



# Why Does the Arab Spring Keep Coming Back?

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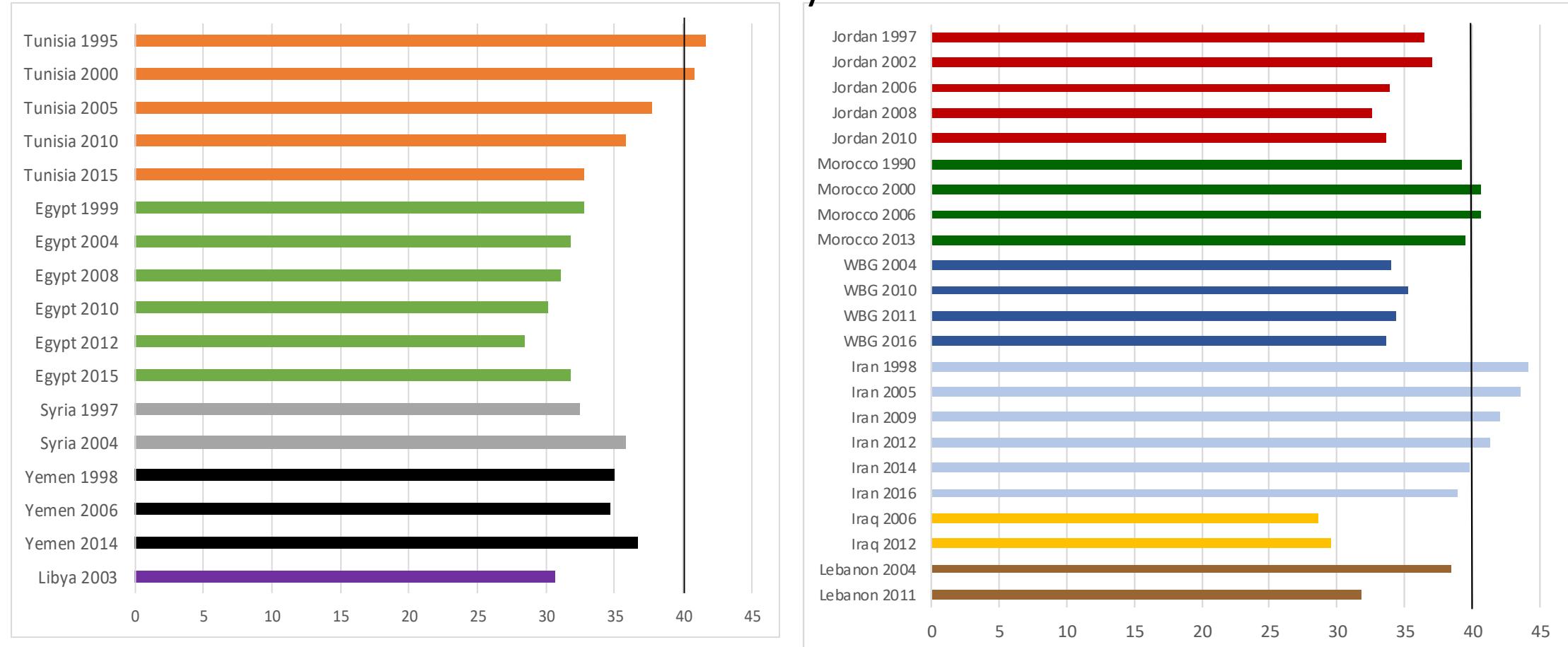
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# Storyline

- A broken social contract, not high inequality, led to the Arab Spring
- Developments in MENA since 2010 seem to reinforce the old social contract
- The symptoms of a broken social contract—high and rising dissatisfaction with life in the region—remain.
- As the social contract remains broken, the Arab Spring has been recurring
- Unless the social contract is repaired, the Arab Spring will keep coming back

# A broken social contract, not high inequality, led to the Arab Spring

Income inequality, measured with the Gini index, has declined in most countries and remains moderate by world standards



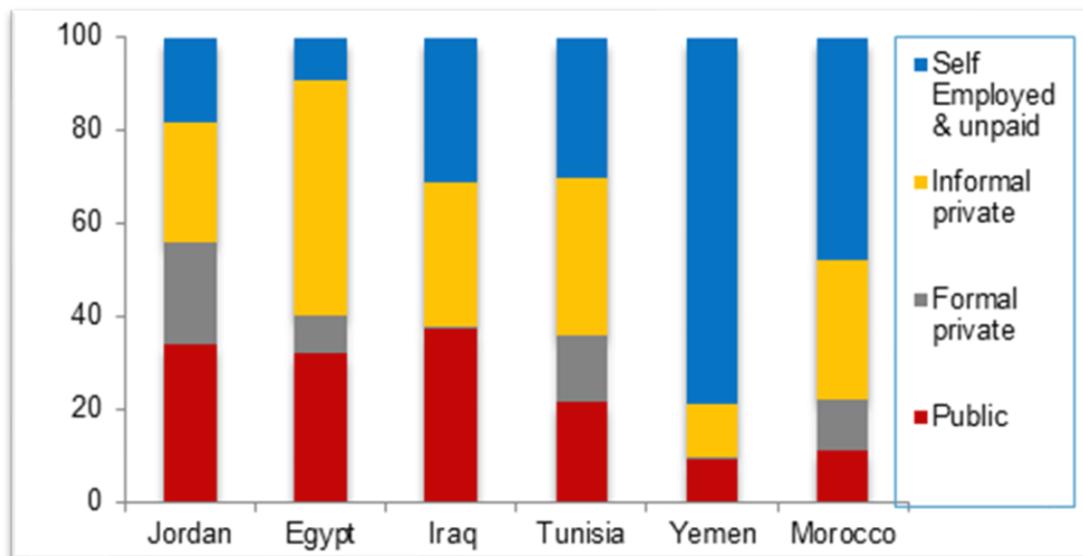
Source: World Bank <https://datacatalog.worldbank.org/public-licenses#cc-by>.

Note: The vertical black line denotes the world average Gini index for the period between 1995 and 2015.

# Old social contract

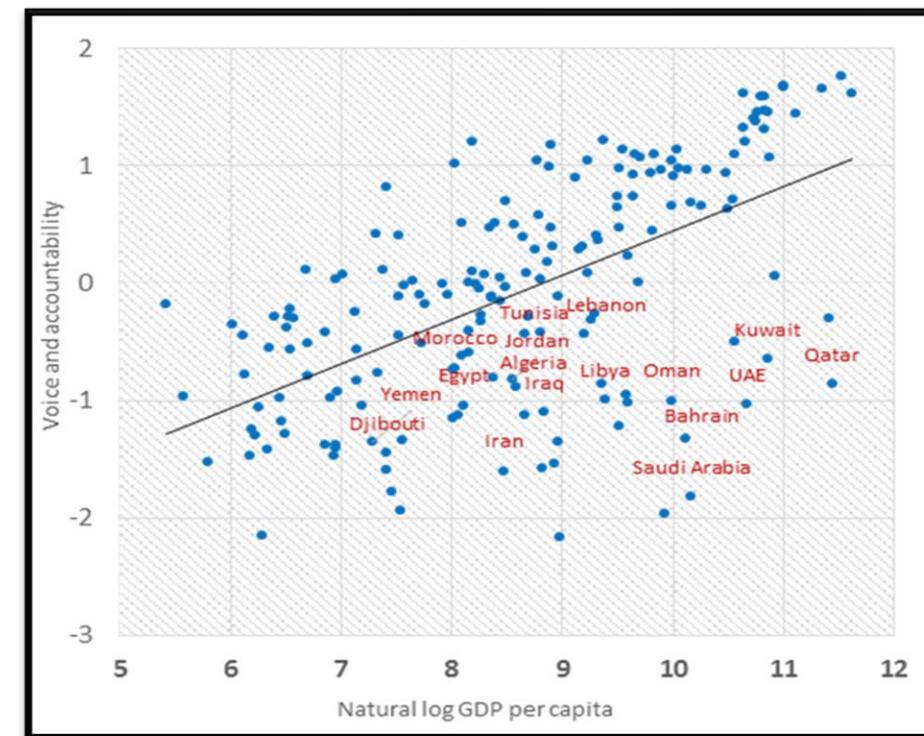
- Government provides

- Free health and education
- Subsidized food and fuel
- Guaranteed public sector jobs



- Citizens

- Keep their voices low

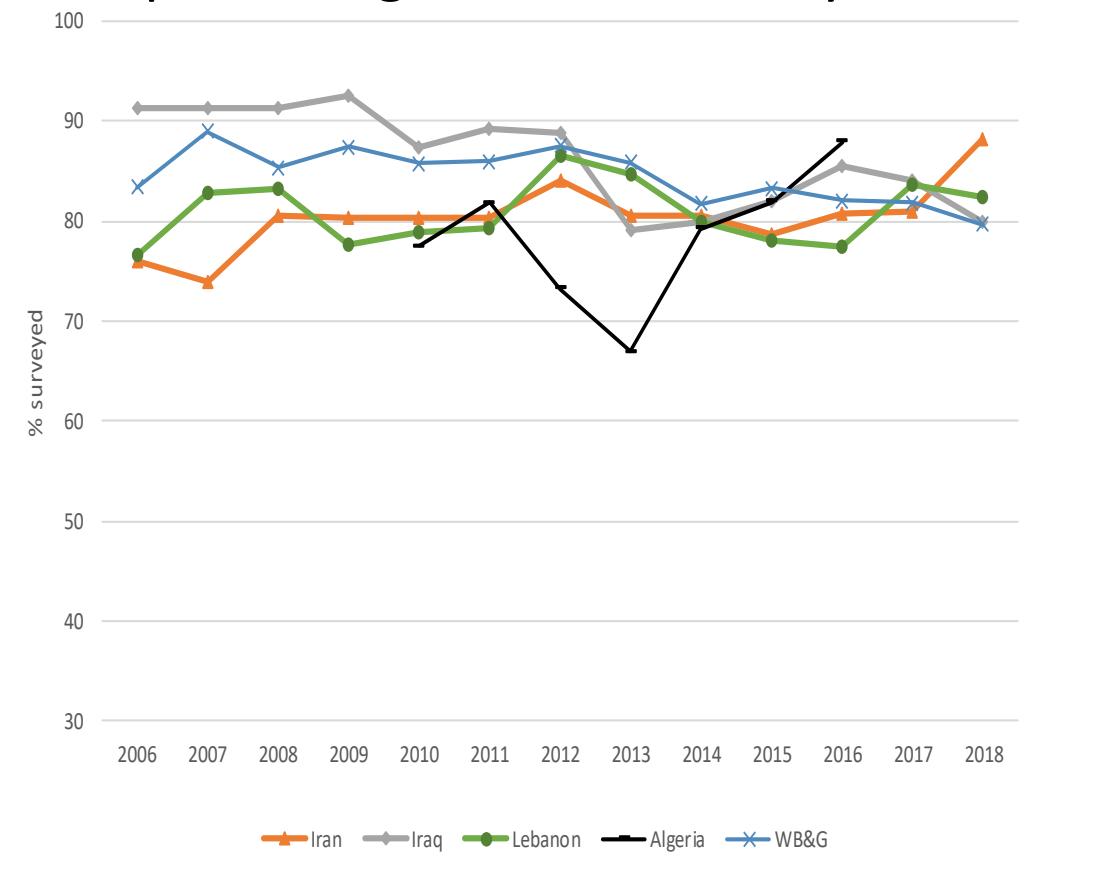
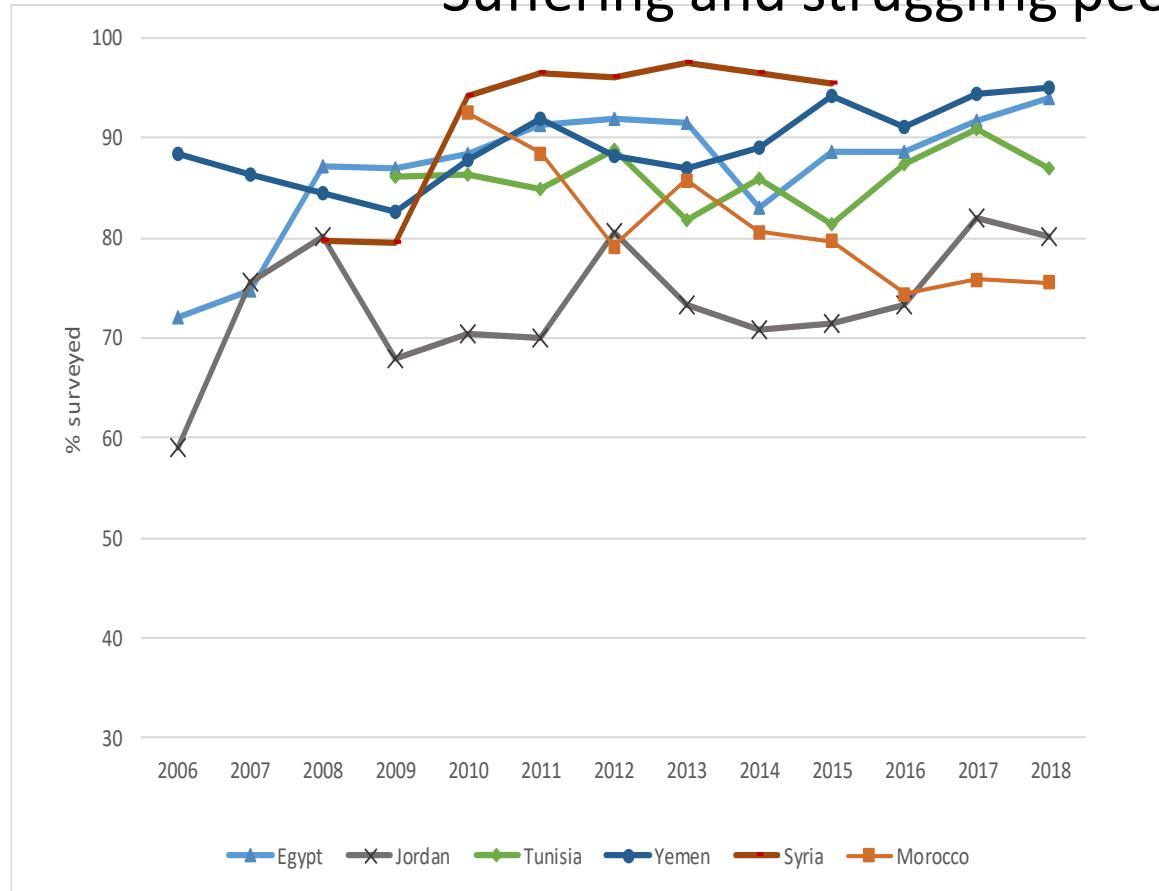


# Symptoms of the broken social contract

- The same grievances that hurt Arab people's well-being and motivated the protests (Arampatzi et al., 2018) were symptoms of an outdated and broken social contract (Devarajan and Ianchovichina, 2018)
  - Dissatisfaction with deteriorating standards of living (or quality of life)
  - Unemployment and shortage of formal-sector jobs
  - Inability to get ahead without connections ('wasta')
- Anger erupted because governments have not kept their end of the social bargain

# Rates of suffering and struggling increased or remained high in the Middle East and North Africa after 2010

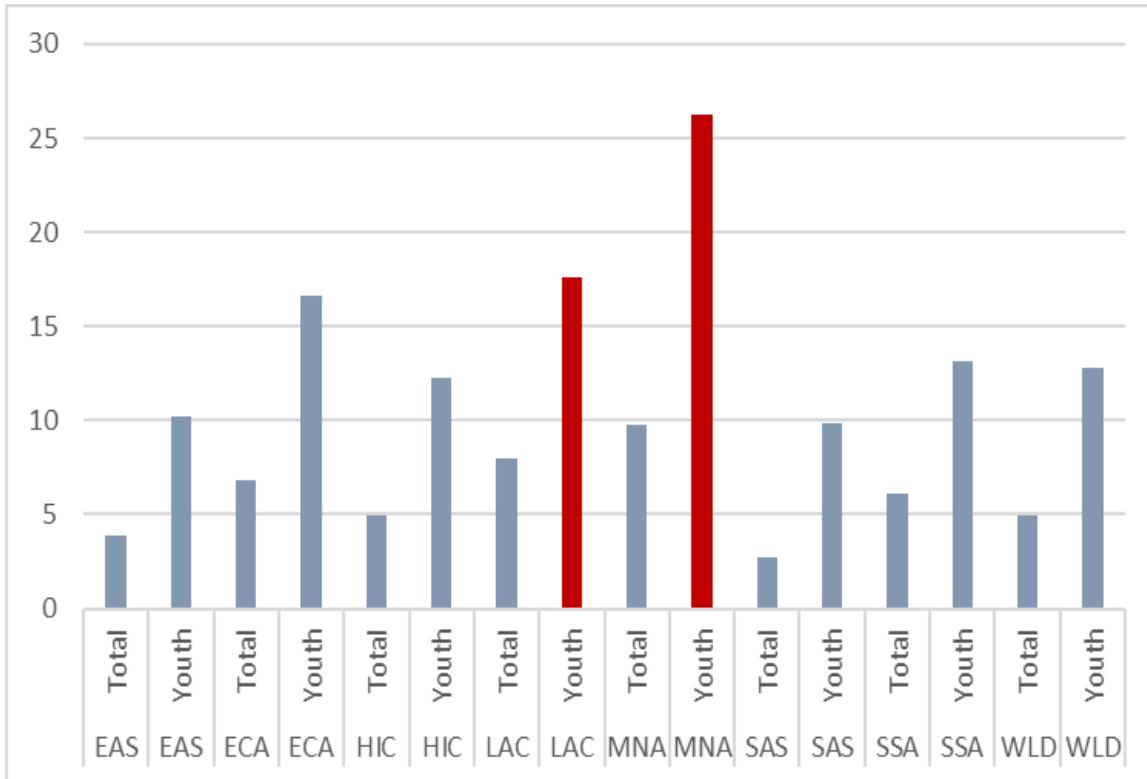
## Suffering and struggling people as a percentage of those surveyed



Source: Gallup World Poll data. Note: Suffering individuals have current and future Cantril Ladder scores that are equal or less than 4. Struggling individuals have current Cantril Ladder scores of 5 or 6 and future ones that are equal or greater than 5 and less than or equal to 7.

# Youth unemployment is highest in the world and elite capture continues

Unemployment rate, % of labor force for respective group in 2018

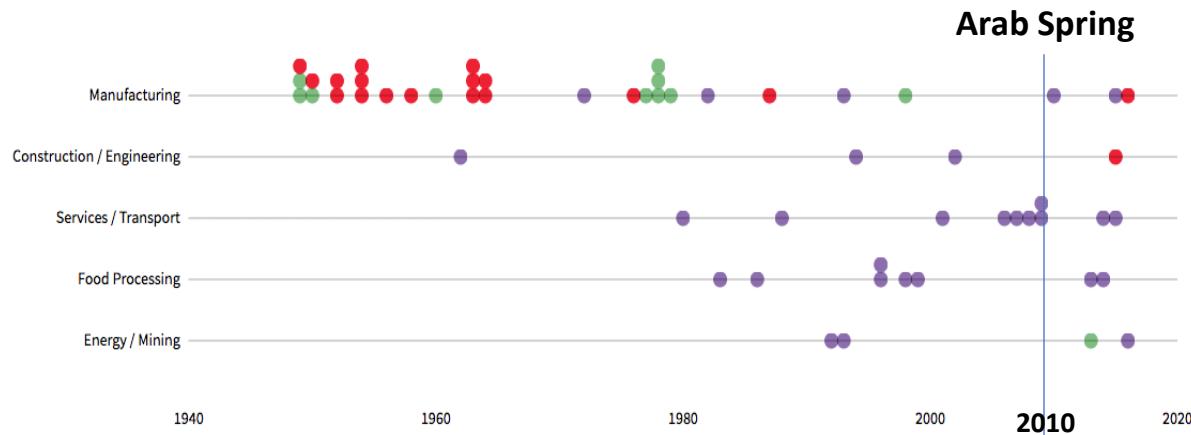


Source: ILO. Note: the unemployment rate is given as % of total labor force; youth unemployment as % of labor force ages 15-24

Egyptian military's expanding business interests

Military commercial ventures fall under one of the three main bodies, as shown below. The military's business interests are diverse, and growing, from cement to hotels to mining and a fish farm.

- Ministry of Defense  
The Egyptian military has 438,500 personnel on active duty, making it the tenth biggest in the world, according to the International Institute for Strategic Studies. It has another 479,000 personnel in reserve.
- Ministry of Military Production  
President Gamal Abdel Nasser established the Ministry of Military Production in 1954 to help Egypt achieve self sufficiency in arms production. In the decades that followed its fortunes were mixed. Abolished by Nasser, it was reinstated by President Anwar Sadat in 1971.
- Arab Organization for Industrialization  
Established in 1975, AOI makes mechanical and electronic products. The ministers of defense and military production are among the nine-member AOI supreme committee, which is headed by the president.



Sources: Websites of the Ministry of Defense, the Ministry of Military Production and the Arab Organization for Industrialization and their companies; company officials and brochures; Al-Talâ'a al-Masriya (Official Gazette) June 3, 2015; hotel websites and telephone calls to them; and Zeinab Abul-Magd, Militarizing the Nation: The Army, Business, and Revolution in Egypt, Columbia University Press, 2017.  
By Sarah Slobin | REUTERS GRAPHICS

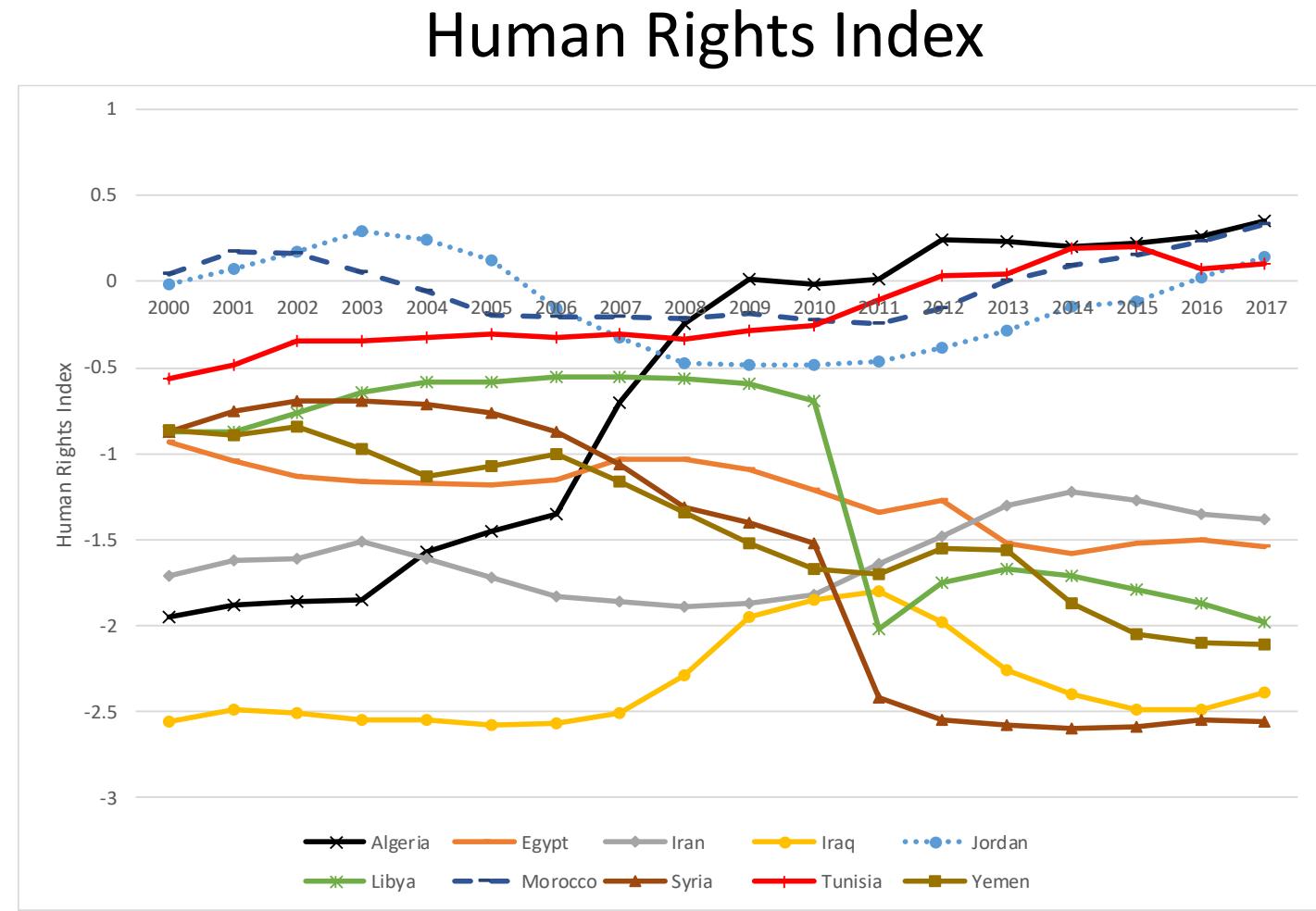
# The quality of services remains low

- The quality of services has deteriorated further (e.g., the “You Stink” garbage crisis in Lebanon)
- Corruption and elite capture remain (e.g., Beirut explosion)
- Education quality is low and learning outcomes poor (El Kogaly and Krafft, 2019)



# Increased repression threatens people's sense of freedom while undermining trust in government

- Voice suppression may appear to be a solution for stability for a while
- However, it is not a long-term solution
- Repression leads to more dissatisfaction and erodes the very political stability it aims to preserve
- The deterioration in the human-rights scores in almost all MENA countries prior to the Arab Spring partially explains the decline in well-being despite favorable growth and equity outcomes



Source: Schnakenberg and Fariss (2014).

# Some reforms were undertaken but the underlying problems that led to the Arab Spring remain

- Egypt cut energy subsidies and introduces a value-added tax, which helped restore macroeconomic stability and register an uptick in growth (IMF, 2019)
- The unemployment rate declined, but so did real wages and the number of working poor has increased
- The workers who fared better were male and public-sector employees (Said et al., 2019) and the large and relatively well-paid public sector has not been reformed (Behar and Mok, 2013), even in Tunisia (IMF, 2019)

# The Covid-19 Pandemic has made the need for a new social contract more urgent

- The pandemic has dealt a heavy blow to already weak economies with serious structural issues
  - Tourism and remittances
  - Oil sector
- The decline in fiscal revenue associated with the collapse in oil demand and the increase in fiscal spending to respond to the crisis led to the deterioration in both the current and fiscal accounts
- Vulnerability and poverty have increased
- In sum, the pandemic has made more urgent the need for greater efficiency and effectiveness in the public sector, economic diversification, and dynamism in the private sector

# Governments are trying to restore, instead of repair, the old social contract

- Just as the old social contract was unsustainable in 2011, it is unsustainable today
- There are many indicators of this unsustainability
  - Rising rates of suffering and struggling
  - Widespread protests throughout the region
- Absent fundamental reforms in the direction of a new social contract, the Arab Spring is likely to recur

# What should be done?

- Improve economic and financial inclusion by promoting private-sector job creation and breaking up cronyism-induced monopolies
- Rationalize public-sector employment to avoid crowding out the private sector; resist raising public-sector wages in response to protests
- Make service providers accountable to the beneficiaries of services
- Replace fuel and energy subsidies with targeted cash transfers to the poor
- Strengthen the voice of citizens, especially women, youth, and minorities, which will improve trust in government

# Why has progress toward a new social contract been so limited?

- These changes cannot happen overnight or be applied in all countries
- Conflict-torn countries need to resolve their conflicts, but they should not recreate the old social contract that led to political violence in the first place
- In the rest of the countries, a combination of domestic and external political forces are blocking progress towards a new social contract
  - Potential reform losers, although a minority, are often politically powerful and resist reform
  - Lack of trust between governments and citizens limits reform progress
  - Fear of extremism blocks progress towards greater voice of civil society
  - It is difficult for recipients of bilateral aid to chart a different course, when donor countries have not moved to a new social contract

Thank you