

**Restructuring Welfare:  
The Local Production of Neoliberal Economic Development in Turkey**

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On December 17<sup>th</sup>, 2010, 26-year-old Tunisian street vendor Mohammed Bouazizi set himself on fire in front of a government building after having stopped by a police officer who seized his goods on the pretext that he was working without the necessary legal permit. The self-immolation of Bouazizi marked the symbolic start in spurring the uprisings with demands for greater political and economic participation in the Middle East and North Africa. Many scholars agreed that the massive uprisings of 2010-2011 were originally caused by a multiplicity of political and socioeconomic grievances that had been culminating in the neoliberal model of economic development throughout the past two decades. Since then, the impact on neoliberal economic development on the poor has been extensively discussed in both in academic and public circles.

The discussions on the transformation of social security regimes in neoliberal restructuring generally adopt a totalizing understanding of neoliberalism. This approach which heavily emphasizes the retreat of the state from social welfare, deregulation of the economy, and expansion of the market, fails to capture the variant modalities, adaptations and indeed resistance to the global diffusion of the structural reforms (Molyneux 2008). This paper aims to analyze the local production of neoliberal economic development model by exemplifying the implementation of food banking system in Turkey. The paper engages with two sets of broad questions: How was neoliberal economic development model shaped by the political economy of the pro-Islamist AKP government in Turkey? More specifically, how did the AKP government utilize its novel social protection initiatives to yield Islamic and communitarian practices while alleviating poverty for disadvantaged groups, and to establish networks of political and economic interdependence between the central government institutions, local municipalities, provincial Islamic business groups<sup>1</sup> and civil society organizations in Turkey.

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<sup>1</sup> This paper employs the categorization “Islamic business groups” to refer to various individuals and economic groups who are affiliated with Islamic political movements/parties, religious communities and business associations (Gormus 2014).

## Neoliberal Approach to Development

The neoliberal structure adjustment program as implemented in a number of third world countries has produced a hegemonic discourse on development, which could be summarized as “the supremacy of the private sector and market forces in nurturing development” (Squires, 1991,197).<sup>2</sup> This discourse has conceived development as a set of homogenous outcomes that would be achieved through “better planning algorithms, better trade and pricing policies, better macroeconomic frameworks” (Stiglitz, 1998,4).

Neoliberal approach to social policy seriously challenged universalist and right-based welfare policies and promoted the idea of targeted and selective allocations to the poor with private provision for the better off (Deacon, 2004). Under this new approach, the state was assigned the role of providing an enabling environment for private provision. The institutional proponents of the neoliberal agenda (such as the World Bank and the International Monetary Fund) pioneered in institutionalizing such market-led approaches to development throughout the world. The Bretton Woods institutions conceptualized social policy as “a residual category of safety nets that merely counteract policy failures or development disasters” (Mkandawire, 2001, 1). Social safety nets became increasingly significant as the calls for adjustment with a “human face” accelerated after the recognized negative effects of structural adjustment policies on the poor in the developing countries. After the policy failures of structural adjustment programs, the World Bank started to shift its focus towards poverty and developmental issues from exclusive focus on stabilization and efficiency. Not only macroeconomic targets, but also the goals of poverty reduction and social development were integrated into the programs of the World Bank. Social safety nets were institutionalized in order to promote the twin objectives of reducing poverty and increasing economic growth concurrently in developing countries (El Mahdi, 2005: 41).

The institutional proponents of neoliberal development model mainly focused on implementing the reforms, and assumed that economic reforms will create the necessary conditions for the development of a strong and autonomous middle class and civil society which would increase political participation and push for political opening. Proponents of neoliberal

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<sup>2</sup> The main pillars of neoliberal adjustment are composed of :1) unilateral opening to foreign trade; 2) extensive privatization of state enterprises; 3) deregulation of goods, services and labor markets; 4) liberalization of the capital market, with extensive privatization of pension funds; 5) fiscal adjustment, based on drastic reduction of public out-lays; 6) restructuring and downscaling of state supported social programs, focusing on compensatory schemes for the neediest groups; 7) the end of ‘industrial policy’ and any other form of state capitalism and concentration on macroeconomic management (Portes,1997:238)

development model argued that “open, competitive, and unregulated markets, liberated from all forms of state interference, represent the optimal mechanism for economic development” (Brenner and Theodore, 2002:2). This “one-size-fits-all” approach in which its roots are embedded in modernization theory rarely problematized the impact of neo-liberal economic policies on enhancing clientelistic practices and subverting tendencies in developing countries. Contrary to the anticipated “shrinking” of the state and the expanding role of non-governmental organizations in the development process through the delivery of social services, neoliberal development narrative of civil society and decentralization have mostly produced new forms of state dependency in developing countries. The next section will analyze how neoliberal economic development model has been localized, and has reinforced new dependencies between central and local state institutions, religiously motivated voluntary associations and pro-government business groups under the AKP government in Turkey.

### **The Domestication of Neo-liberal Development in Turkey**

In November 2002, the pro-Islamist Justice and Development Party (AKP) came to power in Turkey by receiving 34.6 per cent of the votes and 366 of the seats in the National Assembly. By the next three consecutive elections in 2007, 2011 and 2015, the AKP continued to remain the strongest party in Turkey. For many observers, the successful juxtaposition of neoliberalism and new welfare practices has been key to the AKP’s electoral success during the last decade (Patton 2009; Morvaridi 2013).

Social policies have been one of the most important tools for the AKP government in its endeavor to steer its support base in neoliberal direction. During the last decade, the AKP government has introduced an ongoing process of social policy reform in the form of constitutional, institutional, and legal changes. The AKP’s social policy initiatives have been shaped by a number of contradictory factors: On the one hand, the AKP government sought to restructure the welfare regime by arguing that the existing social security system was costly, and made labor market less flexible (Cosar and Yegenoglu 2009, 39). For this reason, the government trimmed the social benefits of the working population and increased the retirement age in order to achieve the fiscal and budgetary discipline demanded by international financial institutions like the IMF and the World Bank. On the other hand, the budget for social assistance increased, and poor people were provided with a variety of in-kind and cash assistance (Zencirci 2013, 19).

The first AKP government (2002-2007) quickly embarked a new social policy agenda in order to underline the party's emphasis on pro-poor policies. The expansion of the Green Card non-contributory health insurance program for the poor and a conditional cash transfer program that provides money to mothers on the condition that they send their children to school and take them for regular visit to hospitals have been the most visible policies that were introduced during this period. Between 2003 and 2005, 7,5 million people received social assistance in a total amount of 6,1 million TLs (\$4.7 billion) (Yoruk 2012, 103). Social expenditure increased from 12 per cent in 2001 to 14.6 percent of the GDP. Social expenditure stood at 17.8 per cent of the GDP in 2013 (Kayadereli and Sahin 2014, 65).

As opposed to the premises of neoliberal thinking which envisions state-civil society separation in the delivery of social services to reduce social expenditures of the state, the most salient feature of the AKP's approach to social policy has been "the blurring of the boundaries between the activities of voluntary associations, central government agencies, municipalities and the party (Bugra and Candas 2011, 522). The involvement of Islamic charity organizations and local governments in social program spending was formalized through the various legal arrangements. Municipal governments and NGOs started acting as charity brokerage under the new welfare regime of the AKP government (Bugra and Keyder 2005). It goes without saying that the patterns of fundraising in social assistance provision through intermediaries deeply impinge upon the political economy of Turkey during the course of the AKP era.

The AKP government sought to mobilize Muslim ethics to alleviate the poverty associated with neoliberal adjustment policies by incorporating religiously motivated charity associations in the provision of social assistance. A great emphasis was put on Islamic tradition of *sadaqa* (almsgiving) and the *waqf* (religious endowment) with the presupposition that they enhanced social solidarity and nurtured the compassionate culture in the Ottoman Empire. Prime Minister Recep Tayyip Erdogan explained the role of *sadaqa* in his party's approach to social policy in 2009 as follows:

Sadaqa is an important feature of our culture, it is justified. We are not a government which distributes coal to its people from one election to another. Since we have come to power, we are a government that searches for the poor and destitute, so that we can provide them with what they need.... We do this because this is what the definition of a welfare state entails...

The share of private charity organizations founded with an Islamic political-moral outlook in the total social assistance has increased significantly during the AKP government.

These organizations were given the title “Social Solidarity and Mutual Assistance Associations,” and allowed to collect money without getting prior permission from the state. In 2003, the previously existing Social Fund (created in 1986) was transformed into Social Solidarity and Mutual Assistance (SSMA) Ministry, and the SSMA established local offices throughout the country. The SSMA local offices started working closely with Islamic charity organizations by sharing their list of beneficiaries to avoid double provision (Gocmen 2011, 159). The total budget of the biggest 13 Islamic charity organization was 66 million dollars in 2009, compared to 395 million dollar budget of the Directorate General of Social Assistance and Solidarity (SYDGM) (Gocmen 2014, 93).

During this process, the AKP government has urged Islamic business groups to become compassionate, and to work with Islamic charity organizations and local government agencies in welfare provision in return for privileged investment opportunities. The rising conservative Anatolian based bourgeoisie has been quite active in the formation and activities of religiously motivated charity associations, and provided important part of the funding source of social assistance through donations. Religious business associations, such as MUSIAD, ISHAD and TUSKON encouraged their member companies to regularly contribute to Islamic charity organizations, and to give their *zekat* and *sadaqa* to either these organizations or municipalities. The involvement of business circles in social assistance provision has twofold combined implication: First, the volume of donations continued to increase and reached out a higher number of people in collaboration with local government officials. Second, the new Muslim bourgeoisie often referred to as Anatolian tigers built mutual trust with the government and, in many cases had privileged access to investment benefits and enjoyed preferential treatment by the government (Morvaridi 2013; Apaydin 2015 ).

The AKP government also increased social assistance capacities of municipalities by the new legal framework. In 2004, Metropolitan Municipalities Law was changed in order to increase the role of local governments in social assistance provision. The Law Number 5216 mandates municipalities to provide social assistance services for disadvantage groups in the society. The new law encourages local governments to collaborate with the universities, public institutions and NGOs while offering such services (Ersoz 2011, 135). Means-tested cash transfers, coverage of health care expenses, fuel aid and soup kitchens are some of the examples of social assistance programs provided by the municipalities. However as Yoruk reminds (2012, 106), “these poor relief benefits of the municipalities do not have any permanent or regular basis.” The lack of systematic mechanism of means-testing and targeting has mostly enhanced unequal and vertical

relations between local welfare institutions and the recipients of social assistance under the AKP rule in Turkey.

Municipalities' budgets for social assistance programs are mainly composed of donations received by mostly Islamic charity organizations and businessmen. However, it is impossible to track the amount of donations received by local governments. There is also no information on the amount of the sources used for different social assistance schemes of the municipalities. The lack of budget transparency in most cases fostered patronage based relations at the local and national level. Charitable giving in the form of the philanthropic donations to municipalities was encouraged among the Islamic business circles through tax exemptions and other incentives, including not taking legal actions against illegal activities, awarding these businesses in public and privatization bids, and channeling resources through support from public banks. According to Yucesan- Ozdemir (2013,10) this situation may be best described as a specific kind of bribery under the banner of charity in Turkey.

Food banking in one area where we can see this symbiotic relation in the hybrid provision of social assistance in Turkey. Therefore, the next section will analyze the implementation of food banking model to assess the AKP's new social policy initiatives in the context of the state's ongoing relationships with various social forces at the local and national level in Turkey.

### **The AKP's Food Banks: As An Example of Hybrid Provision of Social Assistance in Turkey**

Food banking which first started in Phoenix, Arizona in the late 1960 expanded considerably as a way of coping with food insecurity issue in a time of austerity measures in both high-income and developing countries since the mid-1980s. As closely related to poverty, food insecurity means members of a household have difficulty accessing, or worry about not having enough food for an active, healthy life (Food and Agriculture Organization 1996). The expansion and entrenchment of charitable food banks across the world have revived discussions about the state's responsibility to address hunger and poverty. Many argue that even though food banks may have some merits in providing immediate sustenance to food insecure people, they essentially play a vital role in depoliticizing of food insecurity and socially constructing hunger as a matter of primarily for charitable action. For example, Winne (2008, 184) calls for a serious examination of the role of food banking, "which requires that we no longer praise its growth as a sign of our

generosity and charity, but instead recognize it as a symbol of our society's failure to hold government accountable for hunger, food insecurity and poverty.”

Food banking was introduced in Turkey by the AKP government in 2004 with the Law No.5179 on Adoption of the Amended Decree By-Law on the Production, Consumption and Inspection of Food. A further legal revision expanded donations to include cleaning materials, clothing and fuel substances, and donations given to food banking associations were not only limited to food items. The Law defines the food banks as non-profits organizations established by associations and foundations. Law 5179 allowed any association or foundation to receive donations to provide food, clothing, cleaning and heating materials to the needy recipients, and to establish food banks. In 2005, municipalities were also given the right to set up food banks with the Municipal Law No.5393. Soon after, food banking has become an important part of the AKP's local governments' strategy of providing direct social assistance to vulnerable groups to increase their popular support in elections.

The AKP government ardently promoted food banking as part of its social policies aiming to eliminate the poverty and realize social justice. Food banks were arranged in a grocery store format in which gives recipients the feeling that they were just shopping at a market. This arrangement was praised for providing a sense of anonymity and preventing the likely patronization of recipients by donors or distributors (Zencirci 153-53). In the article, called “Food Banking Makes the Poor Happy,” such arrangement was explained by Van Social Solidarity and Mutual Assistance Association as follows:

The poor citizens that are registered at this Waqf are able to get the items they need from the food, clothing and cleaning departments of the Food Bank. After they put these items in their shopping carts they use the barcode scanner located at the counters. In this way, it is possible to give the holders of rights what they want for themselves, instead of what is wanted for them. The new market system and the services provided with rich choices have been quite liked by the people of the region (2009, 37).

The AKP government introduced tax incentives to encourage associations and foundations to establish food banks. Associations and foundations operating in food bank activities were entitled to claim tax deductions, and exempted from Value Added Tax (VAT). Companies were also allowed 100 per cent of tax deduction, and exempted from VAT for donations given to food banking association through the amendment in the tax laws in 2004. However, as Yildiz (2007, 67) notes that there are no control mechanisms in place which could prevent companies to use food banks as a way of destocking the surplus production that cannot be put on the market for various reasons, and to make profit through tax incentives.

Legal obligations in which the foundations and associations are subjected to qualify for tax exemption for working for public interest are not required from the ones engaged in food banking. It is not possible to access any data on the exact numbers of associations and foundations in operating food banking as they are not obliged to make a formal notification about their operations on food banking (Ozdemir and Oguzhan 2010, 35). There are also no formal statistical figures to show the numbers of people receiving food assistance, the amount of donations and income tax benefits received by donors. Data collected by Istanbul Chamber of Public Accountants and Financial Advisers (ISMMMO) in 2009 could provide a glimpse into the state of food banking in Turkey. According to the report prepared by ISMMMO, 20 associations and 10 foundations had been authorized by the Ministry of Interior to engage in food banking, and the amount of donations to food banks stood at more than 7 billion Turkish Liras worth between 2003-2008.

The Turkish food-banking model demonstrates that “imposing an accountability mechanism on non-state actors is complex given the increasing diversity of partnership involved in delivering social policy” (Morvaridi 2013, 317). The lack of an accountability framework that tracks social assistance provision by non-state actors increased the AKP’s networks of economic and political interdependence with provincial businessmen who were politically close to the AKP. As Koc (2013, 158) argues that “donations to food banks in municipalities where the governing party has the majority would be seen as a smart investment with the expectations of favorable results in receiving government contracts.”

In the absence of an integrated national policy concerning food, agriculture, trade and public health, food banking has not achieved any more than providing immediate sustenance to food insecure people in Turkey. The AKP government has successfully instrumentalized food banks as a way of depoliticizing food insecurity and constructing hunger as a matter of primarily for charitable action based on Islamic almsgiving tradition. While doing so, poverty has been conceptualized as a situation of unmet basic needs, which is not based on structural inequality and spatial relations. By detaching food insecurity from class or social movements, food banks have contributed to undermining the state’s responsibility, as ratified international conventions to respect, protect and fulfill the human right to food, and offered a unique platform to the AKP government for reinforcing new interdependences between various social groups in Turkey.

## Conclusion

Given the limitations of totalizing approaches viewing neoliberalism inherently inimical to welfare, more research is warranted to provide evidence on what new welfare practices have emerged in conjunction with economic restructuring in the developing countries (Zencirci 2012, 7). The AKP's approach to social policy offers a good example of merging of Islamic concerns (communitarianism, charity-based social assistance etc.) and modalities of neoliberal development in the Middle East. The AKP's social policies, which serve to bolster the policy of charitable gift-giving, have reshaped the state's engagement with various social forces by enforcing circular relationship with municipal governments, charitable organizations and business groups who are ideologically close to the AKP. This paper aimed at pointing to the *unintended* consequences of particular kinds of social policy in fostering new forms of political and economic interdependence and establishing a cross-class coalition between Islamic business circles and the poor in Turkey.

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