Governance Challenges in MENA: The View from the World Bank

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Global Governance
Trends from 1989 on...

- Breakup of Empires & Rise of New States
- Expansion of Democratic Regimes
- Reduction in the Role and Size of the State
- Decentralization
- Rise of the Anticorruption Agenda
- Growth in E-Governance
- Rise of “New Public Management”
1990s Were the Second Most Prolific Decade in History in Terms of New State Creation

State Creation Since 1945

- Number of New States
- UN Membership

- 1940-49
- 1950-59
- 1960-69
- 1970-79
- 1980-89
- 1990-99
- 2000-02
On average, MENA has been in the middle in terms of political stability.
Significant Global Increase in the Number of Democracies During the 1990s
A “Democratic Deficit” in MENA?

Electoral Democracy in MENA

Global Electoral Democracy

- Free
- Partly Free
- Not Free
Global Reduction in the Role and Size of the State (Privatization Proceeds through 1996)

- Latin America / Caribbean -- 54%
- East Asia / Pacific -- 17%
- South Asia -- 5%
- Eastern Europe / Central Asia -- 19%
- Sub-Saharan Africa -- 2%
- Middle East/ North Africa -- 3%
Central Civilian Government Wages as % of GDP

- Africa
- Asia
- ECA
- LAC
- MENA
- OECD
- MIC
- Overall

Central Government Wages and Salaries
"As a political phenomenon, decentralization is widespread. Out of the 75 developing and transition countries with populations greater than 5 million, all but 12 claim to be embarked on some form of transfer of political power to local units of government."

Source: William Dillinger, Decentralization and Its Implications for Urban Service Delivery, 1994
...with Limited Impact in MENA

![Bar chart showing local government expenditure as a % of GDP](chart.png)
Rise of the Anticorruption Agenda

Control of Corruption (World, 2005)

OECD
Eastern Europe & Baltics
Middle East & North Africa
East Asia
Latin America
South Asia
Subsaharan Africa

Country’s Percentile Rank (0-100)
Rise of the Anticorruption Agenda: 2005 Transparency International Rankings

1. Iceland (9.7)  
17. United States (7.6)  
28. Israel (6.3)  
28. Oman (6.3)  
30. UAE (6.2)  
32. Qatar (5.9)  
36. Bahrain (5.8)  
37. Jordan (5.7)  
43. Tunisia (4.9)  
45. Kuwait (4.7)  
62. Brazil (3.7)  
70. Egypt (3.4)  
70. Saudi Arabia (3.4)  
78. Morocco (3.2)  
78. China (3.2)  
83. Lebanon (3.1)  
88. Iran (2.9)  
88. India (2.9)  
97. Algeria (2.8)  
103. Yemen (2.7)  
107. Palestine (2.6)  
126. Russia (2.4)  
137. Iraq (2.2)
Global Expansion of “E-Government”

Source: UNPAN Global Survey of E-Government 2002
*Primary indicators for most (144) UN Member States were developed. The measures include Web presence; telecommunications infrastructure and human capital.
Growth of “New Public Management”

- Focus on management, not administration
- Client-centered and citizen focused
- Emphasis upon Outputs versus Inputs; reduction in ex-ante controls
- Creation of Executive Agencies
- Extensive use of outsourcing, competition and private service providers

- Next Steps Program in the United Kingdom
- Reinventing Government in the United States
- Australian and New Zealand PEM Reforms
- Alternative Service Delivery in Canada
For the Quality of Administration, MENA’s ‘Governance Gap’ is Small
But for Public Accountability, the ‘Governance Gap’ is Wider
Global Governance Trends...

- Many of the global trends in governance in the 1990s & beyond were felt only distantly in MENA.
- In comparison with other regions, MENA fares well in terms of political stability and e-governance and fair in terms of facilitating private sector development, service delivery and anticorruption, with wide variation between countries.
- The region fares worse than global comparators on issues of decentralization and on public voice, accountability and participation.
- Overall size of the public sector is an issue.
Turning to Corruption...
<table>
<thead>
<tr>
<th>World Rank</th>
<th>Regional Rank</th>
<th>Country</th>
<th>2007 CPI Score</th>
<th>2006 CPI Score</th>
<th>Confidence Range</th>
<th>Surveys Used</th>
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<td>Average Score</td>
<td>3.80</td>
<td>3.96</td>
<td>-</td>
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Indices Tell Only Part of the Picture...

- Distinction between petty and grand corruption
- Perceptions versus hard empirical data
- Complex balancing of interests in tribal societies (Jordan & Yemen)
- Authoritarian, statist regimes & well-connected families
- Oil rents and transparency
What do MENA entrepreneurs complain about?

Probability of finding a given constraint to investment major or severe
(non-weighted average in 7 MENA countries, %)

Source: ICA Surveys
As a General Rule, Civil Society (including Professional Associations) is Weak and Underdeveloped

- No free organized voice in most of GCC, Syria, Libya, Tunisia, Iran. No independent organizations.
- Only a few independent organizations in Egypt and Algeria. Small membership base; limited membership services. Elite advocacy.
- Large business association in Morocco captured by dominant businesses and board members endorsed by the King.
- Are governments listening to business organizations? Should they listen to business organizations?
Limited Independence for Enforcement Agencies

- Jordan’s anticorruption function used to be housed in the intelligence services
- Mukhabarat a state within a state in many countries
- Protection for the politically well-connected
- Harassment for whistleblowers
Limited Role for Press Freedom and Investigative Journalism
Nevertheless, the Region has Recently Experienced a Renaissance of Sorts...

- Income and asset disclosure legislation recently passed in Morocco and Yemen
- New anticorruption agencies established in Jordan, Morocco and Yemen; under consideration in Kuwait
- Freedom of Information legislation passed in Jordan and under consideration in Egypt
Also Encompassing Preventive Measures...

Governance News-maker Interview: Comprehensive, Coordinated Strategy Drove Egypt’s Investment Boost
H.E. Mahmoud Mohieldin, Minister of Investment, Egypt
by Rami Khouri

CAIRO: Three years of sustained economic and administrative reforms have seen Egypt join the leaders among Arab economies pursuing investment-fuelled growth. One of the key issues is a very real problem that should be combated through “transparency and competition.” Together, this suggests that regional reform strategies must be grounded in aiming to remove entry barriers and increase transparency as a first priority. Good information can fuel targeted dialogue and reforms. These reforms, in turn, can increase the constituency for further reform and improve the quality of public-private dialogue.
Six Key Elements for GAC Implementation in MENA

1. Create institutional infrastructure for oversight
2. Staffing and skills mix
3. Country Governance and Anticorruption Strategies
4. Improve integrity in Bank operations
5. Strengthen governance in sectors
6. Regional governance agenda
Institutional Infrastructure

- Most regions are creating region-wide implementation committees, although chairs & composition differ (PREM vs. non-PREM)
- Some regions (SAR, EAP?) have created Level G1 post of Governance Advisor
- 5 out of 6 operational VPUs have a dedicated unit & manager for governance and public sector management
- Regional hubs in some VPUs
Six Key Elements for Implementation

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2. Staffing and skills mix
Staffing and Skills Mix:
A Three Pronged Approach

- Strengthen field presence through Country based Governance Advisors/Level GG Senior public sector specialists
- Fill key skills gaps in HQ
- Use training strategically to round out skills
Key Question: Outsourcing vs. In-House

**In-House Skills**
- Public Financial Management
- Civil Service Reform
- Anticorruption
- Decentralization
- Demand Side Governance (CDD)

**Regular Access (ETCs, STCs)**
- Demand Side Governance (Parliamentarians, NGOs)
- Governance in Sectors

**Outsourcing**
- Legal and Judicial Reform (to LEGJR)
- Political Economy Analysis
Six Key Elements for Implementation

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About CGACs

- Nature of product only dimly defined
- Goal is to take a comprehensive, strategic view (both developmental and operational)
- Draw upon existing work to the greatest extent possible
- Close link with the CAS or interim strategy update
- Heavy Bank engagement (actual or potential)
- Significant governance challenges
Type of CGAC Issues to be Addressed

- Potential entry points in governance dialogue (PSD, PSM, sectors, civil society)
- Integration of core and sectoral reform agendas
- Overall project risk environment
- Reliance upon country systems
- Political economy issues and reform (scope for broadening the dialogue?)
CGAC Targets

**FY08**
- Lebanon
- Iraq
- Yemen

**FY09**
- Morocco
- Djibouti?
- Other?
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Extremely Important and Challenging Component

- Balance between ensuring financial probity and strengthening country systems
- How can we improve practices and resource allocation for preparation and supervision in high risk settings
- Strengthening internal quality processes and/or structures on GAC issues
- Optimal role for MNAFM & MNAPR
- Targeted work in vulnerable sectors
  - Pharmaceutical procurement (MNSHD)
  - Service standards & unit costing (MNSSD)
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Strengthen Governance in Sectors...

- Better integration of core and sectoral reforms
- Enhance training and skills in institutional development for sector units
- Focus on cross-cutting issues (absenteeism)
- Better understanding of vulnerabilities in key areas (pharmaceutical procurement; large public works projects)
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Cost Effective Effort to Create Regional “Public Goods”

- Strengthening work on governance indicators (PEFA)
- Comparative analytic work on cross-cutting issues
- Case studies of successful reform
- Improved outreach and dissemination through internet and electronic media
- Participation in regional events & fora
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