to focus on investing in human capital. The common issue, perhaps, is that the government does not look at the long-term effect of such investment. The money then goes to subsidization schemes which will create not just a financial burden on the government but also a dependency on the government to provide such basic needs.

Therefore, these beneficiaries will be more reluctant to join the labor force as the government supplies them with stable financial assistance. So if the government allocates this money to create a solid social protection program, this will lift the financial burden from its budget and instead spend these funds on education and healthcare. As a result, an educated workforce will plow back into the investment that was made by the government into the economy. However, this discourse is considered to be the idealistic and IFI-sponsored justification for the removal of state subsidies toward social development objectives. Yet there has been some arguments that these allocations will actually go toward fixing fiscal dilemmas, rather than increase spending on education and health. The viability of the governments' abilities to commit to this social spending remains to be seen (Sab et al., 2014).

4.1.1 The Middle East and IMF: Before the Arab Spring

The objectives of the IMF have seen some important changes over the past 15 years. These changes have reflected the “diversity of challenges facing the IMF members, including helping countries transform from centrally planned to market economies, promoting growth and poverty reduction, and dealing with capital account crises where massive capital outflows have pervasive macroeconomic consequences” (Ghosh et al., 2005, p.3). In order to achieve these outcomes, the austerity measures that are brought through the Fund's reform programs tend to have a direct impact on the citizen's well-being. In some instances, the countries may not be able to keep up with these measures and may eventually fail to complete the designated programs.

According to Harrigan et. al (2006), there are two factors that affect the flow of IMF lending in the region: the recipient country's economic need and the donor's interest and US influence. During the 1970s, the Middle East and North Africa (MENA) region witnessed its

prime economic performance. This boom in wealth and performance was mainly driven by oil revenue. Nevertheless, this prime time did not last long as shortly in the 1980s, oil prices began to drop. This brought about a sharp decline in the region's Gross Domestic Product (GDP) as oil was heavily relied on as a source of income. Additionally, other macroeconomic indicators were also moving in the same direction. For instance, ratios like saving and investment rates, as well as the export/GDP and import/GDP, declined. This negative performance was due to several factors such as: poor economic management, corruption, high population growth rate and "prolonged heavy [economic] protection" (Harrigan et al., 2006). Collectively, this resulted in high unemployment rates and economic inefficiency. In the case of the three countries that are being examined, the recipient country's need was the dominating factor in the equation. The assistance that was provided by the donor as it was seen; however, did more harm to the social dimension, especially in the long term.

As it will be explored throughout the research, it can be denoted that the IMF's prerequisite to implementing its new programs, imposed after 2011, was to include the social protection element. The governments of each country joined forces with the IMF to design these programs and ensure efficient implementation. The reason for seeking the IMF was driven by the governments' inability to contain the situation further; there was no local solution to such economic pressures. Also, the Fund and WB tend to provide more professional technical assistance which was needed to assist the local governments to achieve such reforms. These reform programs required funding and the identifiable stream was envisioned to come from restructuring the subsidy programs which existed in these Arab regions. According to (Sab et al., 2014):

MENA countries spend on average much more on subsidies than other regions, and have increasing difficulty financing them. Total pre-tax energy subsidies in 2011 cost \$237 billion—equivalent to 48 percent of world subsidies, 8.6 percent of regional GDP, or 22 percent of government revenue. They amounted to \$204 billion (8.4 percent of GDP) in oil exporters and \$33 billion in oil importers (6.3 percent of GDP) (p.ix).

When it was time to restructure the subsidy distribution and replace them with more efficient social safety net programs. The ordinary citizen was at unease seeing the higher prices of the basic commodities such as: bread, energy, and gas increasing but the rationale of this subsidy restructure was to give the subsidy to those who actually need it. The reason for that resentment and disapproval was because of the replacement of the universal subsidies with social safety net instruments that “could lead to stronger social protection and generate, at the same time, substantial fiscal savings” (Sab et al., 2014). Thus, if the subsidy reform strategy is not properly communicated to the citizens, this immediate loss of benefits creates a feeling of discontent towards the IMF’s programs as people do not really understand what is happening.

Generally, in the cases of Tunisia, Jordan and Egypt, a spectrum for the implementation of the social protection programs can be drawn. While these three countries have a common economic and political dynamic; as they have shifted from social to neoliberal economic structures and have undertaken comprehensive economic liberalization programs (Harrigan and El-Said, 2014). The process of implementing the social protection programs was very different. For instance, while Egypt and Jordan’s first loans were given in response to macroeconomic difficulties as Harrigan and El-Said (2009) note, the Tunisian scenario was rather vague as evidence suggests that its first IMF loan was not disbursed for the same reason as that of Egypt and Jordan. As a matter of fact, Tunisia “was responding to the growth rate variable, which was

not one of the standard macroeconomic variables one usually associates with IMF programs in the 1980s” (Harrigan and El-Said, 2009, p.23). Chandoul (2017) offers the reason for which the loan could have been requested for. He states that this was done to support the transitional period that Tunisia was going through and how the loan would help the policies that were adopted at that time which were anchored to trade liberalization and a privatization scheme.

4.1.2 Social protection programs and the Arab Spring

The chants that took over the streets in 2011 demanded social justice. Some scholars have suggested a correlation between the Arab Spring and the lack of proper implementation of social protection programs as Abdel Ghaffar (2020) argues. He claims that the improper implementation of the social protection programs has resulted in discontent and this has the region to revolt.

However, from an academic perspective, Dr. Barsoum denies that the lack of sustainable social policies generally in the region has no clear linkage to “sparking the revolution”. The Arab Spring was a political shift that happened in the region as the demographic pressures and the poor leadership was unable to sustain any further (Interview with Dr. Ghada Barsoum, October 2021). Similarly, Dr. Sahar Nasr, former Minister of Investment and International Cooperation and Egypt’s governor at the WB reaffirms the same view. She noted that:

The paradigm shift of the IFIs was before the Arab Spring erupted. This change was to coincide with the Sustainable Development Goals (SDGs) of the United Nations for 2030. This change was also important as these IFIs wanted to have a more humanitarian approach not just for the MENA region but rather on the global spectrum. With these factors combined, the IFIs realized that macroeconomic reforms and structural reforms

allow for a better business environment, job creation, and economic growth. Therefore, the notion of the integrated development package was not an outcome of revolution but perhaps it has exacerbated the implementation process to achieve stability (interview with Dr. Sahar Nasr, October 2021)

The perspectives claim that this paradigm shift was not a consequential outcome of the Arab Spring. Instead, it was a general call for change that began at an earlier phase in all IFIs. This collective reaffirmation is fundamental as it is made from both, an academic perspective that Dr. Barsoum provides and from the policymaking perspective that Dr. Nasr provides. It proclaims that there is no direct causation between the Arab Spring and the negligence of social policies and that the paradigm shift of the inclusion of social protection, among other social aspects, has not occurred solely due to the Arab Spring.

Overview of cash transfer programs in the Middle East

The objective for promoting and developing social protection programs in the region stems from three rationales promoted by official IMF discourse. The first is that it has a political function that will enhance the local regime's legitimacy; second, that it is for welfare purposes as it promotes social justice and wealth redistribution; and the third is the economic function which will develop human capital and productive capacities to aid in economic growth (Jawad, 2015). These are again the more idealistic claims in the objectives of both new and older social protection programs in the region, however these objectives continue to be illusive in their achievement (Sab et al., 2014). As it was mentioned earlier, unemployment was one of the main struggles therefore, it was important to create a social cushion to ensure stability in the region especially with the austerity measures that eventually came about with the IMF reforms made

after 2011. Achieving this welfare stability is quite a “complex” function as it requires both political and institutional reforms (Jawad, 2015, p.8). Another common issue that these countries’ programs face is the “substantial targeting inefficiency” which means that there are errors in the inclusion and exclusion of the beneficiary groups (Loewe and Jawad, 2018). This confirms with what Dr. Barsoum noted earlier on the importance of establishing a correct methodology which shall encompass all vulnerable groups of society that actually need the assistance.

Undoubtedly the countries surveyed still have a long way to go to ensure that their social protection schemes, which are reflected in the cash transfer programs, are well-developed and inclusive of marginalized groups. The time factor could also be a component that should be considered when assessing the overall effectiveness of these programs. These subsidy reform plans which were made in order to develop a better cushion for the vulnerable groups are still relatively new. Consequently, it can take quite some time for the outcomes to be witnessed. The subsequent sections will demonstrate how the countries’ relationship with the IMF in regards to social protection programs before and after the Arab Spring and it will demonstrate the shifting of program rationales if any.

4.2 Tunisia: Case-Study

In 1986, Tunisia became an IMF Standby recipient. Until 2003, Tunisia had received nine WB Structural and Sectoral Adjustment loans in addition to five years of continuous financial support from the IMF. Moreover, Tunisia’s history proves that it has maintained a strong stance in social provisioning, “between the early 1990s and early 2000s, Tunisia was the highest social spender in the MENA region” (Harrigan and El-Said, 2014, p.48). In 2011, the Tunisian

economy was crumbling. Economic growth rates declined and unemployment rates, inflation and account deficit increased. The dire need for an economic reform program was undeniable. After the negotiations between the IMF and Tunisian government regarding the structure of the program, in June 2013, the IMF approved a 24-month Stand-by Agreement (SBA) amounting to USD 1.74 billion. A follow-up program was then created in May 2016 with the IMF for a four-year Extended Fund Facility (EFF) loan amounting to USD 2.9 billion. The section will provide a brief background and history of the Tunisian economy. It will then look at the relationship between the country and the IMF economically and socially post the Arab Spring of 2011. In addition, an overview of the technicalities and the shortcomings of the local social protection program will be made.

4.2.1 Brief Economic History

In 1986, Tunisia embarked on an ERSAP which focused on three main goals: the re-establishment of macroeconomic stability, the reduction of the current account deficit and the minimization of market distortion measures (Erdle, 2020). These goals were achieved through “the introduction of the value-added tax (VAT), reduction of personal income tax, facilitation of quantitative restrictions on imports, devaluation of the Tunisian Dinar and negotiations with the creditors to extend the maturities of the foreign debt of the country” (Ayadi and Mattoussi, 2014, p.1). Since the adoption of these stabilization and structural reforms, Tunisia has demonstrated excellent dedication and commitment to the Fund. The country has not failed any of its debt repayment obligations, improved its poverty rates, stabilized the country’s macroeconomic indicators and managed to sustain healthy growth rates (Harrigan and El-Said, 2009). The Tunisian government and the Fund maintained a close relationship as the latter monitored the

macroeconomic performance regularly. Amidst all of these reforms, Tunisia's commitment to social policies remained sturdy. The Tunisian economy grew on average 4.5% per year since the mid-1980s; it was one of the fastest-growing economies of the region (Harrigan and El-Said, 2009, p.128) this was accompanied by a reduction in poverty rates (Harrigan and El-Said, 2009, p.138).

Liberalization was dominating Tunisia during the 1990s; legislation frameworks were geared towards "encouraging foreign investment, accelerating privatization and deepening integration into the European market" (Ayadi and Mattoussi, 2014, p.1). This commitment was reflected in the political and economic vision of the Tunisian President at the time, Zein Al-Abdin Ben Ali as he wanted to achieve a new era of economic liberalization. This reform strategy was implemented through a developmental reform plan 1987-1991, known as the Seventh Plan. It included macroeconomic stabilization and structural reform in the agricultural sector under the auspices of the IMF and WB respectively (Harrigan and El-Said, 2009). Other processes of liberalization programs took place which also included the European Union and the African Development Bank (AfDB).

Generally, from the early 2000s to 2011, Tunisia witnessed a robust business climate that adhered to the global indicators of success by IFIs. Macroeconomic indicators such as GDP, foreign direct investments and exports had steady growth rates. On top of that, the private sector dominated the economy; it constituted 57.1% of the total investment, 85% of exports and 91% of job opportunities (Ayadi and Mattoussi, 2014). Tunisia has also been praised under Ben Ali's rule as it was able to achieve very low rates of poverty. This was just the bigger picture. Looking closely, Tunisia had issues with inequitable growth and high unemployment rates among the educated youth population (Ayadi and Mattoussi, 2014, p.2). The reason behind these issues was

political rather than economic. The privatization wave, which was promoted by the IMF, was controlled by those who had close connections to the ruling regime, namely Ben Ali and his wife Leila Trabelsi. This inner circle of the ‘Trabelsi-Ben Ali clan’ started to control the investments and private projects of the country (Oubenal and Hamouda, 2018). Thus, the ‘monopolization of wealth’ was in the hands of this elite businessmen group (Hibou, 2006).

4.2.2 The IMF and Tunisia post-2011

After the Arab Spring, the political situation was shifted completely. During this period, Tunisia faced political imbalance and a fragile economy, inherited from the systemic developmental issues from the 1980s (Ayadi and Mattoussi, 2014); the intervention of the IMF was sought to save the ship from sinking. In an excerpt taken from the IMF’s 2012 staff report on Tunisia, it seems to suggest a significant departure from the IMF’s previous positions:

Addressing pockets of poverty and implementing targeted policies to protect the most vulnerable groups in the population will be needed. Revised poverty estimates indicate that poverty rates and inequality are higher than previously stated. At the same time, improving the quality of spending by putting in place a targeted social safety net and shifting budgetary resources to infrastructure investment, education, and health should improve growth prospects and social outcomes (p.6).

This portrays the new perception of the IMF regarding the importance of addressing social protection and providing assistance to the weaker segments of society. However, as it will be elaborated on later, Mossallam (2015) denotes that what happened on the ground was not as proposed stating that the Fund continued to promote the policies that it has always called for.

In 2016, Tunisia's EFF program was put into action. This arrangement was targeted towards promoting inclusive growth and creating jobs. This was to be achieved through four pillars namely: consolidation of macroeconomic stability, reformation of public institutions, promotion of financial intermediation, and improvement of the business climate (Abdel Ghaffar, 2020). Yet, the paradox that Mossallam (2015) points towards is that in 2013 when Tunisia received its first disbursement of the SBA, social protests broke out in the country amidst the government's attempt to implement these policies. The abrupt increase in basic commodities and subsidy cuts were the triggers for the protests.

Given the amicable history between the IMF and Tunisia, securing a loan to help in rejuvenating the economy post-2011 was expected to be a smooth process in spite of the economic and political instability. Hecan (2016) argues in his article that Tunisia was able to succeed in its negotiations with the IMF for its 2013 stand-by agreement for two reasons. The first is that Tunisia "enjoyed a more suitable domestic political environment" (Hecan, 2016, p.766) which facilitated and supported reforms. The second is because Tunisia did not have alternative resources that would substitute for the IMF loan. According to the IMF's report on Tunisia (2013), it stated that Tunisia was able to successfully implement nine out of the 14 reforms to which it was committed under the SBA. As mentioned earlier, these reforms were targeting several aspects on the macro level such as: ensuring financial stability, tax fairness and reducing energy subsidies. Another reform, which was explicitly highlighted, was protecting the most vulnerable segments of society through creating a sturdy social safety net.

Despite the IMF's change of rhetoric, it continued to promote the same ineffective policies it did under Ben Ali's regime. These policies have not really addressed the deeply rooted socio-economic issues of inequality and poverty which were one of the causations for the

Jasmine revolution of December 2010. The trade liberalization and subsidy cuts were harming the Tunisian economy, especially with the absence of a developed social welfare system (Mossallam, 2015). This absence exacerbated the youth unemployment issue. The unconditional cash transfers and free healthcare programs were directed towards poor families so the unemployed youth population was “outside the available social safety nets” (Abdel Ghaffar, 2020). Evidently, this misallocation of welfare assistance was a critical issue that had to be addressed.

4.3 Social policies in Tunisia

Throughout its journey of reforms, social provisioning was not neglected in Tunisia. The government has allocated a substantial share of the national income to economic and social development to improve the Tunisian citizens’ living conditions and to provide decent health care (Mrad, n.d.). What distinguishes Tunisia as a pioneer in the MENA region in this aspect is the “comprehensive nature of its social coverage” (Mrad, n.d., p.140). Tunisia has attempted to emphasize the importance of providing all segments of society with a suitable protection program to enhance their living standards and provide decent health care. This comprehensiveness also expands to an all-encompassing protection scheme that covers: retirement pensions, allowances for the elderly, widows and orphans and work injury benefits (Abbate, 2017). Furthermore, in 2014, Tunisia’s new constitution included the right to social protection (Mrad, n.d.). Thus, the social protection component became a granted right for the citizens. In spite of all of this, the Tunisians were not particularly satisfied with what was being offered; they were incapable of coping with the economic hardships and socio-economic injustice. When the IMF and government began negotiating for the new loan for 2013, it was

crucial to modify these programs to avoid the previous mishaps and to ensure strengthening the social safety net.

In the EFF program in Tunisia, the IMF's staff report (2016) regarding the request for the program specifically addressed the potential risks that exist in the nation which arise from the security and the social tensions. Thus, the objectives of the EFF program explicitly stated that the "economic reforms will be accompanied by a better targeted social protection system." This program perhaps could be regarded as the turning point of the IMF's paradigm shift with regards to social protection programs. This EFF program has built upon the information obtained in the pre-existing cash transfer program to ensure delivering a better-targeted social safety net. The social safety nets in Tunisia are based on direct transfers schemes known as the National Program of Assistance to Needy Families (*Programme National d'Aide aux Familles Nécessiteuses* -PNAFN), and on a health access program which provides access to public medical institutions either free of charge (*Assistance médicale gratuite* - AMGI) or at a reduced rate (*Assistance médicale à tarifs réduits* - AMGII). Families are selected by local and regional commissions to become the beneficiaries of these programs (Nasri, 2020). Tunisia demonstrates in this program that it was able to identify that its investment should focus on human capital. This was reflected in the healthcare program design and the provision of assistance to underprivileged families.

Background on PNAFN

For the sake of the research, the main focus will be on analyzing the PNAFN² as it is the current program that is concerned with providing cash assistance to vulnerable households. The

² PNAFN targets families that are deprived of material support, households that cannot exercise a professional trade or business and households that have an adjusted annual income that does not exceed an equivalent of USD 1.25 per

goal of this program is to provide basic income security for children, citizens of active age and the elderly (Abbate, 2017). The department of Social Promotion of the Ministry of Social Affairs (MAS) is managing this program. It has announced the eligibility criteria in Circular number 5 of the MAS of 16 May 1998. Firstly, the family income must fall below the poverty line which is set by the Tunisian Institute of Statistics (TIS). The reason that could justify the use of the TIS as a benchmark for poverty rather than having it based on IMF calculation is that this program is tailored by the Tunisian government. This engagement of the Tunisian institutions is critical as it emphasizes on the concept of the national ‘home-grown’ program design process that the Fund and other IFIs encourage. Secondly, some additional socio-economic conditions are to be taken into account such as: number of household members with a disability and/or chronic illness, household size and living conditions of the household. Based on the declarations made by these households, public benefits are awarded. It is also worth mentioning that the AMGII component encompasses a larger portion of the Tunisian household compared to the PNAFN which is more generous. Looking at the figures that Nasri (2020) mentions:

In 2011, 6.7% of Tunisian households benefited from PNAFN and 19.6% benefited from the AMGII. The design of these programs assumes that those benefiting from AMGII should not receive the benefits of PNAFN. The coverage rates of the two programs vary by region.

In short, PNAFN recipients receive a more generous compensation compared to that of AMGII recipients. The former covers a narrow segment of the Tunisian community while the latter covers a much larger segment. The division of the targeted groups of these recipients is based on the family income, socioeconomic status as well as the region in which these groups are located.

day. The AMGI provides free healthcare and the AMGII subsidizes healthcare programs targets low income households.

4.3.1 The IMF and Social Protection

When Tunisians began their protest in 2011, one of their demands was social equality. Thus, when the government sought the Fund’s assistance, it advised the government to “lay the ground for a comprehensive set of reforms to achieve higher and more inclusive growth and reduce unemployment in a sustainable way” (Momani and Lanz, 2014). In the IMF staff report in 2012, their deposition towards inequality and redistributive policies has changed to a more assertive stance. They stated:

Addressing pockets of poverty and implementing targeted policies to protect the most vulnerable groups in the population will be needed. Revised poverty estimates indicate that poverty rates and inequality are higher than previously stated, in particular in the underdeveloped regions of the interior. At the same time, improving the quality of spending—by putting in place a targeted social safety net and shifting budgetary resources to infrastructure investment, education, and health—should improve growth prospects and social outcomes (Momani and Lanz, 2014, p.21).

In this excerpt, the Fund publicly acknowledges the existing inequality in Tunisia; prior to the Arab Spring, it has not explicitly referred to it. In addition, the Fund’s advocacy for redistributive policies to improve growth prospects and social outcomes were clearly stated.

After the government’s consideration of these recommendations and reforming the subsidy schemes to accommodate for the enhancement of the social protection program, Tunisia has been praised. The IMF in its fifth review of the EFF for Tunisia (2019), stated that “socially-balanced macroeconomic stabilization” remains one of the critical priorities of the government which the EFF arrangement also supports. In addition, the policies adopted aimed to strengthen the social safety net for low-income households. Stabilization efforts in the social realm will

remain a priority to reduce the impact of the reform programs on the vulnerable groups of society.

From the above, it can be assumed that the relationship between the IMF and the Tunisian government has remained resilient despite regime changes. IMF negotiations were not interrupted or suspended whether it was with business elites that existed under Ben Ali's rule or the new government that came under the Islamist Al-Nahda party (Hanieh, 2015). Hanieh (2015) also claims that the public's resentment of the IMF and WB's engagement in general in Tunisia was watered down unlike in prior years. The reason for that is that the IMF was taking a vehement approach to support the implementation of social policies to avoid any uprisings taking place especially with the new political arrangements that were taking place.

Shortcomings of the programs

However, Abbiate (2017) states that the PNAFN has several shortcomings which makes the program unresponsive to the challenges to the poor and vulnerable groups. Nasri (2020) believes that there are three shortcomings for PNAFN. The first one is predictability; since the allocation of the cash transfer is not based on a clear criterion, but rather on a subjective assessment of local and regional commissions and regional quotas defined by MAS. Second is the level of the benefit. That is the benefit received solely covers the bare minimum to suffice to cover the basic needs

The third shortcoming is the effectiveness of the program. Nasri (2020) states that the program has a certain quota; if the program reaches this quota no more beneficiaries who are eligible to access the program will be enrolled anymore. Nasri (2020) also implies that these programs need more effort to be effective. This would be through enhancing and modifying the

targeting indicators by which the decision-makers select the beneficiaries of these programs. Also, he recommends that Tunisia should introduce other non-monetary dimensions to identify the multidimensional poor households. This collectively would improve the efficiency and targeting of the social protection programs. In fact, it could be linked that the inability to promote a reduction in the regional inequality and poverty, which Tunisia suffered from greatly and were among the causes for the 2011 revolution.

4.4 Jordan: Case-Study

Jordan has a remarkable political identity in the region. Its demographic positioning gives it a strong status on the regional level; additionally, it maintains powerful ties with the Western powers even though it is a relatively small nation. It usually plays the role of being the regional moderator. Even though its economy is quite small, it faced numerous obstacles to the extent that it has resorted to IFIs to resolve these issues. Jordan sought help from the IMF and WB post the severe balance of payments crisis that took place in late 1988 and early 1989. At this point in time, Jordan had exhausted its international reserves and was at risk of defaulting in its external debt payments (IMF, 2005). The cause for this issue was the country's failure to adjust to the end of an earlier regional economic boom, which was triggered by high oil prices. This boom amplified the demand for Jordanian exports, official transfers and private remittances from Jordanians working in oil-exporting countries to start increasing. However, this boom did not last long as in the mid-1980s, oil prices fell. Though Jordan was not an oil producer itself, it relied heavily on the remittances that flew in from worker in oil producing nations. Thus, when the Jordanian economy started to weaken and Jordan began to become indebted, it resorted to the Fund and World Bank to assist in 1989. The Fund's austerity plan called for lifting the subsidies

on gasoline, food and cigarettes. This resulted in riots taking place in southern city of Maan in response to the austerity measures imposed (Ryan, 1998).

In 2004, Jordan completed a 15-year reform program under the auspices of the IMF along with sectoral reforms with the WB. First, it began with the Stand-by Agreement (SBA) loan in 1989 (Harrigan and El-Said, 2009). Under this reform program, Jordan had two phases of growth: the first was in the mid-1990s and the other was during 2000-2004. No additional SBAs were signed during 2005-2012. Nonetheless, in the period post the Arab Spring, the Middle East, was in a rocky state. Despite the general political stability in Jordan, the country's economic state was troublesome. It had faced problems in its balance of payments and had no social safety net to mitigate the impact of the newly imposed austerity measures. Jordan reverted to the IMF in 2012 for financial assistance (Awad, 2017). Securing the loan was not difficult to undertake, given the history of the country and the IMF, in addition to the geopolitical importance of Jordan. It was granted a USD 2 billion SBA loan in response to its economic setback that was caused by high oil prices, unsustainable rent-seeking economic activities and high levels of official corruption. (Mossallam, 2015).

4.4.1 Brief Economic History

The SBA loan in 1989 allowed Jordan to reschedule its foreign debt and restore the country's access to credit. The Fund's strategy was aimed to "revitalize the Jordanian economy via the implementation of one of many structural adjustment programs" (Awad, 2017, p.3). However, this revitalization strategy, which was driven by the liberalization of interest rates, has made things worse for Jordan. The IMF pushed the government to liberate interest rates and as a result, nonperforming loans rose. This brought about insolvency issues for the banking sector as

they did not receive back a large portion of the loans which they expected to be paid back to them. The other area of focus for the Fund, at that time, was the subsidies, which were abruptly cut on basic commodities resulting in riots taking place (Awad, 2017, p.3). Accordingly, the economic situation was deteriorating and socioeconomic inequality began to rise. The first SBA was terminated in early 1991 due to Jordan's initial refusal to support the coalition that was made against Iraqi President Saddam Hussein during the Gulf war.

Between 1992-2004, Jordan had fully committed to the IMF and WB's policies, and this period witnessed a boost in economic growth. From 1992-1995 growth rate peaked at 8.61% while in 2000-2004 it was 4.81% (Awad, 2017). As for poverty levels, they declined in the late 1990s to 11.7% but peaked again in 2002 to 15-30% (Awad, 2017, p.4). It is important also to recall the political situation in the region at the time: The Gulf War began. The enhancement of figures ended in 1995. The Jordanian economy is heavily dependent on workers' remittances. When the war began, Jordanians returned to their homeland. Consequently, this source of income for the economy stopped. In addition, the implementation of the harsh austerity measures which came along with these reforms and with the absence of social protection mechanisms, it was difficult to sustain these IFIs' reforms. In 2002-2004, Jordan was determined to reclaim their growth. In order to do so, a new SBA, which emphasized privatization and pension reform, was introduced. This period witnessed a fast-paced transition to privatization and integration into the global economy (Alissa, 2007a). It was hailed as one of the best case studies in the MENA region and used by the IFIs as an example of the positive effects of their policies.

Nonetheless, the Jordanian economy seemed to have always struggled with the persistent cycle of unemployment and poverty. The general trend of increase for both rates could be attributed to the reforms that were introduced under the pressures from the WB and IMF

(Mossallam, 2015). The subsidy cuts, freeze on civil service wages and salaries and government's cut back on the social welfare expenditure were among the reforms that were imposed by the IMF. As for the WB, "reforms such as privatization and trade liberalization contributed to unemployment, while reforms in the agricultural sector, such as the removal of subsidies on farm production costs, led to increased rural impoverishment" (Mosallam, 2015, p.10). Unfortunately, the social impact of such reform is difficult to measure due to "data issues" as Harrigan et al. (2006) denotes.

4.4.2 The IMF and Jordan post-2011

Jordan returned to the IMF's support in 2012 where it signed an SBA loan for USD 2 billion to address the external and fiscal challenges that the country has encountered from external shocks. The reason for the "stabilization loan " was to assist in recovering from the economic hit, which was caused by the high oil prices, corruption issues and unsustainable rent-seeking economic activities (Mossallam, 2015). Thus, the objective of the loan was to: provide liquidity, help correct fiscal and external imbalances and foster high and inclusive growth (Mosallam, 2015, p.11). As per the perpetually of the IMF, these structural adjustments and promotion of trade liberalization schemes had unfavorable austerity measures. As an outcome, a few months after the loan was signed in 2012, riots erupted in Jordan as people refused these reforms which called for slashing subsidies that deprive the Jordanians of their decent living standards. Three years later, Jordan announced that it had completed the program with favorable outcomes (Awad, 2017). A year later, in 2016, the Fund approved an EFF loan amounting to USD 723 million with an aim to support economic and financial reforms aimed at reducing public debt and accelerating growth.

Throughout its history, Jordan suffered from failing to achieve inclusive economic growth. Similar to the case in Tunisia, the IMF and WB's response to the Arab Spring was to shift their focus to the social element along with its economic technical assistance. The IMF, in specific, has modified its recommendations regarding growth, inequality and expenditure on human capital, in terms of health and education. These components were not previously prioritized by the Fund (Momani, 2020). Compared to the state of turmoil in the region, Jordan's domestic protests were relatively manageable. It was the economy that was badly hit. Primarily, oil and gas imports that came from Egypt were halted and trade routes through Syria and Iraq were blocked. In addition, there was a high influx of refugees from Syria (Momani, 2020, p.13). All these factors resulted in pressures on infrastructure and public services, which sharply increased the public debt on the government. To meet this deficit, excess burden fell on the government, therefore, the IMF was sought to meet this budget shortfall.

The reform programs failed to plan and comprehend the Jordanian's response and their ability to adapt to these changes. It also did not account for how the private sector, which was already burdened with tough tax policies, will cope (Alkhatib and Mohamed, 2019). The Fund should have considered the future implications of its policies in the initial stages and the forced integration into the global economy as Jordan was still trapped in its underdeveloped social welfare system. Jordan's 2016 EFF program continued on the same thread of the "same neoliberal conditions of fiscal contraction as of those in previous agreements" (Alkhatib and Mohamed, 2019, p.69). The increase of the prices of basic commodities remained which furthered the constraints on Jordanians' living conditions.

4.4.3 Social policies in Jordan

The weakening of the support for social protection mechanisms in Jordan is linked back to the implementation of the heavy austerity neoliberal policies implemented. The country was unable to reduce its interest payments and military expenditures; there was no other option to sustain the economy but to come at the expense of social welfare. The citizens suffered from high unemployment and poverty and resorted to a social cushion to depend on mitigating these problems. Jordan's welfare programs still require a lot of effort that needs to be exerted on its development to achieve social justice. The Hashemite Kingdom was pressured by the IMF to "widen its tax base, promote inclusive economic growth, and improve the targeting of social spending" (Momani, 2020). Jordan does not have a national policy for social protection; rather, each public entity has its own set of laws and regulations that define its roles and responsibilities. These public entities include: the Ministry of Social Development (MOSD), the National Aid Fund (NAF), the Ministry of Finance (MOF), the Ministry of Planning (MOP), the Ministry of Labor (MOL), the Ministry of Health (MOH), and the Ministry of Awqaf (Zureiqat and Shama, 2015). The MOSD, however, does not have any current legislation to set the general policies for social protection, development and poverty alleviation.

The Jordanian social protection programs are divided into five components: social assistance, social insurance, fiscal subsidy system, labor market interventions and food security and nutrition programs (Zureiqat and Shama, 2015 p.10). This research focuses on the safety nets implemented by MOSD and the NAF and National Zakat Fund (NZF) programs. MOSD manages social assistance services and provides benefits to various groups such as: the poor, disabled, juvenile offenders, orphans, elderly and unemployed citizens. The MOSD's budget for social services differs from year to year, based on the general budget situation. However, the

National Resilience Plan (NRP) that was adopted in December 2013 requested that additional funds are to be allocated to each service until 2016 (Zureiqat and Shama, 2015, p.26).

Managed by the MOSD, Jordanians have access to two cash transfer programs. The first is NAF, which provides financial assistance and other benefits to eligible needy households and individuals. The second, NZF, is one of the oldest fund programs in the region and is directed by the Awqaf Ministry, as it provides occasional in-kind assistance through Zakat donations. The beneficiaries of this assistance are for medical care, orphans, rehabilitation projects, students and families that live below the poverty line (Zureiqat and Shama, 2015, p.32). It is important to note that if a person receives NAF assistance they are not eligible to receive Zakat assistance. It is also important to look at the informal safety nets that both residents and refugees depend on. These informal safety nets are reflected in the horizontal transfer of basic needs such as food and shelter from richer to poorer households. It also includes the assistance provided by the local non-governmental organizations. They have also assisted Jordanians to cope with the rising prices and to lessen the outcome of poverty and employment on their standard of living (Alissa, 2007a). What can be deduced is that the Jordanian socio-economic situation was relatively inadequate. Because of its geopolitical position, which makes it one of the key hosts to refugees of the region, Jordan receives a decent amount of aid. According to the WB data, in 2019 Jordan received foreign aid and official development assistance of USD 2.8 billion. Compared to the global average of USD 840 million, Jordan is clearly among the top recipients of foreign assistance (World Bank, 2021). However, this does not suffice. Formal and informal safety nets are still incapable of achieving a better social standard for the Jordanian citizen and the lack of proper economic and structural reform is what keeps Jordan from being stuck in this dilemma of poverty and unemployment.

Background on the NAF and NZF programs

As previously mentioned, the national main social protection program in Jordan is the NAF. It was established in 1986 and encompasses six different programs under its umbrella. It acts as an autonomous institution which provides regular unconditional cash assistance for the Jordanians welfare. Furthermore, NAF beneficiaries are eligible for free health care and they receive insurance cards issued by the MOH (Röth et al., 2017). The selection criteria for NAF depends on the use of means-testing and socio-categorical targeting (Röth et al., 2017, p.6). NZF delivers cash and in-kind assistance through individual programs and is funded by Zakat donations. Only those who are excluded from NAF programs are eligible for NZF assistance. In addition, NZF is not just restricted to Jordanians but foreigners too can receive this type of assistance. Al-louzi (2013), dissects the NAF programs as follows:

- Recurring Cash Assistance - Persons or families with income below the abject poverty line and no or few assets, widows, orphans, families with disabled (monthly payments)
- Handicapped Care Aid Cash – Poor families who provide constant care to disabled children (monthly payments)
- Urgent Assistance Cash Payment – Poor families in need of help as a result of home fire, head imprisonment or acute illness (one-time payments)
- Physical Rehabilitation Cash Payment – Poor families with disabled to cover costs of medical devices (one-time payments)

As for the NZF programs, they include:

- Cash Assistance - Persons or families, of any nationality, with income near the abject poverty line and no or few assets, widows, orphans, families with disabled (in accordance to categories of religious law)

- Occasional In-Kind Assistance – Poor families or persons provided with a loaf of bread, school bags (with books & stationery) or tokens for clothing or food
- Orphan Cash Assistance – Orphans who are adopted by the Fund (Kafaleh) which opens a bank account on his or her behalf to provide for needs
- Rehabilitation Assistance Projects – Poor persons with some experience or skill in need of assistance to become more productive or relocate to other areas
- Urgent Cash Assistance – Poor persons or families, of any nationality, who need urgent cash as a result of home fire, disaster, divorce, or other sudden needs or can come to the fund for a small request

In a nutshell, Jordan’s main national social protection program is the National Aid Fund, which is led by the MOSD itself. Equally important, is the National Zakat Fund which is run by the Ministry of Awqaf. The former is strictly concerned with the Jordanian nationals and is funded by the government directly. On the other hand, NZF supports both Jordanian and other nationalities and is funded through donations.

4.5 IMF and Social Protection

Upon the implementation of the 2016 EFF program in Jordan, its staff report communicated that the Fund emphasized the enhancement of the social safety nets with the support of the WB and the NAF; in addition to incorporating “an indicative floor on social spending to shield low-income groups from the effects of fiscal adjustment” (IMF, 2016). This was considered a top priority as it was explicitly noted in the IMF’s report, which indicates that social reforms were a pivotal component that needed to be regarded in the process of the program design.

However, on-ground experiences proved that this was not the case. Mossallam (2015) remarks that the IMF has advanced the same policies of trade liberalization, investment and austerity advice that it called for pre-2011 and neglected to address the structural challenges that Jordan was lumbered with. Thus, the relationship between the IMF and Jordan was conceivably unchanged. In truth, the IMF policies which were called for actually worsened the situation in Jordan. It is important to also take note of the analysis made by Dr. Mahmoud Mohieldin (2021), Executive Director at the IMF and former Egyptian Minister of Investment, in a personal interview. He asserts that Jordan was able to make adjustments in supporting vulnerable groups through the social protection programs with IMF and WB and bilateral assistance. He also noted that Jordan “was smarter than others in taking the signals early” (interview with Dr. Mohieldin, November 2021). They amended these changes in their policy when the Arab Spring began back in 2011, thus Jordan was able to maintain a stable relationship with the Fund all-throughout this period.

As such, it seems that Jordan’s efforts regarding social protection programs are quite limited. Though it has a powerful geopolitical positioning in the region, its internal politics and management are quite feeble. This could be attributed to the economic and military dependence that it has. Nevertheless, maintaining political stability remains its ultimate goal and for it to be achieved, social security needs to be satisfied. This short-term mending that takes place will not yield the sustainability of such programs unless there is a robust reform that should take place.

Shortcomings of the programs

Essentially, analysts have indicated that reforms in Jordan continue at a very slow pace (Zureiqat and Shama, 2015). The public social safety nets- NAF and NZF- need improvement,

especially on the coverage and quality of provision aspects. The targeting mechanism, which is used to focus on the total income, is misrepresentative of the poorest groups of society (Zureiqat and Shama, 2015). In addition, Jordan needs to invest further in the development of its human capital. As mentioned earlier, unemployment is one of the main obstacles that the country faces. To begin with, the issue lies in the education system. The youth going to join the labor force is substandard- there is a mismatch between the education received and the job market's needs (Awad, 2017). Left with no alternative, these youth are then forced to work in the informal sector to earn a living. Consequently, they earn relatively low incomes that are unsustainable for a proper standard of living.

All in all, Jordan's attempts to create a sustainable social safety net program still needs further development and enhancements to be made. The roots of the inefficiency of the implementation need to be assessed. Another accusation that seems to be mentioned quite often is the accusation of the corruption of the Jordanian government. What is common in several literature and policy recommendations examined is that: clear, good governance, a concept often promoted in IFIs' policies, is needed to strengthen the rule of law, control corruption, and increase government transparency (Momani, 2020; Zureiqat and Shama, 2015). Transparency and good governance are inevitable and needed to achieve fiscal consolidation and social justice in the long run.

Chapter 5: The IMF and Egyptian Social Protection Policies

With the 1980s collapse of the oil prices and the involvement in the Gulf war of the 1990s, Egypt was enmeshed in the global economy with negotiations over debt and loans. However, Egypt's involvement was quite significant. In 1991, the Egyptian authorities managed to secure a debt relief agreement to reduce its debt with the Paris Club creditors (Korayem, 1997). This was achieved due to Egypt's assistance to Kuwait during the war as this has led to the cancellation of a large portion of debt to the Arab countries. This Paris Club agreement was a precursor to negotiations around its infamous economic restructuring program, the Economic Reform and Structural Adjustment Program (ERSAP) under the auspices of the Fund and WB which aimed to stabilize the economy and generate sustainable economic growth. It consisted of a Standby loan with the IMF amounting to USD 234 million and a Structural Agreement loan with the WB amounting to USD 300 million (Harrigan and El-Said, 2009). These are considered one of the most successful IFI programs in the region. Up until the second half of the 1990s, Egypt's growth and poverty rates demonstrated positive signs in direct relation to these programs (Mossallam, 2015).

As part of the "first generation of reform" between 1991-1998, Egypt has witnessed serious privatization efforts and heavier integration into the global economy (Alissa, 2007b). The "second generation" reforms focused on trade and institutional measures during the period from 1998-2004. This period witnessed numerous trade agreements including: "the Trade and Investment Framework Agreement with the United States in 1999; a free trade agreement with other countries belonging to the Common Market for Eastern and Southern Africa in 2000, and the Agadir free trade agreement with Jordan, Morocco, and Tunisia in 2004" (p.5). The third

generation of reforms led by the Prime Minister at the time, Ahmed Nazif, began in 2004. This period has witnessed an all-encompassing financial sector reform plan.

Yet, the beginning of the new century is when this domestic demand-type growth began to slow down. Poverty rates as well began to rise in 2000 (Alissa, 2007b). In an attempt to recover the situation at hand, in 2004 President Husni Mubarak appointed a “reformist government” to speed up the pace of the structural reforms (Harrigan and El-Said, 2014). Despite the relative enhancements of the macroeconomic indicators, Egypt was still riddled with unemployment and had a large informal sector. The official unemployment rate only declined from 11.00 % in 2004 to 8.94 % in 2010 (Abuellil, 2011). Despite the general “clear signals of regression”, the Fund persisted with the same policy prescriptions (Mossallam, 2015, p.12). In April 2010, the IMF recommended enhancing the austerity measures to contain public expenditure on wages, food and fuel subsidies at a time the country was facing rising food prices due to global pricing fluctuations (Mosallam, 2015, p.12). As a matter of fact, just a few months prior to the Arab Spring, the IMF praised Egypt’s economic performance, as well as its sound macroeconomic management and structural reforms.

Following the 2011 uprising, negotiations for a new IMF loan to Egypt began in mid-2011 during IMF mission visits to the country, but these talks were dropped shortly after. In 2012, an initial agreement was signed and a set of austerity measures approved by the IMF was again presented as an economic reform plan but was postponed again. Finally, in 2014, Egypt witnessed significant and radical political and economic changes. Under President Abdelfattah El-Sisi, the country finally signed its EFF program in 2016 with an amount of USD 12 billion. This chapter will be divided into two parts. The first will look at Egypt’s history with the IMF, Egypt’s social policies and the IMF’s contribution in that specific area. The second part will

discuss Egypt's current social protection program, Takaful and Karama. It will look specifically at the program's design, implementation and reflections from both the program's designers and its beneficiaries.

5.1 Egypt's Historical Ties with the IMF

Prior to the initiation of the ERASP program, the 1977 bread riots reserved a certain place for IMF deals in Egyptian politics. These riots erupted when the Egyptian government decided to adopt the WB and IMF's mandates under its first loan with IMF which was in 1976 (Harrigan et al., 2006). Among the conditions for this loan was slashing the subsidies on food; this has led to mass protests of the lower class citizens who expressed their resentment of these austerity measures adopted. The Egyptian government shortly took a step back from these policies. The late 1980s was a period that witnessed economic instability primarily due to the collapse of the oil prices and the Gulf war. In 1987, the Egyptian authorities returned back to the IMF for a one-year agreement (Zaki, 2001). The Egyptian government has made bold promises to sustain the economy, but what it delivered was little in comparison with the IMF recommendations or even the "magnitude" of the economic challenges that the country was facing (Ikram, 2005). By 1991, the budget deficit peaked at 15.3% of the GDP, inflation was 14.7% and real growth fell to 3.7%; the estimated economic loss of Egypt due to this economic crisis was not less than USD 2.5 billion (Ikram, 2005, p.60). The Egyptian government was determined to reach a solution to save the economy. After prolonged discussions with the IMF and WB, it eventually reached an agreement to rescue the economy; this was reflected in the ERSAP of 1991.

The IFIs were not only concerned with seeking immediate solutions to the difficulties facing the Egyptian economy but also wanted to create a basis for sustained growth. The core of

discussions between the Bank, the Fund and the Egyptian government is composed of four strategic matters. Firstly the sequence of reforms would be simultaneous, meaning that the private sector would be given a better opportunity to compete with the public sector. This alluded to the privatization scheme which was intense in the 1990s. Secondly, “several voices in the Bank and the Fund argued for shock therapy³ on the grounds that this was more likely to commit Egypt to a durable acquiescence in the new strategy” (Ikram 2005, p.62). Thus, the transition phase was to be rapid. Thirdly, the financial and banking sector had to have a radical restructure; the IFIs have pushed for the privatization of “at least one of the public banks” but the government resorted to privatizing some of the joint venture banks instead (Ibid.). Last but definitely of not no less importance was the “realistic alignment of the exchange rate” (Ibid.). The devaluation of the Egyptian Pound was necessary to reflect market realities. On the economic sphere, Korayem (1997) denotes that the program has provided measures to reduce expenditure through the tight fiscal and monetary policies implemented. Moreover, it has provided “expenditure-switching measures”, which was reflected in the exchange rate liberation, that increased real output. Considerable progress has been achieved in the areas of privatization, freeing the foreign exchange market, activating the financial markets, reducing pricing and subsidy distortions, and removing obstacles to investment and trade.

By the turn of the decade, Egypt had once again faced economic setbacks. This was due to the slow pace of reforms post-stabilization phase and the government’s inadequacy to react appropriately to the external factors which have ultimately resulted in the loss of credibility in 2003 (Harrigan and El-Said, 2009). These external factors were driven by the September 11

³ Shock therapy is when there is a sudden change in the national economic policies. This strategy is used when an economy is turned into a free-market economy. This is done through eliminating price controls and government subsidies.

attacks in 2001 which negatively impacted the economy. Also, there was a drop in revenues from oil, tourism, and Suez Canal proceeds because of the economic slowdown (Ikram, 2005). This has caused immense pressure on the exchange rate and consequently, the government announced the floatation of the Pound once again in 2003. This paved the way for further reforms to take place.

In 2004, the new Egyptian cabinet launched an ambitious reform plan which spanned until 2010. The goal of this reform program was to: restructure the public and financial sector, streamline business regulations, enhance trade liberalization and privatize state-owned enterprises (Alissa, 2007b). The outcomes of reform have been mixed. Despite Egypt's ability to stabilize its economy, achieve steady growth, and increase foreign reserves; it was still stuck with the same major social and economic challenges. These reforms were led by Mubarak's close ties to the business community. During this time period, businessmen started to get integrated into the Egyptian cabinet. They had the legislative and economic powers to control the Egyptian market. This resulted in rules and regulations that were in some cases tailored specifically to some particular interests. For instance, "in 2005, the People's Assembly passed Law 91, which decreased income tax levels on personal and private companies and increased taxes on public sector companies. It also passed laws exempting investors from state regulations and taxes" (Yaghi, 2018, p.132). These laws have led to the sale of the publicly owned firms to businessmen as they were facing insolvency issues. Eventually, these businessmen became the group that reaps the benefits of these economic reforms, similar to the case of Tunisia. This resulted in long-run issues that Egypt was getting entangled with such as widespread poverty and unemployment, high inflation and a large public debt, and dependency on remittances and aid (Alissa, 2007b).

5.1.1 The IMF and Egypt Post-2011 Uprisings

Similar to the case in Tunisia and Jordan, post-2011, the IMF changed its tactics and strategies in the country. Focusing also on the idea of subsidy reform, they promoted social safety nets as one of the key components. However, given the history of the Fund and its austerity measures that were perhaps quite harsh on the Egyptians. The initiation of the reform program in Egypt, which began through negotiations in 2011, eventually took place relatively late compared to other countries of the region. It was only in 2014 that Egypt began its own home-grown series of economic reforms which were endorsed by the IMF. It began with the Egyptian government's announcements of the megaprojects such as the New Administrative Capital and the Suez Canal expansion, as stated in the Tahrir Institute for Middle East Policy report (2018). These plans have paved the way for more projects to come and this demonstrated Egypt's determination to regain its economic strength once again on the regional level. The preliminary success of embarking on these projects signaled to the Fund Egypt's perseverance to begin the economic reform program.

A couple of years later, in November 2016, Egypt finally reached an agreement with the Fund securing a three-year extended arrangement under the EFF for USD 12 billion to support the government's economic reform programs. This agreement was conditional; it meant that Egypt had to satisfy certain conditions prior to the Fund's disbursement of the loan. As aforementioned it began with the reforms which took place in 2014; it required the reduction of food and energy subsidies, the introduction of the Value Added Tax (VAT), and most importantly the floatation of the Egyptian Pound as stated in the Fund's staff reports. The purpose of the EFF-supported program was to restore macroeconomic stability and promote inclusive growth. Policies supported by the program aim to correct external imbalances and

restore competitiveness, place the budget deficit and public debt on a declining path, boost growth and create jobs while protecting vulnerable groups (Takla, 2021). Strengthening the social safety nets by spending an additional 1% of GDP on food subsidies and cash transfers to the poor was one of the important elements of the program as well (WHD and SPR, 2018). The main aim for this condition was to replace the poorly targeted energy subsidies with programs that would actually support poor households, which has been a global critique of state subsidy programs as it was communicated by the Fund in the media at that time (Calpp and Wilkinson, 2010).

5.2 Social policies in Egypt

In the 1970s, under the Egyptian President Anwar El-Sadat, monthly financial assistance was the social assistance scheme that was present in Egypt. It was called the ‘Sadat Pension’ and afterwards, it became the ‘Mubarak’ Pension and eventually, it became the ‘Solidarity Pension’ *Ma’ash Al-Daman* (Kassem, 2021). This program was classified as an unconditional cash transfer program.

One of the significant components which led to the success of the ERSAP of 1991 was the safety net which was created to protect the Egyptians. This was personified in the Social Fund for Development (SFD), which was a “quasi-governmental entity” established in 1991. The SFD is funded mainly by the government and the WB (Moussa, 2007). Its main focus was to fund and support “small enterprises, microfinance, infrastructure expenditure and community development” (Diab and Hindy, 2021, p.404). Some of the groups targeted by SFD were those who were laid off because of the privatization scheme and those who suffered from the devaluation (Diab and Hindy, 2021, p.404). In 2017, the Egyptian government issued a decree to establish the Micro-Small- and Medium Enterprise Development Agency which replaced the

SFD (Kassem, 2021). This shows that the government wants one specific institution that is responsible for the social protection programs. This approach also goes in line with the government's approach to support small and medium enterprises to encourage enrolling them into the formal economy.

It was undeniable that during the Arab Spring, the standard of living in the region and Egypt in specific vastly deteriorated. Hence, the inclusion of a proper social safety net program was crucial. In 2014, negotiations began between the Egyptian government, primarily the Ministry of Social Solidarity (MOSS) in accordance with the Fund and the Bank to design a program that would achieve a proper standard of living for the Egyptian citizen. It was also important to meticulously design such a program in order to ease the austerity measures that the Egyptians were to encounter with the EFF program of 2016. Furthermore, Dr. Mohieldin denotes that:

The current Managing Director of the Fund, Kristalina Georgieva, is keen on developing the environmental and social aspects- including social protection and social safety nets- of the programs. When Egypt joined the IMF in 2016, this was after years of organization and talks with the IFIs. This helped in the design of the policies. It can also be noticed that in the concluding statements made in Egypt regarding the staff reports on the EFF program, the Fund has always emphasized inclusive growth and social development.

(Interview with Dr. Mahmoud Mohieldine, November 2021)

This demonstrates that the IMF and its staff acknowledge that it is important for the government to negotiate and assist in the program design phase to ensure that these remedies prescribed by the IMF are given to help the economy gain itself once again. However, it is the government's

decision whether or not it will implement these remedies and to ensure the sustainability of these policies in the long run.

5.2.1 The IMF and Social Protection in Egypt

Overall, the relationship between Egypt and the IFIs has been a long withstanding relationship. Marked by the success of the 1991 ERSAP and EFF program of 2016, Egypt has proven to be an ideal model. As mentioned previously, in the design of the IMF-supported programs, the government of the recipient country is heavily involved in the program construction phase. Taking the case of the 1991 ERSAP, the negotiators at the time from the Egyptian government included: Kemal El Ganzoury, Atef Ebeid, Mohammed Ahmed El Razaz, Salah Hamed, Youssef Boutros Ghali. These figures apart from being formidable politicians, they had significant technical backgrounds in the economic and financial aspects (Ikram, 2005). This could have been part of the elements which made the ERSAP successful as both parties were equally competent on the technical level.

Egypt was highly praised upon the completion of the ERSAP but not much of it could have been attributed to the social protection dimension. The SFD's objectives such as providing basic social services and generating employment opportunities were achieved nonetheless (Korayem, 1997). But this was perhaps a short-term success. The rapid success was unsustainable and the economy eventually began to weaken in the early 2000s. The WB did not have much leverage on the structural reforms at that time as "alternative sources of funding for the Egyptian authorities" were available (Harrigan and El-Said, 2009). Therefore, the government basically created the SFD to mitigate the immediate effects of the program but they did not give it that much attention later on.

To avoid this problem, in 2016's EFF program, both the Egyptian authorities and the IFIs were keen and assertive to promote social protection programs. When the Egyptians took the streets in 2011, one of their demands was the right to social justice- this was highly neglected during the rule of the old regime. Thus, it was important for future governments to incorporate this element to avoid any social unrest. President Abdelfattah Sisi and his government were able to construct a social safety net which was largely funded through the subsidy reform scheme which the IMF called for. In its staff report for the final review of the EFF in 2019, the Fund noted that the "social protection measures have helped ease the burden of adjustment on the population" (IMF, 2019). Moreover, it stated that programs created by the government such as Takaful and Karama, Forsa, Sakan Karim have aimed to support the poorest segments of society as well as deliver public services to them. Thus, it can be concluded that generally, the IMF was pleased with this experience with Egypt and its efforts to enhance and develop its social protection program.

5.3 Takaful and Karama

5.3.1 Designing Tafakul and Karama

The ambitious reform plan which took place in 2014 constituted a hefty investment in human capital. Efforts were made to expand the "social safety coverage and [increase] the amounts on the food subsidy card" (World Bank, 2018). This social protection program was implemented through the Takaful and Karama program which finally came into action in 2015. In an interview conducted with a prominent MOSS official, who is also a key figure in the Takaful and Karama program, he elaborated that the rationale of creating and implementation of this program was led by the MOSS and the WB provided only technical assistance (interview

with MOSS official, October 2021). This signifies the dominating role that the state has begun to have in national policy-making and visionary development and the pushback of the bureaucracy of donor-led policymaking. This was especially made clear by the MOSS official who clearly emphasized the IFI's notion of delegation in creating and implementing the social protection programs.

The purpose of Takaful and Karama, as defined by the WB, is a program that is created to mitigate the harsh effect of the austerity measures which are usually a spillover effect by the economic reform programs. Moreover, it aims to protect the most “poor and vulnerable segment” of the Egyptian population (World Bank, 2018). With the financial support of the World Bank by USD 400 million and under the auspices of the MOSS, this cash transfer program was Egypt's largest investment in the development of human capital (Abdelhafez et al., 2019). According to the WB data, from the launch of the program in 2015 till November 2020, 11.1 million individuals, 75% of which are women, have been enrolled in the program in the 27 governorates. In addition, 67% of the cash components of the program have been directed to the most lagging regions (World Bank, 2020). It is also important to regard that the impact of this program is to increase the decision-making power for women, have productive inclusion and increase the investment in human capital. The extent of the program's coverage remains a contentious point as more segments of society are continuously added to address the large vulnerable population.

To elaborate further on the scheme of this program, Takaful and Karama are two different plans. Takaful- “Solidarity” is a conditional cash transfer program that targets underprivileged families. It aims to ensure that these families receive the basic nutritional needs to “build a human capital of the next generation and give them a path out of poverty” (World

Bank, 2018). The “conditionality” to receive the monthly transfers of such a program is to ensure that these families’ children (ages 6-18) are enrolled in schools, have a regular attendance of 85% of the time and health checkups through receiving all immunizations needed. Furthermore, pregnant women should also receive the needed vaccinations and attend sessions on nutrition awareness. The program covers a maximum of three children per household and recertifies the beneficiaries every three years.

Karama- ‘Dignity’ is an unconditional cash transfer program that targets orphans and citizens over the age of 65 and those who have severe disabilities and chronic diseases. It aims to provide its beneficiaries with social protection and a decent life. Unlike Takaful recipients, Karama recipients are to receive a monthly pension with no preset conditions (World Bank, 2020). It is worth mentioning that the assessment model, which was set by the Egyptian authorities for Karama recipients is based on a ‘rights-based’ approach rather than a purely medical approach. This shift means precendently the assessment is based on a medical diagnosis of the case. The new ‘rights-based’ approach means that that there is an equal opportunity to receive benefits regardless of the medical condition (Al-Gazzaz, 2021, p.5).

Analyzing Takaful and Karama from an IFI’s viewpoint, Dr. Sahar Nasr stated that: Safety nets are temporary. There has to be a build-up of the capacity of the families to acquire the skills so that they eventually find jobs. Takaful and Karama fully encompass this element and ultimately with the success of the program, the standard of living is enhanced and there are job opportunities created. Thus, this program is to help in recovering for the short-run and in the long-run, those beneficiaries would have their own jobs. This would create the growth that the government is looking for (Interview with Dr. Sahar Nasr, October 2021).

This claim portrays the IFI's perspective on what is the purpose of the social protection programs. With this stated, it is then the role of the government to identify what exactly needs to be done, how will it be achieved and then through close monitoring of the program, study what has to be done further so that the program achieves its purpose.

With regards to the cooperation between the MOSS and the WB, the MOSS official reaffirmed that:

Social reform was achieved through subsidy reform. These reforms reallocated the subsidization to those who actually need it. So the removal of the subsidy and redistributing it into cash transfers to those who actually need it. The disbursement of these transfers was determined by the poverty level of each recipient group. The MOSS has a certain methodology to look at the poverty level, which is similar to that of the CAPMAS. This data is fed into the system based on the applicant's response and then it is translated econometrically onto the Ministry's database which gives a final score to which the poverty level is set and consequently the transfer is disbursed. It is also worth noting that such assistance that is provided is not just to provide financial assistance for consumption; rather it is a conditional transfer program. Thus, it is an investment by the government to assist such families to eventually get out of this circle of poverty through this economic and social empowerment (Interview with MOSS official, October 2021).

Both interlocutors complement the holistic story of designing the program. Both have stated that for the WB to disburse aid or embark on reform plans it has to first obtain the Fund's blessing. As previously mentioned, this step was already obtained. The IFIs regard these programs as temporary and that the investment that is made is for the short run as it is expected that in the

future these families will be better off and capable of joining the labor market. The Egyptian government took it from there and began the process of creating Takaful and Karama.

5.3.2 Implementing Takaful and Karama

Since the introduction of Takaful and Karama, not much information has been published on the implementation and assessment phases. From the interview that was conducted with the MOSS official, the operation of the program has been quite smooth. Those who wish to receive these cash transfers have to satisfy a set of conditions to be eligible to apply. Some of these conditions stated on the MOSS' official website include that: the applicant should not own any land, any type of vehicle, pay more than EGP 3000 annual tuition fees per child and that the applicant has never worked abroad. After all these conditions are satisfied, the applicant is then requested to submit several documents such as: national ID, proof of marriage/divorce and a school enrollment certificate along with the program's application form. Once these are satisfied the application is reviewed by the ministry and a decision is then made to enroll the beneficiary or not (interview with MOSS, October 2021).

Following the enrollment of the beneficiaries, they are provided with the cash transfer that they are entitled for. Moreover, as deduced from the responses received from the beneficiaries, they pay a relatively small expense in health centers and tuition fees. This subsidy offered by the government is to enforce the families to do the necessary check-ups and encourage their children to go to schools as these two elements are the essence of developing human capital.

Upon the interview conducted with the MOSS official, he believes that there are rather “developments, not adjustments” that are to be made in the design and implementation of the

program thus far. He divided these developments into three types. The first one is the technical developments. He claims that the weights and scores through which the poverty level of the applicant is assessed need to be developed further. Currently, these indicators are based on the CAPMAS calculations, which he believes also need to change to adapt to the national poverty scheme to provide the decision-makers with more accurate outputs and information. The second is more of an administrative type of development. Previously, the old system of *Ma'ash Al-Daman*, was more of a welfare program. It provided lifelong unconditional assistance. So far 90% of those who were enrolled in the old program have been introduced to Takaful and Karama programs and still further developments are being made to fully abolish this old pension scheme program. Thus, the development that is needed here is to ensure the proper integration of the old program beneficiaries to Takaful and Karama. The third adjustment is an internal, operational development. Currently, the Egyptian government is moving forward with the digitalization trend and the MOSS is planning on integrating its database with other ministries in Egypt to provide a better assessment and evaluation of whether or not the applicant is eligible for Takaful and Karama.

On the other hand, Dr. Barsoum's view was different, she noted that Takaful and Karama are 'residualist programs' meaning that "they support people who have no support from the market or family" (interview with Dr. Ghada Barsoum, October 2021). However, these programs have two inadequacies. The first is that they do not cover all the poor individuals. The second is that they do not cover the "not so poor", such as the working population of the informal sector, which is known as the missing middle. She also added that the level of outreach is still limited for Takaful and Karama which goes along with the need for operational development as the MOSS official mentioned above.

In sum, the shortcomings with regards to the structure of Takaful and Karama are mainly concerned with the mechanisms through which it operates. More contestation is needed to develop such social policies. Another common criticism is that the cash transfers provided need to be scaled up. It is clear that Egypt has been able to develop very much in its development of social protection programs but it needs to think in the long run how to adapt and to ensure that these programs engulf a larger segment of those underprivileged groups (interview with Dr. Barsoum, 2021).

5.3.3 Assessing Takaful and Karama

Bottom-Up Reflections

Takaful and Karama have been on-ground for six years. Through information obtained from an internal source at the MOSS, they carried out an internal assessment of the program in 2017- two years after the program was implemented. In this assessment report, the two important aspects that will be focused on are the assessment of the satisfaction of the beneficiaries of the program operation and the policy recommendations. The report states that the vast majority of the beneficiaries of Takaful and Karama are satisfied with the program and have not encountered obstacles in receiving their transfers. The following section will analyze the ministry's reporting along with the feedback received from the interviews conducted with beneficiaries. The sample of the recipients interviewed included 5 individuals who were from the following segments: poor households, widows and those who have chronic diseases.

One of the findings that was stated in the MOSS' report is the continuation of funding the program as it has proven to improve the overall well-being of the families and to expand the coverage to reach the 'ultra-poor' households. Also, the reconsideration of the exclusion criteria as it can sometimes affect the poorest applicants. This matter has been addressed also through

the interviews with Dr. Barsoum and Dr. Hania Sholkamy who believed that the ‘ultra-poor’ households are not receiving the proper assistance and, that the exclusion criteria has to be adjusted to address the issue of the ‘missing middle’.

An issue that was highlighted by two of the interviewees who were Takaful and Karama recipients was the lack of communication from the government’s side regarding the programs. They responded to the inquiry on how found out about Takaful and Karama stating that there were campaigns held in their governorates and they were told to enroll. They were, however, not informed properly about the details of the programs or the rationale of it. This issue was reported by several recipients and it also corresponds to the MOSS’ assessment report as one of the issues that would be addressed, particularly the concepts of conditionality and program length and recertification.

Another matter that was addressed by the recipient groups was that they were asked to provide numerous documents to the government, which was quite a cumbersome and difficult process for them. When asked if the program has any added value to their standard of living, Iman- a widower, was the only one who complained about the amount of the transfer. She asserted that the government needs to focus a little more on widows in general as they need they are in dire need of this support. On the other hand, other recipients, Amira and Naglaa who each had more than two children enrolled in schools demonstrated their general satisfaction with the program stating that any financial assistance is better than none. They said that the auxiliary services that were offered such as the subsidized tuition or health check-up fees compensated for this amount of cash.

Future Outlook

Looking also at the long-term sustainability of the program, in a personal interview conducted with Dr. Hania Sholkamy (November 2021), associate research professor at the Social Research Center of the AUC, she noted that one of the challenges that Egypt has regarding social protection programs is they are not concerned about the future. There needs to be a vision for the future and that the goals set are sustainable. In addition, there needs to be a conversation between the government and the beneficiaries. People need to understand what is going to happen. This also stretches to the mechanisms of accountability. There have to be constructive conversations and to have a legitimate area to voice legitimate concerns.

Dr. Sholkamy's view, in fact, goes in line with the government's vision. The recently published UNDP's Egypt Human Development Report (2021) denotes that there was substantial growth in the expenditure on social protection programs. The Ministry of Finance's data for 2019 states that the allocation for subsidies in the State's general budget has increased during the past five years from EGP 198.5 billion in 2014/2015 budget to around EGP 327.7 billion in the 2019/2020 budget; representing a growth rate of 65% (p.24). This reflects the Egyptian government's dedication in supporting the vulnerable groups and its diligence to take the initiative to protect the social well-being of its citizens in tandem with the rigorous economic reforms which could have harmed this segment of society if it were neglected.

In addition, recently the Egyptian government, with the endorsement of President Sisi, has announced the launch of its large-scale national initiative- *Hayah Karima*. This initiative is part of the Egyptian 2030 vision plan. *Hayah Karima* aims to provide an integrated package of health and social services to Egyptian citizens, especially those living in the poorest rural communities. Dr. Sholkamy, who is also one of the experts working with the government on this

project praised this initiative very much noting that it “compensates for years of not investing in rural areas” (interview with Dr. Hania Solkamy, 2021). She believes that this initiative addresses inequality, not poverty as all those who live in these areas will benefit from the program. This shows that the government is shifting to programs that address rising inequalities in a more holistic fashion.

Chapter 6: Conclusion

The purpose of this research study was to look at the role of the IMF in the social protection programs that have been adopted by the governments post-2011 Arab Spring and to analyze this paradigm shift of the IMF with regards to its commitment to the social dimension in its programs. Recalling the structure of the research, the mainframe of the research has highlighted the definition of social protection programs, how they were implemented before and after the Arab Spring and their common shortcomings. This was demonstrated through the case-study approach which was adopted for this research. These cases were in Tunisia, Jordan and Egypt, with a particular focus on the latter case. Three themes were explored in order to respond to the research question: the changing role of the IMF in the region, the IMF's contribution in national social policy design, and reflections on the impact of the social protection programs of the region. This chapter offers a synthesis of the results that speak to these three themes and ends with concluding remarks on the future of social protection in the region.

6.1 The Paradigm Shift of the IMF and the Middle East

From a regional stance, the paradigm shift of the IMF has been touched upon from the interviews that were conducted with policymakers and social researchers. There is consensus that the Arab Spring was not the only catalyst for the IMF's paradigm shift to encouraging the enforcement of incorporating social protection programs. From the interviews with experts, Dr. Nasr, Dr. Barsoum and Dr. Mohieldin have concurred in similar ways. They reminded us that the focus on other broader topics like gender, women empowerment, poverty and equality began to be incorporated since the early 2000s in the overall rationale of IFI program design. Ultimately, IFIs were forced to shift gears to adapt to these progressive changes on the ground. While

maintaining its role to focus primarily on the financial aspect, the IMF recognized that the social dimension cannot be neglected anymore. Thus, this offers an alternative viewpoint of the thread of literature, such as Abdel Ghaffar (2020), which states that the Arab Spring was the reason for the IFIs to focus on the social protection programs and correlates the two together as the cornerstone of ideological change. This is an important distinction because it shows the long evolution of the notion of the IFIs and their changing role in the region and globally. It demonstrates how the region is not an anomaly, and the uprisings merely gave a further impetus to the rising social dimension of this important paradigm change.

Rather it was the inexistence of the social element in the reform programs that expedited their enforcement by the Fund in their new programs. The statements made by the IFIs in their staff reports, in general, have addressed matters related to: inclusive growth, inequality, social protection programs and expenditure on human capital. Yet, its advice remains unclear on improving these social dimensions in comparison to its advice on other topics like financial, monetary, and fiscal policies as Mosallam (2015) claims that it was a mere change in the Fund's rhetoric.

Another important finding is that the Fund alludes to the importance of having such protection programs in their program design, as it was evident from the Fund's policy documents from across the region. In addition, it has clearly delegated to the governments of recipient countries the task of designing and implementing these programs. The Fund has restricted its role to technical assistance and advisory capacities. From what has been analyzed in the three countries, the recently adopted protection programs have proven to be much more effective than those previously adopted. This is based on feedback that was obtained from the interviews conducted with Dr. Sahar Nasr and the MOSS official as well as the literature on the social

protection programs implemented after 2011. Nevertheless, the region still needs to develop further these programs so that they can achieve their designated purpose as it was reflected in the country analysis. A common shortcoming in the three case studies, the reachability of the programs needs further enhancement and more funding needs to be allocated to these programs. As both social policy researchers, Dr. Barsoum and Dr. Sholkamy have pointed out, scaling up and improving the reachability of the program to include the ‘missing middle’ and the ‘not so poor’ groups. This is very important so that the program actually achieves its designated purpose.

Thus, it can be viewed that the paradigm shift was no more than an enforcement of the inclusion of the social safety nets that was evident in the Fund’s rhetoric (Hanieh, 2015). In addition, the change of rhetoric is considered as a re-legitimization scheme that is adopted by the Fund to re-enforce itself within the global economy. As aforementioned, the execution was left to the governments’ discretion to decide what needs to be done. This means that the Fund will not penalize the country which does not adopt a social protection scheme. This would have not been the same passive response by the Fund if a country does not follow the adopted scheme for an economic reform program.

6.2 The IMF’s Role in Social Protection in the Middle East

It is clear from the three case studies that much of the macroeconomic policies adopted by the IMF that encourage privatization and trade liberation have not changed (Mossallam, 2015). This remedy has not done much to resolve the persistent obstacles of poverty and unemployment. The IMF’s role in the region is now focused more on three aspects when it comes to social policies. From what was highlighted upon by the Egyptian MOSS official and Dr. Nasr mainly is that providing the funding is one of the roles of the IFIs. This was through the

call for the subsidy reforms which the Fund demanded in the three countries to enable them to allocate the proper funding needed to develop the social protection programs. Once this money is properly reallocated, the Fund then delegates the WB to provide further loan assistance to the countries to adopt and design the programs. The Fund does not completely dissociate itself from these programs in any way but it maintains an observant and advisory role. It leaves it up to the discretion of the government to implement and enforce their own 'home-grown' programs.

This freedom of design and implementation is evident in the methodologies that were mentioned in the sections explaining the social protection programs in Tunisia, Jordan and Egypt. For instance, the statistical model which is used in Tunisia and Egypt is defined by the local institutions- TIS and CAPMAS, respectively. This shows that neither the Fund nor WB are proposing their definitions or models as a one-size-fits-all approach. In fact, each country is left to design and adopt the methods that are applicable to its scenario. Another example that demonstrates the government's dominance of the social protection programs is how in Egypt the MOSS is planning the interim and end-line assessment of Takaful and Karam as it has been demonstrated from the internal policy documents which were obtained. This proves how national entities and strategies are reasserting themselves.

In addition, this change in the power dynamics between the governments and IFIs is quite noticeable in the Jordanian case. Despite its limited efforts towards social protection programs, their local policymaking with regards to social protection programs was altered at a very early stage prior to any of the IFIs recommendation. Jordan was highly concerned with maintaining political stability, especially with its geopolitical configuration (interview with Dr. Mahmoud Mohieldin, 2021). The Jordanian government was able to solely alter its policies and to mitigate such matters at an early stage. As a matter of fact, this attitude demonstrates that with the new

approach that is adopted by the Fund which encourages the governments to take the lead in policy changes. Similarly, the Egyptian government took a leading role in the construction of Takaful and Karama as explained by Dr. Sholkamy and the MOSS official. During the interview, the latter has asserted that the WB was restricted to the consultancy and that the program was designed by Egyptians for Egyptians. In fact, the Egyptian government apart from the IFIs has recently announced its newest program- *Hayah Karima* which is fully sponsored by the government and has expanded its definition of social assistance in rural areas to address social inequalities rather than just addressing poverty.

Considering these points, the public acknowledgment made by the IMF on the importance of the social protection programs was fundamental. Recognizing that this is not its domain and focusing on the macroeconomic policies, the Fund's role was restricted to consultation. Yet, it has laid the grounds for the governments to begin adopting and building upon the existing social protection programs, such as in Jordan, and to develop new programs like those in Tunisia and Egypt.

Confining with the literature that has been explored, the macroeconomic stabilization schemes are still what the Fund is after. It is still very loyal to its neoliberal policies which the social protection schemes (which look just at poverty elevation) are adopted dependent on. The larger picture, which is inequality, has not been explicitly addressed by the Fund. This is going to require not just efforts by the governments nor the Fund but a collective approach from both sides to ensure that inequality is properly tackled.

6.3 Social Protection Programs of the Middle East: Where does it stand?

Social protection schemes were among the important issues that needed to be addressed to prevent any political instability that may arise because of the austerity measures that were

being imposed. So, from what was demonstrated, the three countries began a progressive subsidy reform program which had the main purpose of allocating the fund to those who needed it and ending the general subsidization schemes. This section will look at where does the Middle East stand regarding social protection programs.

This investment in the social protection schemes has proven its resilience especially in the past couple of years with the COVID-19. As pointed out by the Egyptian MOSS official, more Egyptians were enrolled in the programs as many have lost their jobs due to the pandemic. This shows that if the Egyptian government did not have the proper infrastructure for the program it would not have been able to sustain the cash transfers to the existing recipients or take onboard new ones. This demonstrates that the subsidy reform program in Egypt was successful in the right reallocation of resources and the ever pressing goal of extending its coverage.

Going back to the currently implemented social protection programs, the common issues that we deduced from the analysis made, which existed among the three countries were the poor reachability and coverage of the targeted groups, such as the missing middle, and governance. Resolving these two matters depends on creating a strong database that would link the beneficiaries' information to the government's database to ensure that there are no errors or data forging and that those who are eligible to receive assistance actually receive it.

These protection programs serve the short term rather than looking at a sustainable resolution to such matters as Dr. Barsoum and Dr. Sholkamy emphasized. Even though there are several developments that need to be considered, the current plan also needs to include elements that would ensure its longevity and sustainability. The Middle East needs to widen its scope from addressing poverty to addressing inequality. So considering a future outlook is as equally important as short-term achievements. The Egyptian government's *Hayah Karima* program is

going to be a pivotal step towards achieving social equality. It looks beyond just providing assistance but to provide a ‘decent living’ to the Egyptians, which has been long overdue.

The Middle East has been riddled with several problems on the political, economic and social front which has hindered its development. The political environment is a significant factor that affects the business and economic climate of a nation. Luckily for Egypt, as it can be regarded, that the stable political environment has made it possible for it to embark and adopt a more inclusive program such as *Hayah Karima*. This program if properly funded and implemented could elevate a large segment of the Egyptian population. Conversely, Tunisia is still trying to maintain solid political grounds. Till this is achieved, it cannot secure a stable economy that would then allow the government to focus on how to enhance further the social protection schemes. Jordan is rather stuck with a much complicated issue than Tunisia and Egypt, which is the refugee influx from neighboring countries. This creates a burden as these groups are not entirely participating in the labor force and are crippling from the country’s resources. Hence, what flows out is far more than what the government receives.

6.4 Concluding Remarks

The IMF’s policies have always been geared towards achieving macroeconomic stability and promoting economic growth and this has been demonstrated in the history that was explained earlier from the 1970s. There was a connotation between the IMF programs imposed and the social dimension. In instances it has led to riots such as the bread riots of the 1970s in Egypt and Tunisia and late 1980s in Jordan. But with the developments and the global events that took place in the late 2000s, the IMF had to look beyond these strategies. The social dimension had to be incorporated with its economic policies to ensure a more cohesive economic

growth and equality. This paradigm shift was evident in the policies that were adopted post-Arab Spring.

The research has been carried out by mainly looking at the history of the IMF's intervention before the Arab Spring and how things have changed afterwards regarding the contribution, involvement and financing of the social protection programs that were under the auspices of the IMF and WB. In addition, the research has provided a comprehensive snapshot of the Egyptian social protection program Takaful and Karama, examining the ways in which it has been designed, implemented and assessed by the state and non-state actors.

One important reflection from this research is that the Middle East is still in the initial phase of developing holistic social protection programs. While it has been clearly set out by the IFIs that the social realm is beyond their scope; it has only emphasized the importance of having this dimension as part of the prescription. The role of developing and enforcing these programs is left to the governments' discretion. Policymakers need to ensure that the programs are well designed to achieve their designated purpose of protecting the vulnerable segments of society, not just in terms of reducing poverty, but toward determining and eliminating social inequalities in the MENA region as a whole.

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Annex 1: List of interview questions for Social Policy researchers

1. Could you tell us your overview/opinion on social policies in the Middle East in general
2. Usually the WB and IMF are driven by the enhancement of macroeconomic indicators at the expense of the social dimension. What is your view on that? Could this rationale have brought about the uprisings of the Arab Spring in the region?
3. Prior to 2011, social protection programs were not very common in the region. Why was this aspect usually neglected and why do you think the IMF was keen on incorporating it when designing their programs
4. What are the challenges that do you still believe is hindering Egypt (regarding social protection programs)

Annex 2: List of interview questions for IFI officials

1. Usually the WB and IMF are driven by the enhancement of macroeconomic indicators at the expense of the social dimension. What is your view on that? Could this rationale have brought about the uprisings of the Arab Spring in the region?
2. What provoked the IMF to incorporate the social safety net into the EFF program
3. The introduction of Takaful and Karama took place in 2015- approximately one year before the 2016 devaluation and reform program took place- the IMF however, was very keen on pushing forward for this program in Egypt. Are we going to see the IMF replicating this model in the Middle East?
4. Rationale behind paradigm shift
5. In your own opinion, what makes you believe that the EFF a successful program?
6. What are the challenges that do you still believe is hindering Egypt

Annex 3: List of interview questions for government officials

1. What was the rationale behind designing Takaful and Karama program
2. Do you think that there are still adjustments that should be made into this program?
3. Could you please tell us more about the several initiatives that are being undertaken under the umbrella of Takaful and Karama (ie: Two is Enough, No Illiteracy with Takaful, Sakan Kareem)
4. Could you please explain the process of cooperation on the high-level between the Egyptian government and the IMF (designing and implementation)
5. What are the other potential plans for the government/IMF

Annex 4: List of interview questions for Takaful and Karama recipients

1. For how long have you been a recipient of Takaful and Karama
2. How did you know about it?
3. Was the sign-up process easy or demanding?
4. Have you noticed any significance in the standard of living after Takaful and Karama?
5. Are there any recommendations or comments that you have regarding the program?