The European Bank for Reconstruction and Development and the lessons from Eastern Central Europe for Middle East/North African Transition

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Abstract

This paper seeks to understand the role played by the European Bank for Reconstruction and Development (EBRD) in helping to consolidate the gains from the Arab Spring. There is little academic analysis of the EBRD in Eastern Central Europe's (ECE) transition, let alone the Middle East/North Africa (MENA). Yet here is an institution in the vanguard of political economic change. The paper explores the mechanisms and strategies utilised by the EBRD to aid reforms in ECE, and then explores whether similar formulations can be uncovered in MENA by comparing the intellectual assistance to post-communist reformers in ECE with the current advice to MENA, in particular Egypt.

Key Words: EBRD, ECE, MENA, Gramsci, Neoliberalisation

Introduction

This paper seeks to understand the role played by the European Bank for Reconstruction and Development (EBRD) in helping to consolidate the gains from the Arab Spring. There is little academic analysis of the EBRD in Eastern Central Europe's (ECE) transition, let alone the Middle East/North Africa (MENA). Yet here is an institution in the vanguard of political economic change. The paper explores the mechanisms and strategies utilised by the EBRD to aid reforms in ECE, and then explores whether similar formulations can be uncovered in MENA by comparing the intellectual assistance to post-communist reformers in ECE with the current advice to MENA, in particular Egypt.

The paper thinks of the EBRD as an organic intellectual in the Gramscian sense. An institution filling the role of what Gramsci describes as 'permanent persuaders' (Gramsci 1971: 10). The organic intellectual offers a 'trench system that sustains [the historic bloc]... through its complexity and interlocking levels' (Jones 2006: 86). The role of such a group is to aid the passage of common sense into hegemony. Gramsci asserted the function of the organic intellectual was comparable to that of Machiavelli's Prince, mobilising society (Gramsci 1971: 129). Thus the 'organic intellectual' is also the 'collective intellectual', and I utilise the term here to include the EBRD. Various fractions of capital or labour utilise institutional frameworks like the EBRD to forge their interests and ideologies into common sense (Bruff 2008). The EBRD acts as organic-collective intellectual to formulate common interests and assert them externally demonstrating the overlap between organic intellectuals and leading social forces (Macartney 2011: 74). The paper shows how the EBRD perpetuates a neoliberal ‘common sense’ among aspirational members of the working class with the allure of becoming middle class in return for supporting neoliberal reforms, despite not being the principle beneficiaries of such reforms. Thus organic intellectuals aid in organising hegemony by converting a plethora of diverse issues into a common vision; this is the hegemonic project.

More directly in relation to the EBRD, a first wave of transition in ECE was based on making the market (i.e. privatisation, liberalisation, and deregulation). Having witnessed the ‘failure’ of initial moves towards completion of the market economy in ECE the EBRD recognised the necessity to complement the first wave with the development of institutions and behaviour that support the functioning of markets and private enterprise. A second wave aimed to complete the transition and open up oligarchic and exclusive political-economic institutional frameworks and practices to competition. With the lessons of ECE the linkage between the political, economic and social components of change are increasingly clear. These waves are happening co-terminously in MENA to ensure the completion of reforms. A market economy requires an adequate legal and democratic political framework to foster the spirit of enterprise, individual rights and institutional stability necessary for sound investment. Supporters of reform point to the need to open up key sectors of the economy to competition as well as to promote entrepreneurship and remove existing distortions in the labour market that impede the supply and development of quality human capital. The paper focuses on whether key policies, ideas, and guidance, so redolent of ECE, are being adopted in the MENA transition. One important caveat though, this paper is by no means intended as an analysis of MENA’s transition (for precisely this kind of Gramscian interpretation, see Roccu 2013).

Over what follows the paper will illustrate the continuing and evolving commitment of the EBRD to neoliberalism, interrogating the role of the EBRD in the refinement of neoliberal strategies to maintain the disciplining power of capital over labour both in ECE and MENA, and how the neoliberal blueprint offers the free market as the natural, and best, method of organising social life. The paper is laid out in five sections. In the first section I argue that Gramsci’s notion of the organic intellectual provides a useful analytical grip on the activities of the EBRD. The next three sections periodise three waves of the EBRD’s neoliberal ‘common sense’ in post-communist transition: the initial post-communist construction of the market, configuring the ‘correct’ socio-economic institutions, and the promotion of neoliberal formulations of competitiveness. As each fails to complete the reform process a further iteration is required. In the final section the paper begins to outline whether similar articulations of can be found in the EBRD’s plans in MENA.

The terms of reference for a Gramscian perspective on transition

A Gramscian perspective challenges orthodox transitologists to unravel the specific institutional forms in which capital has been structured and consent organised in the transition. This enables a more cohesive integration of domestic, international and transnational levels of analysis in attempting to theorise the simultaneously complimentary and contradictory relationship between state and capital. For the EBRD this encourages the exploration of ongoing practical transformations in the forms of consent and an appraisal of the opportunities and dangers that these changes represent. Such a perspective offers significant reorientation from the orthodox toolkit transitology.

A critical IPE based on a Gramscian rejection of a mechanical, economistic interpretation of Marx contends that social change does not automatically follow economic development. Instead historically situated agents whose actions are enabled and constrained by their social self-understandings produce it (Gramsci 1971: 164-5, 326, 375-7, 420). Popular 'common sense', then, becomes a terrain of political struggle (Gramsci 1971: 323-4; 419-25). The theorisation of a politics of common sense is an attempt to de-reify capitalist social relations, including state-based conceptions of politics, and construct an alternative social order out of the historical conditions of capitalism (Gramsci 1971: 329-39; 242-3). The paper breaks with orthodox approaches to theorising transition for three main reasons. First, the rejection of statecentrism at the heart of debates about transition where the ontological primacy of the state and the role of non-state actors remains unproblematised. Second, a Gramscian perspective departs from the reductionism inherent to orthodox accounts preferring a historically grounded conception of the dialectic totality of agency and structure. Third, the implicit political project involved in the de-reification of capital. Instead the paper identifies state formation and inter-state politics as historically based moments of capital accumulation and class formation subordinated to the dynamics of social relations.

Gramsci's notion of the historic bloc as a complex of economic, political and cultural institutions configuring the normal social development of a particular period and a particular economic system contributes a powerful analytic tool for investigating the role of the EBRD in transition. Gramsci argued that ideas, culture, politics and law were not merely the outcome of economic interests and their relationship to production. Hence, an economic system develops within a framework of a conducive political and cultural system.

This is not an esoteric or abstract discourse but a reality 'formed in specific historical relations, with specific feelings, outlooks, [and] fragmentary conceptions of the world' (Gramsci 1971: 198). This does not necessarily correspond to good sense but to a dominant view of the world where 'every social stratum has its own "common sense" and its own "good sense", which are basically the most widespread conception of life and man [*sic*],' (Gramsci 1971 :326) constituted by a variety of different and contradictory positions that span an entirety of beliefs and ways of seeing the world. Accordingly, there is no predisposition to coherence; however, common sense fuses the diversity of understandings of the world into an unproblematic and 'natural' worldview that provides the foundation for hegemonic order, a combination of consent and coercion through ideological legitimisation[1]

The strategic vocabulary that Gramsci furnishes provides a set of concepts that, unlike orthodox theories of transition, mediate between the abstract structures of capital and concrete instances of agency. In doing so, this reveals the practical context of social relations. In brief, this occurs through particular concessions to subordinate groups mediating between objective class conflict and the construction of a general will, as do the efforts of organic intellectuals. Civil society mediates between the mode of production and the means of coercion. Historic blocs mediate between social being and social consciousness. These concepts enable the theorisation of practice in post-communist transition within a dialectic of agency and structure while also supporting the possibility of formulating strategies for social transformation. Gramsci's notion of hegemony, in contrast to the Weberian concept of 'power over', reveals the organisation of consent to capitalist leadership and the possibility of constructing an alternative hegemonic bloc. This enables the empirical exploration of the practical content of hegemony organised by the EBRD around neoliberal strategies of accumulation as the common sense option for post-communist reform, and subsequently for MENA.

Perhaps the most important element in a Gramscian perspective is the shift in discourse from the language of capital-logic and class struggle to a language of politics and strategy. For Gramsci, the analytical imperative to transcend economism was fuelled by a practical need for subordinate groups to move beyond a defensive understanding of their own immediate interests, to create their own hegemonic conception of the 'general interest'. In place of the abstract base-superstructure model, Gramsci developed the concrete-practical concept of historic bloc 'to indicate the way in which a hegemonic class combines the leadership of a bloc of social forces in civil society with its leadership in the sphere of production' (Simon 1982: 86). Such a broad and durable alliance requires a relationship of compromises, through which the class (or fraction thereof) is able to represent the 'universal' interests of the whole of society while uniting to itself a group of allies (Sassoon 1982: 111).

Organic intellectuals play a crucial role in this process. Gramsci argues that:

> Every social group, coming into existence on the original terrain of an essential function in the world of economic production, creates together with itself, organically, one or more strata of intellectuals which give it homogeneity and an awareness of its own function not only in the economic but also in the social and political fields (Gramsci 1971: 5).

Given my point above that organic intellectuals need not just be individuals, but also organic-collective intellectuals, they do not simply produce ideas, they help to affirm and articulate ideas and strategies in complex and often contradictory ways due to their class position and proximity to the leading groups in production and the state. They organise the social forces they belong to and contribute to the development of the hegemonic project. If the hegemonic project stems from the economic sphere it also transcends this into the political and social spheres incorporating broader issues that harmonise the interest of the leading and subordinate classes. Thus a specific ideology is expressed in universal terms by institutions like the EBRD.

It is in this sense that the EBRD can be understood as a historically constructed organisation of consent, resting upon a practical material base. Gramsci provided some suggestive remarks on the dialectical relation between the two in capitalist formations. In the exercise of the cultural leadership through which the economy and the people are organised, a decisive role is played by organic intellectuals, whose own existence is grounded in 'the technical aspects of the fundamental productive functions of the modern bourgeoisie' (Vacca 1982: 62). As the later sections will illustrate, one of the EBRD's central roles is to extend such technical aspects into parts of the world where the bourgeois class has been absent. For Gramsci this process was clear: 'the capitalist entrepreneur creates alongside himself the industrial technician, the specialist in political economy, the organisers of a new culture, of a new legal system, etc.' (Gramsci 1971: 16). It follows from this analysis that a Gramscian perspective on the EBRD places considerable importance on the autonomous influence of ideas and institutions in the development of transition order. It is a historical question to be answered by an empirical study of the particular case. In the next section I discuss the historical question of the ideas and institutions configured by the EBRD as it attempts to enhance the prospects for neoliberal hegemony in ECE.

A first wave of neoliberalisation

The EBRD was set up during the early stages of the transition at rapid speed by the governments of the west. It was formally established on 29 May 1990 and was operational less than a year later, on 15 April 1991 (Bronstone, 1999; Weber, 1994, Shihata & Attali, 1990). This is in direct contrast to the Latin American equivalent, the Inter-American Development Bank that took 50 years. In contrast to many other similar multilateral financial institutions the EBRD is not modest in its commitment to facilitating political reform and not merely economic:

> The purpose of the [EBRD] shall be to foster the transition towards open-market economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economies (EBRD 1990: art. 1).

Yet, as the EBRD commented at the time,

> this poses a major challenge: to create a new economic framework, while simultaneously changing the political system, behaviour, and even the attitudes of the people involved, without creating intolerable social conditions which could seriously endanger their societies and threaten those nearby (EBRD 1991: 23).

The priority areas for the EBRD: developing the financial sector through technical assistance to governments and bank officials, supporting the creation of new financial actors; developing infrastructure in telecommunications, transport, energy and environment; conversion of the military industry; general privatisation and restructuring; and supporting small and medium-sized enterprises, incur considerable parallelism with the IMF and World Bank (EBRD, 1990: art. 1). However, the EBRD had three distinct tasks: an explicit commitment to the countries' political transformation; a clearly defined emphasis on private sector development; and a strategic role as the first pan-European institution linking the ECE states to the West.[2]

In the discussions leading up to the establishment of the EBRD two potential models emerged. Smith (2002) terms them maximalist and minimalist models. The former model, supported largely by the French and German governments, envisaged the absorption of all aid programmes into the new institution. This would be a consciously *European* institution in composition and orientation and would not involve the US. In contrast, the minimalist model, the preferred option of UK and US governments, was based on the new institution's collaboration with other aid programmes and US involvement.[3]

The Franco-German plan centred on three core aims: first, encouraging the CMEA to remain in place fostering economic links; second, encouraging each state to evolve its own social and economic development without the application of a specific Western model; third, the emphasising the role of economic revival as the key Western aim in the whole region. This would be achieved by encouraging institutions like a new RDB. Western governments, with the formation of the EBRD, embraced this part of the plan. However, the Franco-German intention for a bank engaging in large infrastructural projects was emasculated through US and UK action. Attali's planned extension of an invitation to the USSR was also rejected despite an agreement between EU member states that the USSR should participate. According to Bronstone (1999) the US urged their exclusion (or at least only observer status with no lending rights). The zeal of the US, with British support, to mastermind a transition driven by private foreign capital that preserved US dominance in Europe doomed the only project remotely reminiscent of a Marshall Plan for ECE (Smith, 2002: 650; Ivanova, 2007: 350). Strand's analysis of relative voting power in the EBRD illustrates clearly how such discussions were not left to chance:

> we can assess *whose* political preferences are more likely to be exercised through the EBRD's decision-making rules. Given that the United States has the greatest voting power in the Bank perhaps we can expect the political bias of Bank decisions to more closely reflect American neo-classical economic principles. … What is also clear, at least in the formal analysis of influence over electoral outcomes, is that smaller, borrowing members have essentially little or no voting power. In sum, the policies implemented by the Bank are likely to reflect the interests of the larger, capital donating members (Strand, 2003: 350).

In this sense we can see the setting up of the EBRD as an opportunity for neoliberal social forces to configure transition in a particular way. Two issues are vital to appreciate. Firstly, that the founding process of the EBRD represents a consolidation of neoliberal thinking about the appropriate route for the transition to take, and secondly, in light of later concerns, this represents a closure around what constituted legitimate intervention in ECE.[4]

This is not a spontaneous process though, as neoliberalism necessitates a constant stream of ideological and material forces to synthesise a long-term framework for political and economic interests (Shields 2012). ECE capitalism did not just fall fully formed from the sky as the Berlin Wall fell in 1989. The launch of the first wave of neoliberal transition mapped out the parameters of the reform debate for the first half of the 1990s. Furthermore, it reveals the degree to which the neoliberal context had been preconfigured as the only rational course of action. In a nod to more contemporary developments in MENA, once elected, former dissidents wholeheartedly embraced draconian cuts in government spending, immediate liberalisation of trade and privatisation implemented to restore macroeconomic stability and the creation of a market system.

By embedding transition within an uncompromising anti-communist and pro-Western normative framework, the first wave neoliberal blueprint for transition supplies a clear set of definitions and an uncontroversial set of goals, while simultaneously offering expertise as a means of implementation (Burawoy 1996). The outcome was that it was considered better to undertake all the changes concurrently and as rapidly as possible, because of the threat that the 'losers' would feel the social costs and uncertainties pushed through by the shocks of institutional change a lot quicker than the 'winners' would experience success - a message that persists to this day (On ECE see EBRD 2007, on MENA see EBRD 2013).

Getting the correct institutions in place

The first wave of neoliberalisation in ECE consisted of the imposition of financial discipline and competition (World Bank 1996, 45); the creation of property rights and their lock-in through privatisation and the attraction of foreign capital (World Bank 1996, 48). Privatisation, FDI and hard budget constraints were soon identified as problematic in themselves. Rather than the immediate success of shock therapy this instead pointed to the importance of an appropriate institutional context (Rapacki 2000). This constituted a stylised form of transition treating it as an axiomatically linear process and offering a pragmatic, one-dimensional 'toolkit' to solve the problems of ECE which has at best, provided a set of misguided signposts for transition states to follow and, at worse, contributed to the sobering wholesale immiserisation of large proportions of the population of ECE (see Milanovic 1998; Hamm, King, & Stuckler 2012). The international institutions and many analysts still remain wedded to the notion that 'firm and persistent application of good policy yields large benefits' (World Bank 1996: 55); for good policy read the core neoliberal virtues of liberalisation, privatisation, stabilisation and openness to the global economy, an orthodoxy that continues to hold sway in the international financial institutions, the EU and the finance ministries of ECE.

This second wave aimed to complete the transition process and open up oligarchic and exclusive political economic institutional frameworks and practices to competition. Even in 1991 the EBRD considered such concerns vital:

> The countries of [ECE] have shown themselves determined to create new democratic market economies. The linkage between the political, economic and social components of the changes have become increasingly clear. A market economy requires an adequate legal and democratic political framework to foster the spirit of enterprise, individual rights and institutional stability necessary for sound investment (EBRD 1991: 26).

In the second wave of neoliberalisation reformers pointed to the harm done by vested interests and rent-seeking in preventing the completion of transition. The need to open up key sectors of the economy to competition (especially the coal, ship building and steel industry), was clear. This would promote entrepreneurship and remove existing distortions in the ECE labour market that impeded the supply and development of quality human capital. Having witnessed the 'failure' of initial moves towards completion of the market economy the necessity to complement liberalisation and privatisation with the development of institutions and behaviour that support the functioning of markets and private enterprise was recognised.

The neoliberal route to achieve this, through the creation of the correct type of institutions resonated with wider changes in the global political economy and were drawn out in the World Bank's wider institutional move towards deep interventionism.[5] In essence, this abandons economic shock therapy and in its place proposes an institutional shock therapy. As the EBRD noted in its 1995 Transition Report,

> the next period of the transition must be led by high-quality investment … *with the right kind of institutions, leadership and partnership*,the private markets in these countries can deliver the quality investment which is necessary for successful economic growth (EBRD, 1995: 8, emphasis added).

Despite the shift in strategy, progress was protracted: in 2004 it was noted that in Poland for example, 'little further progress has been achieved during the past three years to improve the investment climate, the competitiveness of the economy and the level of administrative capacity' (EBRD 2004: 1; also World Bank, 2004). Market-oriented reforms advanced with the lion's share of responsibility in actively ‘improving the investment climate and enhancing competitiveness’ ceded to the EU *and the EBRD* (World Bank 2005).

The promotion of neoliberal competitiveness

While competitiveness is on the whole largely ignored in IR/IPE (for notable exceptions include Cammack 2006, Cerny 1997, Dostal 2004, Fougner 2006), this is not the case in institutions like the EBRD. At the World Bank, Stiglitz emphasised the need for greater flexibility rather than the dogmatic application of *a priori* neoliberal models, and a greater sensitivity to national and regional conditions. As Fine notes the Stiglitz approach ‘builds up from the micro to the macro from notions of civil, as opposed to market imperfections and with the potential for non-market improvements with impact upon the market’ (Fine 1999: 10; also Standing 2000). This form of micro-level social engineering is directly reflected in the key challenge confronted in ECE; changing attitudes, which

> poses a major challenge: to create a new economic framework, while simultaneously changing the political system, behaviour, and even the attitudes of the people involved, without creating intolerable social conditions which could seriously endanger their societies and threaten those nearby (EBRD, 1991: 23).

The solution identified was a set of policies and ideas that guided a commitment to the discursive construction of a neoliberal agenda for competitiveness. Labour market reform is an essential element of this strategy, and its principal objective, as elsewhere, is the creation of a ‘flexible’ labour force; a message delivered repeatedly since the late 1990s. For example, Agenda 2000 attempted to ready ECE for EU membership, but within the broader context of a hegemonic neoliberalism:

> Successive ... governments have made serious attempts to improve competitiveness by framing policy in a comprehensive medium-term context, integrating macroeconomic and structural policies as well as preparations for EU accession ... an ambitious medium-term programme aiming at export- and investment-led growth, continued disinflation and sound public finance. ... a comprehensive reform ... which focuses on the requirements of EU accession, and more specifically on the need for greater fiscal discipline and the channelling of national savings into investment (European Commission, 1997: 33).

It is not surprising then that the EBRD played a parallel role in promoting an agenda for competitiveness. Recall that the 1990 agreement establishing the EBRD declared that its purpose was

> to foster the transition towards open market oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics (EBRD, 1990).

In 1999 the Bank adopted an operational strategy, *Moving Transition Forward*, which reflects early formulations of the key aspects of the competitiveness agenda. The EBRD argued that the

> primary responsibility for shaping the response to the transition challenges' lies with the countries of the region themselves, and they are urged to foster investment, entrepreneurial and market skills and build popular support for them, while the [IFIs] and the international community will play a crucial supporting role (EBRD 1999).

Since the emergence of the competitiveness agenda, the EBRD has acted as a vehicle for 'market-building' – a programme that Toby Carroll (2012: 351) describes as an 'all-encompassing technocratic agenda being operationalised in the name of development' – at the intersection of the financial sector and civil society. It is playing a central role in the pro-market politics of development emerging since the post-Washington Consensus which have followed upon earlier waves of neoliberalism, in which first the state's withdrawal from the economy was emphasised ('roll-back neoliberalism') and then the role of the state as regulatory overseer for the economy ('roll-out neoliberalism') (Peck & Tickell 2002). The new neoliberal politics of post-crisis development instead emphasised a drive to actively build markets within the resultant economic space, via a 'deep marketisation of development' working on, through and around the state. As the then Chief Economist of the EBRD, Erik Berglof noted in the 2010 *Transition Report*, the crisis was not a moment for ECE to lose its collective nerve: 'complacency would threaten not only recovery, but also long-term economic growth. There can be no return to the region's pre-crisis dynamism without new reform' (EBRD 2010: iv).

Just as the shift in the 1990s to the second wave emphasis on institutions reflected a refusal to change overall direction, since the mid2000s and further exacerbated since 2007/8 we have witnessed the renewal of the neoliberal model. Rather than providing impetus for an alternative, the crisis has reinforced a continued commitment to neoliberalism. The response to the crisis has been increased dialogue and cooperation with other IFIs, joining forces in investments and policy dialogue. The joint IFI Action Plan created by the EBRD, EIB and World Bank in February 2009 will bring €25 billion of investment to the financial sectors of ECE from 2010 (EBRD, 2009: 12).

Prefacing later EBRD activities, Thomas Mirow then President, made explicit, the EBRD is contributing to a wider, global project that is *as applicable in Europe as the developing world*. However, the debate has moved beyond the promotion of competitiveness at national and global levels and the current crisis is an opportunity to press ahead with a revised version of the neoliberal project. While the EBRD recognises the necessity for more effective regulation of the global political economy this should not be understood as abandoning the neoliberal project but a unique opportunity to reinforce it. Recall, *the time for reform is always now*: when times are good, resources are available to fund reforms and buy off opponents; when times are bad, crisis weakens resistance and justifies reform. Significantly, the EBRD also promoted the crisis as a moment of opportunity to more aggressively impel privatisation and competition:

> Most countries are demonstrating continuing commitment to market reforms and democratic processes. A crisis can lead to reversals, but can also create new opportunities in healthier and stronger systems. The EBRD is committed to being the catalyst in this process (EBRD, 2008: 21).[6]

For Mirow the message was clear: the structural adjustment of the state must not be allowed to subside:

> The crisis is so severe that it seriously challenges the concepts we have been following. In many countries around the world the state is intervening where the private sector is in serious trouble. For the transition countries of our region the current problems are a severe setback. In this situation it is all the more important that we must not allow the crisis to lead to reversals of the huge progress which has been achieved over the last two decades (EBRD 2008: 1).

Instead, the trend in the EBRD discourse since 2008 has been to engender the continued transformation of the state, depicted as crucial to insulate consumers and borrowers (Tong 2010; Berglöf 2009).

Chief Economist Erik Berglof forewarned ECE how the latest slowdown was a 'wakeup call across the region to reenergise structural reforms that have been on hold since the start of the crisis' (EBRD 2010: iv). Referring to debates about the relative merits of stimulating growth versus the need for fiscal austerity, Berglof indicated

> This trade-off is not the main issue in [ECE]. Fiscal responsibility is of course important. But most of our countries have already made significant progress in this area during the crisis. *What is urgently important now is to advance structural reforms*' (Berglof 2013, emphasis added).
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> He continued,
>
> Another defining feature of transition over the past twenty years has been the speed of reform. In some cases motivated by the prospect of EU-accession, countries across the Transition region made rapid progress towards creating the institutions required for markets to function. In recent years the reform process has stagnated, despite significant scope for further improvement. While this stagnation predated the global financial crisis in 08/09, the crisis may have compounded the problem by eroding popular support for market reform (Berglof 2013).

For the EBRD, ECE remains perilously close to becoming becalmed in transition without inculcating further reform and stronger political institutions.

In these preceding sections, the paper has outlined three waves of the EBRD's neoliberal 'common sense' in post-communist transition: the construction of the market, configuring the 'correct' socio-economic institutions, and the promotion of neoliberal formulations of competitiveness. In the final section the paper begins to outline whether similar articulations of this common sense can be found in the EBRD's enterprises in MENA.

Lessons from Eastern Central Europe for Middle East / North African transition

As David Lipton,[7] First Deputy Managing Director at the IMF, and a senior director for international economic affairs at the National Security Council, claimed in 2013, the similarities between ECE and MENA are clear,

> Both regions need to change their economic structures to become more competitive. Egypt and Tunisia, like Poland and Russia, need to deregulate state-run economies and open up protected markets. Both have powerful stakeholder classes who will resist reform. It was the *nomenklatura* in Eastern Europe, and in Egypt it's people connected to the political leadership and the military (Lipton cited in Traub 2013: 1).

For the EBRD, turning its attention to supporting the Arab Spring countries as they embarked upon the road to transition, there were few stated illusions about the social and political challenges ahead, 'such challenges are not new for us, the EBRD is, indeed, well equipped. It can draw on its two decades of experience supporting often tumultuous transition processes in the post-Soviet bloc' (Gacek 2013).

Discussions between the EBRD and representatives of Egyptian civil society and government commenced in September 2011. Suma Chakrabarti, current president of the EBRD has been clear there is a rationale for this.

> Perhaps an EBRD role in supporting emerging Arab democracies was not immediately obvious for a bank that had spent 20 years primarily engaged with [ECE]. But while being keenly aware of the historical, cultural and demographic differences between the two regions, the EBRD's shareholders quickly realised that the skills the EBRD had brought to bear in [ECE] could effectively be applied in [MENA] (Chakrabarti 2012: 2).

These discussions culminated a year later with an EBRD technical assessment of political and economic conditions in the country (EBRD 2012). The EBRD's recommendations resonate with previous advice to ECE. Six transitional challenges were identified: 1) reducing barriers to market entry; 2) privatization of state owned enterprises (SOEs); 3) lowering energy subsidies; 4) financing small and medium enterprises (SMEs); 5) boosting endogenous private sector growth; and 6) government transparency (EBRD 2011). As the evidence from ECE illustrates these may not be short term 'transition' change but rather longer term structural changes intertwined in three decades of failing to complete market building in ECE. The remainder of this section of the paper will assess the role played by the EBRD as collective organic intellectual resuming and expanding neoliberal policies in MENA transition.

The EBRD's six points are clearly directed at private sector development. Productive employment, wage levels, and reflections on the social impact of privatisation are ignored. Why might this be the case? SMEs are considered fundamental to job creation, private sector development and distribution of the benefits of development (Dannreuther & Perrin 2013). The EBRD identifies that the lack of financing to SMEs is crucial to improving the business environment by reducing red tape, improving efficiency, and supporting competitiveness. The 2013 *Arab World Competitiveness Report* proclaims that

Egypt continues to face competitiveness-related challenges, with its ranking in the GCI 2012-2013 slipping to 107th position out of 144 countries down from 94th (out of 142) in the 2011-2012 edition (EBRD/WEF2013: 24). Recognisable sound advice is on offer from the EBRD:

> A credible fiscal consolidation plan will be necessary to maintain macroeconomic stability in the country. This may prove difficult in times of high energy prices, as energy subsidies account for a considerable share of public expenditure ... measures to intensify domestic competition would result in efficiency gains and contribute to energizing the economy by allowing for new entrants ... [and] making labour markets flexible and more efficient (EBRD/WEF 2013 24).

The EBRD proposes creating financing programmes for SMEs alongside technical assistance 'In the current challenging economic environment, sound business advice has a real part to play in fostering a strong private sector for the country' (EBRD 2013, also EBRD 2012: 40-43).

This is also a crucial move in organising and reinforcing a key social force in transition societies – the petit bourgeoisie. It will be the petit bourgeoisie who stabilise democratic norms. Gramsci was careful to link the petit bourgeoisie with organic intellectuals. Gramsci argues for the largely unacknowledged role of those 'intellectual' activities associated with continually reproducing the socio-economic order in terms that are 'commonsensical'. The ideological dimension of social reproduction has become more pronounced:

> In the modern world the category of intellectuals, understood in this sense, has undergone an unprecedented expansion. The democratic-bureaucratic system has given rise to a great mass of functions which are not all justified by the social necessities of production, though they are justified by the political necessities of the dominant fundamental group (Gramsci 1971: 13).

As Short indicates this gestures towards the significance of the relationship between class composition, capitalist accumulation and the state form and the crucial significance of the petty bourgeoisie (Short 2014).

One problem that the EBRD identifies is MENA's reliance on agribusiness. MENA is a producer of processed fruits and vegetables for the European market. The EBRD believes that the challenges in this sector lie in modernising agricultural practices, supporting competitiveness without subsidies and export bans, and reducing the state's role in the agricultural sector through privatisation. MENA agricultural sector is made up of many SMEs but is dominated by relatively few large transport, storage and marketing companies that monopolise a sector unregulated by the state. The EBRD is unclear as to the developmental benefits available from equity investment opportunities in agriculture. Is this about productivity, or more the transfer of equity? As Carroll has argued, equity 'in stark contrast to state-oriented loans, allows deep marketisation organisations to take stakes in companies, to provide liquidity and promote the transition of companies along the marketisation path' (Carroll 2012: 5).

Strategic intervention is proposed for the financial sector. This emulates EBRD advice to the states of the FSU in recent years. Proposed interventions include funding local banks to finance SMEs with a risk-sharing component, as well as offering microfinance for small farmers, women, and young people. As work on the EBRD *Gender Action Plan* expounds, women are central to the EBRD's strategy as they offer potential growth in labour productivity and human capital. Or put differently, intensifying exploitation implicated in the increased responsibility of women under uncertain labour conditions in the aftermath of neoliberal restructuring (Shields & Wallin 2015).

What this evinces is how the EBRD is beginning to compile a new mode of transition practice for MENA during and following the financial crisis drawing on the ECE experience. This is more than just business as usual or a slight discursive shift in the post Washington Consensus. Instead, the EBRD is implicated in *the fullest imbrication possible of the public and private spheres*. This is a step on from the creation of the neoliberal market, institutional reforms or promotion of competitiveness. Such forms of state-oriented neoliberal reform are no longer pivotal. Yes, much of the terminology will be recognisable: social impact assessments, consultations, benchmarking, and participation. Yes, many of the policy instruments will be recognisable: loans, technical assistance, monitoring, and evaluation but instead the EBRD is committed to opening up new spaces for accumulation. States in transition, whether in ECE, FSU or MENA provide enormous opportunities for profit.

While the EBRD's commitment to Article 1 of its charter may well remain intact, its host government's compliance is not so unequivocal in Egypt, despite the EBRD's reassurance,

> Egypt is committed to the principles of multiparty democracy, pluralism and market economics in accordance with Article 1 of the Agreement Establishing the Bank, although the country is in the early stages of its post-revolutionary transformation and the application of these principles has been uneven. Significant challenges lie ahead to implement the economic and the political reform agenda (EBRD 2012: 3).

The financial intermediaries promoted by the EBRD: micro-finance organisations, private equity funds, commercial banks and other financial entities, offers all sorts of chimerical and delusive possibilities. This is based on the fabrication of what the EBRD's operational response describes as 'reforms will constitute … an enabling environment' imperative to attracting capital and expanding private sector activity (EBRD 2012: 30).

Conclusion

The paper argued that neoliberal social forces wish to see the neoliberal reform process advanced to the point of completion in ECE, FSU, Central Asia and now MENA. The role of the organic intellectual in this process has been to interpret crises as new historical circumstances necessitate new thinking to commit the embedding and dissemination of these ideas. Their social function is to elaborate a dominant ideology in order to ensure the reproduction of capitalist social relations. As should be evident, this is a *political* project of agenda setting to prevent the emergence of legitimate alternatives.

The discursive formation of post-communist transition reifies neoliberal institutions so as to close down the categories of political economy and deny their contradictory social constitution, whilst neglecting due consideration of the historicity and contingency of reform. Thus neoliberal social forces remain engaged in shoring up the hegemony of common sense amongst powerful transnational epistemic communities of experts, policymakers and capitalists, thereby delimiting the space for counter-hegemonic ideologies and limiting the debate on possible alternatives to neoliberalisation.

A threefold series of strategies have been employed by neoliberal social forces as illustrated by the EBRD case against resistance that subsequently lead to the closure of policy flexibility at the national level: first in the initial construction of the market in a first wave of neoliberalism, second in the wave of institutional reforms necessitated by the failures in the first wave, third a reliance on the centrality of the promotion off neoliberal competitiveness to attempt completion of the reform process and finally a move to individually internalise the reform process and jump scales bypassing the mendacity of the post-communist state. These waves translated into how neoliberalisation implies new forms of social relations involved in social reproduction across state-society complexes. What the MENA example shows is how a new modality of post-crisis reform is emerging. This area of investigation undoubtedly requires further conceptualisation and empirical analysis, in particular how private interest is privileged as in the interest of the broader public of ECE or the Arab Spring. The modest attempt in this paper begins to uncover the implications of organic intellectuals and their technocratic blueprints.

The role of the EBRD has been to offer structural coherence in post-communist transition and now to extend that into MENA. Any 'project for substantial change … confronts pre-existing mentalities and structures and practices of power' (Sassoon 2000: 5). The paper overcomes the categorical separation of theory and practice by acknowledging the metatheoretical context of knowledge in transition whether in ECE or MENA. The separation of theory and practice logically distinguishes between fact and evaluative statements so that social events are regarded as utterly non-theoretical and the purpose of theory becomes the description, explanation and prediction of events in as parsimonious and logical a way as possible. The dominant articulation of neoliberal economics further encourages the development of an objective and impartial evaluation and measurement that are independent of any specific model of political economy. Thus the view that the world is composed of separate units, states, firms, and social groups interacting is continually reinforced and reproduced. Economists and transition analysts that do reproduce the neoliberal orthodoxy are validated, purveying as they do the 'truth' of transition.

Notes

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two, equally important, facts: economic domination and intellectual and moral leadership. Dominant social forces maintain dominance by securing the 'spontaneous consent' of subordinate groups through the negotiated construction of a political and ideological consensus that incorporates both dominant and dominated groups. This assumes a consent given by the majority of a population to a certain direction suggested by those in power. This can be understood as 'common sense', a cultural universe where a dominant ideology is practised and disseminated.

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