

# Financialisation and human rights in the Middle East and North Africa

Briefing



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Over the last generation, the World Bank and the International Monetary Fund have facilitated the financialisation of international development, driving the restructuring of MENA economies to prioritise international financial interests over their own populations, with far reaching impacts on human rights like the right to water, housing and the right to development itself. This briefing introduces financialisation and details some of its historical and potential future negative impacts on the MENA region. It is part of the BWP's Financialisation and Human Rights project, and is based on extracts from the report *Financialisation, human rights and the Bretton Woods institutions: An introduction for civil society organisations*, which will be released later this year.

## Introduction

While most people are unfamiliar with the term 'financialisation', it has become such an important process shaping the global economy that according to many economists we now no longer live in the age of 'industrialised capitalism'. We have now entered a new era of 'financialised capitalism'.

*The human rights impacts of financialisation have been so severe it has been recognised as a threat to human rights by 17 United Nations Special Rapporteurs (SR), including on the right to development, safe drinking water, housing and a democratic and equitable international order.*

Financialisation has had profound impacts on the Middle East/North Africa (MENA) region, as it affects directly or indirectly many aspects of the current global polycrisis, from the climate emergency and the current economic crisis, to the growing poverty and inequality that impact the daily lives of people in the region. Recognising the importance of financialisation and hoping to contribute to a wider understanding among civil society and social movements, this brief explains what financialisation is and why it matters for civil society organisations in the MENA region working on issues related to economic justice and human rights.

## What is financialisation?

*Financialisation refers to the growth in the size, role and power of finance and the restructuring of economies in the interest of the financial sector. This process has been underway since approximately 1980. In that year, the size of global financial assets was 1.5 times the size of global GDP; it is now at least 3.5 times global GDP.*

Financialisation has pulled investment away from the real economy – industry, agriculture and non-financial services – and channelled it toward bidding up asset and commodity prices or securing economic rents – money earned that exceeds what is economically or socially necessary, typically from ownership or control over a limited asset or resource.

This wealth has given the financial sector the power to influence policy and restructure the economy in its interest, cutting regulations and social protections and creating new and lucrative opportunities for profit. It has also provided the sector with the ability to intervene in markets decisively to extract extraordinary profits.

The spike in food and energy prices that rocked global markets in 2022 was at least partly driven by opportunistic investors [buying up](#) those commodities, which they didn't necessarily hold, to generate profits. For instance, in many countries housing has become a [commodity](#) for investors to realise profit from, rather than a social good. This has radically transformed the availability of affordable housing, restructuring neighbourhoods, cities and transportation patterns and particularly disadvantaging women and economically marginalised groups.

The results of the economic transformation financialisation has brought to the global economy have ranged from deindustrialisation and deepened [commodity dependence](#) in Global South economies to wage stagnation, inequality and the increasing precarity of employment, financial crises and profit extraction from the real economy. Financialisation has also had a profound impact on human rights, especially those of women and marginalised groups, as a direct result of the privileging of profits and the interests of investors over the rights and interests of citizens, including through a drive for [privatisation](#) of essential services and related erosion of state capacity.

In the MENA region, and the Global South in general, financialised capitalism has largely determined the way states have been integrated into the global economy, and [reinforced](#) the existing economic order, under which a few rich countries benefit from the labour and resources of poor countries. MENA states have been incorporated into highly globalised production chains as providers of oil, food and labour for products from clothing to pharmaceuticals and electronics destined for foreign markets. These production chains are structured to facilitate the extraction of profit from Global South countries to the benefit of their legal owners, mostly in the Global North, an imbalance that contributes to unfavourable terms of trade for the countries in question.

Financialisation has also been, for the most part, enthusiastically [supported](#) by regional elites who benefit from privatisation schemes, economic deregulation and their roles in these global supply chains.

### From the Washington Consensus to the Wall Street Consensus

*Though financialisation started in the Global North, it has been spread to the MENA region and other states of the Global South not least by the [work](#) of international finance institutions (IFIs) like the World Bank and the International Monetary Fund (IMF). The logic of financialisation and financial interests lie behind many of the demands IFIs like the World Bank and the IMF have made on countries in the region, from austerity to economic and financial liberalisation.*

The [Structural Adjustment Programs](#) (SAP) the World Bank and IMF pushed on MENA states during the 1980s and 1990s sought to 'fix' economies experiencing debt or balance of payments crises, imposing austerity, liberalisation, deregulation and privatisation. These reforms were part of the [Washington Consensus](#) of the time, which pushed the opening of Global South economies to international markets and shrinking states in favour of the private sector. By opening up economies to international capital flows, loosening restrictions on business, weakening social protections and employment conditions, and shrinking the state and maximising the opportunities for investment, the Washington Consensus as implemented by the Bank and the Fund also laid the foundation for the later financialisation of the region's economies.

The Washington Consensus has been replaced by what Professor Daniela Gabor of the University of West England Bristol has referred to as the '[Wall Street Consensus](#)', an informal understanding embodied in the policies of the Bank and the Fund, that now drives financialisation in the MENA region and in the Global South. The Consensus is a systematic effort to reorganise development around partnerships with global financial interests, open states to investment and maximise the investment opportunities available through privatisation, deregulation and de-risking, providing financial capital with consistent revenue streams that can be packaged into investment asset classes and resold as investments.

Under both the Washington and Wall Street consensuses, austerity – accompanied by economic liberalisation and privatisation – has been the go-to prescription from the IMF and World Bank to ‘fix’ economies experiencing debt or balance of payment crises.

Since the 1980s, states including Egypt, Tunisia, Jordan, Algeria and Sudan have been forced to cut government expenditure, liberalise, privatise and cut subsidies. By reducing state expenditure, especially on social services, austerity increases the space for the private sector to step in and make profits.

Decades of austerity, and economic and financial liberalisation have opened up MENA economies to international capital, enabled the extraction of profits by investors, and made MENA countries more vulnerable to indebtedness and debt crises, and to currency and commodity price spikes in international markets. However, the impacts of financialisation go beyond this. It has reconfigured states to put the interests of finance above those of their own people, reinforcing the capture of economic policy in the region by elite interests and undermining the possibility of more broad-based democratic economic governance. This has profound consequences for the enjoyment of a range of rights, from the right to water and sanitation, to healthcare, food, education, and even access to services and amenities like transportation, electricity and many other essentials. MENA is the only region of the world in which extreme poverty actually increased in the decade to 2021. Egypt is currently implementing another round of harsh austerity, following the advice of the IMF. It can be argued that it deprives people of their Right to Development, recognised in a 1986 UN General Assembly resolution.



Anti IMF loan protest in downtown, Cairo, 2012. Credit: Gigi Ibrahim / Flickr

For the purposes of this briefing, the pernicious effects of financialisation will be divided into three broad categories: Privatisation and deregulation; economic and financial liberalisation; and “financial inclusion”.

### Privatisation and deregulation

States in the MENA region have historically been forced by the IMF and World Bank to privatise state-run industries. Privatisation in Egypt started in the 1990s and is continuing today. The country recently [agreed](#) to privatise vast swaths of its economy as part of the deal it signed with the IMF to secure a \$3 billion loan in December 2022.

*What is important is not just the fact that MENA and Global South states have been forced to privatise services and industries, but also the way in which it has been done: Restructuring sectors and entire economies to privilege private investment and profit extraction, de-risking to guarantee profits, and the financialisation of these investments through securitization – packaging loans and assets into securities with guaranteed income streams.*

De-risking investments to encourage private investors can be particularly onerous for states, as it may involve taking on considerable future and often hidden liabilities to guarantee the profitability of investments through blended finance or [public-private partnerships](#) (PPPs). The privatisation and marketisation of a service means using market-based mechanisms to reallocate it away from those least able to afford it as there is generally little profit to be made from those with the lowest income and wealth. Services are redirected to the most profitable, as the private sector will not build and operate infrastructure for those who do not have the ability to pay. Further, the shrinking of states’ fiscal resources through austerity and tax cuts reduces governments’ resources and their ability to subsidise service delivery to economically marginalised groups.

The low-tax light touch regulation model imposed on Global South states also severely constrains their capacity to fund service delivery to the most economically marginalised populations likely to be disadvantaged by market-based solutions, including women, girls and minority groups. Financialisation has directly undermined the ability of states to fulfil their international human rights obligations, putting their capacity to deliver those rights in the hands of businessmen and investors looking to maximise their profits. This has resulted in the erosion of the social contract, and contributed to increased political and social instability.

In the face of the failure of the private sector to provide efficient and effective social services and public goods, there is a growing [movement](#) to take back public services from the private sector. Article 2 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) obliges all states to use the [maximum available resources](#) at their disposal to realise the rights set out in the Covenant. There is a growing body of [evidence](#) that the provision of essential goods and services like infrastructure, education, healthcare and social welfare is done best by democratically-run well-funded states.

### Economic and financial liberalisation

By facilitating the opening of economies to the forces of globalised finance, institutions like the World Bank and IMF have exposed economically marginalised populations, including women, girls and minority groups to the damaging effects of speculation in international commodity and currency markets driven by opportunistic financial interests, even while privatisation and restructuring have shrunk states and their fiscal capacity to mitigate the effects of commodity speculation on their populations.

*When financialisation affects access to and the quality of essential goods and services like safe drinking water and sanitation, housing, health and adequate food, conditional on people’s ability to pay, it can directly violate their human rights.*



These negative impacts are also disproportionately gendered, as in most Global South countries women and girls are more likely to be in insecure or low-paid employment, comprising a significant portion of civil service staff in health and education, support dependents in single-parent households, and depend on social services that could be cut or reduced because of a fiscal crisis. All of this means that increases in the prices of essentials like food, the need to pay for health and education, or increased transportation costs will [hit](#) them especially hard.

The food price [spike](#) of 2022, driven at least in part by speculation, was a particularly damaging example of this. The World Bank and the IMF contributed to this crisis given their role in the financialisation of the global agricultural sector through their support for privatisation, market-led land reforms and financial deregulation, opening domestic agricultural sectors to international agribusiness to the detriment of local farmers, food sovereignty and the environment. As one of the most food insecure regions on the planet, the MENA region has been hit hard by the 2022 food price shock. The most economically marginalised in the region do not have access to social protection or subsidised food, both of which have been savagely cut in many regional states over successive rounds of IMF-imposed austerity. The World Bank has warned that this food crisis will even impact future generations through malnutrition.

A July 2022 [joint statement](#) signed by the IMF, the World Bank Group, the Food and Agriculture Organisation, and the World Trade Organisation raised the alarm about the global food crisis and made recommendations to address it. However, it made [no mention](#) whatsoever about the role financial speculation played in creating the crisis, and included no suggestion that the activities of speculators and the bumper profits they made should be problematised, regulated or taxed.

Liberalisation of financial sectors has also had profound and serious consequences for MENA states. Many were forced to liberalise as long ago as the 1980s under SAPs. This liberalisation was ushered in the modern ultra-globalised economy. The currency crisis of 2022 was fomented by sudden outflows of capital from emerging market bond funds, which caused a wave of balance of payments crises, putting fiscal pressure on state budgets and increasing the risk of debt defaults. The IMF has somewhat belatedly acknowledged unrestrained capital flows can be damaging for middle and low-income economies, updating its “Institutional [View](#) on Liberalization and Management of Capital Flows” in March 2022 to allow for pre-emptive controls on capital inflows. However, it did not condone controls on the capital outflows that provoked the 2022 crisis.

The IMF also underestimates the pernicious effect of capital account liberalisation at the heart of the current structure of globalised financialised capitalism, that is the long-term effects of the routine extraction of capital from Global South economies. [According to](#) Professor Jason Hickel, Global North corporate and financial interests extract \$2.2 trillion a year of resources from Global South states, dwarfing the size of aid and inward investment. This extraction of capital has clearly impacted the economic development of these states by draining the real sectors of their economies of productive investment, which inflows of [speculative](#) short-term capital in search of quick and easy returns will do little to correct. This ongoing extraction of resources limits the ability of states to invest in their own economic development, to diversify their economies and lessen their dependence on commodities.

### ‘Financial inclusion’

About [half](#) of all adults in the MENA region do not have a bank account, the highest proportion of any region of the world. The World Bank is part of an [initiative](#) to promote financial inclusion – “banking the unbanked” – in the MENA region, to drive “sustainable economic and social development”. However, this initiative ignores considerable evidence that financial inclusion can have serious and negative consequences for those with the lowest income and wealth.

*Giving the economically marginalised access to financial services and credit and the ability to save can improve their lives – in the short term. In the longer term, there is a lot of evidence it can [increase](#) their debt as it exposes them to exploitative lending practices, giving unscrupulous financiers the opportunity to profit from some of those with the lowest income and wealth, especially as their incomes are squeezed and prices of essential goods and services are raised.*

Far from empowering the economically marginalised, financial inclusion can lead to their indebtedness and further impoverishment. It also has disproportionately [gendered impacts](#) as women are more likely to be primary caretakers and have worse prospects in employment, and thereby are more likely to be forced to resort to debt to cover their basic living expenses and those of their families. Financialisation-driven liberalisation and deregulation of economies may also contribute significantly to this indebtedness, as noted above these reforms may result in the marketisation and consequent price rises of essential goods and services, and increased vulnerability of national economies to speculative price spikes in international commodity markets.

The Bank has approached the problem of indebtedness from the perspective of [consumer protection](#). However, financial literacy education and consumer safeguards are unlikely to be an effective counterbalance to the poverty that forces those with the lowest income and wealth to resort to high-interest rate loans to pay for essentials like medicines. The Bank has not made the connection between its support for financial inclusion and the admission of the authors of its own [Findex](#) report that “while access to finance is growing globally, financial health and well-being are stagnating or even declining.”

### **Doubling down on failure**

Instead of rethinking their current approach to development, the Bank and the Fund are doubling down on the highly-financialised practices that have contributed to or at least exacerbated the current polycrisis. The World Bank’s [Evolution Roadmap](#) envisages a potentially large increase in lending along with a significant increase in de-risking to leverage private sector financing, and the promotion of private sector lending through the Banks’ [Cascade](#) approach. Meanwhile, the IMF is continuing to [impose](#) austerity on Global South states.

Civil society organisations need to have an appreciation of the underlying dynamics of financialisation so they can incorporate a financialisation lens into their advocacy work on the Bank and the Fund. This will allow them to critique the policies of the Bank and the Fund more effectively and contribute to the systemic change that is necessary to achieve more sustainable and viable development outcomes.



Fez Market, Morocco. Credit: Paolo Gamba/Flickr



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