Chapter IV

Structural Adjustment, Institutional Changes and Social Development in Egypt and India

This chapter discusses the institutional and structural reforms and analyses the major social indicators to examine the results of such reforms and a comparative performance of the states under study. The first part of the chapter focuses on the impacts of the reform in Egypt and India at the institutional and structural levels and on policy matters. The new institutions developed or measures introduced in Egypt and India such as the free market economy and social fund as well as the social capital based participatory social development programmes initiated by state and non-state actors are critically examined with an objective to explore the role/impact of such measures on the social development of Egypt and India. The study of the interaction between people and new institutions within the complex structure of the developing states has been given particular attention in the background of varying political structures of the states under study - authoritarian political structure in Egypt and democratic political structure in India.

The second part of this chapter is a detailed analysis of the trends in social development in Egypt and India with the help of some key indicators such as a) education, b) health, c) poverty, d) unemployment and e) disparities in income distribution. The continuity and change in the regime of subsidies and its impact on social development has also been given particular attention in this section. Data from national and international sources like various development reports and other statistical sources have been used in this chapter to elucidate the comparative performance of the social sector of the states in the context of globalisation and Structural Adjustment Programme. The chapter argues that despite the high growth in economy the states have done a comparatively poor performance in key social sectors, particularly in employment, poverty and the distribution of income, in both Egypt and India. Briefly, the themes discussed and the social indicators analysed in this chapter address certain fundamental issues related to the effectiveness of such new institutions in addressing the mounting social needs of the people.
I Introduction

The predominant understanding that has emerged from the current debates on globalisation and social development locates development not just as an economic change but also as the effectiveness of government policy. Here, participation and democratisation of decision-making are all considered a part of development. This new development plan is accompanied with several politico-institutional changes such as privatisation, marketisation, and extensive pro-market reforms in public sector. This list also includes certain fiscal measures such as devaluation of currency and export promotion. All these are based on the new global development strategy that gives emphasis to social capital, participatory development and the extensive intervention of non-state actors.

Neo-liberal institutionalism has changed world politics from its earlier emphasis on aspects of power and security to a more complex system of interdependent states (Clark 2001). The major features of globalisation on the social front in the late 20th century are generally identified as the absence of linkages between the revised trade policies and social development plans for health care, poverty alleviation and employment generation. Certain developments in global politics such as rising interstate relations and increasing influence of Trans-National Corporations in the overall decision-making process in International Relations are reflective of this change. What we see today is that the world is shrinking, values are becoming more global, and cultures are being integrated rapidly (Held and McGrew 2000; Hoogvelt 2001). As we have already seen, all these developments render national boundaries less significant.

The relationship between the structural adjustment and the pattern of social development has gained much attention in the contemporary debates, particularly in the post liberalisation period. The process of globalisation also brought in several far reaching institutional changes such as massive privatisation and marketisation of national economies and wide-ranging pro-market reforms in the state-owned sectors (North 1990; Ohame 1990; Stiglitz 1998). Similarly, many fiscal measures such as devaluation and export promotion have been introduced as part of the liberalisation process. On-the-whole, globalisation along with liberalisation and privatisation, two
necessary corollaries of it, led to a considerable structural and social transformation, which had critical implications for developing countries.

What made this issue more pertinent is the worldwide propaganda on the effectiveness of a particular type of 'regime' in implementing a homogenous programme orchestrated by an external agency; IMF or WB. It is more significant in a context in which the social development project based on social capital proposed by such international institutions became very popular. This has been adopted by most of the developing states as a model despite the fact that they were having varying political systems.

The emergence of many new socio-political and economic institutions and their mutual interaction remain a major determinant in the overall changes in any state. The character of these institutions ultimately decides the character of the political structure. Demand for more structural changes in polity and economy as well as the emerging worldwide inclination for a liberal political system in the limelight of globalisation debates may be understood in this context (Mittelman 1996).

The concept of governance, especially, its World Bank version - good governance – has emerged as the buzzword in contemporary debates on social development (Scholte 1996; Hirst and Thompson 1996; Held 1995; Keohane 2002). As we have seen, the advocates of the Post-Washington Consensus popularised such notions in the development related discourses and such debates are concentrated on developing new institutions of governance. Also to mention; a chain of new institutions also have emerged after Second World War to pursue the agenda. Many conferences were held and treaties were signed under the auspices of these organisations with far-reaching consequences in international relations1.

As has already been mentioned in the previous chapters, many institutional changes have taken place in Egypt and India as part of the efforts of the states/regimes to cop-up with globalisation (Jalan 1992; Kumar 1998; WB 1994). It was an important task ahead of states to restructure their economy from state-oriented to

1 They may be broadly categorised into three, the specialised financial institutions, UN institutions and its daughter organisations, and the organisations especially for third world states. The most important among them were the Bretton Woods institutions, ECOSOC, GATT, OECD, UNCTAD, UNDEP (1965), MFA (1974), NIEO, SAL (1979) and UNECD (1992).
market-oriented; from domestic to foreign; from closed to open, as per the guidelines of the agents of neo-liberalism. Building new institutions was indispensable since the old institutions were not capable of addressing the new challenges and problems moved up by reforms. In the past, the norm of ‘state-led economy’ was institutionalised in the developing/third world states while rebuilding the economy with a general understanding that only the state can effectively address social problems. But, in the new circumstances, the market, led by the private sector that replaced the former, does not contribute into solving the existing social problems. Instead, it intensified the crisis by institutionalising a new type of economy that is not very keen in mediating the conflict between the market and the people who are having limited purchasing power but more on profit making, free trade and capital-intensive economic process.

The major objective of the institutional reforms in Egypt and India in the context of globalisation was the creation of a suitable atmosphere for the smooth implementation of economic reform. Similarly, the measures were aimed at strengthening the institutional capacity of the states to develop new social programmes and upgrade existing ones in order to meet the heavy social requirements. The core issues identified in this connection are a) poverty alleviation, b) limiting the rate of unemployment, c) strengthening the social acceptability and political viability of economic stabilization and d) developing a new approach to social service delivery that is more flexible, decentralized and participatory.

II Aspects of structural adjustment and institutional changes

The Structural Adjustment Programme (SAP), which is the core component of globalisation, has a major place in the debates vis-à-vis state and globalisation. Both Egypt and India had followed state capitalism based on rapid industrialisation and rigid control over foreign capital as the development policy before entering into the era of globalisation. The leading role of the state in economic planning was the major feature of this pattern of development. However, the SAP limited the possibilities of economic and social management by the state by introducing various new types of deregulation, forcing the withdrawal of state from the market and social distribution of resources, getting rid of process controls, elimination of investment controls, fiscal
compression, cutbacks of public provisions for social services, etc. (Terrence 1994; Nagaraj 1997; El-Mahdi 1997).

The major objective of the Economic Reform and Structural Adjustment Loan was the elimination of the imbalances and price distortions in the economy. The strategy proposed was to reform economy towards a market-oriented one. New types of indirect taxes were imposed on goods, services, wages, and employment, which aimed at the upward adjustment in prices. Fresh policies were adopted as far as interest rates, exchange rates and monetary aggregates are concerned (El-Mahdi 1997: 32). Briefly put, all these new fiscal and monetary policies introduced as part of SAP in Egypt and India facilitated reforms in the existing institutions in tandem with the global institutional transformations.

It is explained in the previous chapter, how the idea of a centrally planned economy was de-legitimised both in Egypt and in India. This along with the chaotic situation in public sector due to the past policy failures pushed the economy towards a more industrial and market biased one. Against this backdrop, the policy makers started thinking towards the re-orientation of market, by making it more competitive to foster the production. From their part, the World Bank (World Development Report 1991: 33-4) also glorified the role of market and free trade by continuously attacking the legitimacy of planned economy.

World Bank and IMF proposed the measures for institutional changes and structural adjustment in the developing countries with the assumption that weak institutions and economic structures are the major hurdle of economic and social development here. The continuing and accelerating loss of public sector companies as a result of over subsidization was pointed out as one of the major weaknesses of the economies of such states. To start with, World Bank proposed certain lending measures with a view to resolve the socio-economic problems of developing countries. This was a multi-sectoral package covering agricultural, financial, infrastructural, and educational and health sectors (Hafez 2002). Sooner, the Bank realized that this strategy has failed to achieve the goals. Consequently, in 1980s, the

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2 For example, poverty related lending has been highlighted by World Bank way back in 1970s as the solution to the severe problem of poverty while financing for a massive rural integrated development project in Africa (World Bank 1973).
Bank proposed a more extensive structural adjustment programme to resolve the developmental issues. The proponents frequently used the term ‘sustainable development’ to make SAP more attractive.

The period in which the Egyptian and the Indian state introduced massive reform programmes also attracts particular attention. The corrective measures taken by Egypt in the year 1987 as part of ‘the eighteen months stand-by arrangements’ with IMF was an indication of more extensive reform programmes to follow (WB 1994; 1995b). Eventually, Egypt received the first instalment of their Structural Adjustment Loan in June 1991. India had also moved in the same direction since the state economy had faced severe crisis in the late 1980s. It was specified in the conditions of the SAL that to carry out the ERSAP would be the major objective of the Loan.

In Egypt, there was a huge decrease in the gross domestic savings during the initial years of reform. The decrease was so sharp; from 10.5 percent of GDP in 1989 to 5.9 percent in 1994 (El-Mahdi 1997: 41). The same trend was visible in gross domestic investment also. It went down from an average of 22%-27 percent in 1980s to 17.5 percent in 1994 (ibid: 35). All these are clearly reflected in the rate of GDP growth – an average of 2 percent during 1990 - 94 periods and just 2.1 percent in 1994-95 (IMF 1995-97). This crisis culminated in highlighting the new motto of reform -“getting prices right”3 (ibid: 23). Briefly, this is the context in which certain new measures like, expanding the role of private sector in decision making, improving resource allocation, opening the economy to greater trade and investment and encouraging efficiency and technological innovation, were taken to rationalize the price mechanism (Sachs 1996).

There are many common things in ERSAP in Egypt and India. Both states started ERSAP with a stabilisation phase that aimed at restoring macro-economic stability by dealing with unsustainable budget and Balance of Payments deficits. The major measures taken as part of ERSAP were devaluation of exchange rates and unified reduction of budget deficit4. However, the economic reform, in contrast to the

3 Means to make price and value of goods and services complementary to each other.
4 from 15 percent of GDP in 1991 to 4 percent in 1992. The final objective was to get it below 1 percent of the GDP (Westley 1998: 25)
expectations, provided very limited progress in the economy of these states until the end of 1995. Inflation rate was sky-rocketed in both states in the initial stage.

The second phase of the economic reforms started in the year brought forth another set of more calculated programmes with strong IMF back up (El-Mahdi 1997: 31-33). This was more ambitious since IMF had given extra emphasis on one particular point - getting prices right. Likewise, this phase was also accompanied by several institutional changes that widened the role of new parties in development. Larger role for private sector in the national economy with a more intensive open door policy and additional investment in human resources were the special characteristics of this phase.

The private sector investment increased in electricity generation, telecommunication, ports, roads and airports. Currency devaluation increased the value of foreign investments and facilitated a smooth flow of foreign investments. Intensification of privatisation created almost similar impact in India as well. Numerous new generation-private institutions surged into various sectors of Indian economy and they created significant impacts in the overall performance of the economy, even though their share was comparatively less.

The marketing of agricultural products forms a determining factor in the social organization of a community. Pattern of agricultural marketing in India and Egypt were same before free market regime and the states in both countries have heavily been involved in purchasing produce from farmers (Mehanna et al. 1994: 21). In Egypt, the state remained to be the major purchaser of goods for a long time. Marketing was predominantly under the control of the state, especially when it comes to cotton, bread and soybeans. The new developments heralded a move towards free market and overshadowed the former pattern of government intervention in fixing the prices of agricultural products (Rao 1998; Dev 1995). Earlier, political regimes had shown interest in ensuring fair prices, and many marketing co-operatives were active in the public sector under direct government control.

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5 it has reached the level of 21 percent in 1992 but come down to 9percent and 6percent by 1994 and 1997 respectively (Westley 1998: 25)
Marketing has due importance in the new agro-economic regime. The shift of primary agricultural marketing in Egypt and India from government control to free market experiments, in this context, is a major institutional development. The fundamental characteristic of this change is evident from the commercialisation of crop production (Mehanna et al. 1994). Generally, due to their lack of awareness of the functioning of the system, initially, the farmers were in favour of a simple and straightforward marketing system.

The period 1985-91 had witnessed a virtual stagnation in per capita GDP growth – 0 percent in Egypt. A plethora of gradual changes in the economy accompanied this stagnation, which ultimately affected the institutions, policies and infrastructure. The slow growth rate of GDP from (-) 2.1 percent in 1990/91 to 0.3 percent in 1991/92 and 0.5 percent in 1992/93 (Amin 1998) may be identified as a result of the afore-discussed developments. Though the growth in the successive years was not rapid, it was more sustainable. Similarly, it showed a clear tendency of transformation to a market economy. Besides, because of upward adjustment, prices of commodities suddenly increased in the domestic market.

Similar to Egypt, Indian economy was also passing through a process of radical reforms since 1991: Burgeoning influences of financial institutions, expanding private sector, badly affected co-operative sector, disproportionate increase in the prize of fertilizers with high scarcity, and highly disturbed farmers were the visible results of SAP (Bagchi 1997; Swaminathan 1996). Adding more to the woes of farmers, the inability of government to address such a crisis also was exposed.

Even though the process of reform had started in the mid-1980s itself, it gained a proper momentum only in the early 1990s. The major goal of reforms is to achieve higher growth in economy and efficiency in the system. The reforms, primarily, are aimed at integrating the domestic economy to the world economy through various new de-regulative measures. In both the states, the process was closely paralleled. In India reform programme was a piecemeal process rather than of a ‘shock therapy’ as was carried out in the countries in Latin America or in the East Europe (Mehta 2004).

6 But it was 5 per cent in the decade before, and there was a heavy imbalance in economy because of oil price increase (Amin 1999)
Unlike India, Egypt had started its dealings with IMF even before the formal signing of the ERSAP\(^7\). The reason for such a massive reform was the financial crisis faced by the state due to the fall in oil price in the international market in the year 1986. Gradually, the reform was expanded to other sectors and culminated in the signing of SAL and SAP. Besides, the extensive borrowing of loans from international monetary agencies to build physical and human capital as part of the reform worsened the situation once again and created a severe economic and social crisis.

The experiences show that the competitive capacity of economies and the outcome of structural adjustment programme are interconnected in a circuitous fashion. The state had started its ambitious reform programme with major reforms in the agriculture sector during the second half of 1980s and the sector was formally opened for privatisation. The government in Egypt made extensive adjustments like removal of all kinds of state control over private sector in import, export and distribution of agricultural goods. In addition to this, cropping controls and mandatory crop delivery were eliminated and the sector was soon opened to a global market. Large-scale capital investment, including foreign capital, was approved in the agriculture sector as part of the reform package (Mehanna et al. 1994).

SAP in Egypt had three major components pertaining to agricultural sector. They were a) to reduce the role of state in agricultural sector, especially in agricultural extension and administration, b) to encourage private investment and more participation of private sector in agriculture and c) to develop rural institutions especially for agriculture credit like rural banking system and farmer’s voluntary organizations (World Bank 1993: 285).

In Egypt, as part of the institutional changes in the agriculture sector, mandatory delivery quota on cotton\(^8\) was abolished and subsidies over fertilizers were curtailed. Gradually, agriculture related activities were moved to the open market. Private sector became very active in Agri-business and agro-industries and the prices were equalised to international market. Resultantly, private sector became very active...

\(^7\) Apparently, Egypt is the first country in the African region that integrated economy with global economy. It had formally signed the agreement only in 1991.
\(^8\) which was the only remaining crop in this category, in the year 1994.
in agriculture marketing too. Compared to Egypt, the opening of agriculture sector for private investment took more time in India. This was intensified in India especially after late 1990s.

1. Development of private market and free trade

Clearly, the economy witnessed several fundamental transformations in both states in the late 1980s and 1990s. The most important among these were the transformation of economy from state centred to market centred. The integration of economy created a kind of unified rules in the interaction between states, which eventually led to the consolidation of a global capitalist order with an irresistible imperative towards the privatisation of strategic economic activities. It is important to note that a trend of globalisation of investment has been developed with the active involvement of private parties – both individuals and institutions. Thus, in the current world system, global finance and corporate capital, rather than states, exercise critical influence over the organization, location and distribution of economic power and wealth.

India’s trade policy regime was very complex in the pre-reform period, owing to the many restrictions and regulations imposed by state. However, most of the quantitative restrictions over trade and commerce had been removed and a number of other indirect measures were adopted to handle the crisis in economy in the post reform period. A significant number of other restrictions too have been brought down. Convertibility on current account gave flexibility in acquiring foreign exchange on travel, imports and exports (Mehta 2004). It is evident that all these measures created an atmosphere for the rapid growth of private market and free trade.

The political and organisational dimensions of private sector have gained much attention in the globalisation debates. Unlike the past, private sector, especially in the post-liberalisation period, has emerged as a major political actor with significant influence in policymaking and programme implementation as well to the decision-making apparatus of the states in the developing counties. The organisational incapacity of the private sector during the pre-liberalisation period had disabled the sector from playing an active role in the state affairs. However, in the changed

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9 This may be direct or indirect invest of assets in a foreign country by purchase and sell off of financial assets of other countries
10 Most of them were related to money and finances. These were to do with the availability of foreign exchange: advance imports deposit tax on foreign trade transactions and had the same effect as tariffs (Mehta 1997).
context, organisations like the Federation of Chamber of Commerce and Federation of Industries has become very influential players both in India and in Egypt. The development of a nexus between politicians and business groups/industrialists and even the corporatisation of political parties at certain instances can be identified as the by-products of reforms.

Privatisation formed the core of public enterprises reform in Egypt. There was a clear upward mobilisation in the private investment in Egyptian economy during 1993-95 periods. Removal of non-tariff barriers and other trade reform measures such as reduction of the number of commodities required prior import sanction from 55 to 16 and export sanction from 20 to 6 were the major developments in this regard (CSDC 2001: 24; 46). According to the estimates, in the 1991 - 2001 period, 40 percent of the total 180 government owned companies were privatized in Egypt (in which 32 were liquidated and 20 were leased). This made the private participation more vibrant in the national economy of Egypt (ibid).

The post 1995 period was a period of rapid expansion of privatisation in Egypt. If only three companies had been sold to private sector until 1995, 70 new public sector companies were privatised or their shares were sold in the stock market during 1996-97 (Westley 1998). Privatisation of the big four commercial banks and fifteen joint venture banks also materialised in this period. One of the three public sector insurance companies was also privatised in this wave. Extensive privatisation or selling of public sector industries led to an increase in government revenue.\(^{11}\)

The open sale of the shares of public sector enterprises in the market was started extensively in India, as part of the reforms in 1991. A special disinvestment commission was set up to identify the Public Sector Undertakings (PSUs) which were to be disinvested. The commission prepared a list of 72 PSUs for disinvestment out of which the disinvestment of 42 PSUs were completed by 2000-01 (Dasgupta 2005: 221).

However, compared to Egypt, privatisation process was very slow in India. Even though the ground was prepared during 1990s itself, only in 2001 the disinvestment process acquired its real vigour in India. And unlike in Egypt, various political and social groupings, especially the leftist groups, raised strong opposition to

\(^{11}\) This increased from 28.9 percent in 1990/91 to 33.9 percent in 1996/97 (Westley 1998)
the state’s move of indiscriminate privatisation in India. Shares of many public sector enterprises, especially the non-profit making firms, were sold off in India as part of privatisation policies despite massive resistance from such groups.

The increasing edge of private sector in economy was a major indicator of the changing role of state in the era of globalisation. The state institutions that historically played the role of monitoring and regulating economic process, on the other side, moved from popular acceptance to rejection in the economic sector. The contribution of private sector into the GDP of Egypt went up from 55 percent in 1977 to 58 percent in 1986 and 66 percent in 1997 (Westley 1998). Consequently, the contribution of private sector in Egypt gradually reached well above 70 percent of the total GDP by 2000/01 (CSDC 2001: 26).

The structural adjustment process has facilitated a drastic increase in the volume of investment all over the developing states. In Egypt, private sector’s contribution in Gross Domestic Investment (GDI) also increased substantially after a small recession in the initial years of economic reform. The estimates show that it was only 36.7 percent in 1987-88 and 46.5 percent in 1990-91 periods and showed a decreasing tendency for next four years. It again started increasing in 1995-96 to 49.2 percent and ultimately reached to 66.6 percent by 1999-2000 (CSDC 2001: 27). Similarly, the share of private sector in exports in Egypt increased by 15 percent during 1994-99 periods whereas the increase in public sector was only 3 percent. Most of the industrial firms under the state were small enterprises (95.5 percent) and 49 percent of them were engaged in food processing.

India’s investment rate increased considerably in the post-reform period as against a steady growth in the pre-reform period. In India, the rate of gross domestic savings has increased from 21 per cent in the pre-reform period to around 24 per cent in the later half of the post-reform era (see Table 4.1). However, Indian economy witnessed a trend of fluctuation in saving rate in the late 1990s. The declining trend in India’s savings rate can be attributed largely to public savings that have shown a declining trend since 1998. In comparison, the rate of increase is significantly lower than that of Egypt.

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12 The controversy related to the privatisation of BALCO, a major public sector enterprises, was one of the worth-noting developments in this regard.
Table 4.1: Savings and Investment of India

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<tr>
<td>Saving rate</td>
<td>21.6</td>
<td>30.9</td>
<td>30.2</td>
<td>24.1</td>
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<tr>
<td>Investment rate</td>
<td>19.3</td>
<td>29.3</td>
<td>31.3</td>
<td>17.5</td>
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Source: Reserve Bank of India (2004)

The changing trends in investment also make this clear. The private sector institutions were taking the total control of the newly emerging share market. The expansion of private sector investment in agriculture in Egypt was another development related to economic restructuring. During 1980-'87 periods, only 35 percent of the total investment in agriculture was from private sector. It just increased to the level of 51 percent in the 1987-98 periods. However, it is important to note that much of this investment was not in irrigation or the production of crops but in poultry, animal farm, fisheries, fodders that ensure high profit and fast capital turn over (CSDC 2001: 29).

Private sector has taken much initiative in electricity generation and telecommunications in both the states, though this happened much later in India. Quite interestingly, these were the sectors where state had absolute control in the period before liberalisation. In Egypt, huge private investments were made in developing ports, roads and airports (Amin G. 1999). In the manufacturing sector, 74 percent of the output in the year 1996/97 was from the private sector. Likewise, 75 percent of exports in 1995-98 periods were also from this sector. These developments represented clear instances of the transition of economy from state oriented to market oriented or from public sector led to private sector led one.

The entry of private sector in financial services like banking, insurance and share markets was another major development. The major banking legislations introduced in 1990s, which permitted the branches of foreign banks to deal in local currency since 1993 is considered to be a major development in this regard. In a major development, the law passed in the year 1998 legalized the privatisation of public sector banks in Egypt. Four big commercial banks and 15 of the total 23 joint venture banks were privatized (Westley 1998). Besides these, twenty-four new private owned
banks along with twenty foreign bank affiliates started their operations in the country. Very soon, the private sector banks grew to the level of handling 39 percent of the total assets in the banking sector\textsuperscript{13}. Private and foreign banks (popularly called new generation banks in developing states) started functioning in India much later and their activities spread in the country only after 2001. However, they have obtained considerable share of business in the Indian banking sector in a comparatively short span of time.

By early 1990s itself, capital market had become an active market place for securities in Egypt\textsuperscript{14}. As far as the insurance sector is concerned, an amendment of the Constitution of Egypt in 1995 legalized the private sector investment in this sector, though it always limited to less than the share of public sector. But the Insurance Law 1998 ultimately removed this restriction and permitted full ownership of insurance companies to non-Egyptians. Moreover, it gave green signal to the privatisation of public sector insurance companies (Herrera 1999: 122). The controversies and legal battles related to this ended by the final verdict of Constitutional Court that approved privatisation in full swing. One of the three public sector insurance companies was handed over to private sector. Briefly put, the unregulated flow of FDI and overseas capital in almost all sectors of Egyptian economy became a reality by the end of 1990s and the legal-institutional arrangements related to this were made by this time. Due to stiff opposition from different sections, privatisation of Insurance sector occurred much later in India – mainly after 2001. However, this has gained considerable momentum since then.

In Egypt, private sector investment increased largely in the tourism sector - the key sector in country’s economy. Estimates show that the total investment of private capital in this sector was $1.06 billion in the year 1990 and they received a total number of 2.6 million tourists that year. By the end of the decade it increased to almost four times (i. e $ 3.9 billion in 1999) and the number of tourists reached to 4.8 million (CSDC 2001: 31-2). Over the years, the private sector invested heavily in this sector and it took over the control of most of the tourist projects in the country including 95.5 percent of hotels, resorts and cruises towards the end of 1990s (ibid).

\textsuperscript{13} The four public sector commercial banks having 888 affiliates handle 60 percent of total assets (Westley 1998).

\textsuperscript{14} The Capital Market Law 95 of 1992 has inaugurated a major restructuring in capital market such as reorganization of regulatory and capital market authority, licensing brokers, dealers, portfolio etc.
Precisely, the liberalisation period witnessed an unprecedented growth in tourism sector in Egypt with high involvement of private sector.

In India, such legislations were strongly opposed by various political groups, so that the state could not go ahead with massive privatisation and disinvestment programmes for a long time. These moves met stringent opposition from the Left parties in the country. Therefore, most of these programmes were introduced in India in a phased manner. What is interesting is the difference in magnitude of resistance. The Egyptian regime had faced very little resistance from within while going ahead with its massive liberalisation programmes.

Concisely, the engagement of private sector in different sectors of Egyptian economy was well established during 1990s itself. It took almost one decade for most of the corresponding developments to happen in India. The reason may be identified as the early start of economic legislation process in Egypt, which can be traced back to the year 1974. As part of this wave, various laws such as investment law, corporate law and other legal framework for financial markets were introduced and this had critically contributed into the replacement of existing centrally planned economy with an open free market economy. Investment Incentives and Guarantees Law (Law no.8) of 1997 contributed further to the encirclement of a free market economy.

Egypt is the first African country to initiate economic reform programmes with IMF way back in 1973-74. Consequently, many fundamental changes took place in Egyptian economy but the significant point is that the ultimate control of state over the national economy remained unchanged (El-Mahdi 1997). Indian ruling class had not even thought of any such change in the economy at that point of time, even when the problems faced by the economies of both states were more or less similar. Put it differently, no fundamental change had taken place for a long time that can reduce the control of state over economy in Egypt. The period between 1977 and 1986 was a booming period of Egyptian economy and this period had witnessed significant decline in external debt, budget deficit and rate of inflation. However, these developments had nothing to do with the reforms introduced as part of infitah and

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15 For example, the Law no.43 of 1974 had introduced a new economic regime of private joint ventures, foreign capital and free economic zones in Egypt.

16 We shall abstract the performance of the Egyptian economy in this period as follows: remittances multiplied 3 times - from $1 billion to $3 billion; income from oil multiplied more than ten times - $162 million to $2 billion; and foreign exchange multiplied 5 times - $2 billion to $10 billion during this period (Amin G. 1999: 45-6).
these developments can largely be attributed to the luminous contribution of workers' remittances, tourism receipts and Suez Canal carryings. The evidences show that the jump in economy was not a result of any leap in the domestic production or economic reform, but the result of a region-wise boom due to the increase in oil prices in the international market (Amin G. 1999: 47).

For that reason, the sudden decline of oil price after 1986 had a disastrous impact on Egyptian economy. External debt reached above the level of state's GDP within one year\textsuperscript{17}. Thus, an economic and social crisis had suddenly developed during this period because of extensive borrowing to build physical and human capital\textsuperscript{18}. Besides, the state witnessed a record growth of 20 percent in unemployment rate, which was unprecedented in the history. This happened because the economic growth did not reflect in the creation of employment opportunities even in the midst of a flash growth in the labour force. This situation created high indebtedness and severe economic problems by late 1980s that forced the state to go for more reforms (CSDC 1997).

The domestic economic conditions were suitable to launch a market-oriented development in Egypt and India because both the states had faced high indebtedness by late 1980s and several other severe economic problems. The way the states addressed the crisis had certain similarities. Both the states did not have any other option but to fall in line with the World Bank conditions. This was the reason why the programmes adopted by Egypt and India were closely resembled\textsuperscript{19}.

\textbf{ii 2. Social fund and community development}

Social Fund for Development was one of the major institutional reforms introduced as part of liberalisation/globalisation in Egypt to mitigate the adverse social consequences of the withdrawal of state from its social responsibilities (Korayem 1996). The fund was established in the year 1991 in the wake of the structural

\textsuperscript{17}Come down to less than 50 percent of GDP in 1997 for details see Galal Amin (1999).

\textsuperscript{18}Human investment approach emphasise on fulfil basic needs like education and health: Improve productivity/working capacity of the poor through better nutrition, health education and training programmes

\textsuperscript{19}The major features of the package proposed by World Bank was a) unifying exchange rates, b) lifting restrictions on foreign import, c) reducing budget deficit, d) cutting back expenditures on food subsidies, f) to increase state revenue through new sales tax and g) privatisation of state owned enterprises (CSDC 2001: 25).
adjustment programme. The major concern behind the formation of SFD was to minimize the negative impacts of ERSAP on the poor and the marginalised. SFD had emphasised on a strategy to increase the opportunities of income earning to the poor and the vulnerable and given more attention to distribution and reallocation mechanisms (WB 1991b).

The social, political and economic context of implementation of social funds attracts special attention. It was introduced in the context of the reduction of subsidies on consumer goods that caused a major price hike. This affected the poor very badly. The unpopularity of structural adjustment measures attracted public opposition that ultimately led to social unrest. In this context, social fund has been developed as a fresh approach in poverty reduction by replacing the compensatory measures and safety nets programme of late 1980s and 1990s to curtail the negative social impacts of adjustment (Awad 2002).

The fund was created for the benefit of the ultra poor. As a programme meant to address social crisis, it concentrated on supporting employment creation and human capital building to mitigate the negative effects of liberalisation/structural adjustment policies over the ultra poor, the major victims of the new economic reforms. Besides, the social fund formulated certain social security measures like pension systems and social insurance. Social fund replaced the old state sponsored subsidies and allocated fresh subsidies for food, health and housing for the ultra-poor through various other programmes.

Like all the other new generation programmes for social development, SFD has also given prime importance to institutional reforms. Aiming at the adoption of a flexible institutional mechanism, a mechanism with a new culture of social service delivery, it undermined bureaucracy and encouraged a more decentralized development strategy by ensuring participation of people and local groups and associations. The fundamental concern of SFD was to make relationship between social service nets and broader poverty eradication strategies and to strengthen the employment and productive capability of the poor through permanent mechanisms. The major target groups of SFD are new graduates, unemployed youths, displaced public enterprise workers and female-headed households (SFD 1997).
The major objectives of the programme were identified as:

- alleviating tentative poverty and unemployment by introducing programmes with focus on new poor
- redressal of chronic and structural poverty and unemployment with focus on the new poor/structurally poor and vulnerable
- social acceptability and political viability of adjustment and reform
- adoption of a flexible institutional mechanism and a new culture of social service delivery\(^{20}\)
- Gradual shift from short-term emergency programmes to long-term programmes with the objective of poverty reduction.

SFD is a form of political and social intervention in development with three stated objectives; they are (a) poverty and unemployment alleviation during the transitional period of economic restructuring (b) providing support to adjustment measures and (c) restructuring social services and encouraging participation of local groups in developing a flexible institutional mechanism (El-Din 2002: 266). What is special with the schemes under SFD is that they are restricted for the neediest. Though SFD has given prime importance to alleviating chronic and structural poverty and unemployment, the questions on social acceptability and political viability of reform in developing countries remained unresolved. In addition to the programmes under SFD, the Egyptian Ministry of Social Affairs introduced a new Social Assistance and Pensions Programme (Assaad and Rouchdy 1998: 48).

The nature of the five major programmes implemented under SFD also needs to have a close look. They include; 1) Enterprise Development Programme: this programme was aimed at the creation of long-term employment opportunities; 2) Public Works Programme: the programme was introduced to support labour intensive public works projects in local committees; 3) Community Development Programme: introduced to improve social services with special focus on health and education and operates primarily through NGOs and local community groups; 4) Employment and

\(^{20}\) The major purpose of this was to undermine bureaucracy and encourage participatory and decentralised development with the involvement of local groups and associations.
Retraining Programme: the programme assists public sector workers who are displaced because of privatisation or restructuring of their firms; 5) Institutional Development Programme: the programme aimed at strengthening the administrative and technical capacities of the SFD (Assaad and Rouchdy 1998: 47).

Among all these, Public Works Programme and Community Development Programme were two direct poverty alleviation programmes under SFD. Social Fund’s Public Works Programme is quite similar to the rural employment programme in India. Both of the programmes were aimed to improve the existing community infrastructure and to develop more by using the stock workforce of the rural unemployed.

*Shuruk* was a special social development programme in Egypt, which was started in the year 1994, as part of the ‘new wave’ of restructuring. This was a comprehensive and integrated rural development programme, which introduced with a view to accomplish rural development through public effort that involves mobilizing people for participatory community development (Assaad and Rouchdy 1998: 50). As far as the financial source of the programme is concerned, the major share of the fund reached from external donors in the form of borrowings (43 percent) and grants (57 percent). 1/3 of the total investment in the programme was from government sources (INP 1996).

The concept of ‘integrated development’, which denotes to the process of thoughtful change to attain comprehensive and interlinked progress in different aspects of life at the grass root level, has much significance in this context. In India, many programmes were introduced under the five-year plans with the same objective and money allocated for the same under budget provisions. Most of such programmes followed an integrated approach in social development by linking rural development, poverty eradication and employment generation with the objective of enhancing the earning capacity of the weaker sections in the society (Radwan 2002).

The major aim of *Shuruk* was to trim down the development gap between rural and urban areas. *Shuruk* was organised as a programme with four phases. The programme put emphasis on the local needs expressed by the villagers. Major means

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21 Only the first phase - 1994-2002 - gets specific attention in this study.
proposed in the programme were: (a) efficient utilization of local resources (b) increase the efficiency of local socio-cultural, educational, health and public utility services and (c) enhance the performance of governmental and non-governmental institutions at the local levels. What is more striking here is that these were more or less same or complementary to the measures initiated by neo-liberal institutions to enhance social capital. Anyhow, the critical evaluation of Shuruk reveals that it has made a very little impact on the ground.

SFD remained a major programme of development until the end of 1996. This fund has given highest priority to institutional development in this period. As it is estimated, only 11.6percent of the fund was allotted for employment and retraining programmes. The subsidized social policies on poor were reversed by pricing education and health against the market value and in effect the access was denied to those who living below poverty line.

One major trend that dominated the programmes under SFD in Egypt and corresponding rural/community development programmes in India was the increasing involvement of development intermediaries both in policy making and implementation levels. Many new private consultancy firms started functioning in the social development sphere as part of it. Various NGOs played the function of regulation and monitoring of these programmes.

III Social sector in Egypt and India in the liberalisation period: A Comparative overview

A comparative analysis of the key socio-economic indicators of Egypt and India in the 1990s would help understand the trends and patterns in social development in the states. It is important since the new social development policy is formulated under the influence of the advocates of globalisation and SAP. The withdrawal of state caused a fundamental change in the social policies of Egypt and India. There are many resemblances in the socio-economic problems faced by both the states during 1980s like Economic stagnation, fluctuating growth rate, low productivity and steep structural imbalances that created heavy burden to the economy. Consequently, the states introduced decisive changes in the socio-economic policies/programmes. The
analysis of social indicators in this section provides a detailed picture of such policy changes and the emerging trends in the social sector/development of Egypt and India.

iii 1. Education

1.1 Literacy Rate

Accessibility of education and the literacy of people are considered key elements of social development. This is particularly important in the case of developing countries since low level of education is identified as one of the major causes of social backwardness. Education provides more economic opportunities and social mobility.

Table 4.2: Literacy rate in Egypt and India, 1971-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>India</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971*</td>
<td>34.5</td>
<td>--</td>
</tr>
<tr>
<td>1976</td>
<td>44</td>
<td>42</td>
</tr>
<tr>
<td>1981**</td>
<td>43.57</td>
<td>--</td>
</tr>
<tr>
<td>1985</td>
<td>--</td>
<td>50</td>
</tr>
<tr>
<td>1990s</td>
<td>52</td>
<td>55.3</td>
</tr>
<tr>
<td>1991**</td>
<td>52.21</td>
<td>50</td>
</tr>
<tr>
<td>1995</td>
<td>56.5</td>
<td>61</td>
</tr>
<tr>
<td>1998/99</td>
<td>63.1</td>
<td>61</td>
</tr>
<tr>
<td>2000*</td>
<td>65</td>
<td>--</td>
</tr>
<tr>
<td>2001**</td>
<td>64.84</td>
<td>65.6</td>
</tr>
</tbody>
</table>

Notes: *Literacy rates for 1971 Censuses relate to population aged five years and above. **The rates for the 1981, 1991 and 2001 in India is based on population aged seven years and above.

Sources: Census of India (Various Years) Government of India
Human Development in South Asia 2001
Egyptian Human Development Report 2003

An overview of the general trends in education in India and Egypt during 1980s and 1990s marks progress in the education sector in general and the literacy rate in particular. As per the Census Data of India, the literacy rate was only 34.5 per cent in India in the year 1971. It reached 43.57 per cent in 1981 and 52.21 per cent in 1991 and 64.84 per cent in the year 2001. The growth rate was 9.07 percent in 1971-81 period and 9.36 in the 1981-91 periods. We see a considerable increase of 12.63 per cent in the rate of growth in literacy in India during 1991-2001. The trends in literacy rate in Egypt have also shown positive signs. In Egypt, the literacy rate increased from 42 percent in 1976 to 50 percent in 1985 and 61 percent in 1995. It
reached 65.6 percent in the year 2001 and 71.4 percent by 2004 (see Table 4.2). The growth in literacy rate was the outcome of the special emphasis given by states to universalisation of education.

1.1.1 Rural-Urban disparities in literacy

Rural–urban disparities and male female disparities in education are two major problems faced by almost all developing states. The state of affair in India and Egypt were also not exceptional. One can see no considerable change in rural urban disparities and gender related discrimination in education in both the states though there was an increase in literacy rate in the post-liberalisation period.

Table 4.3: Rural-Urban disparities in education in India (in per cent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th></th>
<th></th>
<th>Urban</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td>1981</td>
<td>49.7</td>
<td>21.8</td>
<td>36.1</td>
<td>76.8</td>
<td>56.4</td>
<td>67.3</td>
</tr>
<tr>
<td>1991</td>
<td>57.8</td>
<td>30.3</td>
<td>44.5</td>
<td>81</td>
<td>63.9</td>
<td>73.1</td>
</tr>
<tr>
<td>2001</td>
<td>71.2</td>
<td>46.6</td>
<td>59.2</td>
<td>86.4</td>
<td>73</td>
<td>80.1</td>
</tr>
</tbody>
</table>

Sources: Census of India Education Data 1981, 1991, 2001
UN Human Development Report 2005

Data show that the rural - urban and male – female gap in literacy remained without any considerable change in India throughout this period. In 1981, the literacy rate of male in the rural area was 49.7 percent and it was only 21.8 percent, when it comes to female. Such a gap was visible in the urban literacy rate also where male literacy rate was 76.8 percent and female literacy rate was only 56.4 percent. There recorded an 8.4 percent increase in rural literacy rate in the decade as it jumped from 36.1 percent in 1981 to 44.5 percent in the year 1991. However, the rural–urban gap remained unchanged. Literacy rate was 57.8 percent among men and 30.3 percent among women in the rural area. It was 81 percent and 63.9 percent in the total 73.1 percent literates in the urban area. The total rural literacy rate reached 59.2 percent in the year 2001 and it was 71.2 percent and 46.6 percent among men and women respectively with a gap of 24.6. Similarly, among the 80.1 percent total literates in the urban area literacy rate of men was 86.4 percent and women was 73 percent (NCERT 2002).
In Egypt, the urban literacy rate was 78.5 percent and rural literacy was 53.1 percent in the year 2001 out of total 65.6 percent literates (EHDR 2003: 136; 140). Like in India, the male - female gap in literacy rate was significant in Egypt where only 54.2 per cent of the females were literates in the year 2001. The literacy rate of urban and rural women also marked considerable gap where it was 61.5 percent and 28.7 percent respectively. In short, a comparative survey of decadal growth in literacy in India and Egypt reveals that there was increase in the growth rate of female literacy compared to male literacy.

1. 1.2 Enrolment rate

In India, the net enrolment rate in the lower primary was an average 71 percent and upper primary was an average 77 percent during 1990s. The total primary enrolment ratio reached 87 percent in 2002-03 (see Table 4.4). The data show a comparatively high primary enrolment ratio in Egypt. It moved from 84.3 percent in 1990-91 to 93.7 percent in 1998/99 and 91 percent in 2002-03 (UNHDR 2005). All together, we see a 7 percent growth in primary enrolment ratio in Egypt during the decade of liberalisation. The combined basic and secondary enrolment ratio reached 80.7 percent in 1998/99 and 86 percent in the year 2000/2001 (EHDR 2003: 137). There was a considerable increase in the male –female ratio in enrolment rate in Egypt during 1990-2000 periods. If the primary school enrolment ratio of male-female was 91:76 in 1990, it was 96:90 in the year 2000 (UNHDR 2004).

Table 4.4: Enrolment rate in Egypt 1991-2003

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net primary enrolment ratio (percent)</td>
<td>84.3</td>
<td>98.5</td>
<td>95.3</td>
</tr>
<tr>
<td>Net secondary enrolment ratio (percent)</td>
<td>49.3</td>
<td>47.5</td>
<td>79.43</td>
</tr>
<tr>
<td>Total enrolment ratio 1998/99</td>
<td>80.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total female enrolment ratio 1998/99</td>
<td>77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children reaching grade V (percent of grade I students) 2003</td>
<td>99.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

UN Human Development Report 2004
Summary of Education Profile, Arab Republic of Egypt 2005
iii 1.2 Education expenditure

By mid 1990s, the governments of both the states started focusing much on education. In Egypt, the expenditure on education increased from LE 321.4 million in 1987-88 to LE 715.7 million in 1991-92. Educational expenditure was around 10 percent of the share of government spending before 1990 and it reached 15 percent by 1995-96 (INP 1996: 60). More than 90 percent of the investment in education was from the public sector. In the year 1989/90, 2.8 percent of the total public expenditure had gone to primary education. For university education, it was 2 percent and 1.1 percent respectively in 1989 and 1990. A total 1.7 percent of the GDP was used in the education sector during this period. There was a decline in the average public expenditure for education per student - from LE 103.9 in 1984-85 to LE 65.7 in 1989-90 (El-Baradi 1995).

Table 4.5: Education Expenditure in India and Egypt, 1981-82 to 2001-02

<table>
<thead>
<tr>
<th>Year</th>
<th>India</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>81-82</td>
<td>2.69</td>
<td>--</td>
</tr>
<tr>
<td>1985</td>
<td>--</td>
<td>5.7</td>
</tr>
<tr>
<td>1987-88</td>
<td>3.13</td>
<td>--</td>
</tr>
<tr>
<td>1990-91</td>
<td>3.4</td>
<td>--</td>
</tr>
<tr>
<td>91-92</td>
<td>3.48</td>
<td>--</td>
</tr>
<tr>
<td>1990</td>
<td>3.73</td>
<td>3.9</td>
</tr>
<tr>
<td>95-96</td>
<td>3.05</td>
<td>--</td>
</tr>
<tr>
<td>1994-96</td>
<td>--</td>
<td>3.4</td>
</tr>
<tr>
<td>1995</td>
<td>3.1</td>
<td>4.7</td>
</tr>
<tr>
<td>1996-97</td>
<td>3.40</td>
<td>--</td>
</tr>
<tr>
<td>1995-97</td>
<td>--</td>
<td>3.2</td>
</tr>
<tr>
<td>1996</td>
<td>3</td>
<td>--</td>
</tr>
<tr>
<td>2000-01</td>
<td>4.26</td>
<td>1.8</td>
</tr>
<tr>
<td>2001-02</td>
<td>3.82</td>
<td>--</td>
</tr>
</tbody>
</table>

Note: all as percent of GDP
Sources: Economic Survey 2004-05, Government of India
UN Human Development Report 2005
There is a mixed trend in the share of GDP on educational expenditure in India and Egypt since the introduction of globalisation policies. According to HDR 2005, the share of GDP to education in Egypt came down from 3.9 percent in 1990 to 1.8 percent in 2002 but it was varying in the years in between. The expenditure on education as percent of GDP in India was 3.13 percent of the GDP in the year 1987-88, which went up to 3.7 percent of the GDP in 1990. If the share of GDP spent for education was 3.4 and 3.5 percent in 1990-91 and 1991-92 respectively, it came down to 3.1 percent in 1995 and 3 percent in 1996 (UNHDR 2005). The share of GDP to education in Egypt was 5.7 percent in the year 1985 and 3.9 percent in 1990. Reduction in public expenditure on education is a general trend visible both in Egypt and in India. According to the World Development Report 2000, public expenditure on education in Egypt was 3.4 percent in 1994-96 and it went down to 3.2 percent in 1995-97 (WDR 2000: 90). If the public expenditure on education in Egypt was 6.7 percent of the GNP in 1990, it went down to 4.8 percent in the year 1996 and 4.6 percent in 1998.

The estimates show that budget allocation for Education in India increased by 85.6 per cent in 1996-97 than the previous year with the outlay for elementary education going up by 247.8 percent. However, this substantial increase in allocation for Elementary Education was mainly for the implementation of nutritional support to Primary Education for which an outlay of Rs. 1400 crores allocated in the budget year 1996-97.22

Table 4.6: Educational Expenditure in India (Decadal growth)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent of GDP</th>
<th>percent of Budget</th>
<th>Per capita expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>2.3</td>
<td>15.1</td>
<td>124</td>
</tr>
<tr>
<td>1980-81</td>
<td>3.08</td>
<td>13.48</td>
<td>186</td>
</tr>
<tr>
<td>1990-91</td>
<td>4.07</td>
<td>13.97</td>
<td>329</td>
</tr>
<tr>
<td>2000-01</td>
<td>4.26</td>
<td>12.23</td>
<td>509.50</td>
</tr>
<tr>
<td>2001-02</td>
<td>3.82</td>
<td>10.80</td>
<td>470.34</td>
</tr>
<tr>
<td>2002-03</td>
<td>3.97</td>
<td>12.60</td>
<td>494.89</td>
</tr>
</tbody>
</table>

Source: NCERT, *All India Educational Survey* (various years)

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22 This aimed the extension of Mid-day Meal Programme for students from disadvantaged sections who study in primary schools situated in rural blocks and urban slums (Conference of Chief Ministers on Basic Minimum Services (1996))
However, as per the data of NCERT (2002), in India the GDP spending for education had increased from 4.07 percent in 1990-91 to 4.26 percent of in the year 2000-01. However, this had gone down to 3.82 in the year 2001-02. The budget share for education had gone down from 13.48 percent in 1980-81 to 12.23 percent in 2000-01. The table 4.6 gives a clear picture of the trends in public sector education funding in India.

Opening of private universities was a major institutional development taken place in the education sector during the period. In Egypt, the entry of private sector ensured more efficient resource use in education and opening of private universities accelerated more investment in human resources (Amin G. 1999). Even though, the private universities are allowed to operate in India also, they are with a relatively negligible influence as far as the Indian education field is concerned.

The data show that the involvement of private sector has critically increased in the education services at all levels. In Egypt, the number of private nurseries increased to 38 percent, elementary schools to 41 percent, preparatory schools to 29 percent and secondary schools to 31 percent during the period 1990-91 - 1998-99. Four new private universities started functioning in the same period. A parallel education market has been gradually evolving in Egypt from primary level to university level and that occupied 35 percent of the total cost of education. Though private educational institutions are started in India as well, they were concentrated only in the urban and semi-urban areas. Moreover, their number was negligible while compared to the public funded education institutions. However, the post 2001 period marked a considerable growth in the number of privately funded educational institutions in India –from primary level to university level.

The major trends in education sector in Egypt can be summarised as follows: there was an increase in the public expenditure on education during the transition period, but this turned to rapid decrease in the later years. The private investment in education got expanded and resulted in high cost to education per child and family when compared with the employment opportunities. In Egypt, one basic problem in assessing education is that all those who have attended schools for four consecutive years are considered educated (Fergany 1995: 2-4) despite the fact that many of them remain illiterate. Though Egypt gained considerable achievement in female adult
literacy during the period, it still holds the highest level of gender gap in education in the Arab world. In 1995, the ratio of literacy among males and females was 63.6 percent and 38.8 percent respectively (UNHDR 2000). This reached 65.6 percent and 54.2 percent in the year 2001 (EHDR 2003: 136).

New reforms like privatisation of education and subsidy cuts increased the cost of education in Egypt in the era of liberalisation. The increase in the cost of education in the form of imposition of fees by Ministry of Education in Egypt resulted in denying basic education to a section of children. According to this, the poor are forced to pay an average additional amount of LE 7.09 per head for education. The data show that 7.6 percent of the students in the urban area and 11 percent in the rural area could not join school only because they were not able to afford the high cost of education. A survey conducted in Egypt in the year 1994 shows that 33 percent of the people never attended schools. Among those who attended schools, 88 percent did not pursue beyond the intermediate level (Fergany 1995b: 26). The data show that among the age group of 6-18, 20.3 percent individuals did not enrol in education in the urban area in which 17.7 percent remained out of school to help their family. It was much high in the rural area in the year 1994 - 28.9 percent and 23.2 percent respectively (ibid). Similarly, more than half (56 percent) of the women over the age of 15 is illiterate in Egypt in the year 2000. 1/3 of the men in this category are also illiterate (Fahimi and Moghadam 2003: 4).

Concisely put, macro level indicators show a positive picture of the education sector in Egypt and India. Adult literacy rate remained almost equal in Egypt and India – 50 percent, towards the beginning of the 1990s and it reached 55.3 percent in Egypt and 57.2 percent in India by the year 2001. But micro level indicators hints that inequality is increasing in education, especially in India. Trends show that the number of school dropouts before reaching grade V is increasing in India ever since the introduction of globalisation. It was 38 percent during 1990-91 period, and increased to 41 percent in 1992-95 and reached 48 percent by 1995-99 (Maqbul Haq Human Development Centre 2002: 46). Some qualitative changes were taken place in education sector in Egypt during this period and the enrolment rate in the primary and secondary levels increased to 86 percent (EHDR 2003).
The level of education was very low in India in 1991 where 125 million males and 196 million females were illiterate (IGIDR 1999-2000). After 10 years, though the state witnessed high rate of growth in literacy-- 52.21 percent in 1997 and 65.38 percent in 2001 - the numbers (in absolute terms) remained almost the same - 296 million (Censes of India 2001). In sum, despite the progress made in literacy, concerns remain about the low efficiency and insufficient amount of Government spending, poor quality of basic education and vocational training, and insufficient access to education services.

iii 2. Health

2.1 Health Expenditure

It is very interesting to note that the public spending on health in relation to GDP had no change both in India and in Egypt in the years 1990 and 2000 (1.3 percent of the GDP in India and 1.8 percent in Egypt) (UNHDR 2005: 313). However, we can see a considerable variation in the health expenditure during the years in between (see Table 4.7). As the data reveals, the average public expenditure on health during the 1990-97 period was 1.7 percent of the GDP in Egypt and 0.7 percent of the GDP in India.23 While the Egyptian government spent 0.8 percent of the GDP in 1990-91 and 1.8 percent in 1996-98 periods in the health sector, it was only 0.2 percent and 0.6 percent in India respectively (UNHDR 2000).

Table 4.7: Public Expenditure on Health in Egypt and India (as percent of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Egypt</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td>1990-91</td>
<td>0.8</td>
<td>0.2</td>
</tr>
<tr>
<td>1996-98</td>
<td>1.8</td>
<td>0.6</td>
</tr>
<tr>
<td>1990-97</td>
<td>1.7</td>
<td>0.7</td>
</tr>
<tr>
<td>2000</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td>1998/99</td>
<td>2.2</td>
<td>--</td>
</tr>
</tbody>
</table>


According to the Egyptian Human Development Report 1996, the public spending on health has increased from 1 percent to 1.5 percent of the GDP during

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23 Average health expenditure in India was less than 1 percent of the GDP for the last three decades.
1990-91 to 1995-96\textsuperscript{24}. The number of urban inhabitants deprived of healthcare facilities during this period was 20 percent of the total population.

According to the data published by CMIE (see Table 4.8), the health expenditure of both central and state governments in India show a decreasing tendency since the introduction of new reforms. The percentage of government expenditure on health (both state and central governments) as per the GDP has been decreased from 1.25 percent of the GDP in 1993-94 to 0.95 percent in 1996-97 and 1 percent in 1997-98 (see Table 4.8). It went further down to 0.94 percent in the year 2001-02. It is a fact that, the health facilities are still not accessible to a considerable number of people in India. Besides, in 1997 - 99 periods, the number of undernourished people was very high in India – 23 percent compared to Egypt that had only 4 percent (UNDP 2002). Decrease in the public expenditure on health was the major reason for the adverse health conditions in India, especially in the vast rural areas of the country. In Egypt, public expenditure on health was 7.2 percent of the total government expenditure and 2.4 percent of the GDP in the year 2000/01 (EHDR 2003: 127, 129). Owing to the high spending pattern, Egypt has achieved substantial progress in the health sector. Peoples' access to health services in Egypt is almost total both in rural and in urban areas where the state could provide health service to 100 percent of the urban and 99 percent of the rural Egyptians.

Table 4.8: Health expenditure by public sector in India: 1993-94 – 2001-02*

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent to GDP**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>1.25</td>
</tr>
<tr>
<td>1994-95</td>
<td>1.22</td>
</tr>
<tr>
<td>1995-96</td>
<td>1.02</td>
</tr>
<tr>
<td>1996-97</td>
<td>0.95</td>
</tr>
<tr>
<td>1997-98</td>
<td>1.00</td>
</tr>
<tr>
<td>1998-99</td>
<td>1.11</td>
</tr>
<tr>
<td>1999-2000</td>
<td>0.90</td>
</tr>
<tr>
<td>2001-02</td>
<td>0.94</td>
</tr>
</tbody>
</table>

Source: Centre for Monitoring of Indian Economy (various years)

Notes: * total expenditure by central and state governments

** at current market prices

\textsuperscript{24} The total public spending increased during the period from 2.7 percent to 3.2 percent. The Economic Survey of the Government of India shows that allocation for health was raised by 21.6 per cent in India in the 1996-97 budgets. This allocation aimed at an ambitious 100 per cent coverage of provision of safe drinking water in rural and urban areas and 100 per cent coverage of primary health service facilities in rural and urban areas as per the proposals of Conference of Chief Ministers on Basic Minimum Services - 1996.
Private sector has extended its activities in the health sector during the period. In Egypt, public spending in health has remained almost constant since 1980s – 1.5 percent of the GDP (it is 4.5 percent of the budget expenditure). During 1992 – 97 period, there was only a 4.8 percent increase in the number of public hospital beds where as this was 43.3 percent in the private sector. As far as India is concerned, the records of Central Statistical Organisation (National Accounts Statistics 2006) show that the expenditure of public sector and private sector in health is 20.3% and 77.4% respectively. The percentage of GDP in health expenditure shows that the private sector expenditure (3.58 percent) is almost 4 times higher than that of public sector expenditure (0.94 percent) (ibid). What is evident here is that compared to public sector, the contribution of private sector in health service has been very high both in Egypt and in India in the year 2002 - 4.8 percent of the GDP in India and 3.1 percent in Egypt (UNHDR 2005: 238). This can be considered as a direct impact of shift in policy orientation energised by liberalisation. What is significant here is that, the health services in the private sector has been very expensive benefiting only wealthy people in the society.

2.2 Infant Mortality Rate

Infant Mortality Rate (IMR) is a major indicator of the achievements in the health sector of any state. It was 134/1000 in India in the year 1971 and 120/1000 in Egypt in mid 1970s. However, the estimates show that IMR had gone down to 95 and 79 in 1987 in India and Egypt respectively. In Egypt, IMR was reduced from 120 per 1000 in 1980 to 51 per 1000 by 1997 (see Table 4.9). In India, it was 115 in the year 1980 and went down to 71 per 1000 in 1997. The World Development Indicators 2000 (World Bank 2000) shows that Egypt had achieved an IMR of 40/1000 in the year 2000.

As the table 4.9 shows, by the year 2001, Egypt achieved a great success in reducing IMR to the level of only 37 per 1000 (UNDP 2002) whereas it was 63 per 1000 in India. The gap in IMR among the poor and the rich is also worth-mentioning. Among the poor, it is 75.6/1000 in Egypt and 96.5/1000 in India. It was only 29.6 and 38.1 respectively among the rich in the year 1998 (WDR 2002). The reason of high IMR among the poor is the ineffectiveness of the strategies followed by states.
### Table 4.9: Infant Mortality Rate in India and Egypt 1971-2001*

<table>
<thead>
<tr>
<th>Year</th>
<th>India</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>134</td>
<td>--</td>
</tr>
<tr>
<td>1975</td>
<td>--</td>
<td>120</td>
</tr>
<tr>
<td>1981</td>
<td>104</td>
<td>--</td>
</tr>
<tr>
<td>1987</td>
<td>95</td>
<td>79</td>
</tr>
<tr>
<td>1988</td>
<td>94</td>
<td>93.1</td>
</tr>
<tr>
<td>1993</td>
<td>74***</td>
<td>79.9</td>
</tr>
<tr>
<td>1995</td>
<td>74**</td>
<td>56</td>
</tr>
<tr>
<td>1997</td>
<td>71**</td>
<td>51</td>
</tr>
<tr>
<td>1999</td>
<td>70</td>
<td>67.46</td>
</tr>
<tr>
<td>2000</td>
<td>68</td>
<td>54.7</td>
</tr>
<tr>
<td>2001</td>
<td>66</td>
<td>30</td>
</tr>
</tbody>
</table>

Sources: *Report of Institute of Applied Manpower Research and Ministry of Statistics and Programme Implementation, Government of India* (various years)

*World Bank Little Data Book 2000*

*World Development Indicators 2000*

*UN Human Development Report 2002*

*World Development Report (Various years)*

*Egyptian Human Development Report 2003*

Notes: * in '000s

** : Excludes Jammu and Kashmir and Nagaland

***: Excludes Nagaland (Rural)

### 2.3 Life Expectancy

According to the WDR 2003, the average life expectancy was 63 in India and 67 in Egypt in the year 2000 (Census of India 2001; EHDR 2003). Egypt’s case demonstrates a fast growth in life expectancy, where the figure was only 54 in mid 1970s, 59 in mid 1980s, and 63 in mid 1990s. By the year 2000 the figure rose to 67 (World Bank 2000). According to the World Development Indicators 2000 (World Bank 2001), life expectancy in Egypt was 68.8. In India, the data show that, life expectancy was 58.7 in early 1990s and 61.1 in mid 1990s. The age rose to 63.3 in the year 2000 (see Table 4.10). Data show that Egypt was always ahead of India in terms of life expectancy.

Egypt has achieved a high level of sanitation facility, which is accessible to 99.6 percent in the urban area and 78.2 percent in the rural area (EHDR 2003: 126). The state could provide sanitation facilities to 94 percent of the total population in
Egypt. In India, sanitation facilities are available only for 31 percent and the situation is more pathetic in rural India. Similarly, fresh water supply is available to 95 percent and immunization facility to 99 percent of population in Egypt (EHDR 2003).

Table 4.10: Expectation of Life at Birth in Egypt and in India, 1986-2000

<table>
<thead>
<tr>
<th>Year</th>
<th>India</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-90</td>
<td>57.7</td>
<td>59*</td>
</tr>
<tr>
<td>1988-92</td>
<td>58.7</td>
<td></td>
</tr>
<tr>
<td>1990-94</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>1991-95</td>
<td>60.3</td>
<td></td>
</tr>
<tr>
<td>1993-97</td>
<td>61.1</td>
<td>66**</td>
</tr>
<tr>
<td>1995-99</td>
<td>61.7</td>
<td>63***</td>
</tr>
<tr>
<td>1997-2001</td>
<td>62.2</td>
<td></td>
</tr>
<tr>
<td>1998-02</td>
<td>62.5</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>63.3</td>
<td>67</td>
</tr>
<tr>
<td>2001</td>
<td>67.1</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Census of India (Various years)  
Report of Ministry of Statistics and Programme Implementation, Govt. of India  
Report of Central Statistical Organisation, Government of India  
UN Human Development Report 2002  
World Bank Little Data Book 2000 and World Development Report (Various years)  

Notes: The data on India is estimated from Sample Registration System  
* Mid 1980s  
** in 1997  
*** in mid 1990s

State was the major investor in health sector in Egypt ever since the modern health system was introduced. Once the state investment constituted more than 80 percent of the total investment in the health sector and a huge chunk of this was spend as subsidy. Introduction of privatisation in healthcare along with the re-orientation of policies was a major phenomenon in 1990s in both states. The private sector's share in health sector increased subsequently. The increasing share in health expenditure fostered private sector’s influence on the decision-making related to health sector.

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25 In Egypt, the ratio of health expenditure to GDP and to public expenditure had declined from 1.25 in 1970 to 0.65 in 1995 (Assaad and Rouchdy 1998).

26 In Egypt 55 percent of the total expenditure spent in health by private sector by the end of the decade. In this connection, scholars pointed out a major drawback of private sector that it has spent very little in preventive health service. Their entire effort was concentrated in curative medicine (Assaad and Rouchdy, 1998: 21).
In the new context, the Ministry of Health in Egypt introduced a new scheme—a cost-effective scheme—that minimised subsidies to health and related activities. As the result of this, price of the health services and the imported drugs increased substantially. The effect of this was very high because 2/3 of the drugs used in Egypt were imported from outside. Though the health expense of the state increased in constant prices, it decreased in terms of value (Korayem 1993: 49). The new regime of liberalisation forced the Indian state also to cut short subsidies in health sector. The impact of this was very high in India especially regarding the poor. Though such policies were introduced in Egypt, they did seldom affect the health system of the country because the state had already achieved a high standard in health services.

Achievements in health sector of Egypt are mainly the result of two elements. Firstly, the small size and less population in the country made it comparatively easier for the state institutions to implement programmes and policies. Secondly, the comparatively high allocation for health sector by state made it possible even for the poorer people to have access to health services. These are particularly important when compared to India where the state is struggling to reach out to the poorest masses living in the remote places due to the vast size of the country and dense population. What is evident here is that, the advance of Egyptian state in the health sector largely linked to the small size and less population of the state. Despite the structural adjustment and economic reform, the huge size of population makes Indian state difficult to manage its programmes and policies in the health sector.

iii 3. Poverty

Poverty and poverty alleviation are usually on the top of the agenda of policy makers and practitioners who engage in social development planning. Poverty has such significance and even the focal theme of Egyptian Human Development Report 1996 itself was ‘poverty’. While analysing poverty, it is important to make it clear who the poor are and how does the ERSAP affect them. Poverty in a way is widely understood as a process of exclusion from society. It is the denial of access to certain basic physical/material, human, social and institutional ‘assets’. The systematic exclusion

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27 The term ‘assets’ indicates all resources and processes that can be used to create sustainable livelihood and a good quality of life. These are mainly in three kind. a) Economic assets – fertile land, clean water, productive employment opportunities, and physical and financial capital; b) Human assets – quality education and good health; c) Social assets – public services, community networks and social support system (Assaad and Rouchdy 1999:4).
of certain sections from various state institutions was a major concern of social scientists who try to explore the reasons of poverty.

The studies conducted by Korayem (1991: 12) on poverty in Egypt explains that, ERSAP affects the poor mainly through three channels – prices, incomes and the provision of social services. Similarly, there are three types of policies that can have direct impact in determining poverty in any country - (a) macro-economic policies related to wages, unemployment and prices: (b) policies to support the income of the poor like creation of employment opportunities and transfer payments: (c) policies that affect the supply of subsidized social services like education and health (Korayem 1991: 28)

Many methods have been extensively used by scholars in studying and analyzing the phenomenon of poverty. Amartya Sen (1995) has introduced a method which emphasis on three indicators in assessing poverty. The UNDP has developed a new concept called 'capability poverty' (Human Development Report 1996) and a method - capability poverty Measure - by using ideas like functioning's (what people are able to be and able to do) and capabilities (what people are able to achieve) developed by Amartya Sen. Spread of capability poverty is regarded as one of the main predictors for poverty in various studies.

Eradication of poverty and attainment of self-reliance were the two major objectives set by Egypt and India to accomplish through the planned economy since independence. These objectives required higher growth, better distribution of income and a very significant step-up in the domestic rate of savings. The trends in poverty in the post independence era show that there was a sharp increase in the rate of poverty

28 Measuring household income is one popular method, which estimates poverty in terms of private goods and services that a household can obtain with their income. Income/consumption based poverty assessment is another method but it does not take into account the access to essential public goods and services that are crucial to the standard of living of people.

29 The indicators are (a) the head count index (measures the relative share of the poor in the section of population), (b) the income gap ratio (this measures the percentage of the mean income of the poor to the poverty line), (c) gini co-efficient of poverty (this assesses the degree of equality (or inequality) in the income distribution of the poor themselves (see also Sen 1999; Dreze and Sen 1995).

30 It is identified as the disability that prevents individuals from participating in production.
in India since mid 1960s to mid 1970s. Trends also reveal that a slow and gradual decline of poverty started thereafter.\textsuperscript{31}

The rate of poverty was comparatively low in Egypt until 1980s since the state could largely discharge its social responsibilities. However, the economic crisis that the state faced after 1986 had a significant impact on poverty. The rate of poverty was 16.11 percent during the period 1981-82. There recorded a 20 percent increase in the rate of poverty in the next ten years which eventually increased to 36 percent (Korayem 1996) by 1993. According to the data, only 26 percent people in Egypt (WDI 2000) and 28.6 percent in India (WDR 2003) are below Poverty Line in the year 1999 (see Table 4.11).

Table 4.11: Rate of Poverty in India and Egypt 1981-82 – 1999-2000

<table>
<thead>
<tr>
<th>year</th>
<th>India</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>--</td>
<td>16.11</td>
</tr>
<tr>
<td>1993</td>
<td>--</td>
<td>36</td>
</tr>
<tr>
<td>1993-94</td>
<td>36</td>
<td>--</td>
</tr>
<tr>
<td>1995-96</td>
<td>--</td>
<td>22.9</td>
</tr>
<tr>
<td>1987-98</td>
<td>38.2</td>
<td>--</td>
</tr>
<tr>
<td>1999</td>
<td>28.6</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: \textit{World Development Report} 2003 \textit{World Development Indicators} 2000

The trends show that the rate of decline of India's poverty was higher when the growth rate was high. However, there is a controversy over the declining rate of population below the poverty line. In fact, quite a few studies show that the number of people below the poverty line (in percentage) increased immediately for a short while after the reforms (i.e. 1992-94) and then led to a significant decline in later part of the reform period (Government of India 2002). Egypt also had the same experience. There was a dramatic increase in both rural and urban poverty in Egypt between 1990/91 and 1995/96 (Cardiff 1997).\textsuperscript{32}

Contrary to the World Bank assessments, the estimates CSDC based on the 1999-2000 survey indicate that 38.3 percent of the overall population are poor in

\textsuperscript{31} In India, the poverty line is described based on calorie intake. The minimum required to be above the poverty line is 2400 calories in rural areas and 2100 calories in the urban areas.

\textsuperscript{32} But Korayem (1994) and el Laithy and Osman (1997) show significant difference compared to Cardiff. However, both agree with the fact that rate of growth of poverty increased in Egypt in the early years of 1990s (Assaad and Rouchdy 1999: 14)
Egypt. More than half of them (21 percent) reside in the rural areas. Suppose we consider basic needs by excluding foodstuff (only housing, clothing, education, health), the poor would constitute 24.3 percent in which majority (14.3 percent) stay in the rural areas. Thus, poverty continues to be a common feature of rural Egypt (CSDC 2001: 11-12).

The Demographic Health Survey of Egypt 1994 conducted by the Institute of National Planning estimates that the gap between rural and urban capability poverty is very high – nearly double in rural (43 percent) than that is in the urban (23 percent) (1996: 38). Deficit of public services in rural areas is the major reason for this gap (Assaad and Rouchdy 1998: 15). Limiting public services in connection with structural adjustment as a major reason for the same.

Table 4.12: Rural and Urban Poverty in Egypt and India, 1982-83 to 1999-2000 (all in percent)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1982-83</td>
<td>45.6</td>
<td>40.8</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>1987-98</td>
<td>38.9</td>
<td>39.1</td>
<td>38.2</td>
</tr>
<tr>
<td></td>
<td>1993-94</td>
<td>37.3</td>
<td>32.4</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>1999-2000</td>
<td>30.2</td>
<td>24.7</td>
<td>28.6</td>
</tr>
<tr>
<td>Egypt</td>
<td>1981-82</td>
<td>16.1</td>
<td>18.2</td>
<td>16.11</td>
</tr>
<tr>
<td></td>
<td>1990-91</td>
<td>28.6</td>
<td>20.3</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>1995-96</td>
<td>23.3</td>
<td>22.5</td>
<td>22.7</td>
</tr>
</tbody>
</table>

Sources: Economic Survey Planning Commission of India 1997: 193
CAPMAS Surveys reported in Egyptian Human Development Report 1996
World Development Report 2003
World Development Indicators 2000

The trends in rural and urban poverty show an average 7-8 percent decrease in India during 1993-94 – 1999-2000 periods. The Egyptian Human Development

33 This is based on the percent of the poor adopting a broad definition of the basic needs comprising foodstuffs and a certain number of items of less necessary nature such as cigarettes and beverages (CSDC 2001: 11)
Report 1996 illustrates that, as per the head count index survey\textsuperscript{34}, rural poverty had increased in Egypt from 16.1 percent to 28.6 percent from 1981-82 to 1990-91, but it declined to the level of 23.3 percent during 1995-96. Where as urban poverty has always shown an increasing tendency from 18 percent to 20 percent in 1981-91 periods and to 23 percent in 1995-96 (see Table 4.13).

There is a clear link between these two. In reality, the poor in rural area moved \textit{en masse} to urban area because of the impact of the ERSAP on their day-to-day life and income. Precisely, what has happened is not the reduction of poverty either in rural or in urban area, but the migration of the poor from village to town. Put it in another words, the poverty has shifted to urban area. The frequency, intensity and extent of poverty were the major themes in the social development debates of the decade 1991-2001. In the mid 1990s, almost 25 percent of Egypt’s population were poor by any standard and another 25 percent were living in the margins of poverty (Assaad and Rouchdy 1998).

Relevant data on India show that the Central Plan outlay for rural development surrounding the major programmes for poverty alleviation has been increased by 12.1 per cent in 1996-97 to 1995-96\textsuperscript{35}. The weaker sections in the society, especially scheduled castes/scheduled tribes and women, were the major target groups and they were given prime importance in special programmes of poverty alleviation and employment generation.

The new wave of poverty eradication programmes under the auspices of the agents of liberalisation and market economy finds particular attention here. Initially, the World Development Report had proposed three interrelated approaches in dealing with poverty\textsuperscript{36}. What is special with these approaches is that each is sticking upon the reduction of the role of state and emphasising on a free market system to address this issue. Human Capital approach emphasise on the increase in the potential earning

\textsuperscript{34} Per cent of population below food and non-food poverty line food based poverty line is estimated with a minimum 2,200 calories per day.
\textsuperscript{35} This was the outcome of the Conference of Chief Ministers on Basic Minimum Services held at New Delhi on 4-5 July, 1996, which recommended the adoption of a new programme to achieve certain social development goals by the year 2000.
\textsuperscript{36} The first, the Economic Approach, proposes certain measures to increase the access of the poor to productive employment and assets. The second, the Human Capital Approach, emphasizes on the increase in the investment in human capital to promote the production potential of the poor especially through education, training and better health facilities. The third, Welfare Approach emphasise on measures to deal with poverty through transfer payments and subsidies (World Bank 1991).
capabilities of the poor. For proponents of this approach, subsidy for education itself is a human capital investment. The approach assumed that an educated farmer is potential to produce more since he can make use of his knowledge as capital (World Bank 1991).

The welfare approach measures like subsidies and transfer payments in the developing states were always a point of criticism for neo-liberals. For them, it offers the most costly and least competent means to alleviate poverty. The neo-liberals consider this as the least advisable measure since it is very unproductive and contribute no economic return. The critics rejected the humanistic part of it, ignored the social returns of such assistance and its potential to help survive the hardship of poverty.

Other two approaches (Economic and Human Capital) meant to increase the actual and potential income of the poor have certain limitations to reach the vulnerable in the society, especially to the ultra poor and other weakest sections. In most of the cases, developing states tried to combine all three approaches since they were not able to stop all subsidies immediately. The introduction of pension in Egypt along with other social assistance programmes mentioned earlier was aimed to ensure minimum income for the ultra poor. Though there were more investments in education and health sectors, most of them were more commercial based and had profit motive were not service-oriented. Therefore, the price fixed by such firms and establishments for their services and products was not generally affordable to poor. This remained a major stumbling block in addressing the problem of decreasing services to the poor and the marginalised.

The introduction of new special programmes for poverty alleviation was another major development in connection with SAP. It may be noticed that the states have already been running many such programmes even before. As we have already discussed, the Social Fund for Development started in December 1990 was the most important among the poverty alleviation programmes in Egypt\textsuperscript{37}. It was expected that,

\textsuperscript{37} This was a joint effort of Government of Egypt, World Bank and UNDP. The Fund collected an amount US$ 613 million as contribution in the initial five years for poverty eradication. The major contributors were European Union - 30.8 percent, World Bank - 20.1 percent, and other Arab States - 19.1 percent (SFD 1997).
social fund had the potential to ensure the active involvement of the poor people in the development process through local beneficiary committees.

The relationship between poverty and structural adjustment is given prime attention in the social development debates of the post liberalisation period (Tendulkar and Jain 1995; Suryanarayana 1996; Rao 1998). The most important aspect that attracted particular attention during the post liberalisation period is the declining role of state in poverty alleviation (W B 1992; Patnaik 1995; Ghosh and Chandrasekhar 2002; Assaad and Rouchdy 1999: 44; Korayem 1995). Various development intermediaries such as NGOs and grass roots level organisations and local committees have taken over the role that the state had played earlier.

A comparison with the previous decade will spread some light to the trends in social development and poverty alleviation especially after the shift to liberal free market policies. Compared to Egypt, India had always shown incidence of high rate in both rural and urban poverty. However, the reduction of poverty rate was very high in India in the 1970s and 80s. The incidence of poverty was reduced from 54.3 percent of 1972-73 to 34.1 percent by 1989-90 (Maqbul Haq Human Development Centre 2002: 46). On the other hand, in Egypt, rural poverty increased from 16.11 percent in 1981-82 to 23.3 percent in 1995-96 (CAPMAS 1998). What is important to note here is that the success of India in reducing poverty in 1970s and 1980s came to a standstill in 1990s. In a nutshell, the rate of reduction of poverty has never gone above this level in the succeeding period, despite the fact that the state has achieved high economic growth. On the other hand, the relative neglect of agriculture combined with a cut in rural development expenditure has created a fall in rural income of both states.

While assessing the trends in poverty, the Ministry of Social Affairs in Egypt follows the sociological definition to poverty and inculcates that poverty signifies economic and social conditions in which the individual does not have enough income to meet the basic needs for his/her physical existence including food, clothing and shelter. Ministry of Social Affairs puts it this way, poor are those who receive welfare

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38 According to the estimates of the Maqbul Haq Human Development Centre (2002), the average percent of the people below poverty line was 22.9 percent in Egypt and 35 percent in India during 1987-2000 periods.
assistance from the state. What is striking here is that, people are not to be recognised as poor, if they are not covered by welfare mechanism. This aspect of poverty is particularly important because those who are not recognised as poor are excluded from the supportive mechanisms under state institutions. There is a considerable number of unauthorised poor in India especially among those who live in the slums and in the nomadic communities.

At the global level, the number of ultra-poor has increased over the last few decades because of the economic reconfiguration (Ravallion 2003). This trend has high resonance in the developing countries. According to the poverty analysis of CAPMAS Survey, the level of income poverty had increased significantly in Egypt during early 1981-82 to 1991-92 and this trend continued throughout 1990s (Assaad and Rouchdy 1999: 9). Though data show an amazing picture of reduction of household poverty in Egypt, one can certainly challenge this. In effect, the number of poor increased and the people in ultra poverty remain unattended as well. Estimates show that the number of poor has increased from 10 million in 1977 to 15 million in 1997³⁹.

To minimise the negative impacts of ERSAP on poor was one of the major challenges faced by policy makers ever since the introduction of SAP. The liberalisation measures substantially reduced the income of small and marginal farmers’ in Egypt because the private investments in the rural areas increased and they largely concentrated in non-agricultural enterprises (Dev 1995; Korayem 1995: 71) and agricultural sector was neglected. Besides, the government controlled agriculture market system was further weakened by increasing private capital on the one hand and the development of a free market system on the other.

iii 4. Employment

It is evident from the data and studies that the rate of unemployment has increased both in Egypt and in India with the introduction of liberalisation policies. These studies are reflective of the fact that there is a direct link between structural adjustment policies and mounting unemployment. The policy changes introduced a

³⁹ Though the increase in per cent did not record any fast growth, the numbers of the poor have increased because the population has increased from 39 million to 62 million. The studies of Korayem (1995) also illustrate that income poverty in Egypt has increased in early 1990s and the number of urban poor has increased in 1990/91 more than 1.5 times from the level that was in 1981/82.
plethora of things on the employment front that have critically contributed to increase in unemployment rate such as a) freezing recruitments in government/public sectors b) privatizing public productive activities c) reducing public expenditure to cut short the budget deficit and d) accepting competitive foreign labour in the national market. Institutional policies of multilateral organizations have resulted in more deprivation of the poor by loss of employment opportunities. The neglect of agriculture sector has further intensified this crisis. The withdrawal of employment security provisions and the downsizing of labour force in different government sectors are also pointed out as major reasons for the employment crisis in both states.

The major features of this declining rate of employment growth in India in the second half of 1990s were: negative growth of employment in the public sector, the negligible growth of employment in the organised sector and the absence of labour intensive strategies in the different sectors of the economy (Mehta 2004). Spread of unemployment among the educated is another noticeable trend in this regard. This led to a spread of poverty even among the lower middle class both in the urban and rural societies in a comparatively short time (Goldar 2000).

Table 4.13: India: Scenario on Employment and Unemployment

<table>
<thead>
<tr>
<th>India</th>
<th>(In Millions)</th>
<th>Growth rate per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment rate%</td>
<td>8.3</td>
<td>5.99</td>
</tr>
<tr>
<td>Population</td>
<td>718.20</td>
<td>894.01</td>
</tr>
<tr>
<td>Labour Force</td>
<td>261.33</td>
<td>335.97</td>
</tr>
<tr>
<td>Workforce growth</td>
<td>239.57</td>
<td>315.84</td>
</tr>
<tr>
<td>No. of unemployed</td>
<td>21.76</td>
<td>20.13</td>
</tr>
</tbody>
</table>

Source: Government of India (2002c) Report of the Special Group on Targeting Ten Million Employment Opportunities per year over the Tenth Plan Period

Economic survey 2003-04

Note: All estimates are on CDS (Current Daily Status basis)

As it is clear from the table 4.13, there was a sharp decrease in employment growth rate in India during the liberalisation period. The overall employment creation
of the economy show negative trend compared to early 1990s. The unemployment rate, which was 5.99 percent in 1993-94, went up to 7.32 percent in 1999-2000. The data show that the number of unemployed increased on an average 4.74 percent per annum during 1993-94 to 1999-2000 periods. What is evident from this is that the unemployment rate showed a high increase during this period compared to 1983 to 1993-94 where it was only (-) 0.08 percent (Economic Survey, Government of India - 2003-04: 209).

A report on the employment situation in India published by the National Planning Commission (Government of India 2002) presents;

(the) unemployment rate in India has increased significantly since 1993-94 and was 7.32 per cent in 1999-2000 compared to 5.99 per cent in 1993-94 on Current Daily Status (CDS) basis. The present rising unemployment is primarily an outcome of a declining job creating capacity of growth, observed since 1993-94. The employment growth fell to 1.07 per cent per annum (between 1993-94 and 1999-2000) from 2.7 per cent per annum in the past (between 1983 and 1993-94), in spite of acceleration in GDP growth from 5.2 per cent between 1983 and 1993-94 to 6.7 per cent between 1993-94 and 1999-2000. It means that the capacity of job creation per unit of output went down about three times compared to that in the 1980s and early 1990s (see Table 4.13).

In Egypt, the decreased price of oil and reduced demand in the regional labour market had created a crisis in the labour sector since the mid 1980s. The state, in fact had failed to develop a comprehensive policy to address this situation. If the rate of unemployment marked 9.9 percent in 1988, it went up to 12.06 percent by 1992/93 and to 17.5 percent in 1993-94.

Table 4.14: Trends in Rate of unemployment in Egypt 1988-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>9.9</td>
</tr>
<tr>
<td>1993</td>
<td>12.06</td>
</tr>
<tr>
<td>1993-4</td>
<td>17.5</td>
</tr>
<tr>
<td>1995</td>
<td>11.1</td>
</tr>
<tr>
<td>1998-9</td>
<td>8.9</td>
</tr>
<tr>
<td>2001</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Sources: CAPMAS and ILO, 1996

Egypt Human Development Report, 2003
According to the estimates of ILO, in Egypt, the unemployment rate was 11.1 percent in the year 1995 (see Table 4.14). The rate was much higher among the women - 20.4 percent - compared to men - 7.74 percent. The major reason for this was the unofficial suspension of recruitments in public enterprises. The rate of unemployment distributed in different age groups in Egypt were: 15-19 - 25.5 percent; 20-24 - 39.4 percent; 25-29 - 20.3 percent (CAPMAS and ILO 1996: 59). These rates are significantly higher than the rates in 1986. The rate of unemployment (as percent of the labour force) reached to 9 percent in the year 2001. Female unemployment and unemployment among the adults in the age group 15-29 is marked significantly higher, 19.8 percent and 20.4 percent respectively (EHDR 2003: 129).

According to the estimates, the total capable labour force in Egypt was 15.7 million in the year 1990 and 8.3 percent of them were unemployed (CAPMAS 1993 cited in Korayem 1996: 31). According to Assaad, between 1988-98 period unemployment in Egypt has increased from 890,000 to 1.72 million and from 5.4 percent to 7.9 percent of the total labour force (Assaad 2000: 14).

As per the estimates of World Bank (2001), there is a gradual increase in unemployment rate among the capable workforce in Egypt. If the rate of unemployed in the workforce was 7.6 in the year 1990 it went up to 10.1 percent in 1993. We will see a gradual decline in the rate of unemployment thereafter which eventually reached 8.8 by 1998 (see Table 4.15).

Table 4.15: Unemployment rate in Egypt, 1990-1997

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>7.6</td>
<td>8.4</td>
<td>9.2</td>
<td>10.1</td>
<td>9.8</td>
<td>9.8</td>
<td>9.4</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Source: World Bank and IMF estimate (different years).

According to the Social Development Report of India prepared by the Council for Social Development (2006), the rate of growth in employment halved from the rate in 1983-93 to 1993-99 period. If the average growth rate was 1.75 percent during 1983-93 in rural India, it was only 0.66 in rural India during 1993-94 to 1999-2000. The employment growth rate in Urban India has declined from 3.27 percent to 2.27
percent in the same period (Chadha 2003 cited in CSD 2006). The data show that during 1992-2000 periods there was only a mere 1.3 percent average annual growth in the employment in private sector and only 0.2 percent in the public sector. It was 0.6 percent in the private sector and 0.5 percent in the public sector in the year 2000 (ADB 2002). Based on this, we can conclude that, employment growth rate was very marginal in India during the reform period and this is completely disproportional to the growth rate of work force.

The 55th round of national sample survey projects that the absolute number of unemployed increased from 20 million to 27 million during 1993-94 - 1999-2000 period (Economic Survey 2003-04: 208). According to the estimates of the National Sample Survey Organisation during the 1999-2000 period 75.1 percent rural workforce engaged in agricultural sector (mostly unorganised) whereas this was only 7.9 percent in the urban area. The studies conducted by Ghosh and Chandrasekhar (2003: 141) shows that the average rural employment growth rate in India during 1993-94 –1999-2000 periods is only 0.66 percent, whereas it was 2.27 percent in urban employment.

Table 4.16: Employment growth rate in the public sector in India, 1991-1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Public sector</th>
<th>Private sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>1.52</td>
<td>1.24</td>
<td>1.44</td>
</tr>
<tr>
<td>1992</td>
<td>0.80</td>
<td>2.21</td>
<td>1.21</td>
</tr>
<tr>
<td>1993</td>
<td>0.60</td>
<td>0.06</td>
<td>0.44</td>
</tr>
<tr>
<td>1994</td>
<td>0.62</td>
<td>1.01</td>
<td>0.73</td>
</tr>
<tr>
<td>1995</td>
<td>0.11</td>
<td>1.63</td>
<td>0.55</td>
</tr>
<tr>
<td>1996</td>
<td>(-)0.19</td>
<td>5.62</td>
<td>1.51</td>
</tr>
<tr>
<td>1997</td>
<td>0.67</td>
<td>2.04</td>
<td>1.09</td>
</tr>
<tr>
<td>1998</td>
<td>(-)0.09</td>
<td>1.72</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Sources: Annual Economic Survey (Various Years), Planning Commission of India. Data published by Director General of Employment and Training, Ministry of Labour, 2004. Note: data regarding the labour in the organised sector

The employment growth rate in the public sector in India has shown a declining tendency after the introduction of reforms. The rate had gone down from 1.52 percent in 1991 to 0.8 percent in 1992 and 0.11 percent in 1995. The rate showed a negative tendency thereafter reaching (-) 0.19 in 1996 and (-) 0.09 in 1998 (see Table 4.16).
The trend was almost similar in the private sector as well. The growth rate in private sector employment increased from 1.24 percent in 1991 to 2.21 percent in 1992. It is interesting to note that private sector employment growth rate in the decade has reached its peak in the year 1996 – to 5.62 – when public sector employment growth rate doomed to (-) 0.19 percent. However, this tendency couldn’t sustain since the growth rate again went down to 1.72 by 1998. We shall see such a fluctuation in total employment growth rate. The growth rate has shown an overall decreasing tendency in the decade except 1996 (see Table 4.16).

The total employment in the organised public sector in India in the year 1981 was 154.84 lakhs. This had grown to 190.57 lakhs and 194.66 lakhs in 1991 and 1995 respectively. However, we can see a decline in the number of those who work in the organised public sector thereafter. It went down to 194.18 lakhs in 1998 and 191.38 lakhs in the year 2001. The private sector employment in India has also grown in the initial stage of reform, from 76.77 lakhs in 1991 to 87.48 lakhs in 1998. However, it went down to 86.58 lakhs in the year 2001. The total employment in organised sector has also shown a similar tendency. It did go up from 267.33 lakhs in 1991 to 281.66 lakhs in 1998 but went down to 277.89 Lakhs in the year 2001. We shall see a further decline thereafter and reached 270 lakhs in the year 2003 (Government of India 2004a). The significant point here is that the liberalisation policies has curtailed employment opportunities in the organised sector, both in public and private sectors in India.

In Egypt, there was a decrease in public sector employment in the year 1991, but it was reversed in the subsequent years. Different estimates show that the share of the state in total employment increased in Egypt despite liberalisation and privatisation during the period 1988-98. But a lion’s share of this increase was the increase in civil service (Ravallion 1997). It is interesting to note that, even in the midst of extensive privatisation programmes, public sector has remained the major provider of employment, both in Egypt and in India. In Egypt, only 16.2 percent of the employment is provided by the private sector, despite contributing a lion’s share of output to the national economy. It is the informal sector that provides 23.6 percent of the total employment (Awad 1999: 60). The peculiar nature and the constitution of organization of the private sector and the widespread use of technology are the two
factors that result in reduction of man power. Two important problems identified with private sector labour are namely, the job security and lack of social security schemes.

Decline in the real wage is the other major fallout of globalisation and the structural adjustment process. Though there was a marginal increase of 0.86 percent in the earnings in formal sector in India, the earnings in the informal sector has decreased to 2.53 percent (Government of India 2001). The inflationary pressures also have lowered the real wages in both states, so do the changes in fiscal policies. They also have created some negative impacts on the wages and employment since it was affected by indirect taxation. Trends show that in Egypt, the total wages and salaries of labourers had declined steadily after a minor increase in 1993-94 (El-Mahdi 1997: 27).

The wages and salaries had taken 49.1 percent of the share in urban areas and 26.4 percent of rural household income in Egypt in the year 1990/91 (CAPMAS 1993). But the change in the pattern of wages in public/private sectors created by the reform has brought some negative impacts on this. Consequently, the real wages have declined both in the public and in the private sectors. The unskilled labourers, who form a majority in both India and Egypt, are the main victims of the labour reform. Most of the unemployed belonged to the category of poor odd workers, struggling to meet both ends.

The ERSAP and SFD have made contradictory impacts on the employment sector in Egypt. When the Economic Reform Programme aimed at the direct reduction of employment, SFD aimed at the creation of more employment and human capital formation to tone down the harmful effects of ERP on employment and structural adjustment policies. The ambitious employment and retraining programme of SFD provided complete finance for training and refreshing, but in effect, it did not yielded the desired result. During the 1991/96 period, SFD had reported the creation of 1, 09,616 temporary and 2, 51,065 permanent jobs (El-Din 2002: 252) On the other side, the new scheme of voluntary retirement of male workers at the age of 50-58, and female workers at the age of 45-58 led to huge decrease in the total number of employees.
Social Funds’ Enterprise Development Programme was the largest among all small and micro-enterprise programmes started in Egypt during the liberalisation period and about LE 1.1 billion has been spent as loans for unemployed youths and fresh graduates with very low interest for self-employment projects. It is estimated that during the 1993-96 period EDP has generated 153,000 new permanent jobs. The Family Development Fund of UNICEF was another major initiative embarked on similar mission.

On the labour front, Social Fund for Training Programmes worked to increase the mobility of workers. The donors emphasized on increase in the productivity of labour. The development of a new way of understanding on efficiency was one of the major results of ERSAP, especially related to employment. As a result of the new reforms, the leases issued to the landowners were terminated and they were forced to join the landless labour groups.

Two major issues developed in the labour market in Egypt and India in connection with the SAP is the employment consequences involved in the transfer of publicly owned assets to the private sector such as reducing the bargaining power of the organized labour. The impact of privatisation of labour was critical since it had considerably reduced the organizing capacity of labourers on the one hand and increased their workload on the other. Briefly, the trends in the labour sector show that the positive hopes (Axford 2002) propagated by the exponents of globalisation that it would create more jobs and offer more income to people remained immaterialised at least in the case of developing states.

The experiences in the employment sector of the states under study make it clear that economic reform has intensified the problem of open unemployment in both the states. The employment generation programmes introduced in India did not materialise its goals. The failure of the state to introduce an adequate employment policy was the fundamental issue concerning the crisis in labour market in Egypt. Ironically enough, SAP left many unemployed and those who lost their employment as part of SAP remained a major group of new entrants to labour markets.
5. Income distribution

The distribution of income gains special attention in the discourse on social development in the era of liberalisation and structural adjustment. Socio-economic inequalities are predominant in almost all developing countries. These inequalities are very pertinent and are fundamental to the functioning of various institutions and to the very structure of the state. The process of globalisation in developing countries cuts both ways. It, of course, has promoted economic openness and growth, but parallel to these, it has worsened inequality at the global level\(^{40}\). This unequal growth definitely reflects in the pattern of the distribution of resources. There is a considerable gap in income distribution between and within the states and this gap has been increasing ever since the introduction of reforms. Experiences show that the policies taken to promote economic growth further expand the gulf between the rich and the poor both within and between countries. The World Development Report 2002 underlines that income distribution remains unequal in both India and Egypt. The study conducted by Adams (2003) on Middle East also testifies that, the economic growth has no statistical impact on income distribution in the region. This section provides a general overview of the pattern of income distribution in Egypt and India in the given period with a comparative perspective.

Table 4.17: Income distribution in India and Egypt

<table>
<thead>
<tr>
<th>Year</th>
<th>Richest 10 percent</th>
<th>Poorest 10 percent</th>
<th>Richest 20 percent</th>
<th>Poorest 20 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>India</td>
<td>Egypt</td>
<td>India</td>
<td>Egypt</td>
</tr>
<tr>
<td>1991</td>
<td>--</td>
<td>26.7</td>
<td>--</td>
<td>3.9</td>
</tr>
<tr>
<td>1994</td>
<td>25</td>
<td>--</td>
<td>4.1</td>
<td>--</td>
</tr>
<tr>
<td>1987-98</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1999</td>
<td>28.5</td>
<td>29.5</td>
<td>3.9</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Sources: *World Development Report* 2000/01

*UN Human Development Report* 2000; 2001; 2003

*UN Human Development Report* 2005: 272

CAPMAS 1993; 1995

\(^{40}\) The studies conducted by World Bank also show that the income distribution has worsened in most of the liberalised economies during 1990s. For details, see World Bank (2002), Globalisation, Growth and Poverty: Building an Inclusive World Economy.

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As per the estimates in 1991, the poorest 10 percent got a share of 3.9 percent and the next 20 percent got 8.7 percent of the total income in Egypt. The richest 10 percent got 26.7 percent of the total national income and another 20 percent occupied 41.1 percent (see Table 4.17). The increasing income gap and the resultant inequality in the distribution of income was a major outcome of SAP. In Egypt, the poorest 20 percent of the population possessed only 9.8 percent of the total income during the 1987-98 period and the richest 20 percent occupied 39 percent. The distribution was more unequal in India where the poorest 20 percent obtained only 8.1 percent of the total income and the richest 20 percent got 46.1 percent (WDR 2000/01). In India, the share of the poorest 10 percent in the national income was 4.1 percent and the 20 percent was 9.2 percent in the year 1994. It was 25 percent and 39.3 percent in the richest 10 percent and 20 percent respectively (UNDP 2000: 237-8). This considerable gap in the distribution was the result of the new policies and it remained as the major reason of poverty.

The estimate of UNHDR 2005 (2005: 272) points out to the further decreasing trends in income distribution in these states. The poorest 10 percent in the population had only 3.7 percent of the total national income in Egypt in the year 1999 and it was 3.9 percent in India. The richest 10 percent own 29.5 percent in Egypt, while they own 28.5 percent in India. It is 8.6 percent and 8.9 percent respectively among the poorest 20 percent and 43.6 percent and 43.3 percent among the richest 20 percent (see Table 4.17). Condition of the ultra-poor has further deteriorated since the support provided by state has been considerably removed as part of new economic policies. The overall trends in both states show that in Egypt and India, income distribution is becoming more unequal as the result of globalisation and liberalisation of economy.

The collapse of old social safety nets in the context of liberalisation was the major reason of increasing inequality in income distribution in developing countries. The economic reforms have produced a considerable gap in the rural-urban distribution of income too. A survey conducted by CAPMAS on Egypt shows that in 1990/91, the lowest 10 percent households in the urban area have only 2.5 percent of the aggregate income. This was 2.8 percent in the rural area. For the highest 10 percent, it was 32.6 percent in the urban sector and 26.5 percent in the rural sector (Korayem 1995). Likewise, lowest 30 percent households receive 13.5 percent of the
aggregate income in the rural sector and 11.7 percent in the urban sector. But in the highest 30 percent, it is 53.1 percent in rural and 58.6 percent in urban (Korayem 1995: 24).

Similarly, there is huge inequality in land distribution also, where 10 percent of the population own 50 percent of land in Egypt. It is more severe since a miniscule few almost 2 percent of the population own 33 percent of the productive land in Egypt. The liberalisation process further deteriorated the condition by the entry of international agriculture marketing companies and their effort to acquire land massively. This resulted in the increase in the number of rural landless.

The trends show that the level of income distribution is more equitable in Egypt compared to India, especially in the case of ultra-poor. In 1997, the people whose per day income was less than $1 constitute only 7.6 per cent of the total population in Egypt. It was 3.1 percent in the period 1990-2003 (WDR 2000/01& UNHDR 2003). The percent of people earning less than $2 per day was 52.7 in Egypt. Compared to Egypt, the percent of people in both the categories are very high in India. According to a 1997 statistics, people earning less than $1 per day is 44.2 percent and less than $2 per day is 86.2 percent in India (ibid). As the trends show, the disparities in income distribution have increased in both Egypt and India during the period.

**IV Subsidies, social development and reforms**

The government subsidies were a major device through which the effects of unequal distribution were managed in the pre-globalisation era. As we have seen, one of the major aspects of SAP was its emphasis on cut in subsidies. This was one among the contractive fiscal and monetary measures taken to handle the unfavourable economic situation in the developing countries. The programme not only ruled out the chances of more allocation for social sector but also reduced the government spending in social welfare⁴¹.

⁴¹ The total public expenditure in social development during 1990-98 in Egypt was only 1.8% of the GDP. It may be noticed that, in 1985-90 periods, the social security benefit expenditure alone was around 1.1% of the GDP of Egypt (World Development Indicators 2000).
In the year 1989, Egypt had such an extensive and highly subsidised public distribution system, where 93 percent of the households were covered under subsidised ration system. But many steps were taken as part of ERSAP such as reduction of the amount allocated for food subsidy programmes, raising prices and reducing quantity of goods provided through the public distribution system to destroy this. The allocation for food subsidy went down from LE 3786 million in 1984/85 to LE 865 million in 1994/95. It is important to note that the food expense has recorded an increase of 425 percent in urban and 391 percent in rural families over the period 1989-95 (Nasser 2002: 159). What the new programmes meant for supporting the poor like social fund for development did was reinstating the subsidies by allocating it to very limited sections.

In Egypt, food subsidies were administered by the Ministry of Trade and Supply. This had always a positive effect on poor people - the main subsidy recipients. However, the number of subsidized items and the amount of subsidies as a share of GDP has declined over the years. The percentage of the rate of subsidy as per the GDP went down from an aggregate 13 percent of GDP in 1980s to 4 percent in 1993/94 (Abdel-Fadil 1994 cited in EI-Laithy 1997: 152). The division of subsidies for various items were food - 4.8 percent, social assistances - 0.15 percent, electricity - 1.7 percent, water - 4.9 percent and education - 4.9 percent (Nemat 1998: 254). The cut in subsidies led to a 170 percent increase of the price of essential commodities in Egypt. Since the end of 1990s, the major subsidized items available in Egypt are bread and wheat flour. State ensured the supply of these (though in limited quantity) for less than 30 percent of the market price. Besides these two items, sugar and edible oils are also distributed through private grocery stores for subsidized price. Anyhow, such limited measures in public distribution and broken safety nets failed to protect the poor from the maladies of free market system.

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42 A two-type ration card system is in Egypt. Green card holders are eligible for full subsidy and red cardholders are eligible for partial subsidy.

43 Food subsidy was 19.5 percentage of total Government Expenditure in 1981/82 and 9.2 percent in 1989/90. This was given mainly for wheat, wheat flour, edible oil, sugar, maize, rice, lentils, chicken and meat. Bread was a major subsidised item.

44 It is available for less than 60 percent of the market price and half kilos respectively for those who are having ration card.
As per the estimates of the Department of Economic Affairs (Government of India 2004) in India, the subsidy percentage of GDP has shown a diminishing tendency throughout 1990s. It was 2.1 percent of the GDP in the year 1990-91, just before the country entered the liberalisation regime. A gradual decline in subsidies thereafter can be noticed. The percentage of GDP on rate of subsidy went down to 1.1 percent in the year 1995-96. It was 1.3 percent in 1999-2000 and 1.4 percent in both 2000-01 and 2001-02 (Government of India 2004). Similarly, the share of subsidies in the expenditure of the central government went down from an average 32 percent in 1980s to 15 percent in the year 1997. Consequently, the total government expenditure for subsidies in India has declined from 44 per cent in 1985 to 38 percent in 1997 (Maqbul Haq Human Development Centre 2002: 46). The result was a sharp decline in the central government revenue expenditure on rural development and in fertiliser subsidies. Consequently, the agriculture sector of the state collapsed and poverty among the rural population increased significantly.

This phenomenon severely affected the social security programmes of the country. Reduction of government expenses in medical care and public health energised a downward trend in social development. The introduction of certain new social security measures like JRY, TRYSM, and IRDP had only limited effects in addressing such issues. What makes the Indian situation different is the belated appearance of the impacts of subsidy cuts. Anyway, the most important victims of the reduction of subsidies were the poor and ultra poor in both the states.

Public distribution system in India was a major institutional mechanism through which the state had ensured the minimum availability of food grains to the poor at affordable prices. However, like in Egypt, public distribution system in India also has undergone a drastic change ever since the introduction of liberalisation policies. Among the policies and programmes that came attached with liberalisation, what made the maximum damage to public distribution was the reduction of subsidies. In both the States radical restructuring of public distribution system has eliminated many households from the list of beneficiaries of this system. The dictums of neo-liberal agencies made it unavailable to a considerable number of poor people. Moreover, the procedures meant for demarcating ultra poor from others are extremely corrupted. Consequently, many eligible families could not find a place in the
beneficiary list. It is very clear that, there is a link between collapse/reduction of public distribution system and expansion of acute poverty in India and Egypt.

We have already made an overview of the vicissitudes in social development of Egypt and India in connection with globalisation and structural adjustment. The failure of state in converting economic growth to the total welfare of the people is an important feature in social development in connection with globalisation. There are many similarities in the impact of new policies on social conditions of the poor in Egypt and India. In the new situation, the poor are forced to engage in long working hours like an average 12 hours a day. Similarly, the private sector relies heavily on young people who are ready to work on provisional terms that increased job insecurity. The increasing exploitation of unskilled workforce of women by the private sector was a major aspect of labour market of both states.

V Conclusion

An overview of the indicators in the World Development Reports, United Nations Human Development Reports and Human Development Reports and various other development reports of Egypt and India give a clear picture of the impacts of institutional changes like privatisation that took place as part of globalisation/SAP on social development in India and Egypt. Generally, there is a clear set back during the period visible in social development, the indicators being poverty, unemployment and distribution of income. This is particularly important compared to the considerable economic growth that both states achieved in the period. The absolute material poverty has remained unchanged and the inequality in the distribution of income increased. The improvement in the human poverty level is also insignificant because, some of the estimates still projects that an average 30 per cent of the population remained Below Poverty Line in the period under study.

The impacts of the measures are also to be taken into consideration while we evaluate the trends in social development. There is an un-proportional relationship between the consequences of structural adjustment and the impact of these new social security measures because they have put less attention to build institutional mechanisms and technical capacity in the areas where poor/ultra poor were living. This was necessary in a context where problems were becoming more severe to be
dealt only with the existing measures. This is the reason why more emphasis has been
given to the non-economic dimensions of development such as governance on the one
hand and enhancement of human and social capital on the other (Sayyid 2002). The
regimes later on realised the limitations of Structural Adjustment and liberal market to
address the social crisis.

The effectiveness of the new social programmes need critical appraisal
especially in the context of the entry of many new agencies in the social development
sphere that replaced the state agencies largely. There is an unprecedented increase in
the level of involvement of NGOs and their influence in decision making as far as
grass- root level development is concerned. As we have seen, the entry of private
sector in various social services is a major change experienced by developing states in
general and the states under study in particular, in the post liberalisation period.
Limited state resources and mounting deficit were pointed out as the reasons for
expanding involvement of private agencies and NGOs in the social sector. When they
replaced state in the social sector, the element of ‘service’ missed from the social
engagements since these new agencies were functioning primarily as per the logic of
market.

In the education sector, the entry of private sector has intensified the corrosion
of state sponsored education system. This led to the reduction of education facilities
and opportunities for the poor and other marginalised sections of the society. The
major limitation of these institutions is that they are functioning on commercial basis
and therefore accessible only to the well off sections in the society. Similarly, the
health sector indicators show that private sector is growing very fast compared to
public sector. One major problem with private sector initiatives in the health sector in
both the states is that it totally abstained from preventive medical services and
engaged only in therapeutic medical services. Urban concentration of activities was
another major drawback of privatisation of health sector45. In India, this has affected
very badly the ongoing rural health programmes under the auspices of state. The
condition of rural health system and programmes were equally problematical in India

45 Indicators show that, more than 80 percent of the physicians remained in urban areas in Egypt
(CSDC 2001: 34).
and the comparatively low utilisation rate of public sector institutions badly affected
the health conditions of the poor.

A common aspect of the Indian and Egyptian experiment with liberalisation is
that state has failed to ensure a human face to its ambitious economic liberalisation
programme. The state has abandoned the much-needed social policies like subsidised
supply of food-grains and social services on the one hand and started indiscriminate
endorsement of private sector on the other hand both affected very badly the people in
the lower strata of the society. What is evident from the trends in income distribution
is that the constant economic growth marked by the new policies and reforms in fact
benefited a small group of people. While the poor and underprivileged are further
marginalised, the groups possessed wealth and power historically have gained from
this transition. The high social cost of the economic growth has attracted particular
attention of those who engaged themselves in the debates.

While making a comparative overview of the social development indicators,
the trends show that, Egypt has a better performance scale than India. The democratic
setup in India where participation of people in the political process did not make any
special advantage as far as the conversion of economic growth into social
development is concerned. It is the weak and fragmented administrative and
institutional capacities of the Indian state on the one hand and its huge geographical
size and the large number of population on the other that remained a hurdle to share
the results of its amazing economic growth with the poor people. Besides, it is also
important to note that the state faced certain problems in managing the institutional
and structural changes introduced as part of new reforms.

It is clear from the previous debates that, the crisis in social development is
mainly related to the distribution of resources. One of the major reasons of this is the
incapability of the institutions of governance to ensure even-handedness in resource
distribution or to block the accumulation of wealth in the hands of few. The
institutional and structural changes introduced in the states as part of globalisation
could not address this effectively. The substantial economic growth that the states
achieved and the ever-increasing gap in income distribution confirm the conclusion.
The complex social system in India acts as a disadvantage to the Indian state in
developing an equitable distribution system. Policies taken by neo-liberal institutions and the emphasis on the logic of market further deteriorated this.

One aspect, which is clear in the previous debate, is that it is not the structure but the administrative and institutional capacity of the state that really matters in the question of distribution. This is the reason why the proponents of Post Washington Consensus have given more attention to building the capacity of state in addressing the social crisis of the developing countries under neo-liberal development model. Indeed, the government action in the social sectors is of special importance because the experiences show that high economic growth without effective government intervention does not bring equity in social development. In fact, a discontinuation of state support has deteriorated the condition of the low-income strata of the society who were the major beneficiaries of social services in Egypt and India. On the other hand, the institutional changes taken place as part of globalisation have remained exclusionary to the poor people largely.

Poverty is a complex and multifaceted phenomenon in the developing states. One major limitation of the neo-liberal development model is that it failed to identify this fundamental aspect of poverty in the developing world. In this context, it is important to locate the poor, especially their role in and access to new institutions and programmes like NGOs, private markets, social fund, social capital and other rural development programmes. Similarly, the capacity of those grass-root level institutions or the NGOs work for social development, to properly identify and effectively address the concerns of the poor remains an important issue. To conclude, the comparative study/analysis of the institutional changes taken place as part of structural adjustment programme and liberalisation policies of Egypt and India and its impact on the social development policies of the states indicates that the impacts are rather similar. This is very clear from the measures taken, policies followed and the consequences faced by the states despite having varied political structures.