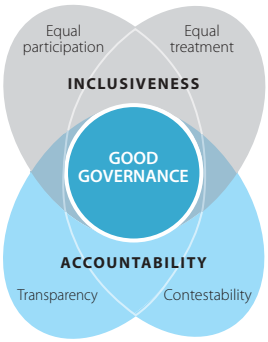
Overview



Enhancing Governance in MENA

Most governments and people share the aspiration of national development, with its many interpretations. Development is often defined in terms of its economic aspects, as increased material well-being through ensured employment and income for all who want it. But as knows anyone whose children go to schools of poor quality, have no clean water to drink, or face the threat of violence, development is also about having access to adequate social services. And development is ultimately about human development—the quality of material living, with wider choices and opportunities for people to realize their potential, plus the guarantee of those intangible qualities that characterize all more-developed societies: equality of treatment, freedom to choose, greater voice, and opportunities to participate in the process by which they are governed. Virtually all constitutions in the Middle East and North Africa (MENA) region enshrine those values of development, and public governance is one of the mechanisms through which the values are secured for the people.

From getting a driver's license in Casablanca to voting in municipal elections in Beirut, public governance relationships in the MENA region, as elsewhere, manifest themselves in almost every situation in which individuals and groups interact with the government. The challenge for governments and people throughout the region is to expand the interactions that are smooth and productive and to minimize the ones that are frustrating and wasteful—in a move toward "good" governance. If public governance is the exercise of authority in the name of the people, good governance is exercising that authority in ways that respect the integrity, rights, and needs of everyone within the state.

Good governance relationships can be analyzed in a framework that is based on two universal values that are particularly relevant to MENA: *inclusiveness* and *accountability*. The first draws on the notion of equality, which is enshrined in virtually every constitution in the region. Equality,

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when translated into governance, means that all those who have a stake in governance processes and who want to participate in them can do so on a basis equal to all others. In short, governance is inclusive, not exclusive. Inclusive governance maintains mechanisms to define and to protect the basic rights of everyone, and it provides remedies and recourse guaranteed by a rule of law. Rights include fairness and tolerance among the people themselves, and good governance means those rights are protected. Rights also include how governments treat the people, and good governance means that governments treat everyone with equal rights before the law and without discrimination and ensure equal opportunities to access the services provided by governments.

The second value draws on the notion of representation, a notion as ancient as the first caliphs. Representation, when translated into governance, means that those selected to act in the name of the people are answerable to the people for their failures and credited for their successes. In short, they are accountable to the people. That accountability rests on knowledge and information—and thus on transparency in governance mechanisms. It also rests on incentives that encourage those who act in the name of the people (government officials) to do so faithfully, efficiently, and honestly. Such incentives come both from contestability in the selection of public officials and policies and from fostering an ethic of public service so officials act in the public interest.

Accountability can be both external and internal. *External accountability* is when people themselves hold the government accountable, as when the residents in a village select their councilman. But it also includes instances where the recipients of public services (such as parents of students) hold the service provider (teacher or school administrator) directly accountable. *Internal accountability* is when the government, to protect the public interest, institutes various systems and incentives to govern the behavior of different agencies within the government, such as separating powers and setting up independent checks and balances. Together, inclusiveness and accountability are the flowering of good governance (figure O.1).

A particular, and common, manifestation of poor governance is corruption—manifested in favoritism, nepotism, or bribery. By denying the right of equal treatment, corruption denies inclusiveness; it results from a lack of accountability, internal or external. Thus, it is a symptom of poor governance, even if eliminating corruption will not by itself guarantee good governance.

The thesis of this book is that development in MENA—economic, social, and human—is being handicapped by weaknesses in the quality of public governance, in which the region lags behind the rest of the world. A prominent group of Arab scholars writing in the United Nations De-

FIGURE O.1

Inclusiveness and Accountability Are the Values Underpinning Good Governance

Inclusiveness means that all those who have a stake in a governance process and want to participate in it—men and women, rich and poor, rural and urban—are able to do so on an equal basis, whether by voting, by contributing to consultations, or by overseeing local public service agencies.

Inclusiveness also means that governments treat everyone equally, that they protect the rights of everyone with equal vigor, that exclusion and discrimination are absent in the provision of public services by governments, and that everyone has equal rights to recourse and remedy if there is discrimination by public officials.

Accountability is based on the idea that people have the right to hold their governments answerable for how they use the authority of the state and the resources of the people.

Accountability needs transparency or full access to information—the people need to know about the functioning of the government, to hold it answerable, and governments need to provide access to such information.

Accountability also needs contestability—being able to choose among alternative political and economic entities on the basis of how well they perform. It also means recourse and remedy when government actions contravene basic rights—especially those of inclusiveness—or violate the rule of law.

velopment Programme's (UNDP) *2002 Arab Human Development Report* decry the region's "freedom deficit [that] undermines human development and is one of the most painful manifestations of lagging political development" (UNDP 2002a, p. 2).

Governance Is Typically Weaker in MENA than in the Rest of the World—Qualitatively …

Governments in MENA have typically sought to provide a broad range of public goods to everyone, with some astounding increases in coverage. (Lebanon increased the rate of childhood immunizations from virtually none to more than 90 percent in about a decade. Tunisia increased the number of phone lines 20-fold, also in about a decade.) And even with some of the driest countries on earth, the region has some of the best access to water for its people.

But beneath those gains are weaknesses in inclusiveness. Pressures from rising populations, increasing urbanization, and the growing complexity of modern public services strain the coverage of many public services. Although the spotlight of weak inclusiveness often falls on gender inequalities in the region, other groups suffer as well. Inclusion is weak

wherever rural dwellers have fewer public services, thus leaving in its wake some of the highest levels of illiteracy among middle-income countries. Inclusion is also weak when the government effectively controls the conduct of elections, as in virtually all national elections. And it is weak when nepotism, tribal affinity, patronage, or money determines who gets public services and who does not—as well as who gets access to lucrative business opportunities and who does not.

Thus, there exists a wide and persistent social gap between countries in the region and those with which they have to compete. Infant mortality in the Arab Republic of Egypt was still 69 per 1,000 live births in 1999, much higher than the 42 per 1,000 in Indonesia, a country with half of Egypt's per capita income. Only the United Arab Emirates, one of the richest countries in the region, matches Hungary and Malaysia, with a rate of 8 per 1,000. Almost two in five adult males in Morocco are illiterate, and well over three in five adult females—on par with much poorer countries, such as Mozambique or Pakistan. Ensuring equitable treatment is a challenge worldwide, but the challenge is greater when there are few avenues for accountability, recourse, and remedies.

And what about accountability—and the transparency and contestability that it depends on? There are glimmers of greater transparency in some countries. The Islamic Republic of Iran fully publishes its national budget and televises its parliamentary debates, as do some other countries in the region. The media are contributing to the public debate on government accountability in countries like the Islamic Republic of Iran and Algeria and are especially vocal in Lebanon. Satellite television channels allow information to travel across previously impenetrable borders.

But in general, countries across the MENA region exhibit a pattern of limited and reluctant transparency, which is reflected in the fact that it is the region with the least empirical data on the quality of governance. No country guarantees citizens the right to government information; some countries actively repress that right. In Egypt, the detailed government budget is not fully published and discussed outside parliament. The freedom of the press is carefully monitored and circumscribed in most countries and is periodically assaulted in some countries by the harassment or arrest of journalists, thereby damping public debate. Many countries have laws restricting press freedom, subjecting them to controls, and imposing penalties. The war on terrorism, more intense after September 11, 2001, has provided excuses for tightening controls in many countries.

Accountability requires—as much as transparency—contestability: debate, questioning, choice, and competition among alternative representatives and policies. Parliaments can enhance internal accountability; Morocco and Bahrain, for example, have recently created parliaments. Local

elections can enhance external accountability; in Lebanon and the Islamic Republic of Iran (where the 1999 elections brought 200,000 locally elected representatives into the political sphere), local elections have improved local governance and created a proving ground for future national political leaders. Within administrations, easing the rigid civil service policies and pressures—which put the unemployed on the public payroll and that award jobs on the basis of personal connections—will improve accountability through competition for bureaucratic appointment and advancement.

In most MENA countries, internal accountability mechanisms within the government administration are generally comparable with those of other countries at similar incomes. But internal checks and balances across the branches of government are uniformly weak. Why? Because of the excessive concentration of power in the executive—not only in the seven monarchies, but also in the more notionally "pluralistic" governments, such as Algeria, the Arab Republic of Egypt, and Tunisia. Regarding external accountability, contestability for public officials—in the form of regular, fair, competitive processes of renewing mandates and of placing no one above the law—has been rare in the region, especially for national leaders. MENA governments remain the most centralized of all developing countries.

… And in the Measure of Good Governance

A complex, multifaceted concept, governance is difficult to collapse into a few empirical measures that can be compared across countries. Various efforts to do so have sought to identify critical dimensions of good governance, ranging from the rule of law, to controlling corruption, to public sector efficiency, to citizen voice, to "democracy." Many of the measures are based on observer perceptions and opinions, making the measures subjective. And the lack of data on the quality of governance in this region compounds the difficulty of measuring governance empirically. Even so, the analysis in this book supplements the qualitative assessment and allows comparisons among countries worldwide by drawing on past work and by aggregating the available empirical data into broad indexes of governance.

The quantitative picture reveals a gradation in the quality of governance in MENA, thus reflecting the region's diversity, which makes generalizations difficult. But on close examination, some robust regional patterns emerge.

For the most part, the quality of governance in the region increases with incomes—a worldwide pattern that has been found in every study on governance. In terms of the overall index of governance quality used in this book (based on 22 indicators with comparable data for most coun-

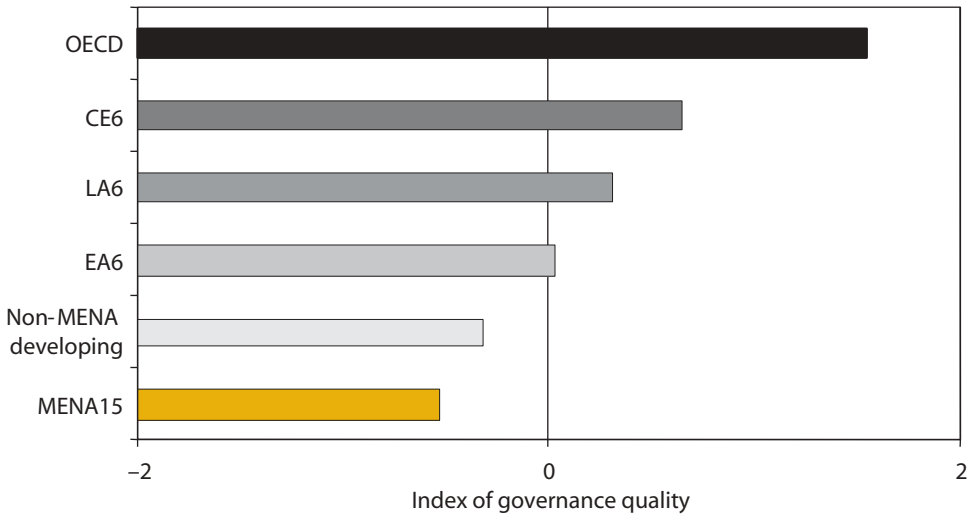
tries), upper-middle-income countries around the world, as well as in MENA, have average governance quality about twice that of lower-income countries. So any study of governance needs to take account of variations in income.

When compared with countries that have similar incomes and characteristics—the main competitors in the global marketplace—the MENA region ranks at the bottom on the index of overall governance quality (figure O.2).

That overall governance gap has two components: an index of the quality of administration in the public sector and an index of public accountability. The first measures the efficiency of the bureaucracy, the rule of law, the protection of property rights, the level of corruption, the quality of regulations, and the mechanisms of internal accountability. On this index, MENA countries largely track their counterparts worldwide, typically running only slightly lower. With few exceptions, they have individually and on average lower levels of the quality of administration in the public sector than would be expected for their incomes (that is, they are below the income-adjusted world average in figure O.3), with the gap tending to be worse for countries that have higher incomes that rely on oil resources.

FIGURE O.2

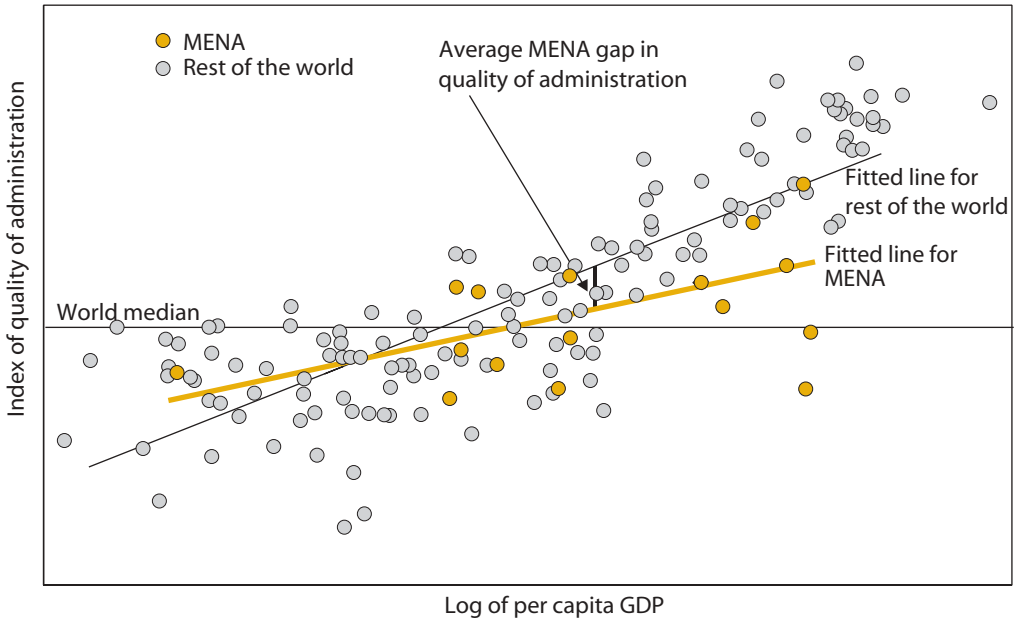
Compared with Other Regions, MENA Shows a Clear Governance Gap



Notes: OECD includes Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Central European countries (CE6) include Bulgaria, the Czech Republic, Hungary, Poland, Romania, and the Slovak Republic. Latin American countries (LA6) include Argentina, Brazil, Chile, Mexico, República Bolivariana de Venezuela, and Uruguay. East Asian countries (EA6) include Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. MENA15 includes Algeria, the Arab Republic of Egypt, Bahrain, the Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, the Republic of Yemen, Saudi Arabia, the Syrian Arab Republic, Tunisia, and the United Arab Emirates.
Source: Authors' calculations, which are based on the index of governance quality, covering 173 countries worldwide.

FIGURE O.3

For the Quality of Administration, MENA's Governance Gap Is Narrower and Incomes Matter



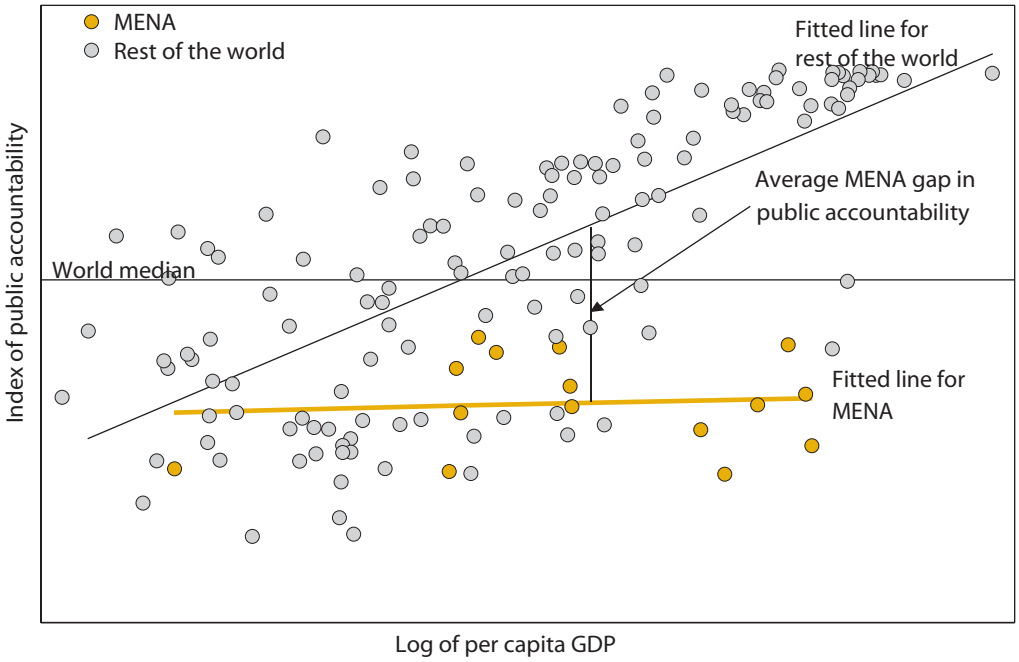
Notes: Refer to appendix B for the measurement of the governance gap. Data are insufficient to include Djibouti, Iraq, Libya, and the West Bank and Gaza.
Source: Authors' calculations, which are based on the index of the quality of administration, covering 173 countries worldwide.

The index of public accountability measures the openness of political institutions and participation, respect of civil liberties, transparency of government, and freedom of the press. Here, the MENA region falls far short. In the rest of the world, the quality of public accountability increases as incomes increase, but not in MENA (as shown by the flat line for MENA in figure O.4). For some of the richer MENA countries, the gap is particularly wide when compared with similar countries worldwide. Moreover, not a single country in MENA appears above the world median for the quality of public accountability, whether adjusted for income or not. Individually and collectively, the region lags on measures of public accountability, and the richer the country, the worse the gap.

Within MENA, there is a stark difference in the quality of public accountability between the countries that have very little or no oil or gas (the Arab Republic of Egypt, Jordan, Lebanon, Morocco, and Tunisia) and those that do (figure O.5). This is because the high incomes of the latter depend less on a good environment for business activity (as, say, is

FIGURE O.4

For Public Accountability, MENA's Governance Gap Is Wider, Irrespective of Incomes



Notes: Refer to appendix B for the measurement of the governance gap. Data are insufficient to include Djibouti, Iraq, Libya, and the West Bank and Gaza.
Source: Authors' calculations, which are based on the index of public accountability, covering 173 countries worldwide.

the case for some of the richer East Asian countries such as the Republic of Korea and Singapore) than on the exploitation of oil and gas resources.

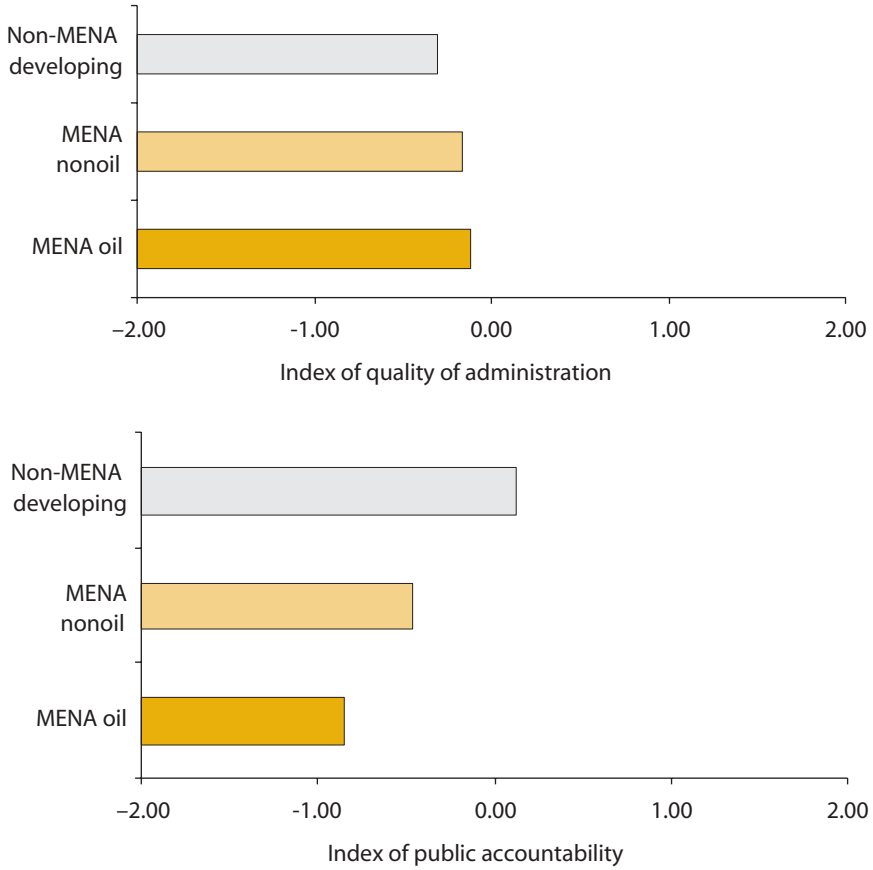
Weak Governance Has Contributed to Weak Growth in MENA …

Since 1980, the average annual per capita economic growth of the MENA region as a whole has been 0.9 percent, even less than that of Sub-Saharan Africa.[1] Productivity has been on the decline for three decades. Even more troubling is the volatility of growth. Increases in incomes have been difficult to sustain, and declines in income have not been quickly reversed—for both oil exporters and the non–oil-dependent countries. Contrast that with East Asian countries, which grew faster at sustained rates, except for the regional crisis in 1997–98.

At the root of MENA's growth gap is its governance gap. Indeed, simulations find that if MENA had matched the average quality of adminis-

FIGURE O.5

For MENA's Oil-Dependent Countries, the Public Accountability Gap is Even Wider



Notes: MENA oil includes Algeria, Bahrain, the Islamic Republic of Iran, Kuwait, Oman, Qatar, the Republic of Yemen, Saudi Arabia, the Syrian Arab Republic, and the United Arab Emirates. MENA nonoil includes the Arab Republic of Egypt, Jordan, Lebanon, Morocco, and Tunisia. Data are insufficient to include Djibouti, Iraq, Libya, and the West Bank and Gaza.
Source: Authors' calculations, which are based on the indexes of quality of administration and public accountability, covering 173 countries worldwide.

tration in the public sector for a group of good-performing Southeast Asian countries (Indonesia, Malaysia, the Philippines, Singapore, and Thailand), its growth rates would have been higher by about one percentage point a year.[2] The development gap is reflected in this growth gap: if the region had grown as fast as Hungary, Malaysia, and other top performers over the past decade and a half, average incomes would be twice what they are today—twice! The shortfall may be even higher, because the calculations do not include the full effects of public accountability, which is much less well developed in MENA countries than in those good-performing comparators.

… Because Poor Governance Has Shackled the Business Environment

Many factors contribute to the region's disappointing economic performance, with weak governance at the origin of many. Governance helps determine policy formulation and implementation that, in turn, determine whether or not there is a sound, attractive business environment for investment and production.

Businesses react to incentives, costs, and constraints, which are often summarized as the "business environment" or, more narrowly, as the "investment climate." Influencing the environment for business and investment are the actions of the government in shaping and implementing policies. Needed are good policies—and good administration of policies. One without the other would be ineffective.

For most MENA countries, the bureaucratic environment for doing business still lags far behind that of their comparators elsewhere in the world. In Morocco, about half the firms in a recent survey said that they had to hire intermediaries or maintain full-time workers to deal with the bureaucracy (World Bank 2000a). In Jordan, a potential investor interested in registering a new firm has to wait three months, with half that time spent on a single procedure: inspection by the ministry concerned (World Bank 2003c). Increasing the cost and risk to business, such problems not only lower the quantity of new investment but also lower the quality and efficiency of the investments already made. They thus reduce growth as well.

Improving the inclusiveness and accountability of governance mechanisms in MENA will help in three ways: by reducing the scope for persistently arbitrary or distorted policies, by improving bureaucratic performance and thus reducing the uncertainties and costs of doing business, and by improving the delivery of public services for businesses to be productive.

First, good governance does not necessarily lead to good economic policies, but it does provide mechanisms—such as public debate on the effect of government policies—that help countries minimize persistent policy distortions. By ensuring public accountability of politicians and bureaucrats, good governance contributes to the effective implementation of economic policies that are conducive to growth. Transparency and contestability, the key principles of accountability, plus inclusiveness in the governance process, are essential checks against leadership and policies that may favor less-efficient businesses and the incompetent or greedy.

Second, better governance makes it easier to start new businesses and to run and expand existing ones. Accountable and capable bureaucracies help lower transaction costs (for entry, operation, and exit). Trans-

parency and inclusiveness reduce the information asymmetries between business and governments, and thus reduce uncertainties and unpredictability in the application of government rules and regulations.

Better governance also increases the flexibility of countries to respond to economic shocks—as was evident for the Southeast Asian countries in the 1990s. The better the quality of their institutions, the faster they recovered from the regional crisis. The same pattern holds for MENA countries that are less affected by the oil cycle: their faster economic recovery since the mid-1990s can be associated with their better institutional quality. The lesson: good governance mechanisms facilitate the management of outside sources of economic volatility, such as oil prices.

Third, businesses operate in a commercial environment that depends on the satisfactory, timely, and equitable delivery of key public goods (such as safe, well-maintained roads) and on efficient and equitable enforcement of necessary public regulations (such as competition law and regulation of natural monopolies, as well as taxation and similar policies). Such a business environment can be ensured (1) by more inclusive participation of business, worker, and consumer interests in defining priorities for public services and in monitoring how well governments perform in providing them, and (2) by accountability mechanisms that help keep the officials, administrators, or other providers of those public services honest and able. And this environment can be further improved with good economic and regulatory policies formulated by accountable politicians.

Of course, it is possible that strong leadership can increase the economic well-being of a country—as in the Chile of Pinochet, the Singapore of Lee Kuan Yew, the Tunisia of Bourguiba, or the China of the past two decades. Such examples show that strong internal accountability mechanisms can, in some cases, mitigate the absence of strong external accountability. But strong leadership and strong internal accountability cannot permanently substitute for weak governance, as Indonesia demonstrates. Internal accountability works less well when issues become increasingly complex and variable—because welfare requires basic rights that are inherent in good governance, not just economic well-being; because citizen voice is needed to ensure equitable distribution of the gains from growth; and because complex services in an increasingly globalized world need a flexible flow of information that is best ensured by citizen participation. A case in point, again, is China, where the over-reliance on internal accountability channels led to difficulties at the onset of containing the SARS (severe acute respiratory syndrome) epidemic. Overall, there is an acute scarcity worldwide of examples of such competent, but unaccountable, leadership. This scarcity is testament to the fact that enlightened leadership with poor governance is a historical accident—as much, if not more so, in MENA countries as worldwide.

Weak Governance Has Also Limited the Quality of Public Goods and Services

Public service delivery has long been a key concern of all MENA governments. There have been some notable successes, both over time and in comparison with other countries at similar incomes. In Oman, gross primary school enrollments increased from just 3 percent in 1970 to 72 percent in 2000. In Lebanon, almost no children under 12 had DPT (diphtheria, pertussis, tetanus) immunizations in 1980—but 93 percent had been immunized by 1993. In Tunisia, there was less than one phone line for every 100 people in 1990—yet there is one line for every 5 people today. And between 1990 and 1999, the Arab Republic of Egypt built more than 18,000 kilometers of roads and the Republic of Yemen built almost 16,000 kilometers.

Still, there are significant gaps in public services in the region—especially defined in terms of outcomes—between the countries of the region and those with which they have to compete. To illustrate, despite progress, infant mortality in Egypt remained at 69 per 1,000 live births in 1999; in many other MENA countries, it remains above the worldwide average for their respective income grouping. Only the United Arab Emirates, one of the richest countries in the region, matches Hungary and Malaysia, with a rate of 8 per 1,000. Almost two in five adult males in Morocco are illiterate, and well over three in five adult females, which is on par with much poorer countries such as Mozambique or Pakistan.

Why are Egyptian bureaucrats so good at building roads, but so slow at eradicating illiteracy? Why are Lebanese administrators so effective at immunizing children, but so ineffective at drastically reducing infant mortality? And why has Tunisia been so successful at increasing the number of telephone mainlines, but not as effective in increasing access to the Internet, the tool of today's information age?

Clearly, the cause for those shortcomings in service delivery is not any lack of capability of the MENA administrators, as the region's score on the index for quality of administration attests. It is the thesis of this book that weak government performance stems from weak governance mechanisms, especially those for public accountability.

The quantity and quality of any public services delivered depend on the relationships and interactions among three parties: politicians or policymakers; service providers, whether bureaucrats in public service agencies or private vendors on behalf of government; and citizens, as clients, who are beneficiaries of the service and who act both individually and as members of civil-society intermediaries.

Public service agencies (such as public schools and clinics, but also regulatory bodies) are expected to provide the services they are respon-

sible for: to teach children, to treat patients, to maintain roads, to assess and collect customs fairly and expeditiously, and to issue licenses according to appropriate rules. In short, they are expected to serve the client. The challenge that politicians and policymakers face is to motivate and monitor the service agencies. To accomplish this task, they need to design internal mechanisms of oversight and accountability that increase the information about services actually delivered (transparency) and to set out consequences for good or bad performance (contestability). In addition, they need to foster an ethic of service to the public and of stewardship of public resources, both of which are hallmarks of a truly effective service delivery organization.

How does this framework apply to the situation in MENA? Consider budget management—a central element in any public service delivery system. MENA governments have typically focused on traditional budget management: linking annual budgets to multiyear plans, using cost-benefit analysis, and putting in place financial controls. They have focused too little on the performance orientation of the system: arrangements such as the merit-based recruitment and promotion of civil servants who actually carry out the budget, the autonomy that high-performing line agencies need, and the competitiveness of salaries, each of which is indispensable in good internal accountability and performance management systems.

Politicians and policymakers must find ways to supplement such internal accountability systems through mechanisms for external accountability. This need is especially true for services that involve a large number of personalized transactions, such as teaching or issuing official papers, where centralized monitoring is neither practical nor effective. The officials can be helped in this effort by citizens who deal directly with agencies—citizens who can provide feedback on agency performance and can even participate actively in agency management. Put simply, the receiver of services has the best information on whether the quality of services was adequate or on whether the service provider failed to meet his or her needs. This is the first channel of external accountability—from the citizens, as clients, to the service providers.

But what if politicians and policymakers do not take their job of mandating and monitoring public service delivery seriously or are simply not in touch with the public interest? In those cases, citizens and citizen groups need channels to hold leaders accountable—in part through fairly contested elections but also through a wide array of other mechanisms to express their needs and concerns, such as interest groups, official consultations, independent research, and the media. This is the second channel of external accountability—from citizens to politicians and policymakers.

As noted above, it is in accountability that governance in MENA is weakest, especially but not only through the external accountability channels. Client voice and choice over service provision are conspicuously lacking, if not absent, in a region where client feedback mechanisms—either to the provider or to policymakers—are limited and often restricted.

Many innovations are being developed around the world to strengthen those accountability linkages, and a few are being tried in some MENA countries. But such experimentation, which is common in much the world, remains relatively rare and isolated in the MENA region. For example, Malaysia began to introduce performance-oriented budgeting in the late 1960s. Only now, three decades later, have some MENA countries begun to consider it seriously. Given the long gestation period to introduce such systems, the delay is all the more costly for internal accountability.

Client and business surveys, feedback mechanisms, report cards, polls, and other methods of giving beneficiaries a voice in service performance are common in other regions. But they are rare in MENA, a fact reflected in the scarcity of data on governance in MENA countries. Nor do clients have much choice in obtaining services, because the privatization of public monopolies is proceeding slowly. MENA is also the region with the most centralized governments—despite evidence that local governments can often deliver many public services, especially basic health and education, better. Local officials have more and better information about the needs of their communities, and local communities are more likely to be able to hold local leaders accountable. Finally, key external accountability mechanisms—such as the media and civil-society organizations—continue to be tightly controlled, if not discouraged, in many countries.

Bridging the Region's Governance Gap Is Both a Challenge and an Opportunity

Bridging the governance gap will be a challenge for both the governments and the people of the region. But it is also an opportunity, with potentially great rewards in sustained economic growth, social stability, and human development.

Men and women in the Middle East and North Africa are living today at a time of rising expectations—and growing frustrations. Economies are being strained by high population growth rates, which are among the highest in the world. That growth adds a rapidly increasing number of job seekers to the labor force. Aspirations race ahead, raising inevitable com-

parisons with other countries, which have been made easier by the global revolution in information flows. For those young men and women, the economy needs to create productive, income-generating opportunities through economic growth, and the government needs to provide services ranging from education to a good business environment. Good governance is a means to ensure growth and social improvement; it is also a fundamental dimension of human development itself.

Yet the MENA region proceeds on a profoundly fragile growth path. No country in the region has been able to move to a sustainable path—despite the enormous oil wealth of many of them, or perhaps because of that wealth. The gap in economic development, coupled with the gap in aspirations, puts progress in the region at risk.

The governance challenge is not selecting the "right" leaders or prescribing the "right" economic or social policies, important as they are. It is ensuring that the process of choosing, renewing, and changing leadership, as well as of conceiving, debating, designing, adopting, and implementing such policies, will give all the people—as both citizens and clients—an opportunity to express their preferences, to participate in the dialogue, and to hold the government accountable for acting in their best interest. Good governance cannot itself guarantee a particular set of "good" outcomes in terms of leadership and policies, but it is a sine qua non for minimizing the persistence of disappointing outcomes and ineffective policies and for moving toward better ones.

Exogenous factors—riches from hydrocarbons, instabilities caused by conflict or the threat of it, or interference stemming from geopolitical interests—have handicapped the emergence of the institutions of good governance in many of the region's countries. Worse, those factors often reinforce behaviors and governing arrangements that defy accountability and that put people at the mercy of government. Rising to the challenge of good governance will mean turning those handicaps into opportunities by acting on a wide array of entry points that can eventually lead to better governance—and with it, better economic performance.

Rising to the challenge of better governance is not solely, or even mainly, the responsibility of governments. The reason? Many in government (and many outside it) may resist the move to more inclusive and accountable governance. Better governance inevitably requires action by governments, but it also requires more active participation by the people. The governance challenge is thus a challenge for everyone in the region. Outside the region, governments and organizations also bear a responsibility to align their relationships with MENA countries more closely to the objective of helping them meet their governance challenge, rather than countenancing bad governance behaviors and institutions through self-interested aid and alliances.

Meeting the challenge is no simple matter, either technically or institutionally. Poor governance reflects the failure of institutions; yet the creation of better institutions itself requires the emergence of other institutions, notably active, inclusive, and responsible participation.

The uncharted transition will vary by country, but it is likely to be marked by compromises and halfway houses—such as the consociational democracy in Lebanon or the designated representatives of excluded groups in the Arab Republic of Egypt, Bahrain, and Morocco—that are designed to build institutions more representative of the people in the face of traditions and other institutions that limit inclusion. The transition to good governance also requires tolerance of compromises and mistakes, while the institutions required for good governance, like participation, gain capacity and credibility. Many fear that opening up channels of external accountabilities without capable civil-society institutions can lead to chaos; yet such fears are too often used to justify repressive, exclusive, and nonparticipatory governance, and they stifle the emergence of the very institutions needed for enduring stability.

One of the lessons of governance reform worldwide is that moving to inclusiveness, accountability, and participation takes time, because it involves changing traditions and confronting privileged interests. Universal suffrage was not common in developed countries until the mid-20th century—nearly two centuries after being enshrined as a concept in America and Europe. Performance-oriented budgeting was initiated as a means of increasing accountability and performance of government in the United States in the 1960s, and it is still a long way from being adhered to universally.

But there are grounds for optimism. Countries elsewhere in the world have gradually strengthened governance mechanisms without instability and with the reward of better economic performance. The governance reform in Eastern Europe was generally better than in the countries from the former Soviet Union because of more contestable political systems, which favored the growth and power of a wide array of citizen associations voicing support for reforms.

Within MENA, there are also grounds for optimism. Most constitutions enshrine the values of good governance. Governments remain strongly committed to providing citizens with good public services. The debate on governance in the region, hampered though it may be by censure and limited information, is a reality. There is evidence of some progress on many fronts throughout the region, albeit progress of variable strength and breadth, such as the meaningful local elections in the Islamic Republic of Iran and in Lebanon, the launch of e-government initiatives in most countries, the use of client feedback surveys in Jordan and in the West Bank and Gaza, the new parliaments in Bahrain and Mo-

rocco, the citizen participation in Aden's municipal management, and the national ombudsmen in Tunisia and Algeria.

Any Program to Enhance Governance Requires Attention to the Twin Values of Inclusiveness and Accountability, …

Some broad principles—laid out in this book—should inform the selection and design of actions. Inclusiveness and accountability appear as essential components of any program of enhancing governance. For inclusiveness, basic rights—including the right to participate fully in the governance process, the right to equality before the law, and the right to equal treatment by government agencies—need to be guaranteed in every element of the program. For accountability, transparency and contestability should guide the process of designing the program and deciding its content.

Accountability requires both internal accountability mechanisms—roughly parallel to the index of the quality of administration in the public sector—and external accountability mechanisms—roughly parallel to the index of public accountability. The first depend on the initiative of governments, with impetus and pressure from the people. The second rely on the initiative of the people, with acceptance and accommodation by governments.

The program should target existing restrictions that limit inclusiveness and accountability, such as controls on the formation of citizen associations, high-level approval of candidate lists, and restricted access to information on government spending. It should also set up more active mechanisms for improving governance, such as legislating against discriminatory practices in the public sector, plus setting up a transparent monitoring and recourse system to assess adherence to new laws and to correct deficiencies.

… Starting with an Open Commitment by Countries …

The first requirement is a public commitment to improve the inclusiveness and accountability of government and to increase transparency and contestability in the conduct of public affairs. This commitment should be a joint commitment of government (in all its branches) and of the people, both individually and through their civil-society advocacy and community empowerment organizations.

Formal declarations by governments serve notice of new directions in a visible and monitorable way. They gain in credibility when formulated

in a participatory process that gives voice to citizen concerns and that builds a social consensus in which everyone feels he or she has a stake.

… To Formulate and Act on a Program to Enhance Governance …

The commitment must be followed by a process with the participation of all in society to formulate a program to enhance governance. The aim would be to reach a consensus on key directions for enhancing governance, on actions to enhance inclusiveness and accountability across a wide array of governance issues and institutions, and on the definition of indicators that could be used to chart progress and to progressively adapt the program.

This process should set high standards for including all segments of society in the consultation and debate. It should ensure maximum transparency by making all deliberations public and by inviting debate in the media. And it should elicit a strong civic commitment and involvement. Such a process itself would make a strong contribution to strengthening public accountability.

… With Five Pathways to Good Governance: …

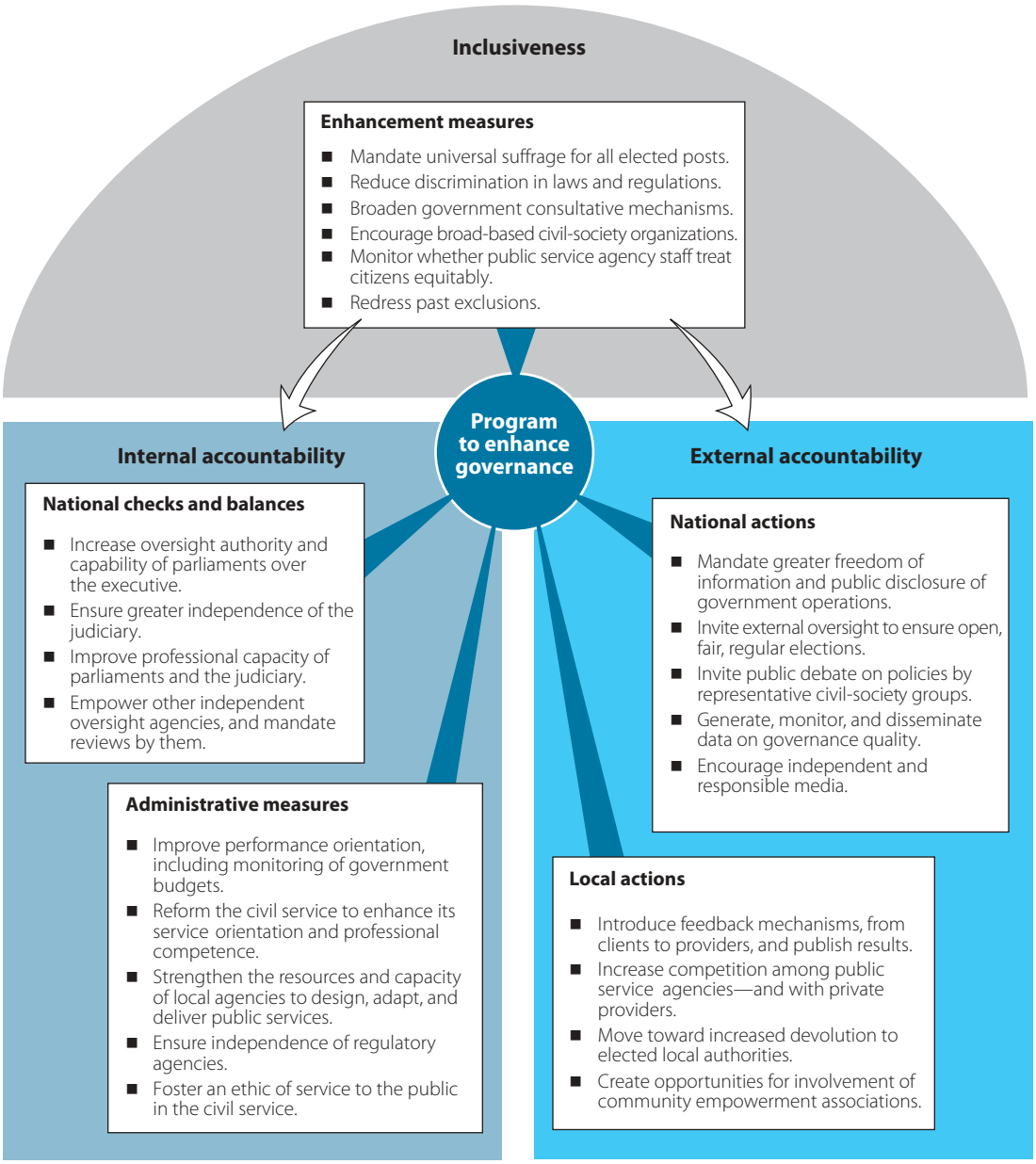
The program to enhance governance could be elaborated along five pathways to good governance: (1) measures to enhance inclusiveness, (2) national actions to strengthen external accountability, (3) local actions to strengthen external accountability, (4) national checks and balances to strengthen internal accountability, and (5) administrative reforms to improve internal accountability (figure O.6).

The five pathways are interrelated. Inclusiveness, a value in its own right, is an indispensable ingredient in better accountability, especially external accountability. Internal and external accountability mechanisms are not substitutes; they reinforce one another. Stronger mechanisms for external accountability will reveal weaknesses in internal accountability mechanisms, while stronger mechanisms and capacity for internal accountability are needed to generate the information about what the government is doing, which is the basis for external accountability.

Any good action program needs to envisage measures along all pathways, even if there is a wide menu of appropriate measures for each. The elements of each national program and the specific mechanisms for implementing them will be matters for individual societies to decide consensually through consultation and debate.

FIGURE O.6

A Program to Enhance Governance



… To Enhance Inclusiveness, …

The first step in enhancing inclusiveness is to adopt laws and regulations that widen and secure access to widely accepted basic rights and freedoms that include the right to participate in the governance process on an equal basis, plus the right to equality before the law, such as the right to be treated equally by government agencies. Broader public consultation, more freedom for the media, fewer restrictions on civil-society organizations, more equitable channels of access to health and education, and the end of discriminatory laws and regulations are examples of measures to secure inclusion. But laws may be little more than a declaration of intentions.

So, the second step is to establish mechanisms that can ensure that those laws and regulations are respected—mechanisms of internal and external accountability and, where necessary and possible, mechanisms that can help redress the consequences of past action.

… To Strengthen External Accountability Through National Actions, …

Improving external accountability is critical in providing incentives for the governments to strengthen their structures of internal accountability. Actions on this level will determine whether a country's overall institutional environment supports good governance or not. A menu of actions includes the following:

- Widely circulate information—the currency of transparency—on what government is doing, and do it through laws that mandate greater public disclosure and access to information and a freer public debate.
- Increase contestability through open, fair, regular elections of public officials, a process supplemented by a variety of other forms of participation, such as broad official consultations and hearings on government policies, including citizen surveys and electronic feedback.
- Permit wider civil-society advocacy and participation, including citizen watchdog groups and investigative journalism. Such activism can be an important mechanism in exposing corruption as a symptom of poor governance.
- Institute better monitoring of the quality of governance and wider dissemination of data that measure that quality in a variety of dimen-

sions, such as rule of law, press freedom, discriminatory practices, and control of corruption.

- Encourage an independent and responsible media.

… To Strengthen External Accountability Through Local Actions, …

Improving external accountability typically requires greater citizen participation, mainly through the citizen–service provider link. But today in MENA, that accountability almost universally depends on the willingness of governments to accommodate such participation. Accommodating participation means governments would establish participatory mechanisms as they publish information on the rules, responsibilities, and performance of public agencies, and as they abide by the outcomes of electoral and consultative processes. Evidence worldwide shows that an active, informed civil society can claim greater participation, especially at the local level, as shown by the example of women demanding identity cards in the Arab Republic of Egypt. Local actions can also act as a powerful ally for governments seeking to improve their own internal accountability mechanisms. A menu of such actions by governments includes the following:

- Provide more reliable information on public service performance through surveys, feedback mechanisms, consultations, and similar mechanisms.
- Increase competition among service providers by giving clients greater freedom of choice (for example, through vouchers and sound regulation of alternative service agencies).
- Adopt policies to empower and to strengthen local governments, which are closer to the people and more able to involve them directly in public decisions and accountability.
- Facilitate the increased involvement of community empowerment associations, especially in the management and oversight of public services that must be tailored to specific communities and groups.

… To Improve Internal Accountability Through National Checks and Balances, …

Improving internal accountability is primarily, but not only, aimed at enhancing contestability in the exercise of state power. It is done typically

through a constitutional separation of power among the branches of government—especially to make it difficult for a powerful executive (the norm in MENA) to sidestep accountability obligations. A menu of actions includes the following:

- Strengthen parliamentary authority and capacity.
- Ensure the greater independence and capacity of the judiciary.
- Empower other independent oversight agencies within government, such as supreme audit organizations and ombudsmen.

… And to Improve Internal Accountability Through Administrative Reforms

Even without constitutional reform to establish checks and balances, even without elections and decentralized political power, and even without freer press and more public information, many administrative actions can strengthen accountability in agencies that provide public services. Among the most powerful mechanisms developed elsewhere are those focusing on the management of public sector performance. A menu of actions includes the following:

- Strengthen the performance orientation in public expenditure management, which itself requires actions to improve the flow of information and the quality of debate and dialogue within the administration, thus underlining the importance of an overall governance environment that supports transparency and contestability.
- Reform the civil service to make it more accountable for emphasizing results over bureaucratic action, for ensuring faithful implementation of policies, and for treating all citizens fairly and competently. One benefit would be better control of corruption by public officials through reforms to reduce opportunities for malfeasance, through stronger sanctions, and through an ethic of integrity and stewardship.
- Decentralize the functions of government to bring them closer to citizens, who have both a direct stake in performance (unlike a supervisory bureaucrat) and the first-hand information to assess performance.
- Ensure independence of regulatory agencies to avoid capture by either private-vested interests or officials within government who have a political agenda.
- Foster an ethic of service to the public and of stewardship of public resources to enhance civil servants' commitment to performance and

to lower the costs of formal accountability monitoring and sanctions. Developing such an ethic requires vision and leadership from the top, as well as collaborative arrangements to build trust and mutual recognition between the citizens and the staff of public agencies.

In Sum: Follow Commitment with Action

There is no mystery to developing governance. It requires just two things: open commitment followed by action by all. If the people and the governments—the primary actors in governance—join together in the process, everyone in the region can have equal access to the fruits of faster growth, to better public services, and to a future replete with the attributes of human development. Those attributes encompass material well-being, wider choices and opportunities for people to realize their potential, and the guarantee of equality of treatment, freedom to choose, and full participation in the process by which people govern themselves.

Notes

1. Authors' calculations from World Bank data.
2. Authors' calculations from World Bank data; see appendix B.