

Economic Liberalisation, Social Welfare and Islam in the Middle East

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This Development Viewpoint draws on a recently published book, *Economic Liberalisation, Social Capital and Islamic Welfare Provision* (Palgrave Macmillan 2009), which evaluates the impact of economic liberalisation on state-provided social welfare and the accompanying rise of Islamic faith-based welfare provision in the Middle East. The book is based on in-depth case studies of four countries: Egypt, Jordan, Morocco and Tunisia. See the related CDPR [Development Viewpoint #17](#).

The experience of the four countries in providing social welfare was diverse and variable. Economic liberalisation coincided with periods of both improvement and deterioration in state welfare provision. Generally, however, Islamic welfare provision tended to rise in importance during the reform period. But the donor community, and in particular the World Bank, has neither appreciated the importance of such a trend nor sought to engage with the Islamic organisations.

As part of liberalisation, the World Bank and IMF pressed the four countries to jettison their extensive 'social contract' arrangements, which typically included free provision of health and education and extensive subsidies on food and utilities.

In Tunisia, the state was strong enough to resist such advice. Hence, throughout the reform period, government social spending remained at around 19 per cent of GDP, implying a doubling in real terms. At the same time, poverty and inequality continued to decrease. By 2000, poverty was reported to affect only about four per cent of the population (see Table).

The other three countries, Egypt, Jordan and Morocco, started their economic reforms with austerity cutbacks in social welfare and experienced increasing poverty. Jordan experienced the most painful adjustment: the share of the population that was poor rose from only three per cent in 1988 to 14 per cent in 1992. Since Jordan's resumption of growth was short-lived, its national poverty rate remained about 14 per cent in 2000.

Poverty Rates in 2000 (% of population)

Egypt	16.7
Jordan	14.2
Morocco	19.0
Tunisia	4.1

Sources: HDR 2007/8, Table 3; Harrigan & El-Said (2008) for Tunisia.
Note: National poverty lines

In Egypt and Morocco, economic recovery led to declines in poverty. But their growth accelerations were not sustained. So, by 2000, their poverty rates were still relatively high: about 17 per cent for Egypt and 19 per cent for Morocco.

Only Tunisia was able to sustain respectable rates of growth and maintain its social welfare system. As a result, there was only modest growth in faith-based welfare provision in Tunisia. Morocco experienced a greater increase in such provision but both Egypt and Jordan witnessed a very marked upsurge.

This trend coincided with a decline in the quality of state-provided social welfare in the three countries.

However, both Tunisia and Morocco maintained some degree of state monopoly over the provision of social welfare and relatively tight control over civil society. In recent years, Islamic groups have become more active in social provisioning in Morocco but have not become as politicised as elsewhere in the region.

The situation in Egypt and Jordan stands in marked contrast. In both, there has been a long history of faith-based welfare provision and active civil societies. And during their periods of economic reforms, Islamic social provisioning grew dramatically.

In Jordan, the Muslim Brotherhood has become more active than the state since 1989 in providing social welfare. Their services reach hundreds of thousands of Jordanians, mainly in urban areas, and are cheaper than those of private providers and of better quality than state services.

Islamic welfare provisioning is most extensive and developed in Egypt. Poor access to state welfare and its declining quality have led to a significant rise in provisioning by Islamic groups, such as the well-known Muslim Brotherhood.

And in both Jordan and Egypt, Islamic groups have initiated influential political movements and parties. For example, the Muslim Brotherhood in Egypt (despite being banned as a party) won 88 seats in the 2005 election and became the main opposition force in the country.

The Popularity of Islamic Groups

The rise in the Islamic provision of social welfare has tended to coincide with the general resurgence of Islam. But much broader factors have been responsible for the enhanced popularity of Islamic groups. These have included the Iraq wars, the U.S.-led 'War on Terror' and the continuing Palestinian conflict.

The failure of economic liberalisation to generate sustainable growth and improved social welfare has been another important factor. Moreover, the pro-Western regimes in all four countries have become known for widespread corruption and repression. In contrast, Islamic groups have gained a reputation for dealing effectively with socio-economic problems.

Hence, the Western backers of these regimes have placed themselves in a hypocritical position: while calling for greater democracy, they support regimes that suppress legitimate Islamic groups, which have increasingly stepped into the breach left by states that have been obliged to weaken their social welfare systems.

The appropriate response from such Western backers and the repressive regimes that they support should be to engage more positively and constructively with the Islamic organisations that have provided extensive social welfare and built, as a result, a broad social base of support.

Reference:

Harrigan, Jane and El-Said, Hamed (2009). *Economic Liberalisation, Social Capital and Islamic Welfare Provision*. Palgrave Macmillan.