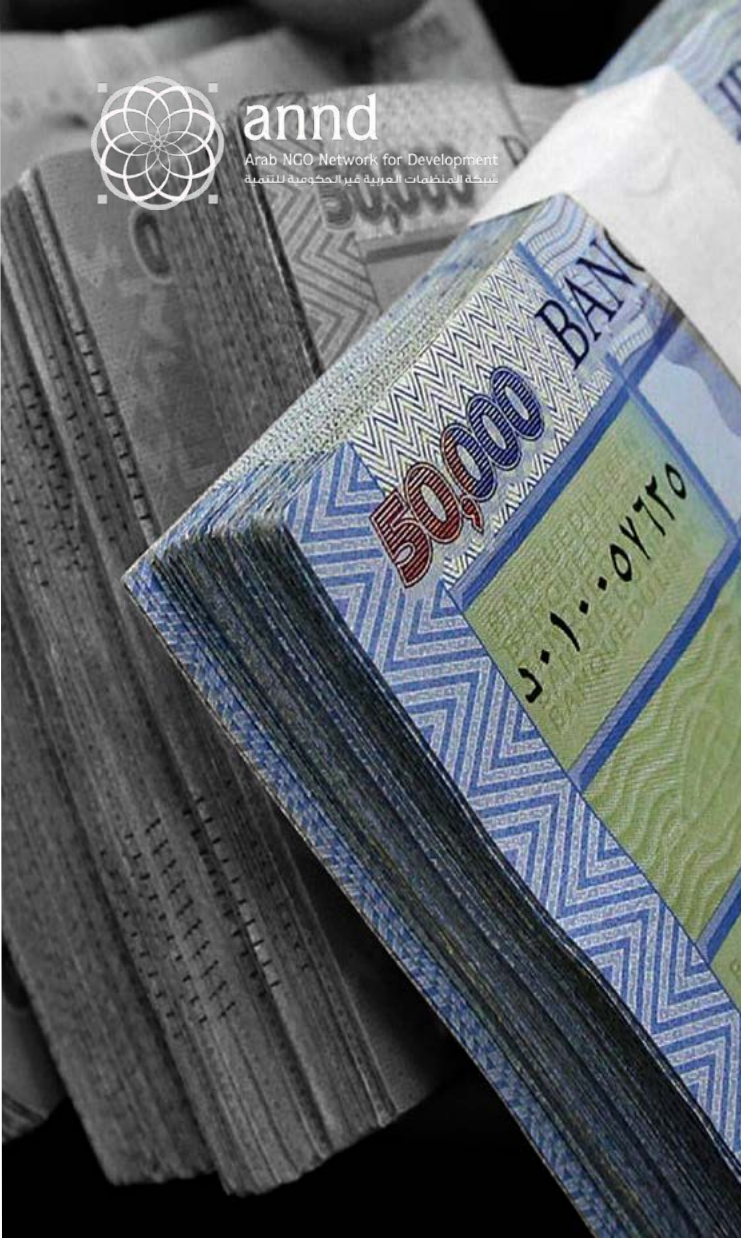




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Arab NGO Network for Development  
شبكة المنظمات العربية غير الحكومية للتنمية



# News Bulletin

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An IMF bailout for Lebanon can make things worse	1
The War of All against All in Yemen	3
Stop the Repression and Assassinations in Iraq and Hold the Criminals Accountable	5



## An IMF bailout for Lebanon can make things worse

Zahra Bazzi & Nizar Hassan

On 9 March 2020, Lebanon's government announced that it would not be paying \$1.2 billion in Eurobond payments, thus declaring the first sovereign default in the country's history. The decision to default was supported by a number of progressive activists and experts, given the shortage of foreign currency at Lebanon's central bank and the need to use this reserve for more pressing purposes.

The default came at a point of multiple financial and economic crises, caused by decades of corruption and an economic model based on extracting income from rent-based sectors (such as remittances, banking, real estate and foreign aid) to fund imports and consumption, at the expense of productive sectors. In parallel, the financial sector (both the central bank and commercial banks) provided the necessary funding for politicians to distribute public resources to their cronies and sectarian clients. Unsurprisingly, this model also led to an extreme concentration of wealth and income, with a quarter of all new income going in the pockets of the top 1 per cent, and with 0.1 per cent of bank accounts containing 20 per cent of all deposits.

The economic model failed as the country's trade deficit grew, and with it public debt

resulting from borrowing at high interest rates. The central bank's approach was to postpone the meltdown through financial engineering measures that accumulated further debt in US dollars, thus worsening the vicious cycle.

Until the beginning of the financial meltdown last October, international financial institutions (IFIs) seemed accepting of this economic model and the policies maintaining it. The IMF repeatedly praised the central bank's policies in its Article IV reports, especially in terms of maintaining a large foreign exchange (FX) reserve and attracting deposits. In turn, the World Bank has provided, and recently newly pledged, sizable loans conditioned on complementary 'structural reforms'. Both institutions had little concern for reorienting economic growth toward productive sectors, and a disregard of extreme wealth and income concentration.

In the summer of 2019, after 22 years of a fixed exchange rate, the crisis manifested in the quick depreciation of the Lebanese Lira, which has lost over 80 per cent of its value against the dollar in the last 12 months. Along with the measures imposed by the government to combat the Covid-19 pandemic, and the tragic explosion at

Beirut's sea port in August, this has made Lebanon's economic and financial recovery impossible without drastic solutions.

### A lifeline for a corrupt elite

Despite the uprising of October 2019, when hundreds of thousands from across the small country's districts took to the streets in rage against the political establishment demanding fundamental change to the system, the ruling class in Lebanon, including politicians and their partners in the private sector, has not only failed to respond to these emergencies, but has opposed any fair policies that might harm its own interests. These include a capital control law, a forensic audit of the central bank, a default and haircut on internal debt owed to private banks, and a restructuring of the financial sector based on the real existing losses.

The fear of such restructuring, rather than any concerns about the neoliberal paradigm, was what prompted the oligarchs to sabotage negotiations with the IMF. Eventually, the financiers and the government's technocrats are expected to agree on the diagnosis and prescriptions due to their desperation for a bailout.

Protesters and civil society groups have warned that any funding of the Lebanese state before political change occurs would be a bailout of its ruling class, which has lost popular legitimacy. In this light, Emmanuel Macron's initiative of conditional support, as well as a potential IMF programme, would secure an opportunity for the continuation of politics as usual and make any real change less likely.

## Austerity and the social crisis

Ordinary citizens and residents of Lebanon have been paying the cost of the crisis, with large numbers of businesses shutting or cutting staff costs, resulting in an increase in unemployment. The depreciation of the national currency, and a monthly inflation rate that has reached a record of 57 per cent, have led to a major decrease of purchasing power and increased poverty levels. Government and UN estimates have revealed that over 50 per cent of Lebanon's population is now under the poverty line, with one study finding that 23 per cent are in extreme poverty, a three-fold increase from 2019.

In this context, a classic IMF intervention involving fiscal consolidation, devaluation of the local currency, shrinking the public sector and removing subsidies on energy, gasoline and wheat, could worsen the social crisis, cause more poverty and potentially lead to destructive social tensions. An obsession with fiscal consolidation as a response to the fiscal deficit will also have harmful impacts on economic development in the medium and long term (see Observer Autumn 2020).

Neither the IMF's record, nor that of the Lebanese officials negotiating with them, is encouraging when it comes to rethinking neoliberal policies and advancing social justice. As such, civil society has a key role in pressuring both parties in this direction, and the IMF has a responsibility to include progressive civil society groups in a systematic dialogue concerning the conditions for a potential programme.

Such a programme, if it happens, should be based on an approach of prioritising human rights and dignity. Further economic pressure on ordinary residents is not an option today. Instead, plans for further austerity should be replaced with fair policies of revenue generation, including a new progressive tax system and a series of measures that encourage productive investment, protect the poor from the burdens of the crisis, and the establishment of a universal social protection system



## Deal of the century: Arab-Israeli Normalization and the Siege of Palestine

Iyad Riyahi

Since 2017, the Trump administration has been focusing on similar but multiple tracks regarding foreign policy in the Arab Region. The first involves the organized and blatant economic plunder of funds from the Gulf states. The second links those Gulf states in a path of normalization with the Zionist occupation of Palestine. The third would crush the national rights of the Palestinian people.

Palestinians feel betrayed and lonely at the moment, as several Arab countries have been forced into normalization. Those who will not follow suit might be subjected to multiple forms of isolation, siege, and pressure in the future to compel them to normalize with the occupation state of “Israel.”

While UAE and Bahrain’s normalization is bad, in Sudan it becomes unfortunate. The Sudanese have been promised development and peace by some of their officials. However, a review of the Jordanian and Palestinian experiment with the illusion of normalization is enough to know where it will end up. Neither the Oslo Agreement[1] nor the Wadi Araba Accords[2] had led to prosperity in Palestine and Jordan respectively. On the contrary, Palestinians are poorer now, more dependent on external aid, and their economy subservient to that of the

occupation state. Palestinians and their supporters also lost financial and political support in some Arab and international fora.

The UAE, Bahrain, and Sudan normalization treaties and those that will follow from other states add to the challenges faced by Arab activists. In particular, activists in the GCC might face future prosecution. The removal of material related to the Palestinian cause from some Arab satellite stations point in this direction, especially as it included songs and shows dedicated to the history of the Palestinian question.[3]

### Manama Workshop: Financial Siege of Palestinians

Prior to these developments, the Manama “Peace for Prosperity” workshop was launched in June 2019 in the context of the Deal of the Century, under the slogan of “Development and Economic Prosperity for the Palestinian People” who were not consulted. Palestine became a stepping stone for the Gulf countries to publicly open up to the occupation state. Instead of announcing development programs for Palestinians, they faced more oppression and were put under a financial embargo. In the past months, not one Arab capital had been willing to provide Palestinians with aid or loans to address the financial crisis. “The financial crisis faced by the Palestinian Authority (PA) is a result of a monetary war aiming at extortion,” said Palestinian Prime Minister Mohamad Shtayyeh. He explained that Palestinians were not consulted about the plan for the “workshop” hosted in Bahrain. “The PA and its leadership do not discuss the conditions for improving life under occupation.”

Meanwhile, “Israel” decided to seize clearance taxes, [4] increasing the Palestinian government’s demand for local borrowing and leading to the inability to pay government salaries or paying debt owed to

the private sector. The continuing financial siege will lead the government to borrow again from local banks. When this option is exhausted, it will be forced to accept the clearance funds, under the conditions it had previously rejected, which involved drastic changes to its role, relations, and regional and local alliances. This situation will be inevitable, unless broad changes are made to the PA, including the number of ministries and the number of security services that people actually need.

On the political level, such complicity will put Palestinian rights under scrutiny once again, which will be clear during future voting in the UN or any other international forum. It was never this difficult for Palestinians to push for decisions on normalization. Even in weak structures like the League of Arab States, such issues have become unattainable, due to the growing influence of some GCC countries. The Palestinians got the message that the Arab consensus on their cause has been lost, as some have slipped into outright alliance and conspiracy against their cause and maybe even more. One example is using a powerful media machine not only to oppose the Palestinians but also to justify the crimes of the occupation.

## Normalization Does Not Serve Palestine

The head of the “Israeli” government Benjamin Netanyahu had denied all the UAE propaganda preceding the signing of the agreement at the white house. He said it was “peace for peace” achieved through Israeli might.[5] Linking normalization with the halting of annexations in the West Bank was an attempt to outbid the Palestinians while claiming to help them. The allegations were later denied by both the US and Israeli sides, followed by an announcement by Israel of the development of thousands of housing units in the settlements and mountains of the West Bank.

Regardless of whether it was the usual Israeli deception or merely UAE apologia, the normalization process went ahead, including investment in colonial projects in occupied Jerusalem.[6]

The harm of normalization agreements on the question of Palestine does not stop here. What will follow will cause the most damage. Palestinian groups are beginning to understand the need for unity to face the coming tide fed by public alliances and exploited by “Israel”. Palestinians need to agree on clear and timely measures to put their house in order to avoid paying a heavy price internally. These powers will play a role in stirring up internal disputes and control Mahmoud Abbas’s main rival. Elections will not solve the problems faced by Palestinians. However, if they are early and decisive, they can impede this destructive scenario.



## Protests in Iraq: Wide and Diverse Cultural, Geographic, and Gender Participation

Jamal Aljawaheri

The October 2019 protest movement is a milestone in Iraq's modern history in terms of its geographical breadth, cultural, intellectual, and gender diversity, longevity, and the resolute participation of young people under thirty. The suppression of university graduates protests before October galvanized the participation of the unemployed among them who saw a bleak future. The protest movement was joined by young arts and culture groups, imbuing it with a carnival spirit. The movement enjoyed extraordinary solidarity from the majority of Iraqis. It was strengthened by the remarkable presence of women on all levels and the wide participation of university students. The impetus it gained was unprecedented since the 1940s and 1950s.

The protests subsequently pushed the government to resign, despite the multifaceted violence against protesters. Murder, accusations of treason, intimidation, kidnapping, and detention were used against demonstrators. The attacks left many young protesters with various disabilities, added to around 700 martyrs and hundreds of kidnapped or injured. The protests had erupted after a summer of long electricity cuts. However, they went much beyond the calls for improved services witnessed in prior demonstrations.

### Why Did the Protests Break Out?

The Iraq-Iran war, followed by the embargo and the post-2003 period, marginalized many regions and groups, causing poverty, lack of services, and the absence of decent job opportunities. The private sector was too weak. State institutions failed to ensure stability in wages and pensions while facing deterioration, inefficiency, and inability to absorb an army of unemployed youth, who make up 40% of the total in some provinces. On the opposite side, small groups lacking scientific and cultural qualifications took over. They lacked knowledge of the country's wealth, which would change most Iraqi lives and secure their future if utilized and distributed correctly and fairly.

Cultural heritage and openness to the world after 2003 led to increased calls for public liberties in Iraq, including the freedom of expression and the right to assembly, in addition to citizens' fundamental rights. However, the government and Parliament ignored such demands. Suppression and pressures increased. It led to the first clearly defined social movements in modern history. Baghdad is not Kandahar was established following restrictions on rights were applied by the government and Baghdad Provincial Council.

The 'components state' failed. Power, money, and privilege became concentrated in small groups claiming to represent the country's cultural, intellectual, religious, and ethnic components. Subsequently, these influential groups formed their own economic, military, and media arms to control society. Corruption and favoritism spread. Providing human security for citizens became very difficult. Most Iraqis lost hope of an imminent and natural transformation from inside. Protesters began rejecting political parties categorically. Marginalized groups and the unemployed in the protests even refused the presence of parties subject to oppression.

The involvement of volunteer and civil society youth groups in the protests was remarkable. Many called for peaceful demonstrations, which was a change from previous occasions. Culture and art were mixed with demonstrations and brought exhibitions, theatrical and lyrical performances, and book fairs to the squares. Events included marathons and bicycle races, which led to increased youth and family presence, especially in the first few weeks.

The main slogan of the protests and its unified identity was the call for nation-

building, rejecting all forms of quotas that lead to political, financial, and other types of corruption.

Many groups who had never participated or whose presence in demonstrations had been weak joined in. They included unions, university students, school students, the unemployed who had not graduated from university, and semi-literate people. Families of all cultural and religious backgrounds participated directly or indirectly through logistical and financial support and various services such as food, water, and medicine. Medical workers who helped the wounded in the protests were joined by lawyers and teachers' unions, the media, and artists. Even the sons and daughters of some government officials were active directly and indirectly. The protests received solidarity from young men and women in provinces that did not witness significant actions.

Mobilization, promotion of protests, and group coordination benefited from social media. Some groups used electronic games as tools for camouflage, gathering, and circumventing the repressive forces. Funnily enough, some said it was a movement of those who play PUBG, a widely popular electronic game among young Iraqis.

The broad participation by women emphasized different groups' ability to destabilize Muslim subordination and marginalization of women in society and decades of disregard for their capabilities in public life. It demonstrated the capacity to stand up to the various challenges they face as women. The participation of these women's groups motivated other women to join the protests, as an essential component for a better future role for women in public life. This participation was even broader on social media.

Coordination between the various sectors and provinces contributed to the protests' sustainability and development of demands. It motivated groups, such as youth, to increase their political participation, carrying out campaigns on election laws and public freedoms. Media appearances by young people became regular and more competent after being marginalized for so long. Their demands evolved to include an end to violence against women, the need to enact family violence law, and other policies.

The protests withstood the unspoken alliance between the regular and irregular forces (some Shia armed groups) to suppress the protests through murder, kidnapping, and threats. They remained steadfast and highly influential in public. Some of the protest leaders gained the ability to negotiate and cannot now be ignored.

However, the lack of an agreed leadership allowed the infiltration of government-allied parties and coalitions. Political and social demands were not deeply thought out. Nevertheless, they pushed the government to resign after failing to achieve any real change in the political process.

Thus, broad participation gave birth to a culture of demanding rights and freedoms and calling to improve the country's economic, social, and political situation. It will allow civil society to build a peaceful human rights culture and influence its environment. It also helped build the capacities of volunteer youth groups, directly and indirectly, with a qualitative and peaceful effect on the movement's demands.

The Baghdad Tahrir Square sit-in was dispersed on October 29, 2020. Many young groups were disappointed when they saw the same leaders who they protested against remain in power. They remained highly influential over the government, which has not regained its authority. Nevertheless, it meant greater awareness and broader calls for youth participation in politics for other groups. Parliament reduced the candidacy age from 30 to 28, although the demands called for a reduction to 25 years. The protests also achieved a high level of coordination between groups. They created various creative forms of demonstrating, encouraging other people to participate.






The Arab NGO Network for Development works in 12 Arab countries, with 9 national networks (with an extended membership of 250 CSOs from different backgrounds) and 23 NGO members.

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