

## Chapter 2

# Theory and Practice on the Nexus Between Poverty, Natural Resources and Governance

**Abstract** This chapter is about theory and practice on the relationship between poverty reduction, natural resources and governance. The objective in this chapter is an attempt to offer a systematic explanation to the questions: Why poverty? Can poverty be alleviated? And if yes, by what strategies or how can livelihoods be made sustainable? The underlying objective of any theories is to provide systematic explanation between phenomena or events and their occurrence. Having settled on specific theoretical stance, individuals and/or societies will then embark on implementing such theoretical precepts, hence the practice. Therefore, this chapter incorporates Islamic theoretical stance and other conventional theoretical perspectives on the subject matter.

## 2.1 Introduction

In this chapter, the authors have reviewed studies so far conducted on the topic. It is done in three separate but mutually complementing ways. In the first part, a theoretical framework that guides the study has been presented. The second part contains a review of scholarly studies conducted theoretically or library research, and the third segment has examined studies conducted empirically or field research.

## 2.2 Theoretical Framework on the Causes of Poverty

The theoretical framework consists of two main components. The first component presents the Islamic perspective of poverty, while the second component examines the conventional perspective.

### 2.2.1 Islamic Perspective of Poverty

The basic aim of a theory is an attempt to show a causal relationship between an event or a phenomenon and its occurrence. In other words, it is an attempt to offer a systematic explanation as to why and how a particular phenomenon emerges. In the Islamic doctrine, Allah (s.w.t.) is the source of everything. *'To Him is due the primal origin of the heavens and earth: when He decrees a matter, He saith to it: "Be", and it is'* (al-Qur'an, al-Baqarah 2: 117; English translation by Ali 2001). It then follows from this belief that He is the ultimate 'cause and effect'. Put differently, nothing happens or emerges except by His will (*bi isni Allah*). However, certain events or phenomena occur on earth because of the actions or inactions of humankind, probably due to the limited free will Allah (s.w.t.) has given man.<sup>1</sup> The Holy Qur'an attests to this argument, *'Whatever misfortune happens to you is because of the things your hands have wrought and for many (of them) He grants forgiveness'* (al-Qur'an, al-shūrā 42: 30; English translation by Ali 2001). This buttresses the fact that the causes of some events or phenomena can be searched for within human actions. The administrative legacy of *Khalifah Umar (r.a.)* is a testimony of human actions as underlying causes of some events as far as poverty alleviation is concerned. *Khalifah Umar bin Abd Aziz (r.a.)* has exemplified this 'handy' proposition exposed by the Holy Qur'an. *Sayyadina Umar's era (r.a.)*, undoubtedly, has best been described as the glamorous age of Islam after the Holy Prophet Muhammad (s.a.w.). As acknowledged in *albalagh*<sup>2</sup> *'Sayyidna Umar, (Radi-Allahu anhu), was a great administrator whose examples are unparalleled not only in Islamic history, but also in the history of modern civilization'*.

#### 2.2.1.1 Islamic Public Welfare

Numerous factors collectively earned *Sayyadina Umar (r.a.)* an enviable administrative record of accomplishment, as accounted in the preceding section. However, institutionalising and administering the Public Treasury (*Baitul-Mal*) to help curb poverty, squalor and want to the barest level has been of great relevance to this current study. *Sayyadina Umar (r.a.)* appointed Abdallah bin Arqam to head this department. Zakat was the prime source of revenue for this Public Treasury. This has been corroborated in the following statements:

1. *Zakat*—2.5 % of wealth for the poor. This was only applicable to Muslims.
2. *Jizya*—defence tax paid by non-Muslims living on Muslim lands (dhimmis).

<sup>1</sup>The lead author benefitted immensely from his personal conversations with Professor (retired) Saiyad Fareed Ahmad in Dallas, Texas, USA (my M.A. thesis supervisor) on this subject. For details, see his article entitled 'Why Does God Allow Evil and Suffering?' *Hamdard Islamicus* Vol XXIX, No. 1, 2006: 89–106. See also his book *God, Islam, and the Sceptic Mind: A Study on Faith, Religious Diversity, Ethics and the Problem of Evil*. (2004). Blue Nile Publishing Co-authored with Salahuddin Saiyad Ahmad.

<sup>2</sup>For more information, visit: [http://www.albalagh.net/kids/history/administration\\_umar.shtml](http://www.albalagh.net/kids/history/administration_umar.shtml)

However, the poor, the sick and crippled, women, children, aged, priests, and monks were exempted from the following forms of tax:

3. *Ushr*—a special land tax on especially large holdings (one-tenth of produce)
4. *Khiraj*—a land tax
5. *Ghanimah*—one-fifth of the war booty
6. Tax on non-Muslim merchants and traders (because they did not pay Zakat, while Muslim traders did) (ibid).

The revenue accrued from these sources was spent on the poor and needy. 'The weak and disabled, both Muslims and non-Muslims, were granted allowances. A person who became an invalid or too old to earn his living received maintenance allowance from the *Bait-al-Mal*. Children without guardians were brought up at state expense' (ibid). *Sayyadina Umar (r.a.)* also undertook social, public services and projects such as:

1. Establishing military offices
2. Keeping record of the growing population
3. Building many canals in different provinces
4. Planning and developing many cities including Basra, Kufa, Cairo, etc.
5. Providing housing for thousands of people
6. Setting up official governments in all conquered territory
7. Establishing a police force
8. Undertaking nightly patrols himself to check on the safety and needs of the public
9. Building rest houses and wells alongside various routes for the convenience of travellers (ibid)

These services and projects were undertaken solely to improve public welfare and to harness living conditions, especially for the underprivileged poor and needy. The eminent question here is: What prevents the Muslim World (of the twenty-first century) from emulating, by putting into practice, this enviable and virtuous legacy of the glorious days of Islam? This study has sought diligently to find the right answer to this question. It is for this reason that the researcher seeks a systematic explanation on the likely causes of poverty and the suitable measures to alleviate poverty, especially in the Muslim countries. One such theoretical exposition, which appears more suitable for the current study, has been that put forward by Muhammed Abdul Rahman Ibn Khaldun.

### 2.2.1.2 Social Cohesion

The concept of *`Asabiyya* has a long history dating back to the pre-Islamic era where it was positioned in a context of 'tribalism' and 'clanism'. However, Ibn Khaldun gave an elaborative analysis of the concept in his book entitled '*Muqaddimah*' or the Prolegomena in Latin, which he wrote in 1377. *`Asabiyya* or *asabiyah* is most often construed as social solidarity emphasising 'unity, group consciousness, and social cohesion. This cohesion arises spontaneously in tribes and

other small kinship groups; and it can be intensified and enlarged by a *religious ideology*'.<sup>3</sup> Ibn Khaldun gave an account of how *`Asabiyya* could build and destroy dynasties and empires. *`Asabiyya* is explained 'as the fundamental bond of human society and the basic motive force of history'. The concept of *`Asabiyah*, or "social cohesion", seems to anticipate modern conceptions of social capital arising in social networks' (ibid).

What is explicit in the above exposition has been the fact that social cohesion, social solidarity, unity, group consciousness or in whatever term the concept of *`Asabiyya* may be described presupposes togetherness or 'we-feeling' and social inclusion, which stands parallel to social exclusion. Ibn Khaldun's *Asabiyya* has a tremendous influence on the modern and Western analysis of 'social exclusion', which appeared in the literature as recent as in 1974 through the efforts of a French scholar Rene Lenoir (Islam 2005, p. 5). Prior to Rene Lenoir's analysis of social exclusion, however, the German Sociologist called Georg Simmel (1858–1918) gave a coherent explanation of exclusion and inclusion of the individual in the society way back in 1908.

Rene Lenoir, in his analysis, has emphasised the exclusion of individuals from the 'employment-based social security system'. On face value, this kind of security policy apparently suggests that people who may be unemployed are exempted entirely from any social security or safety nets, that is, if this policy remains the only alternative safety net. This situation will further worsen the plight of the hardcore poor.

### 2.2.1.3 Social Exclusion

Social exclusion gained much currency and gathered momentum in the 1980s in France following widespread social and economic repercussions of 'technological change and economic restructuring', which resulted in widespread unemployment, homelessness, broken homes, etc. (ibid). This theoretical perspective, the researcher believes, seems to be conveying the message that exclusion in whatever form places some individuals at the disadvantage and further makes such people vulnerable to certain social, economic and political shocks in the society. Four factors that determine exclusion are worthy of notice if one may understand exclusion through market institutions, the state and the civil society.

These factors include the following:

1. The transnationalisation of economy, modernisation of society and decreasing role of the nation state
2. Change in the supply and distribution of economic, political and cultural assets in the face of unpredictable change

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<sup>3</sup>This underscores the important role that Islam can play to forestall poverty, squalor and deprivation among Muslims, if religious solidarity is placed on the right context. For details, visit: "<http://en.wikipedia.org/wiki/Asabiyyah>".

3. Social and political structures through which power is exercised and relationships among groups and individuals are defined
4. The nature of the state and its role in the process of allocation and accumulation (ibid)

Silver (1996) believes that social exclusion can be explained within three paradigms, which include (1) solidarity, (2) specialisation and (3) monopoly. The first paradigm—solidarity—emanates from the existing moral integration of a society and its cultural cohesion. The absence of this makes exclusion imminent. This paradigm was extensively analysed by Rousseau in his ‘Republic’ and by Emile Durkheim in his ‘Collective Representation’. The second paradigm—specialisation—makes particular reference to liberalism having in mind ‘the philosophy of Locke and Madison’ in which much emphasis is placed upon interdependence of specialised areas of society in terms of exchange of goods and services (Silver 1996 cited in Islam 2005, p. 6). The most likely end result of liberalism is discrimination leading to exclusion. The final paradigm—monopoly—explains exclusion in terms of creating monopoly groups through the ‘mechanisms of class, status and political power’. To avoid this, there should be the practice of participatory democracy and the respect of ‘citizen rights’. Silver (1996) bases his analysis of monopoly on the views of Max Weber, Karl Marx and Marshall.

Silver’s (1996) analysis of social exclusion may be summarised in three points: (1) morality, (2) liberalism and (3) authority. Based on the current study, it is apparent that alleviating poverty to improve livelihoods is a noble and moral obligation known to every Muslim. For that reason, the institution of Zakat seeks to promote this moral integration. Liberalism, which is understood as individual freedom, is endorsed and granted by Islam. However, there is a limit to the freedom of an individual. This, in effect, is to check the possible misuse of the freedom accorded to man. For instance, an individual may choose to refuse paying Zakat even though his/her acquired wealth is due for Zakat. To check this undue freedom, it is permissible, in this instance, to use reasonable force to collect payment from such individuals, thereby curtailing the elasticity of extreme freedom. Power accompanying authority must be exercised in consultation of the ruled. This will avoid exclusion in all its manifestations. This is why consultation is a crucial element of administration in Islam.

Social exclusion offers a broader picture of deprivation by focusing on societal mechanisms, institutions and strategic factors that cause it (Islam 2005, p. 6). Rogers (1996) posits that social exclusion offers a multidimensional and multidisciplinary view of poverty and allows us to understand poverty as a process (Rogers 1996 cited in ibid). Social exclusion was officially acknowledged at the World Summit in Copenhagen, Denmark, in 1995 as ‘a major problem alongside poverty’.

The application of social exclusion theoretical perspective to the study of poverty has widened the scope of poverty analysis from the usual ‘goods-centred’ approach to include the ‘people-centred approach’. In the former approach, attention is placed upon ‘the command of commodities that led to greater utility and welfare’, while in the latter approach, attention is given to ‘human capabilities and their freedom of

choice' (Islam 2005, p. 6). It should be stressed, however, that not every exclusion leads to poverty. Nevertheless, this study believes that social exclusion has the highest probability of putting some individuals in difficult conditions, thereby making them vulnerable to any social and economic shocks that may emerge. Moreover, when applied to the already poor, social exclusion worsens their plight.

The researcher prefers this theoretical perspective for one reason; that is, it replicates the Muslim *Ummah* in character as advocating an all-inclusive, closely knit and all-embracing social set-up.

## 2.3 Other Theoretical Explanations of Poverty

Theories explaining the causes of poverty the suitability of which the researcher assesses include (1) the individualistic theory, (2) culture of poverty, (3) structural theory, (4) geography of poverty and (5) cycle of poverty.

### 2.3.1 *The Individualistic Theory of Poverty*

The individual, according to this theoretical perspective, is the cause of her/his poverty because she/he is lazy. This perspective grew out of the belief in the colonial days that poverty was the 'natural result of individual defects in aspiration or ability' (Schiller 1998, p. 3). The individualistic theorists draw on the argument that through hard work and informed choices, the poor could have avoided (and now can remedy) their problems. Others within this theoretical lineage, aside from the laziness labelled against the poor, attribute the cause of poverty to the low intelligence of the poor (Bradshaw 2006, p. 6).

Beliefs of this nature partly accounted for the emergence of the Eugenics Movement or Puritanical Humane Society in the nineteenth century. The Eugenics movement advocated the need to sterilise individuals who possess 'limited abilities' (ibid). Green and Hulme (2005) referred to Douglas's (1991) essay on the link between leprosy and poverty in medieval England when leprosy was regarded as a contagious disease warranting the expulsion of lepers. A belief that was influenced largely by changes in social attitudes, particularly changes in tolerance towards the poor. This is because there was no increase in mortality rates in areas affected by leprosy during this period that warranted the ill-treatment of the lepers (Douglas 1991, p. 731 cited in Green and Hulme 2005, p. 872).

Green and Hulme (2005), therefore, argued that similar ideas about poverty persist in the society where the poor are identified with 'a dangerous moral degradation, as in contemporary United States political mythologies about the 'underclass'' (Green and Hulme 2005, p. 872). The crux of this perspective, which is sometimes referred to as the 'Flawed Characters' was captured in the Puritanical Humane Society's conviction that misery was ordained 'by a just and inflexible law of

Providence' to accompany vice (Schiller 1998, p. 3). The perspective is also known as the Social Darwinian Theory of Poverty, which is grounded in Charles Darwin's evolutionary exposition in which he postulated that creatures that could not withstand the prevailing conditions in the process of their evolution possessed feeble qualities and would eventually die off. Herbert Spencer is believed to have also blamed the poor for their poverty and in such similar line of reasoning coined the phrase, 'The survival of the fittest' (Black's Academy 2002, p. 1).

Assessing this theoretical perspective at this stage reveals its apparent weakness. 'Survival of the fittest' seems to convey the message that animals (including humans) that are unfit to face the stern, competitive conditions of the world die off completely, thereby leaving behind the capable ones. However, in the case of poverty, instead of the poor dying off completely or drastically their number is steadily escalating. This observation lays bare the unsuitability of this theoretical perspective for this current study. Furthermore, the researcher is with the strong conviction that with the appropriate measures, the 'lazy' poor people who are supposedly poor due to their laziness can be purged of their laziness.

Again, this current study believes that individuals who are labelled as being lazy may be lazy because they are socially excluded from the much-needed means, which smothers their innate initiatives, to attain their goals. This issue forms the theoretical premise of the next theory to be discussed—the culture of poverty. In this light, the 'lazy individuals' must be identified and assisted with capital and other essential opportunities to either commence a trade or learn a profession and could be assisted regularly. As noted by Schiller (1998, p. 3), theories of sin and immorality did not fare well in this modern era. For that reason, 'motivation' or 'work ethic' for the poor is much emphasised.

Subjecting the individualistic theory to a theological explanation, some theorists argued that people who found themselves in unfortunate conditions, for instance, the blind, cripple and lepers including the poor, are atoning for the sins or the sins of their parents. Contrasting this, they argued further that those who are wealthy (including, of course, good health) are those favoured by God. In assessing this argument, the researcher agrees that it is true that God favours some above others. However, the so-called favours and misfortunes could be trials in disguise to determine who the genuine servants are among His creatures. In other words, these 'favours' and 'misfortunes' may constitute divine tool most probably to sieve the grains. Man, therefore, must be circumspect in such conditions. Consequently, Allah (*s.w.t.*) exhorts those who have been favoured (in the context of the current study the nonpoor) to share their blessings (wealth) with the less fortunate (the poor).

Still in the individualistic theory, the neoclassical economists argued that all people have their set of abilities to be able to maximise their well-being by investing in those abilities. If some individuals chose and acted otherwise which failed to improve their well-being, then such individuals, according to the economic concept of human capital, should be held solely responsible for their predicament (Schiller 1998, p. 3). For instance, attending college to get the degree has been seen as investing in one's productive capabilities (*ibid*). As convincing as the human capital

theoretical argument may appear, one must not be oblivious of the fact that there is hardly any attempt to level the playing ground both within countries and among countries for individuals to have equal access to livelihood opportunities. This study argues that these socially and economically generated inequalities have largely condemned more people to recurrent poverty. Therefore, there is a dire need to ensure an ethically based redistribution of both the national and global cakes within countries and across countries. How possible can this be? The current study has explored this segment.

### 2.3.2 *The Culture of Poverty*

The ‘culture of poverty’ was coined by Oscar Lewis—an American Anthropologist—in 1959 (Islam 2005, p. 3) through a study conducted on the urban poor in Mexico and Puerto Rico. The culture of poverty argues that the poor cultivate certain values and norm that stifle their motivation and desire to escape poverty (Schiller 1998, p. 115). People’s culture is not only about their behavioural aspect but also about the values, norms and aspirations of their behavioural system (ibid). That said, culture of poverty could then be explained as the behavioural characteristics that make it extremely hard for a particular people to escape the clutches of poverty. These characteristics are capable of being transmitted from generation to generation.

Unlike the individualistic theory, theorists who towed the line of the culture of poverty placed the blame squarely upon the dominant culture of society that allows the growing of such subculture. The poor, according to this perspective, are the unwilling victims of a dysfunctional dominant culture. The culture of poverty is nurtured by certain special conditions such as ‘an economic setting of cash economy, a high rate of unemployment and underemployment, low wages, and people with low skills’ (Islam 2005, p. 3). In the absence of any voluntary or state support and stable family, the low-income class tends to develop the culture of poverty against the dominant ideology of accumulation of the middle class (Islam 2005, p. 1). In that light, Leacock (1971) put culture of poverty simply as the ‘mold which produces a uniform set of characteristics in those growing up under its influence’ (p. 13).

People with this culture are more likely to feel marginalised, helpless and inferior and can cultivate a habit for the present (Black’s Academy 2002, p. 2). This is because these people are faced with chronic poverty and have remained poor for a chunk of their life course and may transmit their poverty to subsequent generations (Hulme and Shepherd 2003, p. 405). The main argument in this theoretical perspective may be summarised as follows: the culture of poverty begets perpetual poverty. As evident in Oscar Lewis’ words:

Once the culture of poverty has come into existence, it tends to perpetuate itself from generation to generation because of its effect on children. By the time slum children are six or seven, they have usually observed the basic attitudes and values of their subculture. Thereafter they are psychologically unready to take full advantage of changing conditions or improving opportunities that may develop in their lifetime. (Oscar Lewis 1966 cited in Schiller 1998, p. 117)

It is observed that people with the culture of poverty are usually passive to most activities going on around them. They hardly take part in community life or in politics. They do not undertake any business transaction banks, attend hospitals, etc. (Black's Academy 2002, p. 12). Literally, the citizenship of the poor is taken away from them because, as Oliveira (2002) contended, citizenship grew out of active participation in civic life (p. 16). Policy implications of this theoretical perspective include the following: (1) the need to surmount obstacles that lie in the way of the poor to bring them closer to opportunities that will engender higher incomes and (2) the need to increase the poor's self-enhancement and citizen rights to enable them function as active and productive members of the society. Until the poor are fully integrated into the mainstream and dominant culture of the society reminiscent of the middle class, the culture of poverty is far from extinction within certain quarters of the society. This is because the culture of poverty embodies attitudes, belief system and values that are born out of prolonged deprivation and neglect.

It is of paramount importance here to mention the institution of Zakat—a faith-based institution through which solace and deep concern are provided mostly to the less privileged. Therefore, with effective public support for a functioning institution of Zakat, the ability to check the upsurge of the culture of poverty within some sections of the populace in the Muslim world can be bolstered.

### 2.3.3 *The Structural Theory of Poverty*

To the structural theorists, poverty is due to the structure of the larger socio-economic order. The macrostructure of the society produces inequality, which leads to poverty (Islam 2005, p. 4). Referred to this perspective as 'restricted opportunity', Schiller (1998) argued that the poor are poor because the system has discriminated against them. Such people had little access to education, jobs, housing, etc. They get no tax breaks and many of the public goods and services (p. 4). In the wake of such extreme external barriers or structural bottlenecks, little chance is available for the poor to escape poverty (ibid).

According to Hickey and Bracking (2005), the persistence of poverty is an indication of its institutionalisation within the social and political norms and institutions, and its legitimisation within the political discourse (p. 851). As a remedy, Hickey and Bracking (2005) called for the allocation or reallocation of resources and the shifting of power relations within which chronic poverty is embedded (ibid). With particular reference to rural poverty, Richardson and London (2007) posited that the relationship between poverty and structural inequities is not accidental or incidental but structural and causal (p. 92). For the solution, they called for breaking these barriers first to be followed by building rural economies (ibid, p. 99). However, Oliveira (2002) has made it clear that fighting structural poverty seeks to only strengthen the capacity of the poor to fend for their livelihoods, but not to turn people 'into passive and permanent beneficiaries of assistance programmes' (p. 15).

The structural theory of poverty has its roots in the Marxist doctrine in which the argument that the existence of low-income class is the creation of the capitalist economic system, or the bourgeoisie, as a strategy for dominance. In assessing this perspective from Islamic perspective, it needs to be clarified that private ownership of property is permissible in Islam. However, such properties must be acquired genuinely. This calls for the interventions of governments largely to provide a level playing ground for the equitable and justifiable wealth acquisition and redistribution. This is why the current study has investigated the role of governance in poverty reduction programmes in the selected countries.

### 2.3.4 *Geography of Poverty*

Attempts to theorise poverty along the line of geographical disparities led to the emergence of geography of poverty. Referring to Adam Smith's hypotheses in his *Wealth of Nations*, Sachs et al. (2001) noted that in addition to Smith's view that governments must pursue free-market economic policies, he also acknowledged the importance of physical geography of regions in their economic growth. He is believed to have argued that due to easy access to sea trade, the economies of coastal regions relatively performed better than the economies of the inland areas. Empirically testing this hypothesis, Sachs et al. (2001) found positive association between geography and the distribution of 'world income and economic growth' (pp. 1–6).

The use of geographical disparities in poverty analysis presupposes the concentration of poverty in some particular areas, communities, localities within countries and among regions in the world. Some explanations given about the factors responsible for poverty include 'disinvestment, proximity to natural resources, density, diffusion of innovation and other factors' (Morrill and Wohlenberg 1971, pp. 57–64 cited by Bradshaw 2006, p. 12). The economic agglomeration theory explains that 'strong industrial clusters' emerge because of the ability of similar firms in proximity to pull supportive services and markets, which further attracts more firms.

Similarly, the proximity of poverty conditions creates widespread poverty. The attraction of businesses and firms away from other locations to particular locations presupposes the likely impoverishment of the 'other locations'. For example, low housing prices in such impoverished locations may attract more poor people, thereby leading to housing disinvestment by building owners (ibid). In an empirical study entitled *Geography of Poverty and Wealth* in Great Britain, Green (1994) concurred that through the geographical perspective, the salient variations in the *degree* and *extent* of poverty and wealth between different regions and different sizes of urban areas become apparent (p. 55).

Thus far, one can understand quite clearly why the state has to intervene from time to time to ensure that the distribution of industries and firms in the

countries is not geographically skewed heavily. This can be achieved by using tax incentives partly to attract some industries to certain areas within the country. A policy can be utilised among the Muslim countries to grant tax reliefs to certain strategic and labour-intensive industries to enable them provide jobs for the unemployed. Most of the poor people would have acquired incomes, thereby escaping the poverty trap.

Lastly, and with particular reference to the Central Place Theory, 'the lack of infrastructure that allows development of human resources [at any given place or area] limits economic activity that might use these resources' (Hassen 1970 cited by Bradshaw 2006, p. 13). It has long since become a conventional belief that 'advantaged areas stand to grow more than disadvantaged areas even in periods of general economic growth'. Solutions suggested to deal with poverty associated with geographical disparities favoured tackling the main factors that precipitate 'decline in depressed areas' (ibid).

### 2.3.5 *The Cyclical Theory of Poverty*

The cyclical poverty has been explained as poverty that may be widespread; however, the duration of its occurrence is short-lived (Encyclopædia Britannica 2007). This kind of poverty occurs when individuals or households suddenly are unable to provide for their necessities due to unforeseen circumstances like natural disasters. Pertaining to the causes of cyclical poverty in the traditional and nontraditional societies (or industrial and agricultural societies), the main triggers of cyclical poverty in the traditional societies are natural phenomena and/or poor agricultural planning, which lead to temporary food shortage. In the industrial societies, cyclical poverty is caused mainly by 'fluctuations in the business cycle, with mass unemployment during periods of depression or serious recession' (ibid). The 2008 economic crises, caused by the credit crunch in the USA, is a classical example of such causes of cyclical poverty. Following this economic downturn, most employees who were hitherto living way above the poverty line have been plunged back into poverty.

In his analysis of chronic poverty, Green and Hulme (2005) contrasted implicitly chronic poverty 'with the shorter-term periods of poverty that people may suffer as a result of seasonality, a downturn in the business cycle or temporary household level shocks' (p. 875). Transitory poverty, unlike chronic, is when people move in and out of poverty (Hickey and Bracking 2005, p. 852). Cyclical poverty may partly appear transitory as people who experience it could move in and out at the onset of its triggers. Consequently, when circumstances that lead to cyclical poverty set in, the plight of the already poor becomes worse. It is in that light that some pragmatic policy instruments should be taken, with the state in the lead, to contain the adverse impacts of cyclical poverty and to check the setting in of most triggers of this kind of poverty.

## 2.4 Theoretical Perspective of Poverty, Natural Resources and Governance

In this section, the authors have reviewed studies that document findings emanating from secondary sources.

### 2.4.1 *Good Governance*

Good governance has been highly favoured by almost all the international development agencies, particularly so when it comes to giving out development assistances to the developing economies. For this reason, the World Bank has defined good governance as ‘synonymous with sound development management’ in four important and complementary spheres, namely:

1. Public sector management, that is, managing financial and personal resources effectively
2. Accountability, meaning government officials must be held accountable for their deeds
3. Legal framework for development, meaning rules must be made known beforehand and must be enforced
4. Information and transparency, that is, availability of information regarding the conduct of economic activities, public policy issues and transparency (Potter 2004, pp. 379–80; World Bank 1992, p. 1)

Therefore, to attempt measuring good governance in its entirety, the concept of good governance has been operationalised in this study as successfully managing socio-economic development, particularly poverty reduction and livelihoods sustainability. In that light, a review of secondary/library/theoretical studies on the role of government or the state in social and economic development has the sole aim to capture good governance.

#### 2.4.1.1 The Role of the State in Economic and Social Development

The role of government/state in economic development is looked into from three perspectives. The first perspective is termed ‘government as the prime mover’. The second perspective is described as ‘government as a problem or evil government’. The third is the rehabilitating government perspective.

According to Adelman and Yeldan (1999, p. 1), the view of government as a prime mover lasted for more than three decades (specifically from 1940 to 1979). Within this period, the role of government in economic development largely assumed nothing less than an entrepreneur. This perspective of government as a prime mover has its root, particularly in the scholarly works of the pre-Marshallian

classical economists and their disciples such as W. Arthur Lewis, Rosenstein Rodan, Nurkse, Singer, Prebisch, Hirschman and Leibenstein (*ibid*). What economic development means in the theoretical standpoint of the above-named group of classical economists is a 'growth process' that needs a systematic coordination most especially in the reallocation of resources. It is the duty of the government, according to this perspective, to ensure that the economy leaps from low productivity to high productivity.

Furthermore, the classical economists viewed economic development as a growth process that needs the systematic reallocation of factors of production from a low-productivity to productivity with increasing returns mostly in the industrial sector (*ibid*). However, some factors may impede the much-needed resource reallocation. While some of the neoclassical development economists identified these factors as technological and institutional constraints, others, especially the classical economists, associated such constraints with 'investment lumpiness, inadequate infrastructure, imperfect foresight and missing markets'. Coordination failures are imminent in such circumstances mostly described as 'technological external economies in infrastructure and 'basic' industrial projects' (*ibid*). Nevertheless, Balogh (1966) described as crucial the role of the state as direct initiator of expansion. He contended that the need for diffusion of entrepreneurial spirit, through which creative competition induces changes and growth, made the role of the state in the overall direction and possibly discriminatory tax policy essential (p. 215).

It has also been a tenet in this theoretical perspective that 'long-run economic growth is a highly non-linear process', which is underpinned by 'multiple stable equilibria', of which low-income trap is one. Furthermore, the developing countries are the main culprits here because of the apparent condition of 'minimal levels of physical capital, both productive and infrastructural, low level of production and by Malthusian population growth' (*ibid*). Also, coordination failures promote 'lower returns from investment...than those that could be realized with coordinated, simultaneous investment programs' (*ibid*). In the absence of coordination, the argument continues, 'investment would not permit' the intended 'returns to scale and together with low incomes', savings and aggregate demand are severely hampered.

It is against this backdrop that government must act to move the pace of economic and social development 'from the uncoordinated, low-income, no-long-run-growth static equilibrium to the coordinated high-income, dynamic equilibrium golden-growth path' (Adelman and Yeldan 1999, p. 2). Market forces alone, according to this perspective, are not enough to induce economic development. Corroborating this stance, Howe (1979) argued that markets played essential role particularly in the development and allocation of natural resources. However, with the cooperation of government agencies, the true impact of natural resources in development could be assessed (p. viii: the preface).

However, the perspective has attracted a spiral of criticisms. It has been argued that in spite of the appreciable levels of economic growth in the developing countries, 'overt unemployment and underemployment' were rife 'of the order of 20 % of the urban labour force' (*ibid*). The gap is further widened between 'the owners of capital (the rich), the owners of skills (the professionals and bureaucratic middle

class)', on the one hand, and 'the owners of unskilled labour (the poor)', on the other hand. In short, a fertile avenue is staged for 'an unequalizing process of economic growth', the critique concluded. The reason for this scenery has been purported to inhere in the capital-intensive development paradigm of most governments. As a remedy, the proponents of 'government as a prime mover' favoured the government shying away from capital-intensive technology-led development policy to that of labour-intensive technology. Others wanted government to reduce subsidies to industrialisation to ensure that capital is not underpriced while labour is overpriced. The former group is referred to as the 'income distribution school' and the latter group is called 'getting prices right' school.

Thus far, and as the current study is concerned, the role of government should target striking a balance between capital-intensive and labour-intensive policies of social and economic development. This is important especially in the face of the increasing need to make essential goods and services accessible to the poor (World Bank 2004). With the capital-intensive development approach, the role of government should also aim at investing in human capital to produce the requisite calibre of work force to sustain the capital-intensive development projects. Labour-intensive yes, especially in some farm and nonfarm businesses like the services sector. The researcher, however, does not buy the idea of giving market forces that heyday to determine and dictate the pace of social and economic development. This is because market forces when directed could be more useful than when left unchecked. A scenario that could be likened to fire—too often a better servant than a master. This observation has been vindicated by the 2008 economic meltdown, which is far from a complete recovery as of 2012.

Most importantly, there is a dire need for a sound mechanism to ensure an equitable redistribution of the fruit of economic growth in order to incorporate the less fortunate poor and other vulnerable groups into the mainstream economy. Hence, there is the need to harness the institution of Zakat to play effectively its role as resource distribution mechanism in the Muslim world.

Under government as a problem or the evil government perspective, the role of governments in economic development is seen as the prime cause of underdevelopment rather than promoting development. This argument is premised on the firm belief that when 'barriers to international trade in commodities' are removed, the economy would automatically proceed on course. International trade, according to the neoclassical trade theorists—Krueger and Bhagwati—can serve a good purpose of substituting for the 'low domestic aggregate demand' (Adelman and Yeldan 1999, p. 3).

As a counter to getting prices right and trade is enough schools of thought, the evil government school argued that government interventions in economic development, specifically in markets, were not necessary as they believed that trade liberalisation could induce development, provide for economies of scale and make industries internationally more competitive. Governments are bloated; they are corrupt, they argued. In the end, economic concessions and privileges are generated as governments intervene in the markets because governments 'operate by distorting market-incentives in mostly unproductive, foolish and wasteful ways' (ibid, p. 4). Besides, government

interventions into markets largely promote 'rent-seeking activities by private entrepreneurs, which absorb large fractions of GNP and leads to significant economic inefficiencies' (ibid).

Against this backdrop, the proponents of evil government or government as a problem perspective called for minimal role of government in economic matters. The best action in this situation was for governments to liberalise domestic and international markets, which would ensure economic efficiency and would serve as an 'economic virtue' to attract 'financial support of the international agencies' (ibid).

This perspective was at its peak in the 1980s when the world economics was experiencing a dramatic and general economic slowdown. This particular period in point witnessed a marked 'recession in Japan, Europe and the United States'. Consequently, there was 'a shift from growth-promoting to inflation-fighting policies in the developed countries'. The developing countries were saddled with 'severe debt-crisis', currency devaluation and high world interest rates. Under such conditions of hopelessness, the Breton Wood institutions (the World Bank and IMF) were successful in enforcing their 'evil government' philosophy through their loan conditionality.

However, one may see clearly that the 'evil government' perspective has failed worthily because of the overreliance on market forces. For the purpose of the current study, market, the author contends, is a better servant most times than being a master. Studies abound in literature attesting to the flaws of market forces in development policies. The Marshallian neoclassical economics was never intended to be a growth theory, but only as a theory of static resource allocation. In order for it to become a complete development theory, the Marshallian neoclassical economics must be supplemented by a theory of accumulation and growth (Adelman and Yeldan 1999, p. 5). For that reason, Adelman and Yeldan (1999) concluded that markets might be efficient for static resources allocation, but not for accumulation and growth.

Thus far, it is undoubtedly obvious that sometimes government's periodic interventions into market forces are necessary and still valid even today, particularly following the global economic recession. There is now a strong public support calling for tighter government regulations on economic activities the world over. This will enable governments to step into the development process for purposes of meeting the need for positive discrimination, affirmative policies and progressive, long-term national development agenda. Such reasons are ingrained in the institution of Zakat. For instance, investments undertaken with the proceeds of Zakat in the interest of the poor and needy must be gallantly guarded against the mishap of market forces. Moreover, such investments in the name of the poor and other vulnerable groups are geared towards long-term livelihood approach. This situation underscores the need for government interventions in economic and social development.

The rehabilitating government perspective has taken a number of factors into account and then advocated the need for frantic efforts to ensure efficiency in the role that governments play in social and economic development rather than shrinking such role. An important factor underpinning this argument lies in the economic success story of some East Asian and South Asian economies in the wake of the

abysmal economic performances of the majority of the developing countries in the 1980s. In the case of these Asian countries, governments notably played a pivotal role to achieve such successes. Again, the OECD countries in the 1980s experienced ‘slow growth and unemployment against the prevailing evil government philosophy’. Such new developments tended to promote ‘a more activist governmental stance’ (ibid, p. 6).

Following these new developments, the revisionist school of economic development also known as ‘The Post Washington-Consensus School’<sup>4</sup> strongly favoured a harmonious blend of governments and market interactions, in which the former ‘play significant role in investment, its finance, human capital formation, acquisition of technology, institution-setting, and promotion of policy and institutional reforms’ (ibid). To this end, it appears glaring that the stage is now prepared for strategic, effective and efficient government interventions in the process of development favourably referred to as ‘good governance’.

### ***2.4.2 Natural Resource Utilisation and Development***

The awareness about the crucial and complex interrelationship between natural resources and social and economic development of nations started to gather momentum about a decade ago. As Ruddle and Rondinelli (1983) noted, ‘it became more apparent during the past decade that closer attention must be paid to preserving and renewing bio-physical systems and to transforming resources for human development. Both resources and patterns of living must be transformed to meet the needs of the human population in developing countries during the rest of this century’. However, this awareness, in most instances, is yet to be translated into action to meet the development goals in most countries. There is, therefore, the growing need in recent times to devise efficient mechanisms to transform natural resources effectively for human development. Such mechanisms, as conventional wisdom would require, should aim at creating a win-win environment in which economic growth with social equity is achieved within a sustained natural resource base.

Realising the positive effects of natural resources utilisation on socio-economic development of any nation in question is largely explained by the existing ‘technology, capital, resource endowment,...the socio-cultural (particularly the administrative and political) environment’ (Ruddle and Rondinelli 1983, Chapter 7). So, the inability to attain the set objectives of transforming natural resources for socio-economic development is largely blamed upon institutional and administrative lapses. In their seminal work, Ruddle and Rondinelli (1983) argued that to achieve

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<sup>4</sup>The Washington-Consensus, according to Adelman and Yeldan (1999, p. 5), became the dominant slogan for development policy during the 1980s when the Washington-based international institutions—World Bank and the IMF—successfully imposed their ‘Evil government’ philosophy on the developing countries through their loan conditionality, that is, ‘Marketize, Liberalize and Tighten-your-Belt Policies’.

any results in efforts to transform natural resources for human development, then governments would have to understand the existing environmental and resource conditions. Insufficient or lack of knowledge about the conditions and elements of environmental resources hindered achieving the objectives of transforming environmental resources for human development. This argument has been buttressed in a recent study quoted by Ruddle and Rondinelli (1983), which argued that:

There are significant gaps in our understanding of natural systems. Of the estimated 5 to 10 million plant and animal species in the world, for example, only about 1.6 million have been named; a much smaller number is completely known. In addition, while our understanding of the dynamics of ecosystems is improving rapidly, there is still much to be learned, particularly in tropical and subtropical ecosystems. Given that level of ignorance, human activities, which modify natural habitats and threaten the survival of species, carry with them potential risks of unknown magnitude.

To narrow this knowledge gap will require the strengthening of administrative and institutional capacities, which includes training of personnel engaged in resources utilisation, researching and dissemination of research findings on emerging resource transformational techniques and technicalities. Increasing the administrative capacity of agencies and institutions charged with resource planning and environmental management is essential to making transformational approaches to development operational (*ibid*).

Therefore, effective and efficient resource utilisation requires improvement of institutions and agencies in collecting, analysing and the use of information about the immediate- and long-term effects of development policies and programmes on the resource systems and environments, especially on marginal areas within developing nations. It also requires mobilising, budgeting and allocating financial resources for transformational programmes that develop human potential, especially in the marginal areas (*ibid*). Here, the importance of Zakat resurfaces as the need for mobilising financial resource becomes eminent. Effective administration of Zakat undoubtedly engenders solid ground for resource mobilisation in various ways.

In this regard, appropriate institutional arrangements and technologies are widely considered effective for transforming natural resources for developing, enhancing and unleashing the potentials of the poor people. The importance to tailor-suit natural resource utilisation for the poor majority has been highlighted in a study conducted by USAID (1979), which argued that:

Because many of the most serious environmental and natural resource problems of developing countries relate directly to the activities of low-income groups, both rural and urban, the ability of a government to manage environmental resources effectively is likely to depend in large measure on its abilities to reach the poor majority. Western administrative institutions may not in fact be the best models in such circumstances, and alternative approaches warrant greater study.

It has also long been favoured in line with the principle of 'equity and basic needs' that much attention be paid to the factors that facilitate and those that deny poor people's access to the resource system, most especially in the marginal areas. In short, there is the need to reconcile natural resource systems with the social system to facilitate transforming natural resources for human development. This has

been the importance of natural resources in socio-economic development, if professionally and tactfully utilised. The current study has examined the tactful and professional natural resource utilisation in transforming human development in the Muslim nations.

### ***2.4.3 Poverty Alleviation and Redistributive Justice***

It is clear that the conventional distribution of income largely assumes the pattern of labour or employment and remuneration. In other words, income distribution has often been conducted in the form of wage labour. It is also evident that this form of income distribution (i.e. wage labour) does not cover two-thirds of the poor people. For this reason, the majority of the poor people can be described as 'independent workers' in production, as they are self-employed with extremely low incomes (Ahluwalia 1974, p. 22).

Against this backdrop, it is conventionally appealing to ensure redistributive justice by considering 'what determines the patterns of concentration in income and to what extent they can be influenced through government policy' (ibid, p. 16). Such determinants of income inequality include structural factors like the level of per capita income, the share of agriculture in GDP, the rate of economic growth and other factors like rates of school enrolment, institutional and market failures. Utilising a cross-country data of some Latin American, African and Asian countries, Ahluwalia (1974, p. 17) found that income inequality initially increased and later decreased with development confirming Kuznets' (1955) inverted 'U' hypothesis. Again, using education as a variable, Ahluwalia (1974, p. 17) found a positive relationship between equity in income shares of the lowest 40 % and the middle 40 % of the population.

Building on the aforementioned findings, Ahluwalia and Chenery (1974) argued that income inequality was largely determined by ownership of a variety of assets, which include 'land, privately owned capital, access to public capital goods, and human capital embodying varying degrees of skills' (ibid, p. 43). The distribution of these assets, according to Ahluwalia and Chenery (1974), is more concentrated than incomes. It is, therefore, important that such determinants of income equality and concentration of wealth be taken into cognizance before any meaningful redistributive mechanisms can be ensured.

Policy interventions should target 'altering over time the underlying pattern of concentration of both physical and human capital' (ibid). This is intended to ensure that a level playing field is staged for the acquisition of private property and access to public facilities on equitable basis. This, also, requires reallocating public investment in the target groups, especially the poor people. Such investments may assume the form of making land accessible to the landless peasant farmers, implementing property rights, increasing access to credit, technical know-how, especially to the peasant artisans, craftsmen, etc., in the rural areas. Also, in the urban centres, public investment should

focus on target groups like unskilled workers and should increase the rates of school enrolment among such groups, increasing vocational and technical training as well. This is a possible policy intervention that is very capable of appropriating labour for higher wages. Just and effective redistribution of production assets is capable of raising the levels of production in the various occupations.

The above-stated redistributive strategy appears quite convincing. This underscores the need for investigating whether or not the redistribution mechanism afore-discussed is pursued in Muslim nations. Moreover, the intention of examining Zakat as an alternative tool for poverty alleviation is reinforced by the uncertainty in the literature about income redistribution using 'tax-financed transfers from the rich to the poor'. As evident in the observation of Ahluwalia and Chenery (1974), tax-financed transfers would improve the incomes of the poor. However, if such transfers affect the ability of the rich to save and accumulate capital, then in the end this would lower the income of the poor people. The institution of Zakat is devoid of such uncertainty. There is fixed limit below which Zakat is not due. Again, there are varieties of items, belongings and wealth exempted from Zakat as well. This characteristic of Zakat will not diminish the ability of the rich to save and accumulate.

#### ***2.4.4 Poverty in Muslim Countries***

According to Ahmad Mohamed Ali (2006),<sup>5</sup> the incidence of poverty has decreased in many Islamic Development Bank (IDB) member countries.<sup>6</sup> However, the trends of poverty and other social indicators in some member countries raise a cause for alarm. What is more worrisome is that 'there are pockets of extreme poverty in the depressed areas of even those member countries who are posting robust economic growth'. On the millennium development goals (MDGs), 13 member countries, as of 2006, were deemed unlikely to achieve the target of halving the number of people living below \$1-day by 2015.

In the 2007 UNDP human development index (HDI), there was no Muslim nation among countries occupying the upper or first quartile of the index, that is, 0.900+. In the second quartile, that is, 0.800+, there were only ten Muslim nations. Brunei was first with 0.894 and had been placed 30th in the world ranking. Among the countries with the lowest human development indices, 11 were Muslim countries (UNDP 2007). The importance of this index cannot be underestimated as it has been worked out on such important human development

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<sup>5</sup>Dr. Ahmad has been the sitting President of the Islamic Development Bank (IDB) group, as of 2012 [when] this study was undertaken. These observations were made by him at the second World Islamic Economic Forum held in Pakistan, Islamabad, in November 2006.

<sup>6</sup>I am using IDB member countries here because IDB is the financial wing of the Islamic countries, particularly the OIC.

indicators as literacy, education, life expectancy and standard of living measured by standards such as income inequality, poverty rate, real (i.e. inflation adjusted) income per person.<sup>7</sup>

In his speech entitled: 'IDB Approach o Poverty Alleviation' delivered at a conference on 'Poverty Alleviation: Challenges for the Islamic World', which was organised by the Centre for Poverty and Development Studies (CPDS), University Malaya, 2–3 August 2007, the resident coordinator of IDB in Malaysia noted that despite the efforts marshalled in fighting poverty, the challenges were daunting. He cited the following as examples:

1. About 40 % of the world's absolute poor live in 31 of the IDB member countries. That, succinctly, is the measure of the overall challenge facing the IDB Group in its poverty reduction.
2. In absolute and relative terms, five of the 31 countries accounted for about 63 % of the absolute poor (Bangladesh, Indonesia, Nigeria, Pakistan and Sudan).
3. Again in relative figures (i.e. expressed as a percentage of national population), nine IDB member countries are estimated to have more than 50 % of their population in extreme poverty (these countries are Sierra Leone, Sudan, Niger, Mali, Gambia, Guinea-Bissau, Somalia, Afghanistan and Mozambique).

Generally, a host of factors account for the prevailing levels of poverty in the Muslim nations. These factors are both internal and external. Internal factors like civil strife, sectarianism, racial and political acrimony, 'low productivity, mismanagement and corruption' (Ahangar and Altaf 2004, p. 343) are more likely to cause extreme poverty. External factors include unlevelled playing ground for international trade, embargoes, sanctions 'foreign interference', debt burden, little cooperation among Muslims, unstable export earnings, etc. (ibid).

In the face of such factors that seem to be reinforcing one another, what role have natural and human resource endowments and utilisation in the Muslim nation played in the fight against poverty? What enabling environment has been created by the state in the Muslim nations? In addition, what alternative policy interventions have been explored and effectively utilised (i.e. faith-based policies, e.g. Zakat which has been examined partly by this study) to combat the spread of poverty? Answers to the above-mentioned queries will enrich the poverty alleviation literature in the Muslim world. The current study has sought to achieve this target.

## 2.5 Empirical Perspective of Poverty, Natural Resources and Governance

Under this section, the authors have reviewed studies that document findings emanating from fieldwork or studies that have empirically been conducted.

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<sup>7</sup>For details visit: [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_Human\\_Development\\_Index](http://en.wikipedia.org/wiki/List_of_countries_by_Human_Development_Index). Accessed 13 March 2008.

### **2.5.1 Good Governance**

The authors have chosen to work with operational definition of good governance as successfully managing socio-economic development, leading to poverty reduction and livelihoods sustainability. A review of empirical studies on the role of government or the state in social and economic development has sought to capture good governance in this regard.

#### **2.5.1.1 The Role of the State in Economic and Social Development**

It is an undeniable fact that countries vary in their contemporary social and economic development. This reflects the ‘differing...technological, demographic and political contexts in which historical and contemporary growth take place’ (Adelman and Yeldan 1999, p. 7). Taking the role of the state in economic development back in history, Morris and Adelman (1988) conducted comparative quantitative analyses of empirical economic development of 23 countries. They found that the ‘extent of domestic economic role of governments explained significant portions of cross-country variance within groups similar in their initial conditions and in their choice of development paths’. Specifically, they found that:

1. ‘Fifty per cent of the variance among countries in patterns of industrialisation was explained by intercountry differences in the extent of government-sponsored investment in infrastructure and industry
2. Twenty-eight per cent in intercountry differences in the extent of expansion of market institutions
3. Thirty-three per cent in the patterns of foreign economic dependence
4. Thirty-five per cent of intercountry variance in the course of poverty
5. But only 11 % of variance in patterns of agricultural expansion’ (ibid).

The crux of this current study centres partly upon the importance of government’s role in economic and social development, thereby leading to livelihood sustainability. Still on historical perspective and based on the same comparative study, Adelman and Yeldan (1999, p. 7) noted that the degree of government promotion of industrialisation in nineteenth-century Europe largely accounted for the gap that existed between Great Britain and other countries. Government’s role in the nineteenth century was key and pervasive ‘in establishing the economic and institutional conditions necessary for the occurrence of the Industrial Revolution’ (ibid). An important lesson associated with the nineteenth-century development is that the development process requires time and institutional commitment.

As aforementioned, countries vary in their contemporary social and economic development reflecting, though contestable, the substantial role of their respective governments, at least, in some point in the economic growth processes of these countries. On that basis, some countries are classified as developed, some classified as developing and others as underdeveloped, which are often described as having the characteristics of fourteenth-century Europe (ibid). Such comparisons justify

the need for government interventions to lead and chart the path for economic and social development in these economies, particularly in the developing economies, constituting the majority.

Even in the so-called developed countries, especially the United States and Europe, 'pursuing purely neo-liberal policies' is completely out of the question. The Clinton administration, according to Adelman and Yeldan (1999), had pursued an activist industrial policy, which aimed to speed up a shift into a high-tech and service economy. The Clinton administration had pursued an interventionist trade policy, which aimed to push agricultural, service and technology exports through its bilateral and multilateral negotiations with other countries and through its participation in global institutions and had promoted a human resource development policy so as to provide human capital needed by high-tech industries.

The notion that the majority of countries are described as underdeveloped or developing appropriates the castigation of the advocates of free trade and less government intervention policy. Adelman and Yeldan (1999) observed that: 'It is somewhat ironic in this context that the strongest advocates of free trade, Victorian Britain and post[-war] US were strongly protectionist during their own early development'.

Against this backdrop, the current study critically examines the role of the state in creating an enabling environment for economic and social development in the Muslim world. In the case of Malaysia, the available literature points to the strong and determined role of the state as an enabler of economic and social growth. The Government of Malaysia has demonstrated how significant the role of a state can be in economic development by working tirelessly to temper growth with equity. With pragmatic policies, the economy of Malaysia is steadily growing in strength to the admiration of the international community. Balancing market-driven and interventionist policies and strategies, the government of Malaysia has been very much successful in reducing poverty drastically.

The total incidence of poverty in Malaysia at the household level was 3.6 % in 2008, down from 6.1 % in 1997. Similarly, the incidence of hardcore poverty at the household level stood at 0.7 % in 2008, down from 1.4 % in 1997 (EPU 2008).<sup>8</sup> Furthermore, a news item captioned '12,000 families to be out of poor list by year-end' reported on the success story of the federal and state governments' concerted efforts to eradicate extreme (hardcore) poverty by 2010. As noted by Datuk Zainal Abidin Osman, Deputy Minister of Rural and Regional Development, the Government of Malaysia had set aside RM 125 million (Malaysian Ringgit) for 190 local community development programmes (PPMS) under the Ninth Malaysian Plan, from the RM 604 million allocated to eradicate abject poverty. In light of this development, the current study has examined the momentum of such state commitment and resilience across the Muslim nations.

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<sup>8</sup>This is contained in the Malaysian Quality of Life Index prepared by the Economic Planning Unit in partnership with other Departments and Ministries such as the Department of Statistics, Ministry of Women, Family and Community Development, Ministry of Education and Ministry of Higher Education.

### 2.5.2 *Natural Resource Utilisation and Development*

Applying the transformational development approach to the utilisation of natural resources for human development, particularly for marginal areas, will more likely yield positive results. According to Ruddle and Rondinelli (1983), the main principles of transformational development approach 'are that development efforts never start with a clean slate, nor do they exist within a vacuum'. They further argued, 'established patterns of man-resource-environment relationships exist because they have evolved over time as successful adaptive mechanisms within given socio-cultural and biophysical conditions, and therefore must be used as the base for future development' (Ruddle and Rondinelli 1983).

For this reason, Shyamsundar et al. (2005) have argued strongly in favour of the increasing rights of individuals and local communities to natural resources and have even gone extra miles to show its development benefits, especially in poverty reduction. Shyamsundar et al. (2005) saw the increasing rights of individuals and communities to natural resources as imbedded in 'power-sharing agreements with the state, increased legal [backing]... or decentralization within national agencies' (ibid, p. 1). Consequently, people who are involved in the management of these natural resources would be self-employed with possible incomes. For instance, in wildlife conservation programmes in some African countries, many people have been employed as tourist guides and in other related job areas, aside from those directly employed in the conservation programmes. The benefits at the community level include infrastructural facilities such as roads, water supply system, schools, etc., often built to support the running of such programmes.

As corroborated by Bray et al. (2002), community forestry in Mexico had enabled communities to build 'assets such as potable water networks, schools, clinics, public buildings and social service safety nets ...' (Shyamsundar et al. 2005, p. 7). Finally and most importantly, the people feel empowered when their rights to natural resources are increased and therefore are more likely to work so hard to ensure the sustainability of the natural resources under their jurisdiction. In addition, sources of government revenue may increase out of the sustainable management of these resources.

In support of the role of technologies, techniques and institutions in transforming natural resources for development, the transformational development perspective has argued as follows:

...directed change in resource use must be appropriate to existing local systems, and should aim at finding critical points and processes within these systems that can benefit from and sustain specific changes; and [that] prior to formulating and instituting change, more sensitive forms of socio-cultural and environmental 'impact' assessment are needed (ibid).

Citing the case of palm sago in East Malaysia, Ruddle and Rondinelli (1983) contended how transformational approach to natural resources utilisation had created and improved livelihoods of the majority poor people. Sago is a starch mainly produced out of the stem of many genera palms. 'Many Asian and Melanesian populations living in tropical, freshwater swamp areas', Ruddle and Rondinelli (1983) concurred, had long used this carbohydrate staple.

Of recent, the use of sago has been revolutionalised as modern industrial raw material. It has now a variety of uses such as 'oil-drilling and other lubricants, specialized glues, as filler for biodegradable plastics, and in the manufacture of pharmaceuticals' (ibid). In the production of palm sago, the principal genera exploited include Metroxylon, Arenga, Caryota, Eugeissona and Corypha. Small-scale commercial production of sago is highly developed and well documented for the swampy coastal lowlands of Sarawak, where it has been traditionally associated with the Melanau community.

In spite of its potentials, sago industry was confronted by technological inefficiencies of which most could be easily corrected. The main problems, according to Ruddle and Rondinelli (1983), include:

Excessive, continuous pumping of river water and incomplete extraction of starch from the pith. Wire sieves are too coarse and cause a high fibre content in the finished product. Excessive starch loss in overflow water from sedimentation tanks, the loss of "dead" crude starch, and loss of flour during drying by wind and through poor covering of the drying floor.

The quality of the product is compromised under such conditions:

with spot samples having up to 20 per cent moisture content, 62-82 per cent pure starch, 0.1-0.9 per cent ash, and 1.3-18 per cent fibre. This is unacceptable compared to the starch trade's usual requirement of 14 per cent or less moisture content. The cumulative losses to the traditional industry through inefficiencies in organization, technology and mill layout are considerable. (Ruddle and Rondinelli 1983, p. 47)

Despite these lapses, 'the combined employment potential of the small, traditional, labour intensive mills, Ruddle and Rondinelli (1983) contended, is considerable... [with] 65 small mills employed some 620 full-time workers and their families' (ibid). This calls for strengthening of institutions, which directly deal with sago palm production. Technology must be appropriate. More researches are needed and the personnel need to be taken through periodic refresher training. Overall, it must be noted, as Ruddle and Rondinelli (1983) warned, that 'Any scheme to upgrade mill operations and technology should not significantly upset their capacity to generate employment'. This observation reiterates the need to consider the appropriateness and the suitability of programme and project plans and the requisite technologies in transformational development approach. The current study investigates this element using natural resources in the selected Muslim nations as a case in point.

### ***2.5.3 Poverty Alleviation and Redistributive Justice***

Using a cross-country data on Argentina, Chile, Taiwan and Israel, on the one hand, and Dahomey (now Benin), Chad and Niger, on the other hand, Adelman and Morris (1973) added their voice to the growing concern that strongly questioned the utopian assumption of the 'trickle-down effect' of economic growth to the poor. They argued in this study that the 'relationship between level of economic development and income share of the poorest 60 % of the population is asymmetrically U-shaped'

(ibid, p. 188). This observation seems to have corroborated the hypotheses put forward by Simon Kuznets and Gunnar Myrdal in the 1950s.

In Adelman and Morris' study, an equitable income levels were found to be associated with a lower level of development. Against this finding, Adelman and Morris (1973) concluded that the 'process of economic modernization shifts the income distribution in favour of the middle and upper income groups and against lower income group' (ibid). Buttressing this argument, the findings also showed that economic development was positively related to more equal income distribution only among the upper income group of the population in the underdeveloped countries, for instance, in Benin, Chad and Niger.

This exposition on the skewed effects of economic growth in the early stages on income distribution lends credence to the need for administrative and institutional mechanisms to bring about a more reasonable degree of income distribution. In other words, there is a dire need to emphasise redistributive justice so as not to allow the entrenchment of any income inequalities. Pursuing affirmative policies and positive discrimination should emphasise human resource improvement of the poor people. This will empower the poor to rise on the income ladder. To what extent has this important strategy been pursued in the Muslim world? The current study explores this segment.

Justice is a value well cherished in Islam. Justice comes in two forms, complementing each other. One form of justice is distributive justice, and the other is dispensing justice on disputes. Distributive justice emphasises equity in the distribution of resources (*al-Qist*) and the 'just disposition of disputes (*al-Adl*)' (Ansar 2007, p. 2). Distributive justice is paramount to social justice. Allah (*s.w.t.*) said (in *Sura al-Hadid*: 25) that He sent the book to the Messengers in order that they would maintain balance (in distribution of resources) and to lead people with justice (ibid).

As *Khalifah* or vicegerents of Allah, humans must pursue justice in all its manifestations, especially those placed in authority. The Holy Prophet (*p.b.u.h*) is reported to have said, 'There is no governor, who rules Muslim subjects and dies, having played foul with them, but Allah (*s.w.t.*) will forbid him Paradise' (Al-Buraey 2007, p. 5). It is counted as a feature of good governance in Islam that a ruler strives to ensure the welfare of his subjects. As captured in the following Prophetic injunction: 'If he does not strive diligently to promote their welfare, he will not enter Paradise with them' (ibid).

On this basis, Islam abhors a heavily skewed distribution of wealth. It detests the concentration of wealth in some few pockets of the society. This explains why Islam shuns hoarding and similar commercial malpractices. Islam does not discourage personal ownership of property or private property, but it does encourage individuals having resources beyond and above their needs to show compassion to the less fortunate ones by redistributing their excess wealth. Islam frowns upon the practices of certain wealthy individuals who care very little about the poor in the society and continue to amass wealth in a way that deprives many others in the society of their livelihood chances.

Therefore, the wisdom behind Zakat in particular and other charitable acts in general seeks to ensure redistribution of livelihood assets and livelihood chances.

Avoiding leading ostentatious lifestyle is to avoid squandering for ‘...Allah (s.w.t.) does not like squanderers’ (*Suratul Al An-am*: 141). In a similar vein, having wealth is considered a trust (*amanah*), in which the holder of this trust is not the sole beneficiary. There is the need to redistribute this wealth to fulfil the rights of others who have stake in this wealth (Ansar 2007, p. 5). For whatever Allah (s.w.t.) has created between the skies and the earth are for the benefit of humanity (*not for a specific kind of humanity*). Redistribution with growth is part of Islamic ideals, which aims at fighting poverty and deprivation. The current study examines this aspect in the selected Muslim nations.

### 2.5.4 Poverty in Muslim Countries

Empirically speaking, some few countries in the Islamic World have achieved great success in alleviating poverty. Malaysia is one of such examples. Although, there could be some pockets of poor people, especially in the underdeveloped areas (Chamhuri et al. 2004; Chamhuri 2008), the incidence of poverty, undoubtedly, has reduced drastically at the household level from 6.1 % in 1997 to 3.6 % in 2008. Extreme poverty at the household level, also known as the hardcore poverty and measured as half of the poverty line income (PLI), has been reduced to 0.7 % in 2008, down from 1.4 % in 1997 (EPU 2008).<sup>9</sup> The role of government behind the success story of the Malaysian economy has been tremendous. Malaysia is a private-sector-driven economy; the role of government in creating the enabling environment can never be overemphasised (Chamhuri et al. 2004, p. 5). This has been reflected by the magnitude of public sector expenditure. Poverty reduction has featured prominently in the national economic plans. The successful reduction of poverty in Malaysia has been underscored by strategising along the following pathways:

1. Increasing productivity through new and modern techniques
2. Shifting the economy from low- to high-productivity sectors and activities
3. Improvement of quality of life through various assistance programmes (ibid, p. 6)

Putting Pakistan under the spotlight shows high incidence of poverty. As of 1999, 32.6 % of the population lived below the national poverty line up from 28.6 % in 1993 (World Bank 2006, p. 279). The trend seems to be far from turning for the better as 85 % of the population were estimated to be living below US\$2 per day in 2007 (Siddiqui 2007, p. 1). The strategy adopted to tackle poverty in Pakistan assumes the following dimensions:

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<sup>9</sup>This has been obtained from the Malaysian Quality of Life Index prepared by the Economic Planning Unit in partnership with other Departments and Ministries such as the Department of Statistics, Ministry of Women, Family and Community Development, Ministry of Education and Ministry of Higher Education.

1. Accelerating economic growth and maintaining macroeconomic stability
2. Investing in human capital
3. Augmenting targeted intervention
4. Expanding social safety nets
5. Improving governance

Aside from this, there are four programmes designed to combat poverty. These include the following:

1. Small and medium enterprise promotion programme
2. Rural development programme
3. Microcredit programme
4. *Khushal* Pakistan programme

In spite of the existing poverty reduction programmes and strategies, the incidence of poverty is quite high. Siddiqui's (2007) study has determined the factors that contribute largely to the high poverty incidence. The prime factors have been illiteracy and lack of skills. For this reason, increasing the level of education and vocational training has been recommended. Again, increasing access to health facilities and infrastructure will enhance livelihood opportunities for the majority of the population. These strategies require efficient resource utilisation, institutional commitment and resilience. With this in mind, the current study has examined these important determinants of successful poverty reduction in the selected Muslim countries.

The story is not anything different in Bangladesh. The country is among the poorest nations on the planet. Although Bangladesh has managed to reduce poverty incidence to 49.8 % in 2000 at the national poverty line, down from 51.0 % in 1996, the prevalence of poverty is still unacceptable. On US\$2 per day, 82.8 % of the population were poor as of 2000 (World Bank 2006, p. 279). The factors identified for this scenario include population pressure, limited per capita natural resource endowment, illiteracy, bad governance, ill health, among others (ibid). Has the situation changed for better now? The current research investigates the current poverty situation in the selected Muslim nations including Bangladesh.

In Nigeria, 34.1 % of the population were below the national poverty line in 1993, down from 43.0 % in 1985. However, 70.8 % and 92.4 % of the population as of 2003 were living below the US\$1 and US\$2 per day, respectively (ibid). Another study put the figure at 54.4 % poverty rate as of 2004.<sup>10</sup> All the same, the rate is quite high for Nigeria, which is among the top ten oil-producing countries in the world. In addition, Nigeria is a member of the organisation of oil-producing countries (OPEC). The likely factors for this poverty scenario could be the lack of commitment to poverty reduction, inefficient poverty reduction strategies, poor governance and rampant corruption. How pervasive are these development-stifling attributes across the selected Muslim countries? The current research looks at such loopholes.

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<sup>10</sup>This poverty rate is contained in a paper presented by Abdul-Ganiyu Obatoyinbo, Secretary of the Nigerian's National Poverty Reduction Programme at the *International Conference on Poverty Alleviation: Challenges for the Islamic World*. University of Malaya, 2–3 August 2007.

Yemen is not also spared of this menace. Yemen is not a severely resource-constraint country, as oil was discovered in the 1980s. However, the incidence of poverty stood at 41.8 % as in 1998 measured by the national poverty line. Going by the international poverty lines of US\$1 and 2 per day, the incidence of poverty stood at 15 % and 45 %, respectively, in 1998 (Chamhuri et al. 2004). Yemen is among the lowest resource per capita countries in the world in terms of land available for agriculture, water, etc. It is against this background that the current study has critically looked into resource endowments and utilisation coupled with institutional commitment and resilience in the fight against poverty in the Muslim world, concentrating on some selected Muslim countries.

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