1. Background Information

Title of Research Programme: From Economic to Political Crisis: Policy-Based Lending in the Middle East and North Africa

Reference Number: R8251

Period Covered by the Report: 1st April 2003 to 30th September 2007

Name of Lead Institution and Director: School of Oriental and African Studies, University of London, Dr Jane Harrigan.

Key Partners: Manchester Metropolitan University and the Arab Thought Forum, Amman, Jordan.

Countries Covered by Research: Jordan, Egypt, Tunisia and Morocco.

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2. Summary
Programme Purpose:

Since the second half of the 1980s and throughout the 1990s, the International Monetary Fund (IMF) and the World Bank have been heavily involved in promoting economic reform in the Middle East and North Africa (MENA) region. The purpose of the research was to analyse these externally supported economic reform programmes from a multi-disciplinary political economy and international relations perspective by using four country case studies.
The first step in the analysis was to ascertain whether the flow of external funds in support of reform has been determined by recipient economic need or by geopolitical factors, particularly the West's desire to "buy" support in the region in order to combat rogue states. The second step in the analysis was to quantify the impact of reform in terms of both macroeconomic and social welfare effects. The four countries we chose for our country studies, namely, Jordan, Egypt, Tunisia and Morocco, are often described by the Bank and the Fund as ‘advanced’ and ‘successful reformers’ and we wanted to explore the reality of this claim. We then used the concept of "social capital" to discover whether changes in state welfare provisions during the reform period were compensated for by the activities of social groups operating in the space between family and state, with particular reference to Islamic groups. Finally, we wanted to assess the domestic political impact of these religious groups in the context of their expanded social welfare role and the state’s response to them with a view to ascertaining whether the religious groups have been absorbed into true democracies.

We were able to achieve the above programme purpose in all respects, although some modification to the intended methodology for analysing the social impact of reform via fiscal variables was necessary due to lack of fiscal data. We were, however able to compensate for this by using the data and reports from Household Expenditure Surveys.

Programme Activities:

The intended programme activities were a period of research by a Research Assistant and a programme of research to be conducted by the two principal researchers, Dr Jane Harrigan and Dr El-Said. We intended as part of this research to carry out a number of field work trips in the MENA region as well as two trips to Washington DC. We had also intended to collaborate with The Royal Scientific Society in Jordan and the Centre for Strategic Studies in Jordan. This programme of activities was successfully completed although we replaced one of the Washington DC trips with a field work trip to Beirut in view of the fact that a large number of World Bank staff working on MENA were located in the regional office in Beirut. In addition, the Royal Scientific Society and the Centre for Strategic Studies did not prove to be willing collaborators and were replaced instead
by the more appropriate regional body, namely the Arab Thought Forum, with whom we have had a very successful collaboration throughout the project.

The research was carried out by means of both desk work and field work in our four chosen countries as well as at the IMF and World Bank headquarters. In the first 14 months of the project we employed a Research Assistant to carry out some of the desk work on IMF and World Bank allocation of funds to the MENA region and on the impact of the reform process. This work made use of publicly available data and reports and was supervised and complemented by the lead researcher, Dr Jane Harrigan. Throughout the four and a half years of the project Dr Harrigan and Dr El-Said made at least two field work trips to each of the four countries as well as one trip to Washington DC and one trip to Beirut to visit IMF and World Bank headquarters and regional offices. During these field work trips semi-structured interviews were conducted with a range of stakeholders including government staff, IMF and World Bank staff, staff of other donor agencies, NGOs, political parties, academics, and Islamic groups. In addition data and official reports were also gathered as inputs to the research work.

Programme Outputs:
The intended output from the project was a number of journal papers in leading peer reviewed journals, a book to be published by a leading UK publisher and an international conference in the MENA region. The first stage of the research on the allocation of IMF and World Bank funds to the MENA region produced both a quantitative as well as a more qualitative assessment of the flow of funds from the two multilaterals. This work was rapidly disseminated via a Manchester University Economics Department Working Paper (the lead researcher was located at Manchester University for the first two years of the project). Further outputs from this study took the form of a book chapter and a Journal article. In order to disseminate this output as widely as possible in the MENA region the journal article was translated into Arabic and published in a regional journal. A further two journal articles have been published, one on the Jordan case study and one on the overall results of the project. In addition, we have submitted a further paper on Jordan to a leading journal and have revised and resubmitted the paper taking into account the reviewers comments. A contract has been negotiated with Palgrave Macmillan to produce
two books and the manuscripts will be submitted in the next two months. Finally we are organizing an international conference in Amman Jordan in conjunction with our partner institution the Arab Thought Forum to take place in February 2008. At this conference Dr Harrigan and El-Said will report on the results of the research work to stakeholders, including policy makers and academics, from the MENA region. We have already had the opportunity to do this in a number of workshops conducted at the Arab Thought Forum, the Centre for Arab Unity Studies and the American University of Beirut. The beneficiaries of the research are principally policy-makers and academics in the MENA region but also the donor community, particularly those organisations that contribute to the activities of The IMF and World Bank. Our research findings on the economic and social impact of IMF and World Bank guided economic liberalisation programmes should form an important input to both country (Jordan, Egypt, Tunisia and Morocco) and regional (MENA) country strategies and plans by both DFID and other multi and bi-lateral donor organisations.

3. Highlights of Research

The highlights of the research consist of the research findings which have followed from the political economy analysis of IMF and World Bank programmes in the MENA region and our four country studies. This has enabled us to draw a number of policy conclusions of relevance to both policy makers in the MENA region and to donor organisations drawing up strategies and plans for the region.

We set out at the start of the project to explore four interrelated hypotheses: 1) The flow of international finance to the Arab region has been partly determined by geo-political factors, namely Washington's desire to support pro-Western regimes; 2) The economic reform conditions attached to this finance have resulted in a decline in state provision of social welfare, increased poverty and increased inequality; 3) This form of globalisation has been increasingly challenged by Islamist groups that have moved in to provide social welfare and fill the welfare gap created by the gradual withdrawal of the state from economic affairs. 4) Globalisation, by restricting the ability of the state to protect the
poor, has strengthened the hand of political Islam and undermined the political legitimacy
of the very same incumbent regimes Washington sought to support, forcing these regimes
to become increasingly authoritarian.

In order to investigate these hypotheses we chose four countries to study in-depth: Egypt,
Jordan, Tunisia and Morocco. These were chosen as they have been put forward by both
the IMF and the World Bank as successful reformers who, for prolonged periods carried
out World Bank and IMF guided economic reform programmes. Consequently, in
addition to our four hypotheses, we also looked at the economic impact of reform in the
four countries. What we discovered was that the analysis is more nuanced that our four
crude hypotheses would suggest but that nevertheless they contained elements of truth.

We found clear evidence that the flow of funds from the IMF and World Bank is
influenced by geo-political factors as well as economic need. We also discovered that, in
terms of economic impact, the reform programmes in all four countries were associated
with spurts of economic growth, but that apart from Tunisia, these were not sustained. In
terms of trends in poverty and social welfare, the country experience was diverse and
variable with periods of improvement and periods of deterioration under the economic
liberalisation programme. In all four countries we found that during the economic
liberalisation period Islamic welfare provision had been growing, especially in Egypt and
Jordan and that Islamists often gained political capital from this. In all four countries the
donor community, including the World Bank, had not fully appreciated the scale of faith-
based welfare provision or engaged fully with it.

Several scholars have recently drawn attention to the negative influence of the strong
hold which the industrialised countries, particularly the USA, have over international
organisations, including the IMF and the World Bank. Given the geo-political
significance of the MENA region, the fact that it is conflict ridden, as well as its
economic significance in terms of oil supplies, one would expect that political and
commercial objectives would influence the flow of aid to the region. We looked at this
issue in the context of IMF and World Bank lending, with a particular focus on the
former as it is usually a pre-requisite for the latter, and found this to be the case. We used both a qualitative and a quantitative analysis to test the relative role of recipient need and donor interest in the flow of funds from the IMF and World Bank. This enabled us to conclude that both recipient need and donor interest influenced programme lending by the Bank and Fund in the MENA region. Our qualitative analysis focused on the five major recipients of IMF and World Bank funds in the MENA region – our four countries along with Algeria. We looked at each country’s economic performance in the year in which it first received an IMF loan using the variables inflation, current account balance, Central Government debt, debt service ratio, gross capital formation and GDP per capita growth. We found that only in the case of Jordan in the late 1980s and Egypt in the first phase of its IMF loans during the mid-1970s was their clear evidence that recipient need, in the form of the above economic variables, influenced the granting of the IMF loan. We therefore looked for alternative explanations of IMF lending in the form of political factors and found that a shift towards a pro-Western foreign policy, peace overtures to Israel, and domestic political liberalisation which often brought a challenge to the regime, prompted a flow of funds not just from the IMF but also from the World Bank and the USA. These findings were supported by a more rigorous quantitative analysis in the form of a Probit model to explain IMF leaning. We found that the model which only included variables representing economic need of the recipient performs poorly, whilst a model which included foreign policy and political variables performed much better in terms of predicting when a country in MENA will receive an IMF loan. Of our four countries, the one for which geo-politics has been most significant in determining the flow of aid funds is Egypt although this has been a feature to some degree in the aid flows to all of the countries we analysed.

Policy conclusion 1): Although it is often claimed that multi-lateral institutions like the IMF and the World Bank are immune from donor interest when it comes to the allocation of their funds, we have clearly shown this not to be the case in the MENA region. Foreign policy and domestic politics, in addition to recipient need, have an important role in shaping the flow of funds to MENA countries and our first hypothesis to this effect seems to be confirmed. Policy makers who interact with the
IMF and World Bank need to be aware of this fact and lobby the two multilaterals to end the geo-political influence over the flow of funds.

In terms of economic performance under IMF and World Bank liberalisation programmes, the four countries embarked upon their IMF and World Bank supported economic reform programmes at different times. Morocco was the first to commence in 1983 followed by Tunisia in 1986, Jordan in 1989 and Egypt in 1991. However, each displayed similar characteristics when their programmes commenced – high levels of unsustainable debt, a shortage of foreign exchange reserves, wide current account and fiscal deficits and undiversified economies. The exception was Tunisia who had already achieved a substantial degree of economic diversification under the dirigist policies of the 1970-86 period. This is because, in policies not too dissimilar to the East Asian countries, Tunisian authorities had pursued a strategy of “picking winners”, i.e. the government would voluntarily pick some activities, develop them and when profitable open them up to the private sector. This was particularly so in the transformative industries such as textiles, clothing, leather, wood and food. As a result the share of manufactured exports in total exports increased from 15.1% in 1972 to 38% in 1979 and the share of public investment in total investment dropped from 67% in the early 1970s to 57% by the late 1970s with the creation of an industrial bourgeoisie. We argue that this historical performance is one reason why Tunisia’s economic reform programme under the IMF and World Bank was much more successful than those of our other three countries i.e. much of the hard work had already been accomplished before the Washington multilaterals launched their programmes.

With the exception of Jordan, all of our countries embarked on an extremely successful stabilisation programme under the IMF which reduced fiscal and current account deficits and brought down inflation. This stabilisation success in Tunisia, Egypt and Morocco was extensively praised by both the World Bank and the IMF. All three countries suffered an initial but short contraction in growth under their stabilisation programme, but growth quickly recovered. Only Jordan failed to initially stabilise her economy and instead experienced both a currency and banking crisis. This is because Jordan, unlike the
other three countries, did not pursue a classic stabilisation programme. Instead both the IMF and World Bank pushed for rapid capital account, exchange regime and financial sector liberalisation. The capital account was liberalised and the peg to the US dollar abandoned, and interest rates were fully liberalised.

Policy Conclusion 2): The contrast between Jordan and our other three countries clearly illustrates the need for correct timing and gradualism in any stabilisation effort. Jordan’s reforms were both rapid and came at an inappropriate time when confidence in the economy and regime was low.

Despite Tunisia’s, Morocco’s and Egypt’s remarkable success with stabilisation in the first part of their reform programmes, Morocco and Egypt failed to build upon this with a sustained structural adjustment reform effort on the supply side of the economy. In fact, particularly in Morocco, there were elements of conflict between the IMF’s demand side programme aimed at reducing fiscal and current account imbalances by curbing demand and the World Bank’s supply side programme aimed at generating increased economic efficiency and export led growth. In Morocco fiscal deficit reduction under the IMF took precedence over the World Bank’s attempt to reduce tariffs to stimulate export led growth via trade liberalisation. Tariff reduction stalled because of the negative effect loss of tariff revenue had on the government budget. Likewise the Bank’s desire for a competitive devaluation in Morocco to stimulate exports was blocked by the Fund who believed the exchange rate was at its equilibrium level. Similarly in 1998 in Egypt the Bank desired a competitive exchange rate devaluation to boost exports but this time it was the government who opposed the move. Finally in Morocco the Bank’s desire in latter years to pursue a more activist industrial strategy by picking winners and offering tax breaks and other incentives was opposed by the IMF due to the effect it would have on fiscal performance. In Egypt, the success of the stabilisation programme actually undermined elements of the structural adjustment programme. Stabilisation including a stable exchange rate along with a degree of capital account opening led to a surge in capital inflows following renewed confidence in the economy. This capital inflow caused real exchange rate appreciation which undermined the country’s export performance.
Policy Conclusion 3): IMF and World Bank reform programmes can often conflict in lower middle income countries. Stabilisation and structural reform programmes need to be carefully designed to minimise such conflict and donor organisations that contribute to the activities of the Bank and Fund need to be aware of this and work to minimise the conflict. In their own policy advice and dialogue with such countries bi-lateral donors also need to be aware of the potential conflicts.

In all four of our countries the successful stabilisation came at the cost of a sharp decline in public sector investment. IMF stabilisation programmes that have a large adverse effect on public sector investment can undermine the Bank’s attempt to stimulate the supply side of the economy with price incentives for export led growth. This is particularly true in low and lower middle income countries, such as our country sample, where public sector investment can have a crowding in effect on private sector investment and is an important stimuli to growth. The decline in public sector investment that was experienced in all four countries in the initial stage of stabilisation meant that the programmes had the pricist and state minimalist characteristics. This had particularly negative effects in the agricultural sector of Morocco and Jordan where pricism concentrated on removing input subsidies and adjusting upwards some producer prices whilst failing to boost public sector investment in the sector in a manner necessary for poor farmers to respond to the new incentive structure. Agricultural subsidy removal was driven as much by fiscal considerations as by efficiency considerations.

Policy Conclusion 4): Policy makers need to be aware of the need to protect certain elements of public sector investment during a stabilisation programme, especially in the agricultural sector.

In short, we can conclude that in all of our countries the IMF has placed excessive emphasis on fiscal deficit reduction as a way of curing the current account gap, rather than increasing output for this purpose as the Bank had desired.
Policy Conclusion 5): the current account gap should be corrected by policies that stimulate tradable output not just by fiscal deficit reduction. Hence World Bank supply side policies are just as important as IMF stabilisation policies.

The above observations force us to confront the question as to why IMF programmes have been relatively successful in our MENA countries whilst structural adjustment supply side policies under the auspices of the World Bank have been much less successful. One possible answer is that IMF policies which focus on the demand side of the economy are relatively easy and quick to implement whilst policies of the Bank aimed at boosting efficiency and supply are much harder medium term policies. When initially turning to the Bank and the Fund for help all four of our countries were in a state of extreme economic distress especially in terms of debt servicing. Governments knew that they had little choice but to quickly implement the harsh IMF demand side policies if they were to be able to access increased finance and benefit from debt rescheduling. Once this had been done and fiscal and current account deficits brought under control, debt rescheduled and foreign reserves replenished there was little incentive to progress to World Bank supply side reforms such as full scale trade liberalisation, privatisation, and financial sector reform.

In addition, we have seen that as the economies recovered from their crisis and confidence was renewed the Bank lost leverage. This was most clear in Egypt where from the outset Bank leverage was weak due to the fact that Bank funds were tiny compared to the massive inflow of aid from the US. In addition, the recovery of confidence under stabilisation brought a large influx of foreign finance and investment so lessening the need for relatively expensive IBRD funds from the Bank. Likewise in Morocco, the economic recovery has brought with it a sharp decline in Bank leverage over policy reform as other sources of funds have increased, including high levels of aid from the EU and France and more recently large inflows of FDI, migrant remittances and Gulf funds The renewed confidence in the economy also meant that Morocco could access private finance at cheaper rates such that the spread between the cost of private funds and the cost of IBRD funds narrowed considerably.
Policy Conclusion 6): As reform progresses and the immediate economic crisis is overcome donor organisations need to work hard to build a pro-reform consensus amongst stakeholders to ensure that reform progresses beyond macroeconomic stabilisation towards medium term reforms of the supply side of the economy.

Although we have argued that stabilisation has dominated over structural reform, all four of our countries have experienced phases of growth during their reform periods. Morocco experienced growth at an annual average of 4.91% between 1986-91 and 4.81% between 2000-2004, Jordan experienced a growth rate of 8.6% between 1992-95 and 5.4% between 2000-2004, Egypt’s growth was 5.35% between 1997-2001 and Tunisia’s growth was 5.6% between 1996-2000. However, our analysis has cast doubt on whether the growth performance can be sustained and the extent to which it was due to the economic reform programme. One would expect growth generated by successful structural adjustment programmes to take the form of productivity gains since structural reforms such as trade liberalisation, removing price distortions and privatisation are designed to make the economy more efficient. However, with the exception of Tunisia, we found that growth in most cases was extensive i.e. to factor accumulation, rather than intensive i.e. due to productivity gains. Our use of growth accounting models and those of other researchers clearly illustrate this point. Only in Tunisia did our production function analysis show productivity improvement. We argue below that Tunisia’s distinct performance, as well as the remarkable structural transformation of the economy away from dependence on oil, gas and phosphates, was not just due to the IMF and World Bank reform programme but also due to distinct historical and socio-economic characteristics of the Tunisian economy.

Policy Conclusion 7): In any economic liberalisation and reform programme policy makers should be aware of the need to increase productivity of the economy if growth is to be sustainable, and not just boost growth through factor accumulation. Appropriate policies need to be put in place to increase productivity.
Another feature of some of the growth periods in our four economies was the fact that growth was driven by domestic demand and concentrated in the non-tradable sectors rather than being export led as one would expect from a successful World Bank structural adjustment programme. This was particularly true for Jordan and Egypt. In both economies Dutch Disease effects were brought about by inflows of foreign finance in the form of returnee labour from the Gulf and their savings, aid inflows, and portfolio flows. This caused upward pressure on the real exchange rate which disadvantaged the export sector and led to the stimulation of the non-tradable sectors, especially in construction and real estate.

**Policy Conclusion 8): Appropriate exchange rate management and monetary policy is needed in the face of foreign currency inflows to avoid real exchange rate appreciation.**

In contrast to Egypt and Jordan, both Morocco and Tunisia experienced periods of strong export led growth during their reform programme, Morocco’s during 1985-1990 and Tunisia throughout most of the reform period. This was partly due to trade liberalisation and competitive exchange rate depreciation which resulted in growth of manufactured exports. Of all of our countries, Tunisia has experienced the most success with export led growth and export diversification. The structural transformation of the Tunisian economy away from reliance on oil, gas and phosphates has been truly remarkable. Between the mid 1980s and 2004 Tunisia sustained an annual average growth rate of 4.5%, much of it led by the export sector, becoming one of the fastest growing economies in the MENA region during this period. By 2006 only 25% of export revenues came from primary resources whilst 27% came from textile and clothing, 18% from electrical and mechanical goods and 17% from tourism.

All four of our economies seem to be undergoing a new boom in the first half of the 2000s. This seems to be partly the result of an accelerated reform programme under new monarchies in Jordan and Morocco and under a new reformist Government in Egypt. Part of the recent boom can also be explained by favourable external factors such as the surge
in oil prices in the past few years fuelling demand for migrant labour in the Gulf region and stimulating the inflow of Gulf money to our four economies. In addition, the Bank has argued that we are now witnessing the “cheque is in the mail” syndrome whereby after many years of reform the dividends are starting to emerge.

In addition to the sources of growth as between extensive and intensive and tradable versus non-tradable we have also looked at the sources of growth in our four countries in terms of growth generated by reform versus growth generated by favourable external factors. We found in a number of cases that the latter had an important role to play in certain periods of growth. Even in Tunisia we have argued that reform under the IMF and World Bank did not seem to be the major factor explaining the economic success. We estimated an endogenous growth model from 1971 to 2003 and found that the dummies representing the reform programme did not seem to be significant. We then argued that rather than structural reform alone being the main driver of the Tunisian performance, a complex interplay of political, historical and economic factors help explain the Tunisian success. These factors include the fact that structural transformation had started and become embedded long before the IMF and World Bank reform programmes were launched, the fact that Tunisia can be characterised as a strong developmental state with characteristics similar to the developmental states of East Asia, the fact that the reform programme was implemented gradually, and the fact that development often took the form of state-led development in contrast to the IMF and World Bank model of market liberalisation.

Indeed, the strongest policy lessons of our four country comparative study emerge when we compare Tunisia to our other three countries. The strong Tunisian state and bureaucracy continued to intervene in the economy to direct the reform effort. Not unlike the East Asian economies, the state had an active industrial policy which involved picking and cultivating winning industries and then selling them off to the private sector. This was subsequently facilitated by the EU Mis a Niveau programme which offered a comprehensive set of incentives to cultivate specific manufacturing and service activities to ready them for the increasing competition under the EU-Tunisia Association
Agreement and the ending of the Multi Fibre Agreement. This involved upgrading managerial and organisational structure, innovation, training, technology distribution, marketing, R and D and improved infrastructure. The cultivation of a modern industrial base both before and during the IMF and World Bank reform programmes is a major reason for the Tunisian success. In addition, Tunisia continued to display elements of state-led development. The centralised state interacted with the private sector and intervened within the economic structure to promote development. We have argued that the Tunisian state has planned the development of the economy from the start, using its control over society and the economy together with the promotion of the private sector to reach its developmental (and political) objectives. For example, despite a degree of financial sector liberalisation, preferential interest rates were used to direct investment to the agricultural sector during the IMF and World Bank reform period, interest rates were not truly liberalised and the Government continued to dominate the banking sector. The financial sector displayed a strong export bias with credit allocation being directed in favour of tradable activities especially those that the Government has identified as having a comparative advantage. This strategic picking of winners is a far cry from IMF and World Bank policies which normally advocate a trade neutral regime. Another strand of Tunisia’s industrial policy was to retain price controls over key inputs such as public utilities, cement, water, electricity, port fees, cereal based products and chemicals. Likewise, when subsidy removal and poor weather adversely affected the agricultural sector reforms were reversed and incentives offered to the sector. Strategic sectors of the economy were also protected from the limited privatisation programme and overall privatisation has not greatly affected the government’s control over the production of goods and services. Another distinct feature of the Tunisian economy is the fact that there is still a relatively high level of protection for domestic industry. Despite a degree of trade liberalisation under the World Bank and IMF programme, Tunisia remains a fairly heavily protected economy in terms of policy indicators such as tariff levels compared to other middle income economies such as Mauritius and other MENA countries such as Jordan, Egypt and Algeria. Yet despite this Tunisia is one of the regions most open economies in terms of outcome indicators such as the ratio of exports and imports to GDP. This suggests that orthodox policies, such as tariff reduction may not be the most
effective way of achieving openness in terms of outcomes such as exports and imports as a ratio of GDP. The Bank itself appears to be accepting such a position, at least in terms of its work in Tunisia and Morocco. In the latter the Bank has pointed to empirical work which shows that growth accelerations are only weakly related to major economic reforms and are much more responsive to specific interventions that relax the binding constraints to growth. In this context the Bank has started to advocate a more interventionist state led approach in Morocco not dissimilar to that pursued throughout by Tunisia. The recent Bank move to the new Development Policy Loans (DPLs) in the MENA region with their focus on institutional and micro level factors also indicates that the Bank is coming round to the view that there is no high and rapid payoff to general policies such as trade liberalisation and privatisation and that behind the border reforms which relax specific constraints are needed as well.

Policy Conclusion 9): Even under an economic liberalisation programme the state needs to have an active industrial and agricultural strategy that involves picking winners and supporting them rather than implementing a trade neutral policy regime. Addressing behind the border constraints may have a much higher pay-off than simply liberalising the trade regime.

While we have argued that unorthodox policies explain the Tunisian success and that periods of growth in our other three countries was often extensive growth located in the non-tradable sector and partly stimulated by external factors rather than the reform process, we do not wish to deny that many of the reforms introduced by both the IMF and the World Bank in our four countries have had positive effects. Certainly reform was needed when each economy lurched into economic crisis during the 1980s. However, these reforms have not succeeded in generating self-sustaining growth of the type needed to solve pressing socio-economic problems. We have argued that even in the case of Tunisia, one of the most successful cases in the MENA region, our four economies still face difficult challenges ahead. The greatest challenge is to absorb an ever growing labour force in order to bring down unemployment. In most cases this will require a sustained growth rate of over 7% per annum – a performance not even achieved by
Tunisia so far. In order to generate such high levels of growth there is a need to mobilise domestic savings and private investment. Even in Tunisia, while the macro fundamentals are right, the country continues to suffer from low levels of private investment, which is currently only 13.5% of GDP. Unless unemployment is brought down, especially the very high levels of youth unemployment, our four economies are likely to experience growing social unrest.

**Policy Conclusion 10): In all of the MENA countries we analysed there is still a need to further mobilise domestic savings and to promote investment if one of the region’s most pressing socio-economic problem, namely high unemployment, is to be addressed.**

In terms of our hypothesis that economic reform had brought with it a retrenchment in state social welfare provision, we found that in the case of our four countries the picture was much more complex than this. Of our four country studies we found that in Tunisia the state did not disengage from social provisioning, rather there was an expansion of state provisioning and, as a result, an unambiguous improvement in poverty and social welfare during her reform period contrary to our hypothesis. We argue that this can be explained by three factors. Firstly, the state did not want to violate the social contract. Secondly the Tunisian state had the capacity to negotiate with the IMF and World Bank in order to prevent any cut back in social expenditures and thirdly, social policy has been a source of legitimacy as well as a tool of control for the government. Throughout the reform period social spending by the government remained at around 19% of GDP which amounted to a doubling in real terms and an increase in per capita spending, whilst the minimum wage also increased. Although Tunisia, like our other three countries, was under pressure from the IMF and World Bank to reform elements of the social contract, especially food subsidies, the strong Tunisian state and bureaucracy was able to argue against this. Reforms that were made, such as a reduction in food subsidies, were counterbalanced by other measures such as an increase in the minimum wage and the creation in 1986 of the National Programme for Aid to Needy Families. However, despite Tunisia’s impressive gains in poverty reduction and social welfare improvement, there
was a much greater improvement in urban poverty than in rural poverty with agricultural reforms mainly benefiting the larger farmers and further agricultural liberalisation is likely to worsen rural poverty. In addition, as in all four of our countries, unemployment, estimated to be 14%, remains a pressing social problem.

**Policy Conclusion 11):** To guarantee that poverty and social welfare improve during an economic liberalisation programme, government social sector expenditure must be protected and losers from specific reforms need to be compensated. Bi-lateral donors could help recipient governments who are negotiating with the IMF and World Bank to convincingly make such arguments.

In our other three country studies, trends in poverty and social welfare during the reform period are much more complex. Jordan, Egypt and Morocco all started their reform programmes with a period of austerity under IMF stabilisation programmes. This involved cut backs in public expenditure, freezing of public sector wages and salaries and employment, reductions in subsidies and increases in taxation. In all cases this, not unexpectedly, led to an initial increase in poverty and a decline in social welfare. After their initial stabilisation phase with its adverse effects on poverty and social welfare Morocco, Jordan and Egypt were able to generate periods of growth which led to an improvement in poverty.

**Policy Conclusion 12):** Policy makers need to be acutely aware that in the early stages of stabilisation poverty has a tendency to increase and countervailing measures need to be taken.

Egypt, Morocco and Jordan’s growth phases were not sustained and as growth collapsed poverty again increased in all three countries. In summary, what our four country studies show is that the early phase of stabilisation under the IMF programme usually leads to a temporary increase in poverty. However this is short lived as a successful stabilisation helps to eventually generate a period of economic growth. All four countries show that poverty reduction is closely associated with labour intensive
periods of growth. But we have also seen that, with the exception of Tunisia, growth has not been sustained. As growth declines poverty again increases.

**Policy Conclusion 13): Growth alone is insufficient to alleviate poverty. The pattern of growth is also critically important.** The Tunisian pattern of growth has shown that intensive rather than extensive growth and growth in the tradable rather than the non-tradable sectors is crucial for a sustained improvement in poverty. Tunisia’s ability to generate such a pattern of growth with sustained export led and labour intensive growth was due to the fact that she has a strong developmental state that was able to pick and support winning industries and preserve her social contract.

We hypothesised at the start of our study that a retrenchment of state welfare provisioning under the reform programme might open up a space between the state and the family which faith based and other civil society groups could fill with welfare provisions. Our analysis has again shown that reality is much more complex than this. In Tunisia it is clearly not the case that social welfare provisioning has declined, quite the reverse. In our other three countries welfare and poverty have experienced mixed trends during the reform period and although the quantity of state welfare provisioning has not necessarily decreased its quality certainly has.

Of our four countries Tunisia is the one that has shown the least in terms of the growth of faith-based welfare provision and she is also the country which has seen the greatest improvement in poverty and state welfare. Morocco has seen a moderate increase in faith-based welfare provision coinciding with recession and an increase in poverty since the early 1990s whilst both Jordan and Egypt have seen a very marked increase in faith-based welfare during their reform periods as the quality of state welfare has declined. These trends lend some support to our hypothesis that there is a link between state welfare provision and poverty and the growth of faith-based welfare provision. However, we have also found that the trends are often closely related to country specific factors.
Both Tunisia and Morocco have shown a degree of state monopoly over the provision of social welfare and a tight control over civil society which has reduced the extent to which faith based welfare provision could grow. In Tunisia the state tightly controls and infiltrates NGOs whilst religious based NGOs are effectively banned. The repressive nature of the state therefore leaves little room for the growth of civil society, either secular or religious. Under Ben Ali, Presidential programmes of social welfare are given a high profile, such as the National Solidarity Fund, The National Job Fund and the Back to School Programme. These Presidential initiatives are partly state funded and partly funded by private donations from the business community. The Presidential and state monopoly over social welfare provision leaves little space for Islamic NGOs to operate or to gain political capital from welfare provision. Likewise in Morocco the state in the form of the Monarchy has been dominant in welfare provisioning. The recently formed Mohammed V Fund and the Hassan II Fund along with the Slum Clearance Programme and the National Initiative for Human Development (INDH) are all high profile programmes fronted by the King. As in Tunisia private individuals are compelled to contribute to the former two Funds. These funds linked to the Monarchy have extensive resources which significantly exceed those of the parallel state provisions for welfare. Although, especially since the political opening up from the mid-1990s onwards, Morocco has a more vibrant civil society than Tunisia and although Islamic groups in recent years have become more active in welfare provisioning, this faith-based welfare in Morocco has not become politicised, in contrast to Egypt and Jordan. The Islamic Justice and Development Party in Morocco, unlike the Muslim Brotherhood in Jordan and Egypt, does not posses a well developed network of social welfare provision, and welfare activities undertaken by Muslims tend to be in a private rather than a political capacity. Consequently, faith-based welfare provision is not a source of political support in Morocco, in contrast to Jordan and Egypt.

Policy Conclusion 14): If the quantity and/or quality of state based welfare provision declines in Islamic countries it is likely that faith-based welfare provision will increase unless inhibited by the state apparatus. This does not mean that faith-based welfare will automatically become politicised.
In Egypt and Jordan there is a much longer history of faith-based welfare and this has grown dramatically during their periods of economic reform under the IMF and World Bank. In Jordan there are 1,400 registered NGOs and many of these are Islamic. The Jordanian Muslim Brotherhood movement tries to unite all faith-based welfare activities under one structure in the form of the Islamic Society Charity Centre, although Imam’s in individual Mosques also carry out their own small scale activities. Until 1989 the state was the main provider of welfare in Jordan, but since then the Brotherhood has overtaken the state with its extensive network of services which have almost become a parallel state within a state. Hundreds of thousands of Jordanians benefit from their services compared for example to the 66,000 beneficiaries of the state’s National Aid Fund with its limited budget of US$ 80 million per annum. The services provided by the Brotherhood are generally cheaper than other private providers and of better quality than those provided by the state and the Brotherhood also has funds to help the needy access their services. As in Egypt and Morocco the provision of this faith-based welfare and social capital in Jordan is mainly concentrated in urban areas.

It is in Egypt that we found faith-based welfare provisioning to be most extensive and developed. It is not only the Muslim Brotherhood but various other Islamic groups and individuals who provide a variety of services, particularly in the areas of health and education. Civil Society was suppressed under Nasser but from the 1980s onwards there has been resurgence. At the start of Egypt’s adjustment programme in 1991 only one in five of the needy were covered by state social safety nets and a two tier social welfare system was already well developed with private health and education services offered alongside those of the state. Although both health and education expenditures were protected during the reform period they remained lower as a percentage of GDP than in comparator countries and did not keep pace with population growth and maintenance needs such that the quality of state social welfare provisioning declined rapidly. In addition, state welfare such as subsidies were poorly targeted such that the ultra poor often did not benefit. The poor access to, and the declining quality of, state welfare has left a large gap which has been filled by both Islamic and Coptic groups as well as by
secular civil society NGOs. At the start of the reform programme in 1991 14,000 NGOs were registered. By 2000 this had risen to 20,000 many of them faith-based and 20% being part of the Muslim Brotherhood Movement.

In both Egypt and Jordan, unlike Morocco, Islamic political parties and movements have gained extensive political capital in the form of voter support from their welfare activities. These services are open to non-members and indeed to non-Muslims and have clearly helped to “win hearts and minds”, as well as votes, in these two countries.

Policy Conclusion 15): Faith-based welfare providers can and do gain political capital from the services they provide which is translated into votes at the ballot box via the winning of hearts and minds.

Although the Muslim Brotherhood movement in Jordan and Egypt are suppressed by the state, in both countries the movement is not revolutionary but has decided to work peacefully within the democratic system. The same is the case with the Justice and Development party in Morocco. In addition, our interviews with party officials especially in Morocco and Egypt showed that they were not necessarily hostile to the reforms advocated by the IMF and World Bank. Rather they had a mercantilist philosophy, derived from the fact that the Prophet himself was a merchant, and supported market led reforms so long as they did not exacerbate poverty and inequality. In fact it has been the Trade Unions and leftist groups much more than Islamic groups which have been hostile to the economic reform programmes in our four countries. Despite this fact, Western donors, including the Bank, have been slow to engage with Islamic faith-based welfare provision. Hence Islamic and other religious groups providing much needed social welfare services to their populations have found themselves frustrated by government and ignored by donors. More recently, however, there are signs at least in Morocco and Egypt that the World Bank is more willing to engage with this important social phenomenon and this is to be welcomed. However, as long as incumbent regimes remain hostile to faith-based welfare provision, the extent to which donors can engage with it will be limited.
Policy Conclusion 16): Incumbent governments and donors have been slow to respond to the potential of faith-based welfare to provide an important source of social welfare and social capital. More needs to be done to promote this and to incorporate these civic society groups into a genuine democracy.

In all four of our countries there has been resurgence in Islam in the last decade or so. This is manifested by the increase in visible Islamic signs in the public sphere such as the wearing of the hijab by women and beards by men. We cannot ascribe this solely to the effects of declining state provisioning of social welfare and the increase in Islamic welfare provision since the trend has been manifest even in Tunisia where this did not occur. It seems that the causes of the increased Islamicisation of society are much more complex than this. Undoubtedly in Jordan, Egypt and more recently Morocco, the activities if Islamic groups in welfare provision have contributed to this trend. But in addition, especially in Tunisia, geo-political factors such as the Iraq wars, the War on Terror and the Palestinian conflict have also played a role. Also, the failure of both socialism and capitalism, the latter in the form of economic liberalisation, has contributed to the popularity of Islam as an alternative solution in Egypt, Jordan and Morocco where despite extensive IMF and World Bank programmes there has not been sustained economic growth and poverty reduction. Finally, in all four countries a corrupt and repressive pro-Western state has made Islam look increasingly attractive not only as a religion but as a solution to socio-economic ills.

4. Achievements: Research Outputs and Purpose.

Research Outputs:

The project has resulted in a substantial body of research output, including a set of policy conclusions of relevance to policy makers in both the MENA region and the broader donor community. Output has taken the form of: papers in peer reviewed journals; papers in Arabic journals; workshops in the MENA region; a forthcoming paper in a peer
reviewed journal; 2 forthcoming book manuscripts; a forthcoming international conference in the MENA region.

Who benefits?

Our research is targeted at the following constituencies:

- Policy-makers in multilateral agencies, particularly the IMF and World Bank;
- Policy-makers in bilateral aid agencies, including DFID, who contribute substantial sums to the multilaterals;
- Policy-makers and politicians in the MENA regions who are expected to form partnerships with international financial institutions and yet are exposed to the social and political fall out of the policy reform such partnerships generate in the region;
- Students and academics studying development economics, international relations and political economy in the MENA region;
- NGOs attempting to form partnerships with both aid agencies and local groups, including Islamist groups, in the attempt to promote social welfare and reduce poverty amongst vulnerable groups.
- Politicians in the West who attempt to influence the flow of funds to the MENA region to combat the rouge state and the spread of Islamic fundamentalism who may be unaware of some of the social and political effects of the economic reform programmes associated with such finance.

We have chosen avenues of dissemination which we feel will maximise the exposure of our work to the above groups.

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<th>Comments</th>
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<td>Completed and published</td>
<td>All of these peer reviewed journals</td>
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<tr>
<td>Papers and journals</td>
<td>Completed and published</td>
<td>Peer reviewed and resubmitted with revisions</td>
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<tr>
<td>1 paper in <em>Review of International Organisations</em></td>
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<tr>
<td>1 paper translated into Arabic and published in a regional journal</td>
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**Books and book chapters**

<table>
<thead>
<tr>
<th>Completed and published</th>
<th>Peer reviewed and resubmitted with revisions</th>
<th>Completed and published</th>
</tr>
</thead>
</table>

Book manuscript *Aid and Power in the Arab World: the IMF and the World Bank in the Middle East and North Africa*, to be published by Macmillan.

Book manuscript completed and undergoing final formatting to be presented to publisher December 2007.

This book is to be completed and published have a relatively high impact factor and present work in a form that is accessible to the non-specialist and policy maker.

The Arabic translation of our work will maximise dissemination in the MENA region amongst Arabic speakers who do not have access to our English work.
| Economic Liberalisation, Social Capital and Islamic Welfare Provision, to be published by Macmillan | completed and undergoing final formatting to be presented to publisher December 2007. | translated into Arabic and published by an Anglo-Arabic publisher to maximize the impact of our work in the MENA region. |
| Workshops | 1 workshop at the Arab Thought Forum and one in Beirut mid-way through the project to report on preliminary results and get feedback. | Completed | These regional workshops were invaluable in terms of disseminating our work and getting feedback. We had not budgeted for them in our original proposal, which was a mistake, but we were lucky that the Arab Thought Forum, The Centre for Arab Unity Studies and the American University of Beirut facilitated the workshops. |
| International conference at the Arab Thought Forum | Publicity for the conference and conference website. | Abstracts for the conference have been received and are now being reviewed by Drs Harrigan and El-Said. Conference to take place in Amman in February 2008. Negotiations underway with Macmillan for an edited volume of conference proceedings | This conference is not a purely academic conference but is open to policy makers in the MENA region and the donor community, to NGOs, and the MENA business community. We did not budget for a conference in our research proposal and this was a mistake as it means that we have |
Research Impact

The programme’s purpose has been fully achieved. All the field work has been completed and the results written up in a variety of user friendly formats. We had hoped to stage an international conference in the MENA region in the last year of the project, but this did not prove possible. We had not budgeted either time or resources for such a conference in our project proposal and were not able to organise the conference due to the time needed to write up the research results by the end of the project timeframe. The conference will now take place in February 2008.

Our extensive field work on both state and faith-based welfare provision in lower middle income countries will impact on poverty in the following ways:

- Producing a better understanding of what happens to social welfare and state provision of welfare to the poorest groups during periods of economic liberalisation.

- Providing new insights into the under-studied area of faith-based welfare provision for the poor in Muslim societies.

- Documenting states’ and donors’ responses to the growth of faith-based welfare provision for the poor.

- Understanding the choices of the poor in terms of their access to various alternative sources of welfare.
The prime impact of the research in terms of the wider environment is that it can inform and influence policy makers in the multilateral finance institutions, as well as in the bilateral agencies (including DFID) that support the multilaterals, in order to achieve a more consistent policy approach to the MENA region. This might include:

- Greater consistency between foreign policy and multilateral aid programmes;
- Ensuring the flow of international finance from the Washington multilaterals is determined by recipient need rather than geopolitical considerations;
- Heightening awareness of the negative social welfare effects of IMF and World Bank programmes in the region and the manner in which such negative effects can create political tensions in the recipients;
- Understanding the role of religious groups in the provision of social capital in the region and suggesting ways in which both the multilaterals and bilaterals and MENA governments can form partnerships with such groups to enhance their effectiveness and help integrate them into a democratic nation state.

Policy-makers in MENA countries will also benefit from many of the practical research contributions in a manner that should enhance their ability to negotiate and form partnerships with multi and bilateral aid agencies as well as with domestic religious and political groups.

Lessons from the MENA study may also be of interest to donors and policy makers in the Muslim states of South Asia and elsewhere.

In addition to the above quite specific practical value, the research will also provide the following more general practical value:

- Improve understanding of the factors that affect the success/failure of stabilisation and structural adjustment programmes in developing countries, particularly in the under-researched MENA region;
- Enhance awareness of the manner through which these programmes affect the social dimension of reform and the political ramifications of the latter;
- Provide a long-run comparative perspective of policy-based lending and performance in LDCs, inclusive of the Arab World to set out in broad terms the lessons that can be drawn from this experience.

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<th>Comments</th>
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</thead>
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<td>Completed and awaiting publication. Completed. Work in progress. Conference date February 2008.</td>
<td>We should have budgeted in the original proposal for translation costs. This has now been agreed with DFID.</td>
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<tr>
<td>Better understanding of the geopolitics of IMF and World Bank loan disbursement</td>
<td>2 book chapters, 1 journal paper in English and 1 in Arabic. Two workshops Forthcoming conference. Conference website now live.</td>
<td>1 book chapter in print, 1 forthcoming, both journal papers in print. Completed. Work in progress. Conference date February 2008</td>
<td>Journal papers are accessible to non-specialist audience. Policy makers from government and donors attended the workshops. We should have budgeted in original proposal for conference costs</td>
</tr>
</tbody>
</table>
Conference website now live. February 2008 workshops.

We should have budgeted in original proposal for conference costs

The delivery of the communication strategy has been highly effective. We have disseminated our work in a range of different ways to maximise its impact. We are particularly pleased that one of our papers on the economic and political factors determining IMF and World Bank flow of funds to the MENA region has been translated into Arabic and published in a regional journal and that one of our two book manuscripts is to be translated and published in Arabic by an Anglo-Arabic publishing house. This will maximise the impact of our work in the Arab speaking region. The forthcoming conference has already attracted interest from both academics and policy makers in the MENA region and beyond and promises to be an exciting event where we can share our ideas with fellow academics and policy makers from both MENA governments, NGOs and donor organisations.

We know that as a result of the two workshops policy makers and stakeholders have increased their awareness of our research findings but it is early days yet to say whether this has changed their attitudes and practice. We hope that as a result of interaction with policy makers and stakeholders at the forthcoming conference their attitudes towards faith-based welfare provision within the MENA region will become more positive. The attitude towards faith-based welfare provision is the behaviour we would most like to see change as a result of our work. Staff in the World Bank office in Cairo have already expressed a keen interest in this work and are disseminating amongst colleagues. We hope to see more of this after the conference.

We have helped to develop capacity at the Arab Thought Forum, our partner institution. This was done via their hosting of one of our workshops and their hosting of the forthcoming conference. We are encouraging younger researchers within the Forum to
present papers at the conference which we will peer review and we have raised funds to help pay the cost of travel to the conference for such researchers. They will have the opportunity to discuss their work at the conference.

5. Lessons Learnt
We should have budgeted for more trips to Jordan where the regional Arab Thought Forum is based. This would have enabled more intensive collaboration with research staff at the Forum.

We tried to organise an international conference in the third year of the project but found that we did not have the time and resources to do this properly. Instead we are now organising the conference for February 2008. We would like to ask DFID for financial support for this conference as it will be an important avenue for ongoing dissemination of our research findings. We should have built this into our original communication strategy and advise that all DFID research projects make provision for either workshops or conferences to disseminate results.

We have found it to be good practice to translate some of our research findings into Arabic to ensure dissemination amongst stakeholders in the MENA region. We advise that provision is made for this in all DFID funded research projects which focus on regions where English is not the main language.

6. Programme Management
We had four key research themes in our project which we approached sequentially. This worked well, especially as the first theme on the geo-politics of IMF and World Bank financial flows to the MENA region required a degree of econometric expertise which was provided by our Research Assistant who was only in post for the first 14 months of the project. We had worked hard on defining our research themes prior to approaching
DFID for funding for the research and this made it much easier to operationalise the research work.

Our partner organisation, the Arab Thought Forum, was not involved in putting together the original research proposal but they became fully engaged with organising and managing the first workshop in Amman. They are also managing the international conference which is to take place at their premises in Amman in February 2008. All the day to day logistics of the conference are being managed by Forum staff and this is providing them with expertise and experience in the managing of an international conference. With a strong stake in the conference a number of their researchers have presented abstracts for conference papers which we are now peer reviewing.

The key change in management structures during the project came about as a result of the lead researcher leaving the University of Manchester and moving to the School of Oriental and African Studies at the University of London in September 2005. This meant that the management of the budget moved institutions and personnel. As a result of this move and a result of Dr Harrigan becoming Head of the Economics Department at SOAS with a heavy administrative work load, work on the project slowed down and we had to ask for an 18 month extension, which was granted by CRD. There were no changes in the research themes during the project.

As a result of Dr Harrigan’s move to SOAS and her new responsibilities it became difficult to carry out all the field work trips in the periods allocated. This would have meant that funds remained unspent unless a project extension was granted. The project extension to September 2007 has meant that we have had time to carry out all the scheduled field work trips and most of the budget has now been spent. There is a remainder of £6,950 and we would like to request that DFID allow us to use these funds to support the international conference which will be an important platform for disseminating our research results.
None of the key assumptions of the project changed and there was no need to reassess risk.

7. Long-Term Sustainability of the Research

The main way in which the research will be promoted once the research programme funding ends is via the forthcoming international conference. We are already collecting a large number of papers for the conference on themes related to our own work and these papers plus our own research work will be the subject matter of the conference. We are negotiating with Macmillan for a third book, to be edited by Drs Harrigan and El-Said, which will present the findings of the conference.

The large volume of published work that has resulted from the research project, including work in Arabic, will ensure that people can access the research products once the research funding has ended.

No follow on research programmes have been agreed. However, we do wish to apply for future research funding which would enable us to conduct a more micro level survey of the beneficiaries of faith-based welfare provision in the MENA region. This will help to determine the effectiveness of faith-based welfare delivery, particularly amongst the poor.
ANNEXES

1. Logical Framework

We did not produce a logical project framework for this project as at the time of application to DFID this was only required of projects over £100,000.
Financial Summary

Expenditure whilst grant was managed at Manchester University

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Risk Assessment Matrix

We were not required to produce a risk assessment matrix in our original proposal.
The Communication Strategy

“Work in progress will be disseminated through working papers produced by our own universities as well as those in the MENA region and those of our collaborating institutions in Jordan. In addition to an academic audience, the papers will be accessible to non-specialists, including policy-makers in DFID and in the MENA region. A series of seminars and workshops will also be held in Manchester, Washington D.C. and in the MENA region aimed at policy makers and practitioners in DFID, the IMF, the World Bank, and MENA governments.

We will produce a series of at least five referred journal papers. These will consist of the four country studies as well as a synthesis paper. Journals targeted will include World Development, Journal of Development Studies as well as regional journals such as Journal of Middle Eastern Studies, The Middle East Quarterly and The Middle East and North Africa. Although some of our more technical work, such as the regression analysis, will be aimed at an academic audience in both the West and the MENA countries, the journals we have selected are multi-disciplinary and most of the papers will be presented in a manner accessible to non-academics.

In March 2006 we will submit a book manuscript to a lead publisher based on the research work. Both Edward Elgar and Routledge have expressed interest. We will also investigate the possibility of local publication by a publishing house based in the MENA region. Again, the style of the book will make it a useful reference tool for policy makers in DFID, the Washington institutions and MENA governments as well as appealing to academics and students. The style of the book will be similar to "Aid and Power: The World Bank and Policy-Based Lending". co-authored by the principal researcher and resulting from an ESCOR funded project. This book, published by Routledge, has been widely received throughout the world.

On completion of the project we will organise an international conference in Jordan at which we will present our own research findings as well as invite related papers from
other researchers and policy makers. We anticipate that this conference, in addition to attracting policy makers from the west and MENA region, will also attract leading academics from the MENA region and representatives from NGOs, including religious based NGOs.

Other dissemination outlets aimed at a non-academic audience and the end users of our research might include ODI's Briefing Papers, Development Research Insights, DFID in-house briefing papers and similar outlets in the region. The aim is to provide a rapid outlet for our research findings concisely synthesised in a manner that will appeal to busy policy makers.”

Changes to the above communication strategy are as follows:
Seminars and workshops were not held in Manchester or Washington DC but in the MENA region. We felt this to be a more effective way of reaching the key stakeholders.

We have produced two book manuscripts instead of one due to the large volume of work we have produced. These are to be published by Macmillan not Routledge or Edward Elgar.
Products and Publications

All of our products and publications as listed below are aimed at the following audience:

- Policy-makers in multilateral agencies, particularly the IMF and World Bank;
- Policy-makers in bilateral aid agencies, including DFID, who contribute substantial sums to the multilaterals;
- Policy-makers and politicians in the MENA regions who are expected to form partnerships with international financial institutions and yet are exposed to the social and political fall out of the policy reform such partnerships generate in the region;
- Students and academics studying development economics, international relations and political economy in the MENA region;
- NGOs attempting to form partnerships with both aid agencies and local groups, including Islamist groups, in the attempt to promote social welfare and reduce poverty amongst vulnerable groups.
- Politicians in the West who attempt to influence the flow of funds to the MENA region to combat the rouge state and the spread of Islamic fundamentalism who may be unaware of some of the social and political effects of the economic reform programmes associated with such finance.

Peer Reviewed Publications:


Books and Book chapters:


Publications in press or submitted:


Dissemination events:

International conference to be held at the Arab Thought Forum. Website address:

http://www.business.mmu.ac.uk/cibi/globconf/
**Capacity Development**

Achievements:

Our partner institution has played a lead role in managing and hosting one of our workshops and is currently doing likewise for the international conference. We have encouraged researchers from the forum to take an active interest in our work and have translated some of it into Arabic to facilitate this. It is encouraging that a number of both young and established researchers in the MENA region have produced papers for the conference which we are now peer reviewing. Some of these researchers will have the opportunity for their papers to appear as chapters in the forthcoming edited volume from the conference to be published by Macmillan.

Main Challenges:

Ideally we would have liked to have made more trips to Jordan where the Arab Thought Forum is based to discuss our work with its members but this was not budgeted for. An attempt to organise an international conference in the third year of the project failed because we were unable to liaise closely enough with the Forum. This has now been rectified by Dr El-Said’s personal visits to Jordan and by the fact that we now have a dedicated team at Dr El-Said’s university, the Manchester Metropolitan University, who are working closely with the Forum on the February 2008 conference.
1. Background Information

Title of Research Programme: From Economic to Political Crisis: Policy-Based Lending in the Middle East and North Africa

Reference Number: R8251

Period Covered by the Report: 1st April 2003 to 30th September 2007

Name of Lead Institution and Director: School of Oriental and African Studies, University of London, Dr Jane Harrigan.

Key Partners: Manchester Metropolitan University and the Arab Thought Forum, Amman, Jordan.

Countries Covered by Research: Jordan, Egypt, Tunisia and Morocco.

Start Date: April 1st 2003

End Date: September 30th 2007
2. One page summary
All intended outputs have been achieved. The intended output from the project was a number of journal papers in leading peer reviewed journals, a book to be published by a leading UK publisher and an international conference in the MENA region. The work was rapidly disseminated via a Manchester University Economics Department Working Paper. Further outputs took the form of a book chapter and a Journal article. In order to disseminate this output as widely as possible in the MENA region the journal article was translated into Arabic and published in a regional journal. A further two journal articles have been published, one on the Jordan case study and one on the overall results of the project. In addition, we have submitted a further paper on Jordan to a leading journal. A contract has been negotiated with Palgrave Macmillan to produce two books and the manuscripts will be submitted in the next two months. Finally we are organising an international conference in Amman Jordan in conjunction with our partner institution the Arab Thought Forum to take place in February 2008. At this conference Dr Harrigan and El-Said will report on the results of the research work to stakeholders, including policy makers and academics, from the MENA region. We have already had the opportunity to do this in a number of workshops conducted at the Arab Thought Forum, the Centre for Arab Unity Studies and the American University of Beirut.

The impact of the research has principally been on policy-makers and academics in the MENA region but also the donor community, particularly those organisations that contribute to the activities of The IMF and World Bank. Our research findings on the economic and social impact of IMF and World Bank guided economic liberalisation programmes should form an important input to both country (Jordan, Egypt, Tunisia and Morocco) and regional (MENA) country strategies and plans by both DFID and other multi and bi-lateral donor organisations.
3. Products and Publications

Peer Reviewed Publications:


Books and Book chapters:


Publications in press or submitted:


Book manuscript *Economic Liberalisation, Social Capital and Islamic Welfare Provision*, to be published by Macmillan (Harrigan, J. and El-Said, H.).


Dissemination events:

International conference to be held at the Arab Thought Forum. Website address:

http://www.business.mmu.ac.uk/cibi/globconf/