

INTERNATIONAL FINANCIAL INSTITUTIONS AND THE FUTURE OF SYRIA: LESSONS FROM KOSOVO, TIMOR-LESTE, AND SOUTH AFRICA

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Following the dramatic collapse of Bashar al-Assad's dictatorship and the seizure of the main cities of Aleppo and Damascus by rebel forces in late 2024, Syria stands at a crossroads. Among the many questions about the nature of the future political system – for example, what will the relationship be between the central state and the Kurdish Autonomous Administration of North and East Syria (AANES), also known as Rojava? – there is the question of how the Syrian state, the AANES, and other Syrian stakeholders should engage with international organisations and international financial institutions (IFIs) in any reconstruction and recovery process.

This is particularly important given the historical context of Syrian economic reform during Bashar al-Assad's regime. A process of selective economic liberalisation, privatisation, and market-oriented reform to transition away from a state-controlled economy towards a social market economy only exacerbated existing economic inequalities. It reinforced a class of oligarchs connected to the regime and the Assad family, exemplified by individuals like Bashar's cousin Rami Makhlouf, owner of the country's largest telecommunications company and a regime stalwart up until his highly publicised split with the regime in 2020. Meanwhile, subsidies and economic safety nets were cut while necessities like housing became unaffordable for an increasing number of people. The combination of economic inequality and the corruption, crony capitalism, and economic mismanagement embodied by the ruling class was a significant driver of protests in 2011.¹

¹ David Lesch, *Syria: The Fall of the House of Assad* (New Haven, CT: Yale University Press, 2012), pp. 57-65; Robin Yassin-Kassab and Leila al-Shami, *Burning Country: Syrians in Revolution and War* (London: Pluto Press, 2016), pp. 30-32; New Lines Institute, *The Intractable Roots of Assad-Makhlouf Drama in Syria*, 15 May, 2020, <https://newlinesinstitute.org/political-systems/the-intractable-roots-of-assad-makhlouf-drama-in-syria/>

The scale of the economic challenges Syria now faces are immense. Much of the country's vital infrastructure, from housing to energy to water and sanitation, stands in ruins, including hospitals which were famously targeted by the regime and its Russian allies.² The UN estimates that 90 percent of the population is living below the poverty line, with widespread inflation and unemployment. While there can be no doubt that Syria will need international assistance to finance their recovery, what the nature of this assistance should be is less clear. Some analysts such as Kareem Shaar and Benjamin Fève have prescribed a relatively orthodox neoliberal remedy: free markets, private ownership, competition, and tackling inefficient domestic production, all in order to stimulate growth. While they are absolutely right that 'sustainable development will have to be led by Syrians, for Syrians', this suite of economic solutions should not simply be considered universally applicable.³

This report distils relevant lessons from international engagement in three political transitions, two of which were specifically post-war transitions: Kosovo, Timor-Leste, and South Africa's transition away from apartheid. In each case, international organisations and specifically IFIs had a dramatic impact on economic, political, and social development and the trajectory of transition. Specifically, the analysis focuses on how the neoliberal economic and political orthodoxy of these institutions ran contrary to the ideological underpinnings of each national liberation movement,

² Evan Muzzall, Brian Perlman, Leonard Rubenstein, and Rohini Haar, Overview of attacks against civilian infrastructure during the Syrian civil war, 2012–2018, *BMJ Global Health*, 2021;6:e006384; Syria Joint Damage Assessment 2022 - Q&A, World Bank Group, 28 February, 2023, <https://www.worldbank.org/en/country/syria/brief/syria-joint-damage-assessment-2022-q-a>;

Kareem Shaheen, Russia's Long History of Bombing Hospitals, New Lines Institute, 11 March, 2022, <https://newlinesmag.com/newsletter/russias-long-history-of-bombing-hospitals/>

³ Karam Shaar and Benjamin Fève, The Path to a Better Syria, *Foreign Affairs*, 20 December, 2024, <https://www.foreignaffairs.com/syria/path-better-syria>

producing a number of negative short-term and long-term outcomes for the wider population.

These lessons seem particularly appropriate to Syria given the multiple prominent political and ideological movements, whether the Democratic Confederalism of Rojava or the Islamism of Hayat Tahrir al-Sham (HTS), that deviate from the conventional political liberalism and economic neoliberalism that underpin international institutions. Both these stakeholders have developed parallel structures and governance systems in north-east and north-west Syria respectively, and much like the liberation movements analysed in this report, will need to adapt these into new governance institutions. At the time of writing, it is not clear how international organisations will engage with any transitional government with HTS at its head, as it remains a proscribed terrorist organisation to many Western governments. Similar concerns exist with regard to key Syrian Kurdish actors and their relationship with the Kurdistan Workers' Party (PKK). Nonetheless, when the time comes for these actors to engage with elements of the international political and economic system, this analysis will be relevant for any form of future Syrian state and any eventual federal entities.

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Case study 1: Kosovo, shadow government, and the birth of a new elite

Following the revocation of Kosovo's autonomy within the former Socialist Federal Republic of Yugoslavia in 1989, Kosovo Albanians were expelled from social enterprises and Albanian-language schools were closed. Kosovo Albanians entered the 1990s with no political or civil rights, no right to an education in their own language, and faced social and economic difficulties as a result of mass dismissal from their jobs. In May 1990 the Kosovars decided to leave the Kosovo Government in protest at Serbian interference. On 2 July 1990, the new Deputies of the Kosovo Assembly, who had been elected through extraordinary elections in autumn 1989, adopted a Declaration stating Kosovo was an independent republic and a sovereign entity within the Yugoslav Federation. On 5 July 1990, the Serbian Assembly decided to suspend the Kosovo Assembly and the province's other governmental bodies, with the Serbian authorities taking control of businesses and key infrastructure.⁴

In response, Kosovo Albanians set up a shadow government on 23 October 1991, with responsibility for tax-collection to finance the functioning of a set of alternative structures: schools, hospitals, trade and political bodies. Clandestine elections were held on 24 May 1992 and Ibrahim Rugova, leader of the Albanian Democratic League, was appointed President of an independent Kosovo. A 130-member parliament was also appointed, but it never met. Many delegates fled Kosovo in exile as a result of persecutions perpetrated by the Serbian regime at the time. Kosovo Albanians followed Rugova's ethos of non-violent resistance, for example by boycotting local and federal elections.⁵

⁴ Llibert Cuatrecasas and Vasili Likhachev, The crisis in Kosovo - CG (5) 7 Part II, Council of Europe, <https://rm.coe.int/the-crisis-in-kosovo/1680718a71>

⁵ Ibid; Mehmet Hajrizi, Ismajl Kastrati, and Bajram Shatri, Këshilli Qendror për Financim i Kosovës [The Central Council for Financing in Kosovo], (Pristina: Libri Shkollor, 2007)

On February 7, 1992, the Central Council for Financing in Kosovo (KQFK) was established to collect funds from citizens and businesses and distribute them as needed. There was no law that governed its work, but there were procedural rules and a statute. The KQFK developed guidelines outlining tax rates for each category of citizen, business, and household economy. For example, employed citizens were required to contribute 5% of their earnings. Contributions were also organised by households, with families with members working abroad asked to pay a monthly contribution for each expatriate worker, and additional amounts levied based on land ownership. Service providers and businesses contributed based on factors like their activity and space size. Contributions were organised through KQFK municipal financing councils, one in each municipality, which agreed voluntary contribution amounts with these varied stakeholders.⁶

These domestic activities were also complemented by other funds such as the '3% fund', which collected funds from Kosovo citizens living abroad. This was particularly important as a substantial Kosovo Albanian diaspora community existed due to Serbian repression: an estimated 350,000 left Kosovo between 1990 and 1995, and 150,000 Kosovars sought asylum in Germany and in Switzerland in January 1998.⁷ These fundraising initiatives were also voluntary, raising approximately 300 million Deutschmark according to Gani Hoxha, chairman of the fund in Switzerland. "They were used to help orphaned children, to build water supply systems, and other constructions. We have the records, and everything has been approved," said Hoxha.⁸ However, claims persist that this expenditure was not subject to the same

⁶ Agron Demi, How to build a parallel state, *Pristina Insight*, 19 April, 2018, <https://pristinainsight.com/build-parallel-state-mag>

⁷ Cuatrecasas and Likhachev, The crisis in Kosovo

⁸ Reporter, Kryetari i 3 përqindëshit në Zvicër tregon detaje si ka funksionuar fondi [The chairman of the 3 percent in Switzerland reveals details of how the fund worked], 2 April, 2019, <https://reporteri.net/lajme/kryetari-i-3-perqindeshit-ne-zvicer-tregon-detaje-si-ka-funksionuar-fondi/>

transparency as domestic fundraising activities, something which has been criticised by diaspora donors.

This spirit of volunteerism for the social good was also on display in other areas such as education. Over 20,000 families volunteered to lend their homes for school use, and approximately 3,200 homes were permitted to serve as makeshift schools. 280,000 households and businesses contributed financially to the education system during the 1990s, which has been recognised in the new state of Kosovo through additional pension entitlements.⁹

The historical, political and practical role of the KQFK consisted precisely in its establishment as an institution, an element of citizenship and independence, which would operate within Kosovo until its liberation despite the daily punishments and even murders of its activists. KQFK was a temporary and transitory body, which was to be replaced by government institutions in liberated Kosovo. Its successful activity made possible not only its institutional sustainability, but also the functioning of the entire new and independent social superstructure of Kosovo, such as education, health, culture, science, sports, etc., which were not financed by the occupying regime. KQFK also financed the necessary social assistance scheme and significant capital investments, helped political subjects and finally, contributed financial and logistical means to the KLA.¹⁰

The KQFK also became a source of hope. It managed very quickly, with its criteria for collecting and distributing funds, with regular financial documentation, with discipline in activity, with transparency and public accountability, with high morale and institutional and legal responsibility, not only to gain the trust of full of citizens, but also to cultivate trust in other institutions of

⁹ GAP Institute, Budget impact of the law on Albanian education workers of the 1990s, 28 May, 2018, https://www.institutigap.org/documents/24510_education_law.pdf

¹⁰ Demi, How to build a parallel state

independence and increase optimism in the historical victory. Despite the lack of a legal framework and institutional mechanisms of supervision, the extensive structure of the KQFK, spread throughout the territory of Kosovo, functioned every day and every hour, on sound organizational bases, with professionalism and under a strong moral code. It was also clear about the dangers of abusing the financial means at its disposal.¹¹

This system and its functioning was the product of remarkable solidarity. Although informed by social pressure, contributions were voluntary and based on communal solidarity. Mehmet Hajrizi, the head of KQFK, argued that "for those who can generate an income, it is a moral debt to pay to support teachers, and to support the families that have no means to get through this tough winter".¹² Isa Mustafa, former Prime Minister of Kosovo and former Mayor of Pristina, once Minister of the Ministry of Finance and Economy during the government in exile, has explained elements of the system designed to prevent irregularities: "The fund for the construction of Kosovo was formed. There was an extraordinary control over the spending of these funds, because there was a mechanism called the State Financial Organ, and we had to hand over the invoices to them to analyze the expenses and waste. They verified the expenses by asking us, for example, the lists of school teachers who are financed with monthly salaries. The lists have the name, surname and signature of the teacher together with the ID number."¹³ Since contributions were collected outside of financial institutions and needed to be smuggled into the country

¹¹ Pashtriku, Mehmet Hajrizi: rëndësia politike dhe historike e Këshillit Qendror për Financim të Kosovës [Mehmet Hajrizi: the political and historical importance of the Central Council for the Financing of Kosovo], 7 March, 2015,

<https://pashtriku.org/mehmet-hajrizi-rendesia-politike-dhe-historike-e-keshillit-qendror-per-financim-te-kosoves/>

¹² Demi, How to build a parallel state

¹³ Nacionale, Humbja nga Shpendi, takimi me Biden e Asociacioni – rrëfimi i Isa Mustafës te Intervista e Buzhalës [Defeat by Shpend, meeting with Biden and the Association – Isa Mustafa's story in Buzhala's Interview], 15 November, 2022,

<https://www.youtube.com/watch?v=LT2N51fRGcl&t=2s>

illegally in cash, there was a high risk of abuse or loss through confiscation by Serbian police. Despite this, the KQFK claims that only 0.59% of funds were lost during its seven years of operation.

The independent state of Kosovo, declared in 2008, has been unable to replicate this integrity and solidarity. According to the findings of Kosovo's National Auditing Office, even with the establishment of government institutions and the banking system theoretically designed to safeguard financial systems, around 10% of the annual budget is lost through illegal activity.¹⁴ The corruption of the political system, long dominated by war-time elites, became a key issue which precipitated a shift in Kosovar politics in favour of the populist opposition party Lëvizja Vetëvendosje and its leader Albin Kurti.

One of Kurti's main economic criticisms of the post-war state has focused on the privatisation of state-owned and socially-owned enterprises (SOEs). After the war, the United Nations Mission in Kosovo (UNMIK) began a process of liberal statebuilding and neoliberal economic reform continued by subsequent governments following independence. This was complicated by the fact that SOEs represent a model based on shared communal ownership of property, goods produced, and profits. During the UNMIK period, 'Debates among international officials concentrated on *how* to privatize, not whether to privatize. This seemingly *a priori* exclusion of alternative economic options suggests that the internationally led privatization scheme did not emerge from an open, Kosovo-specific economic evaluation', nor from public input from Kosovars themselves.¹⁵ Interventions by the European Commission and the World Bank dramatically lowered the proposed percentage of SOE sale proceeds distributed to workers from 60% to 20%, while UNMIK rejected the

¹⁴ Demi, How to build a parallel state

¹⁵ Rita Augustad Knudsen, Privatization in Kosovo: 'Liberal Peace' in Practice, *Journal of Intervention and Statebuilding*, Vol. 7, No. 3, 2013, p. 291

idea of using sale proceeds to create a ‘Kosovo Development Fund’.¹⁶

Although theoretically intended to boost economic growth this has not materialised.¹⁷ The way in which privatisation was carried out has left over 20,000 legal cases pending at various levels of Kosovo’s justice system, with grievances related to disputed property rights, debt and liability claims, or other aspects of workers’ rights.¹⁸ The process managed by the Privatisation Agency of Kosovo (PAK) has become a byword for corruption, political manipulation, and economic mismanagement for the benefit of a narrow set of elites at the public expense.¹⁹

¹⁶ *Ibid*, p. 296

¹⁷ Ujkan Q. Bajra, Armand Krasniqi & Armend Podvorica, Privatisation of socially owned enterprises, the methods used and the impact on economic growth: empirical evidence from Kosovo, *Economic Research-Ekonomska Istraživanja*, Vol. 35, No. 1, 2022, pp. 325-342

¹⁸ Cristina Marí, The ghosts of privatization, *Kosovo 2.0*, 10 June 2021, <https://kosovotwopointzero.com/en/the-ghosts-of-privatization/>

¹⁹ Gëzim Visoka, *Shaping Peace in Kosovo: The politics of peacebuilding and statehood* (Cham: Palgrave Macmillan, 2017), pp. 16, 101-102

Case study 2: Timor-Leste

While the people of what is today known as Timor-Leste have a long and complex history, the workshop's discussions focused principally on the near-term events and dynamics that impacted the transition to statehood from UN administration in 2002 and the political and displacement crisis of 2006.

Brief historical context:

The political economy of Timor-Leste was significantly influenced by the power and social dynamics created during a particularly extractive Portuguese colonial period in which little effort was made to establish a functioning state administration and the subsequent brutal and manipulative period of Indonesian occupation, which also comprised substantial agricultural support and improvements in health, education and infrastructure. The country's political parties were formed in 1975 within the context of Portugal's Carnation Revolution and differed in their approaches toward independence and possible integration into Indonesia. Differences between the parties, significantly aided by Indonesian manipulation under the anti-communist banner resulted in a 'brief' civil war between August and September 1975. This left enduring scars, as many cooperated on-and-off and under coercion or not, with the occupation.

On 28 November 1975 the Frente Revolucionaria de Timor-Leste Independente (Fretilin, Revolutionary Front for an Independent East Timor) declared independence unilaterally. China was the first to recognize the independence, along with former Portuguese colonies and on 7 December, 1975 Indonesia invaded. The invasion was supported by the US and Australia, among others, but not Portugal. The Timorese resistance established a fighting force, the Falintil (Armed Forces for the Liberation of East Timor)

and developed complex underground information and support mechanisms. They were never defeated and showed a high degree of discipline during post-referendum violence, as they remained in their barracks.

The Indonesian occupation was brutal with some estimates that 25% of the population was killed or died as a result. It is also significant that the later stages of the occupation witnessed significant improvements in investment in infrastructure, education, health and – importantly, agriculture. The perception of Indonesian agricultural practices were, and remain, quite positive, despite the invasion. In 1999, after years of diplomatic efforts, Indonesia granted the East Timorese the right to a referendum on autonomy within Indonesia. Ahead of the referendum, in April 1998, the resistance created the National Council of Timorese Resistance (CNRT), which began to plan for the establishment of a new state, including a Magna Carta on the ‘rights, duties and guarantees for the people of East Timor’ – with a focus on health care, social protection and “a balance between social and individual goals.”

On 30 August 1999, 98% of eligible voters voted on the referendum with 78% rejecting autonomy in favour of independence. The vote resulted in widespread violence – 1,500 people killed, 500,000 people displaced and 80% of infrastructure destroyed. An Australian-led multinational force, INTERFET was deployed on 20 September and ‘restored’ order. Shortly after the UN Transitional Administration in East Timor (UNTAET) was established under the leadership of a Special Representative of the Secretary General (SRSG). UNTAET retained responsibility for all facets of the administration of the territory until 20 May, 2002, at which point Timor-Leste became the world’s newest state. UNTAET – with funding from the WBG implemented a programme of demobilization and integration of Falintil fighters.

The political economy of 'development' and constraints on State autonomy:

The country's independence coincided with the height of the Washington Consensus, the 'End of History', and, relatedly, the end of development economics. "Getting the prices right" was deemed sufficient to ensure the success of the new state – and indeed 'progress' more generally. However, getting the prices right and allowing markets to work their alchemy required a well-functioning and efficient (minimalist) state. The implications of this perspective, which ignored considerable literature on the role of the developmental State, was exacerbated by a simplistic understanding of the country's conflict, social and political dynamics. Many perceived the threat of violent conflict to have ended with the end of Indonesian occupation, which led a significant portion of those working for international financial institutions (IFIs), particularly the World Bank, International Monetary Fund (IMF) and Asian Development Bank (ADB) to consider that the country could be considered a 'blank slate', where the UN system could finally prove its effectiveness by developing a new 'model state' – based on the principles of the Washington Consensus.

Although there were some very well-informed staff within the international community, particularly within the UN DPKO Political Affairs unit, the vast majority of the personnel and the World Bank, IMF, ADB and many within the UN system had little understanding of the political economy of the new state – and crucially, no understanding of the deep divisions within the country that precipitated and were exacerbated by the civil war and indeed dynamics of occupation.

Timor-Leste was highly dependent on ODA at independence and today remains one of the most fossil fuel-dependent countries on

the planet. While the country's first President, resistance hero Xanana Gusmão initially made a point of working from the Palace of Ashes to denote the nature of the challenges ahead and, with support of many in government (and in opposition) tried to underscore the need to ensure that the population, and specially former Falintil members benefited from a peace dividend earned through blood and tears, the international community seemed to view any such efforts as the return of the corrupt Indonesian state.

The agricultural sector: An illustrative example:

Timor-Leste entered statehood highly dependent on subsistence agriculture which was considered to have low-productivity. Under World Bank guidance, a decision was taken to end Indonesian-era agriculture extension programmes (the same happened in Indonesia during the reforms of the 1990s). The country was instead advised to import rice, as local production could not compete with highly efficient production in the region. The argument was that cheaper imported rice would ensure better food access to the wider population. Also, it was argued, the state did not have the resources for 'wasteful' subsidies and agricultural extension projects. This approach was simultaneously coupled with a drastic reduction in the size of the state and cuts in the number of civil servants – a key employment and income generator during Indonesian occupation in a country that lacks industry or other means of employment generation.

The perceptions of the evils of 'patronage' and the corrupt state were very much in line with the dominant anti-state discourse and philosophy of the IFIs, and indeed the vast majority of the international community, a bias that remains very strong today. The shrinkage of the agricultural sector and state support to it was particularly significant, given, as noted above, the vast majority of the country's population is dependent on subsistence agriculture and the fact that the same applied to many Falintil fighters –

particularly older and influential members within rural communities.

Timor-Leste is today one of the world's most oil-dependent economies. Taking advantage of oil found in the 'Timor Gap', the country established a Petroleum Fund in 2005. The fund today is worth about \$18 billion. Timor-Leste has been in a long-standing dispute with Australia – a strong putative ally who took the lead in response to the post-referendum violence – over the rights to substantial amounts of petroleum and natural gas in the 'Timor Gap' that sits between the two countries.

The 2006 crisis: Wither the peace-dividend?

Frustrations with the slow pace of improvements in living conditions and opportunities grew and were coupled with the re-surfacing of long-standing grievances, including among political elites, dating back to the brief civil war and dynamics during Indonesian occupation. These eventually culminated in a political crisis that resulted in violence and the displacement of 10% of the country's population in 2006.

After the return and reintegration of the population displaced during the 2006 crisis, the government, increasingly frustrated, adopted a 'Nothing about us without us' 'framework', making obvious its frustration with the degree to which Timorese concerns had been ignored by internationals during the country's independence. Relatedly, the country embarked on a process of 'Timorisation' of technical posts, in an effort to regain control of policy making.

In the absence of other income sources and domestic economic activity, the State has used Petroleum resources to finance the State budget and undertake major infrastructure projects and provide support to veterans, etc. It has been heavily criticised for

‘squandering’ Petroleum Fund resources and for instilling ‘Indonesian-like’ patronage and corruption systems.

Dynamics within the international community:

The World Bank and IMF had undue influence on economic and development discussions. While officially part of the UN system, both acted in isolation and with a sense of superiority. The relationship between the Bretton Woods Institutions (BWIs) and the UN mission was at times tense. The UN mission and UNDP largely ceded control of economic and development issues to the World Bank and IMF, despite the obvious consequences for the political processes. This reflects the preference of donor states to work through the BWIs and bypass the UN system in issues of economic governance and administration.

It is telling that even within the UN system, the mythology of World Bank and IMF technical expertise ran deep, with UN staff occasionally noting to the author that they “wished the UN was as robust and technically proficient as the Bank.” The World Bank operated a multi-donor Trust Fund for East Timor – giving them significant control over the country’s development policies and finance.

General reflections:

1. The East Timorese state and partners could have made better use of the wider UN system – UNCTAD, UNIDO, ILO, etc, to question and counter-act the dominant IFI narrative and support the country’s discussions with the UN mission and bilateral donors.
2. Timor-Leste decision makers and civil society would also have benefited from engagement with and insights from economists, sociologists and other academics with a

critical understanding of the ‘orthodoxy’ reflected by the IFIs, which has changed, but remains extremely embedded. The Post-Washington Consensus which reframes the role of the state as a facilitator and de-risking agent for the private sector is particularly concerning.

3. A well-defined national development programme that includes a clear articulation of the role of the state and with considerable local political support would be extremely useful. States in transition would be well-advised to avoid fixation with ‘International best practice’ or ‘state of the art solutions’ and ensure, to the extent possible, that they endeavor to understand and address conflict dynamics as early as possible.
4. The East Timorese experience makes it clear that gestures, imagery and rhetoric matter, as does setting of expectations. These priorities are often disregarded or deprioritised by IFIs, which tend to take an overly technical approach to ‘state-building’ and ‘development’ issues.
5. Understanding that transition and ‘development’ are inherently conflictual is essential – as is articulating (to the extent possible) a common/national understanding of development. The pace of change is also extremely important. This is useful in counteracting the IFI narrative that economic issues are essentially technical in nature.
6. Establishing a support network of policy makers and civil society actors that have had similar experiences could prove very useful. Such a network could be used to counterbalance ‘Madrid Club’ and other prominent groups of support and assist decision makers to better understand how the IFIs and international community function – politically and organizationally.

7. Feminist economist movements, such as the International Association for Feminist Economics (IAFEE), provide a useful resource base.
8. It is useful to consider how the evolving multipolar world can be used to advance development and national priorities. Is a new developmentally 'non-aligned' movement or approach desirable?

Case study 3: Learning from the Post-Apartheid Reconstruction and Development Experience in South Africa

The struggle for the national liberation of South Africa against centuries of colonial and imperial domination, a century of racial capitalism, and decades of apartheid was conducted through a combination of mobilising domestic resistance against oppression, establishing organs of peoples power within oppressed communities, military campaigns against symbols of subjugation and economic exploitation, engendering international solidarity campaigns and support for isolating the racist regime through boycotts, disinvestments, and sanctions. 1994 marked a democratic breakthrough towards the realisation of a truly non-racial, non-sexist, and unitary Republic of South Africa. After three decades of reform, South Africa however remains the most unequal society in the world with nearly 42% of the population being unemployed (expanded ILO definition) and approximately “... 63% of the population estimated to live below the \$6.85 upper-middle-income threshold in 2024” (World Bank, 2024). This case study note succinctly accounts for the lessons emerging along three main vectors (History, Class, Internationalism) and in the process of pursuing national liberation within the global conjuncture characterised by the collapse of the Soviet Union and the socialist bloc of alternatives to capitalism, the ascendance of unilateral geopolitics under the hegemony of the USA, and the consolidation of neoliberal regimes across world systems.

History matters

Liberation struggles do not get to choose the geopolitical framework in which they negotiate. In South Africa's case, the two main national liberation movements (African National Congress (ANC) and the Pan-African Congress of Azania (PAC)) together with the progressive mass democratic movements and support groups had to contend with the legacy of over three hundred years' of

vicious colonialism mainly under British imperialism and a century of racial capitalism culminating in the legislative enactment of Apartheid policies after the electoral victory of the National Party in 1948. The subsequent consolidation of grand apartheid through further severe restrictions on property rights and constraints on employment and access to skills on the basis of spurious racialised categorisations consolidated racial capitalism and ensured further accumulation through alienation, dispossession and underdevelopment of the majority of peoples. Petty apartheid laws saw segregation being maintained and reproduced through controls over all aspects of daily life. The impacts of these forms of expropriations, exploitation, and subordination permeated and infected every level of society. That inherited legacy largely took the form of a minerals-energy complex that became increasingly militarised and financialised towards the end of the regime whilst ensuring an economic base that extracted wealth for the benefit of transnational capital with the connivance of domestic compradors with former imperial powers and local elites seeking fractional interests.

Resistance to the broad parameters of this (increasingly internal) colonial capitalist state grew from 1949 onwards; because of this the Apartheid state started banning and imprisoning various individuals and banning political parties, starting with the Communist Party of South Africa and eventually including all black majority political parties. Resistance against the free movement of black persons – passes were required – was led by women, most notably a 50,000 strong march in 1955 to the government buildings and followed by the Pan Africanist Conference in 1969 which resulted in the infamous Sharpeville Massacre. A nationwide protest by black school children in 1976 resulted in the deaths of hundreds of marchers in the black township of Soweto where it began. Armed and militant resistance groups formed during this period within many quarters of the oppressed and exploited black population. Racialised capital and the apartheid state sought to convince larger sections of the oppressed to adopt a mindset that

accepted the broad parameters of the colonial capitalist economy but all such efforts at winning hearts and minds was rejected by the oppressed majority. Steve Biko highlighted this latter obstacle to change when he stated: "The most important weapon in the hands of the oppressor is the mind of the oppressed".

Class matters

‘Class’ matters, not just in the narrow economic power relations of Marxist Leninism but in Gramsci’s ‘subalternity’, reflecting the social power relations of the oppressed, the economically exploited, racially excluded, gender-dominated social groups, who nevertheless have the power to subvert the ‘authority’ of those social groups who hold hegemonic power.

The apartheid regime unbanned the national liberation movements and the communist party after long periods of illegality. Operating under conditions of illicitness saw the various movements adopt modes of operation suited to such conditions. Democratic centralism and underground structures built over the preceding five decades of being proscribed generated a particular culture of secrecy and subterfuge. For those who were not banned or who went into exile, the conditions of the 1980’s had significantly changed the revolutionary situation. The internal mass democratic movements were largely community based and increasingly sought to render the country ungovernable. Those leaders of the ANC who were invited to participate in the direct negotiations with the apartheid regime were largely drawn from the exiled or imprisoned cadres. The "Inziles" (as opposed to "Exiles") were increasingly rooted in working class organising, whose active rebellion against the apartheid regime was what had made South Africa ungovernable and brought the government to the negotiating table. The Inziles had forged their own institutions for demanding change. While the Inziles wanted a constitutional assembly to draw up a constitution, the apartheid regime escalated state violence which caused the suspension of the

multi-party talks called the Conference for a Democratic South Africa (CODESA) to be suspended.

When this process was restarted under the moral leadership of Nelson Mandela, the balance of forces had changed. The ANC assumed the moral high ground and drove the process towards a Transitional Executive Committee (TEC) which ostensibly represented a form of 'dual power' in so far as the racist minority regime remained intact but lacked authority whilst the TEC drew in representatives from the liberation movements who had authority without state power to promote the preparation for and transition to a democratic order in South Africa. The TEC operated within a mainly technocratic format and began the process of defining the contours of the post-apartheid settlement. Under arrangements that were only made public after the transition, the TEC had signed an agreement with the IMF which is sometimes referred to as a Faustian pact. Besides curbing radical demands for redistribution and repudiating the odious debt of apartheid, the new South Africa became bound by conditionalities that were supported by the transnational financial corporations, local capital, and the apartheid regime. The first programme of the post-apartheid government sought to achieve reconstruction and development and relied heavily on Keynesian economics. This was however scrapped and replaced by a framework which built upon the previous regimes macro-economic modelling and was called growth, employment, and redistribution; it achieved neither of the three goals but rather reduced government expenditures and liquidated many state-led initiatives. All of this was to reduce the odious debt and resulted in widespread fiscal austerity.

Global players matter

The World Bank and the International Monetary Fund were key players in the negotiations. Although loans were offered to the new government, the ANC leadership did not initially take them or make use of existing loans. However, the ANC leadership was

persuaded by internal forces including local capital represented through the South African Chamber of Commerce, the South African Foundation and various other business associations and the late apartheid state of the need for a (self-imposed) austerity programme, very much in the IMF tradition if not pressed hard by the IMF itself.²⁰ The end result was the worst of all possible worlds – IMF-type policies without IMF financial support (Padayachee and Fine, 2018).²¹ By 1994, the World Bank (which had been viewed with hostility) came to be seen by the Mandela government as a flexible institution capable of effectively addressing the country's specific economic and social problems. South Africa was a founding member of GATT (precursor to the WTO), but the status of the country was misrepresented as being already developed with respect to the white minority population whereas the majority experienced underdevelopment. The negotiators at those trade talks however lacked full and clear non-antagonistic mandates from organised labour, business and the state to protect the domestic economy. The impacts of the consequent liberalisation of trade regimes resulted in enormous economic losses including extended unemployment, reduced innovation, and accelerating deindustrialisation. In hindsight, and as confirmed by much progressive academic research, the transition period entailed negotiations that compacted together representatives of multilateral financing institutions such as World Bank and the IMF together with consulting agencies of transnational capital such as Bain, McKinsey and Goldman Sachs with leaders of the mass democratic and national liberation movements. Critical tools of national liberation such as socialisation of the means of production and regulations to discipline capital were sacrificed to the unrequited promises of facilitating foreign direct investments

²⁰ Vishnu Padayachee and Robbie van Niekerk, “Shadows of liberation”: ANC Economic and social policy from African claims to GEAR, *New Agenda: South African Journal of Social and Economic Policy*, Vol. 67, 2017

²¹ Vishnu Padayachee and Ben Fine, The role and influence of the IMF on economic policy in South Africa’s transition to democracy: the 1993 Compensatory and Contingency Financing Facility revisited, *Review of African Political Economy*, Vol. 46, No. 159, 2018

and export-led growth as proxy for trickle-down economic development.

Key findings

Interventions are political, not technical. Economic statebuilding and development interventions by international organisations and IFIs are not mere technical processes but are deeply political and alter the political and social foundations of states in transition. As these case studies illustrate, neoliberal economic agendas do not always fit neatly with the more communitarian principles and value systems of many national liberation movements. When this ideological tension is resolved through major concessions by the recipient state and impositions by IFIs, this can lead to the demise of pre-existing social contracts that underpinned the liberation movement with damaging social consequences.

Whose constitution? Whatever constitutional arrangements emerge in the context of transition, these must be grounded in local realities and emerge through processes that are controlled by local polities. The Kosovar and Timorese constitutions were famously written by the international community, with drafts of Kosovo's constitution containing references to Timor-Leste that had simply been copied and pasted. These are documents that need to be locally owned in order to be meaningful, legitimate, and implementable.

What of parallel structures? Parallel structures were foundational institutions of the national liberation movements. In Kosovo, these covered a vast range of functions, from governance and economics to education and health. These are necessary structures during a time of struggle against the ruling regime, but what happens to these structures in future stages? This issue was also raised for East Timor: who benefited from the power structures that emerged from armed resistance?

In South Africa, the illegality of parallel systems was used in internal ANC power struggles to disqualify certain candidates from holding office. In Kosovo, different segments of the parallel structures evolved in different ways during the process of statebuilding. The neoliberal economic and political model imposed on/pursued by Kosovo led to a decline in volunteerism and damage to civil society ethos, and an emphasis on privatisation and private ownership rather than state ownership. Wartime elites from the KLA became political and economic elites who both enriched and entrenched themselves in state and societal structures - or through morphing into organised criminal syndicates.

How can a movement prevent parallel structures from creating illicit political and economic systems in future governance structures?

Who negotiates and what gets prioritised? Class matters.

Engagement with international actors will pose extensive challenges for the integrity of liberation movements. All of the cases highlighted show how global players facilitated the hollowing out of each respective movement at the expense of the grassroots. In partnership with international actors, new cadres of economic and political elites embedded and enriched themselves in their new political systems. As the KLA leaders in Kosovo and the ANC leaders in South Africa exemplify, legitimacy will not indefinitely be guaranteed by references to victory and past glories. Although democratic elections eventually proved means whereby those corrupt elites were removed from power, much of the damage had already been done.

Transitioning national liberation movements need to consider who is actually represented at the negotiating table, and whose needs are being prioritised. In South Africa, the grassroots organisations who had fought the struggle against apartheid on the ground were

sidelined, leading to compromises on provincial carve up of the country that had existed under Apartheid instead of provinces being decided through grassroots democratic processes. It also left the ANC leadership vulnerable to being persuaded – as they eventually were – to impose austerity policies: the IMF did not need to use conditionality to achieve this. Although Mandela promised nationalisation of key industries in his first speech this was later dropped, with the ANC leadership class inclined to “keep on the right side of capital”.

As one workshop participant observed, “You can't eat democracy”. Ensuring economic and social rights is also critical. Which areas of the economy should be prioritised? East Timor neglected its agriculture sector – despite 70% of the population relying on subsistence agriculture – in favour of oil, skewing the economy and creating additional imbalances in political influence.

Managing expectations. In the aftermath of any successful national liberation movement and extensive sacrifices, expectations among the population are likely to be high. The promises of the struggle for independence and idealistic visions will then meet what is likely to be a trying political, economic, and social reality. It is important to strike a balance between an inspirational national vision and preparing people for what is likely to be a challenging set of circumstances. One such leader who articulated such warnings was Xanana Gusmão in Timor-Leste.

In Kosovo, expectations were not adequately managed. With the end of the war and the introduction of cash, the public expected the country to prosper quickly, but Kosovo needed to work harder to catch up with the Western Balkan countries, let alone Slovenia or Western industrialized countries. The more difficult it became to develop an internal political consensus between the wing of war (such as the former KLA commanders) and the wing of peace (Rugova's LDK), the greater the frustration, which subsequently resulted in violence and pogroms of the Serbs in 2004, and later on

the violent protests of Vetëvendosje against UNMIK. Kosovars were unable to tolerate the conditions imposed by the international community and continued to consider themselves victims even after the war ended. This made the bargaining process arduous and filled with unrest.

Transparency and legitimacy. Transparency is key to managing expectations and maintaining legitimacy. In Kosovo, the system of financial donations was a necessary source of monetary support for the movement and donation was considered both a national responsibility and a moral obligation. However, the Kosovar diaspora in particular became disillusioned by the lack of transparency on behalf of the administration and the associated corruption. The failure to show how funds were spent and distributed led to a loss of legitimacy within the diaspora. Transparency is therefore a central pillar of continued legitimacy, not just economically but also in terms of governance more broadly.