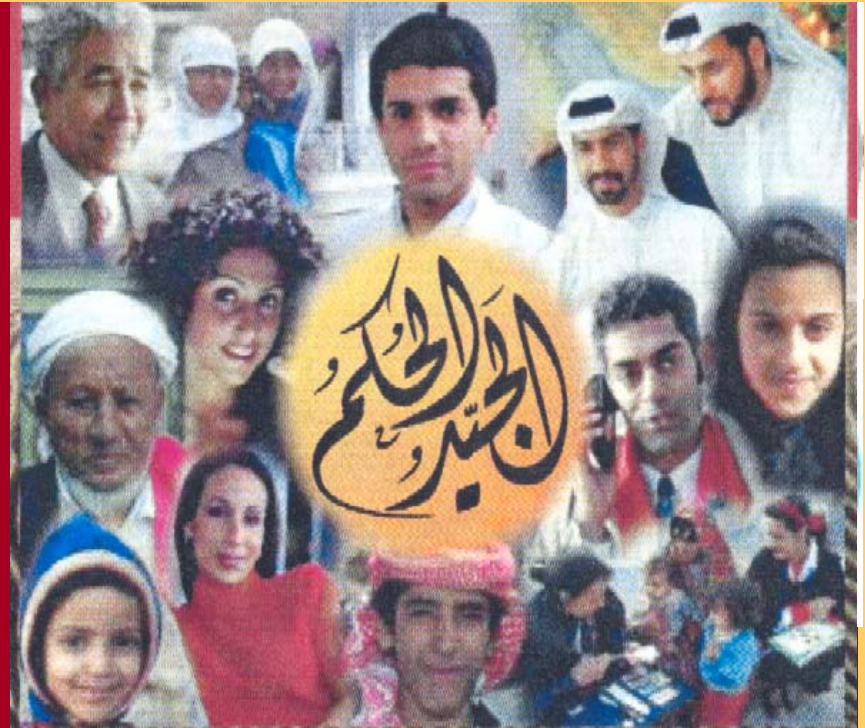


# Governance Challenges in MENA: The View from the World Bank



Robert P. Beschel Jr.  
Lead Public Sector Specialist  
Middle East North Africa Region  
December 2007



# Global Governance Trends from 1989 on...



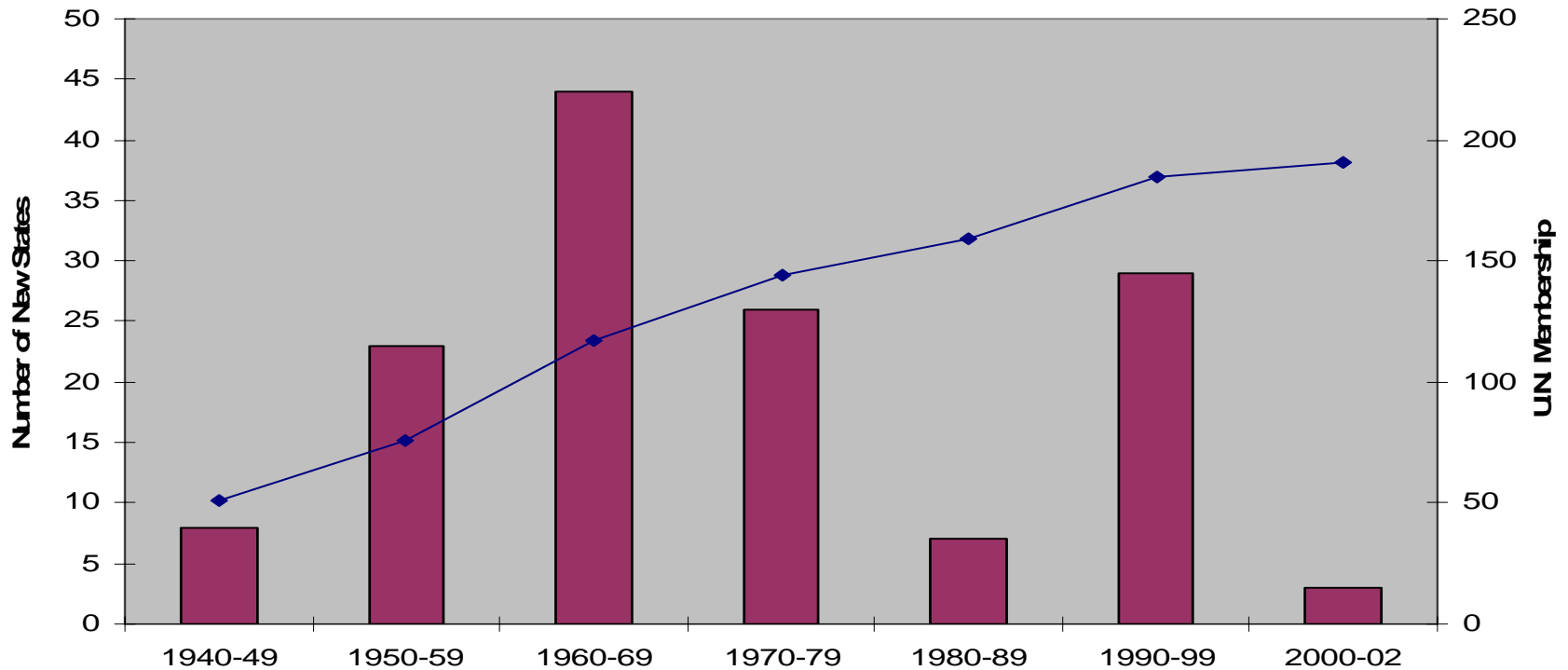
- Breakup of Empires & Rise of New States
- Expansion of Democratic Regimes
- Reduction in the Role and Size of the State
- Decentralization
- Rise of the Anticorruption Agenda
- Growth in E-Governance
- Rise of “New Public Management”



# 1990s Were the Second Most Prolific Decade in History in Terms of New State Creation



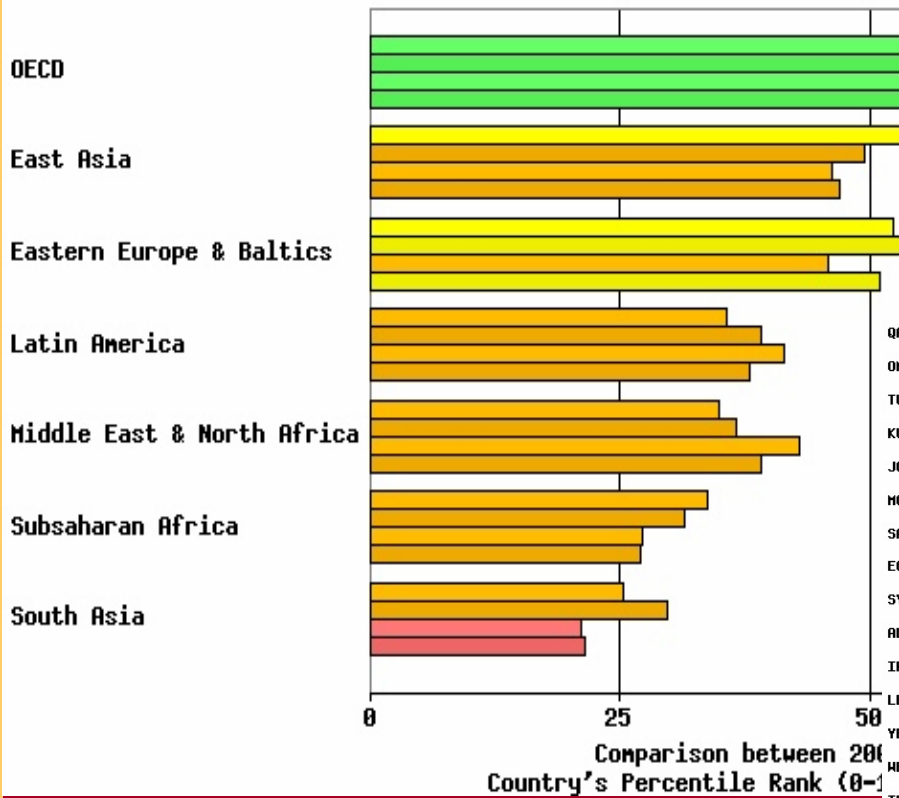
## State Creation Since 1945



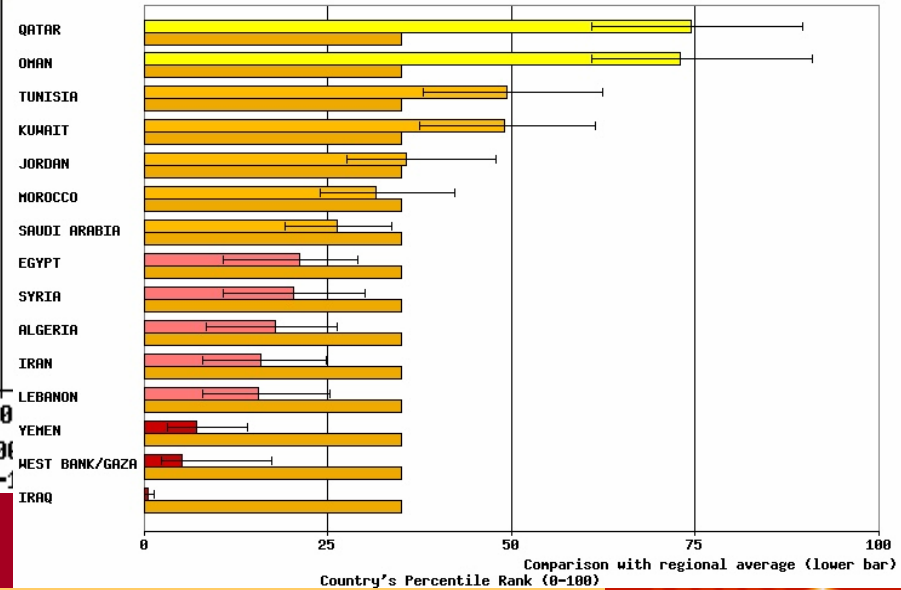
# On average, MENA has Been in the Middle in Terms of Political Stability



Political Stability/No Violence (World, 2005)



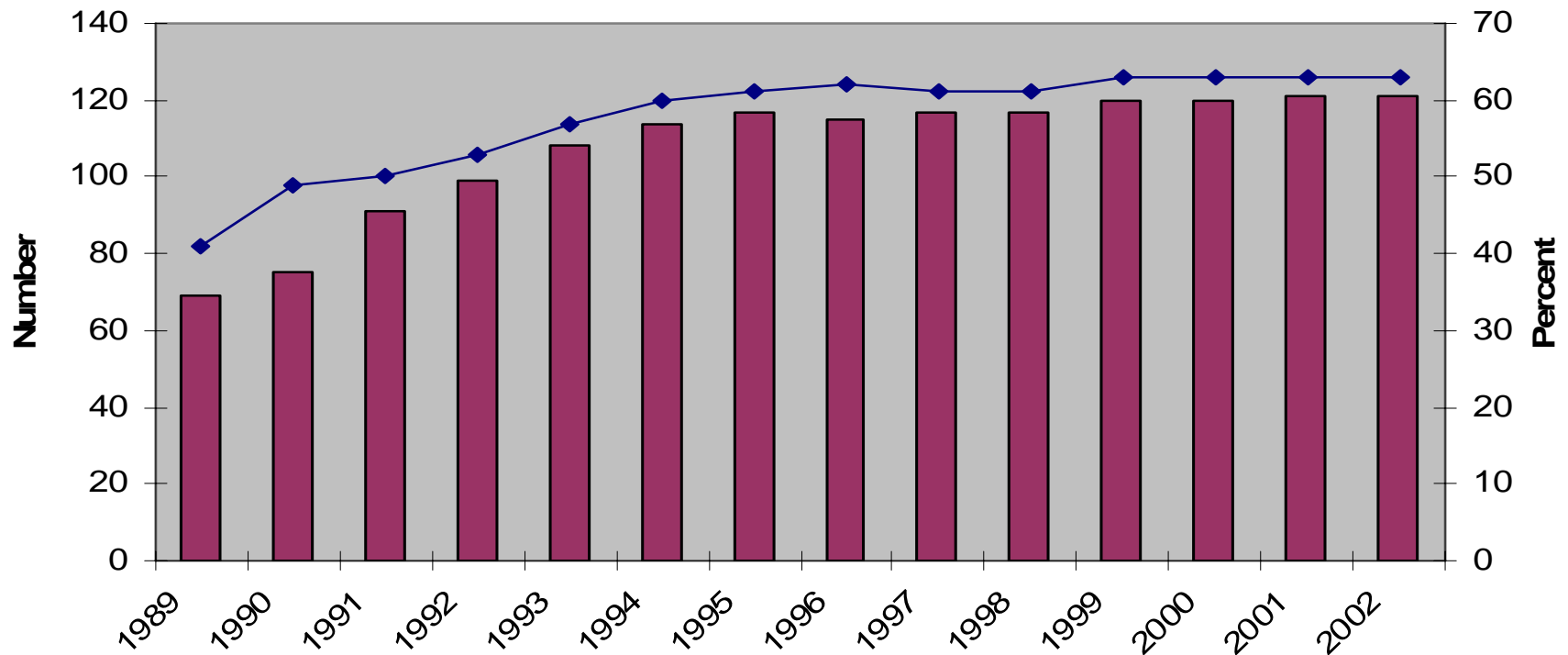
Political Stability/No Violence (Middle East & North Africa region, 2005)



# Significant Global Increase in the Number of Democracies During the 1990s



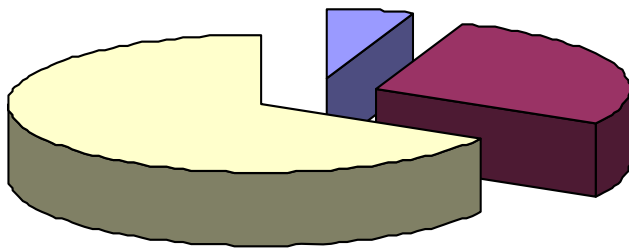
### Growth in Democracy



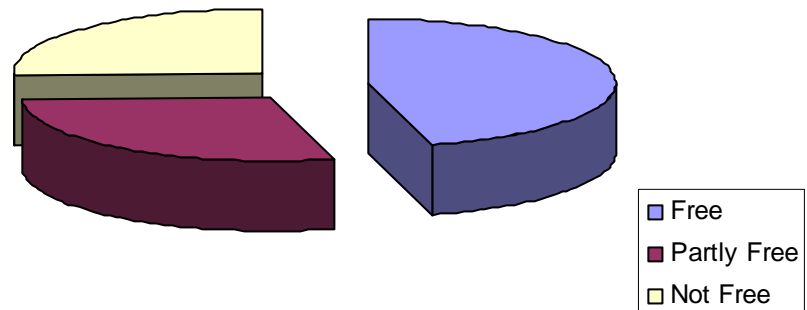
# A "Democratic Deficit" in MENA?



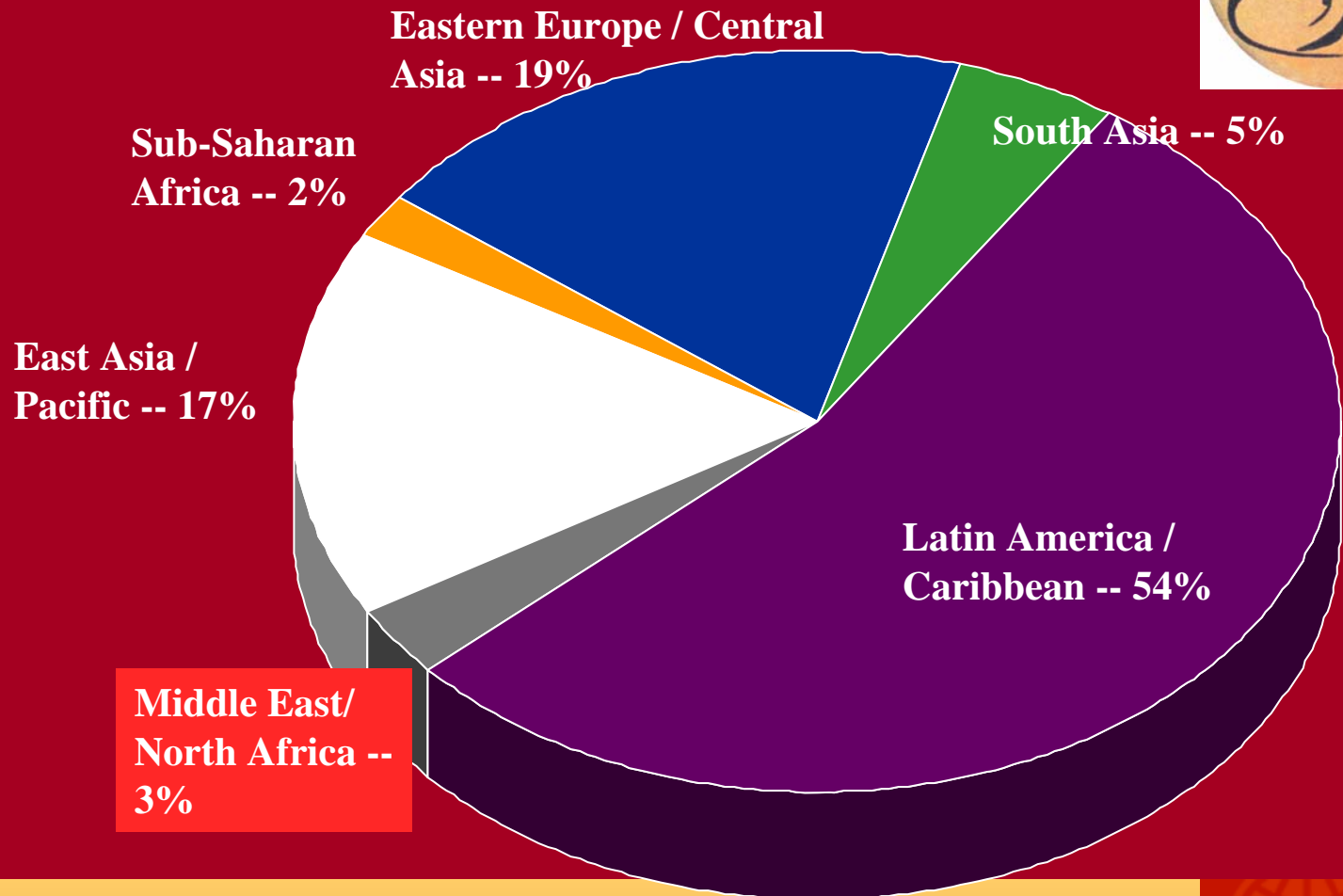
Electoral Democracy in MENA



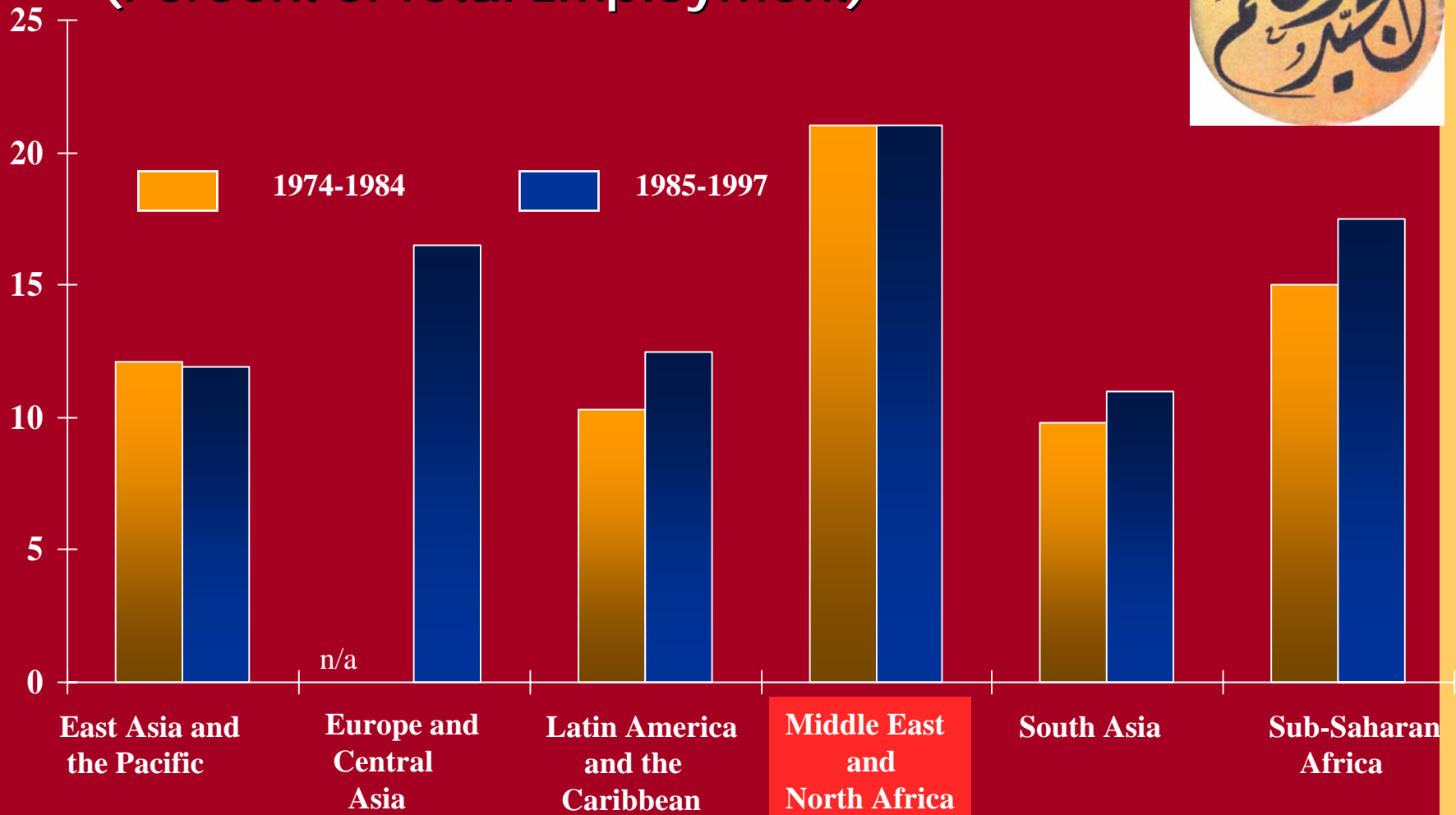
Global Electoral Democracy



# Global Reduction in the Role and Size of the State (Privatization Proceeds through 1996)



# Size of Government in the MENA Region (Percent of Total Employment)

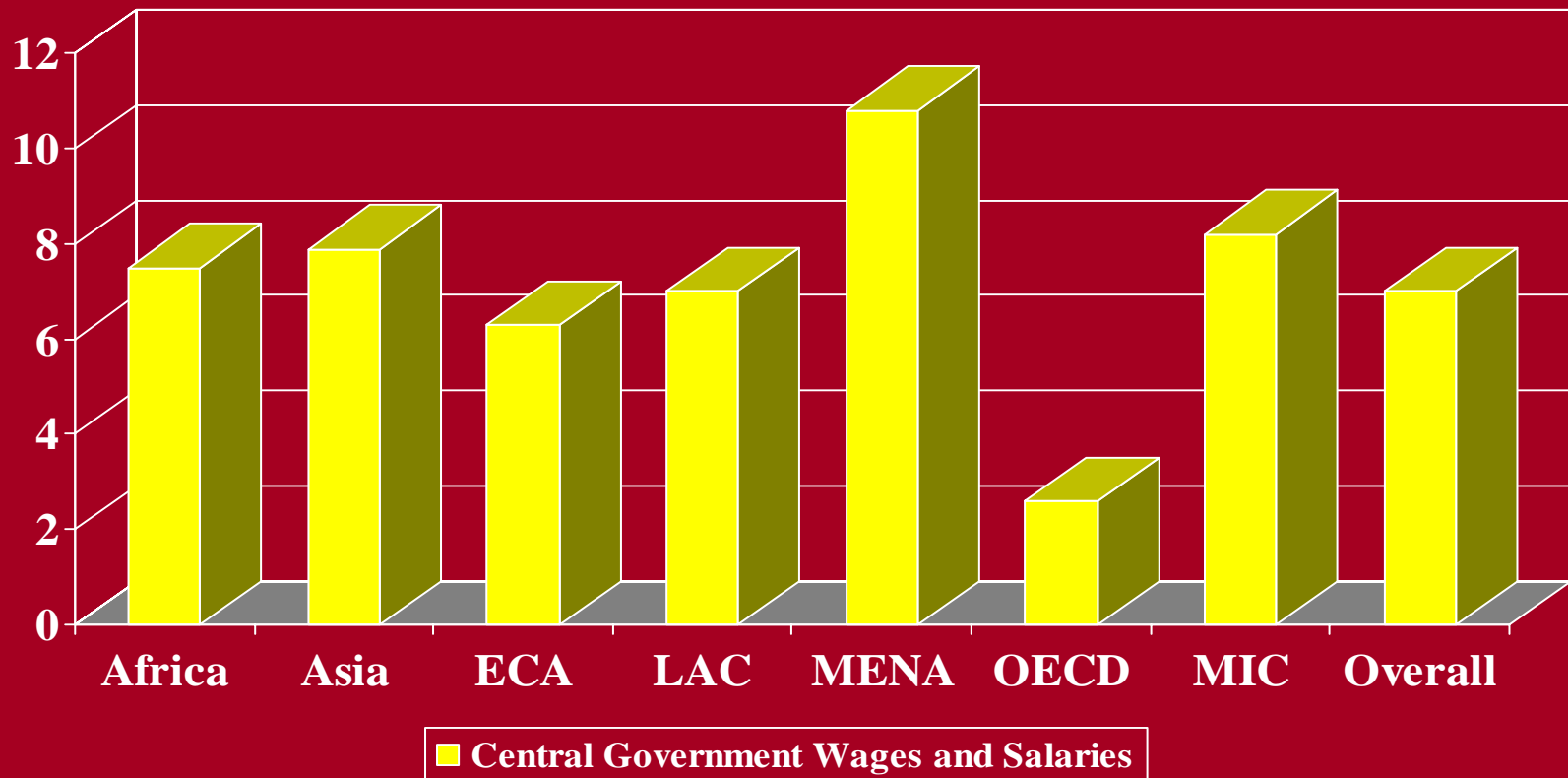


Source: MENA Social Protection Strategy, 2001.





# Central Civilian Government Wages as % of GDP



## Significant Global Turn Towards Decentralization...

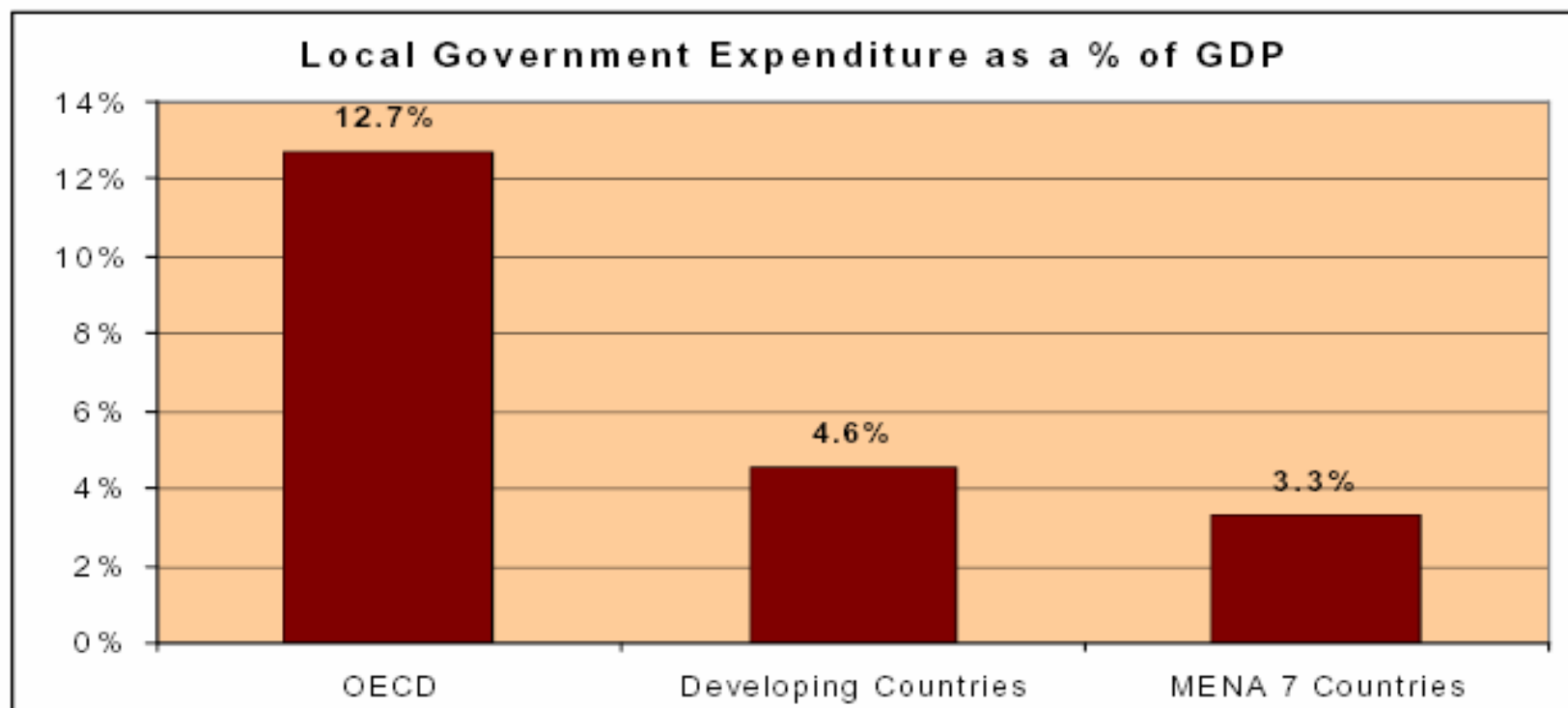


**"As a political phenomenon,  
decentralization is widespread.  
Out of the 75 developing and transition  
countries with populations greater than 5  
million, all but 12 claim to be embarked  
on some form of transfer of political power  
to local units of government."**

Source: William Dillinger, *Decentralization and Its Implications  
for Urban Service Delivery, 1994*



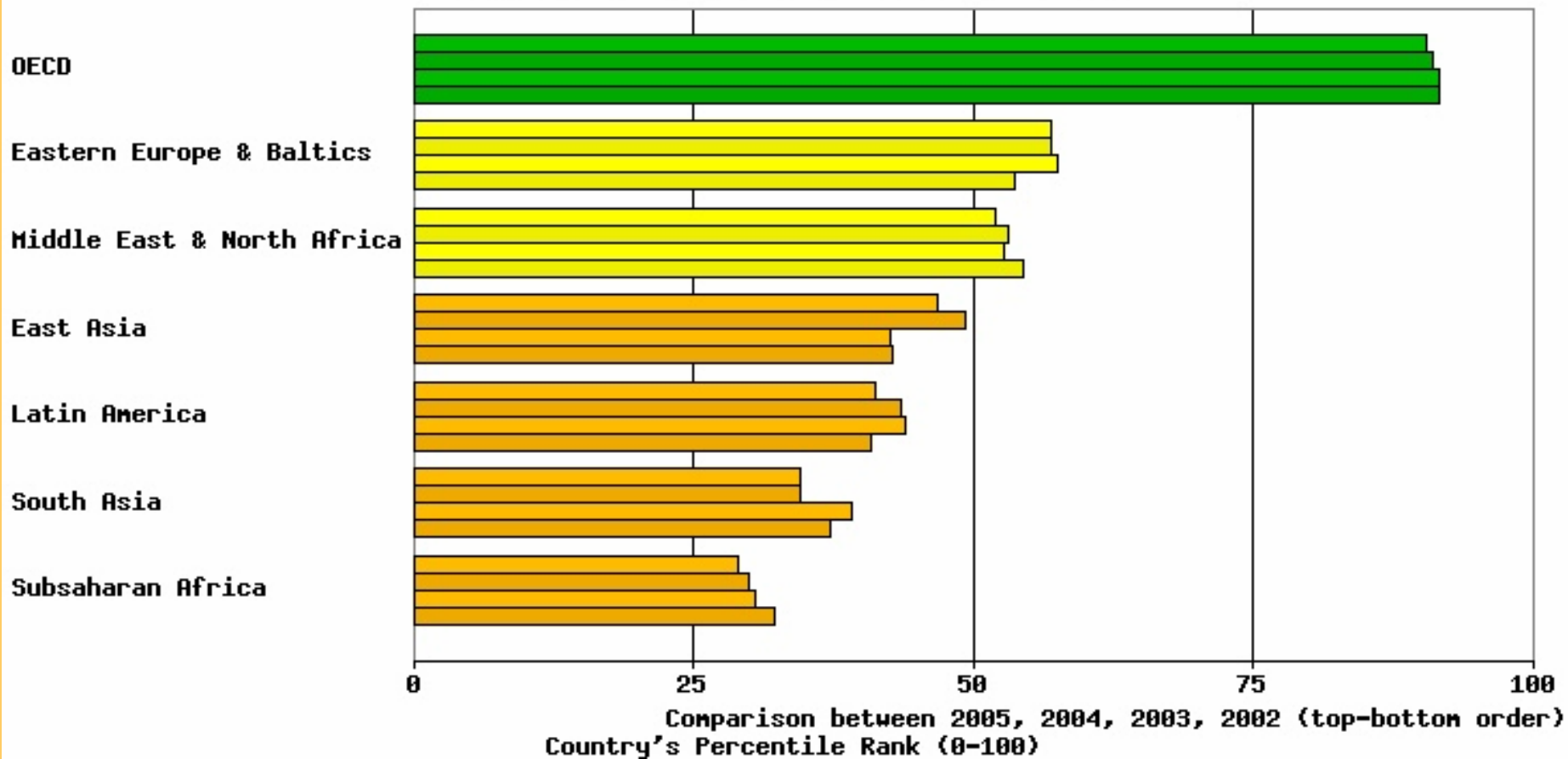
## ...with Limited Impact in MENA



# Rise of the Anticorruption Agenda



Control of Corruption (World, 2005)



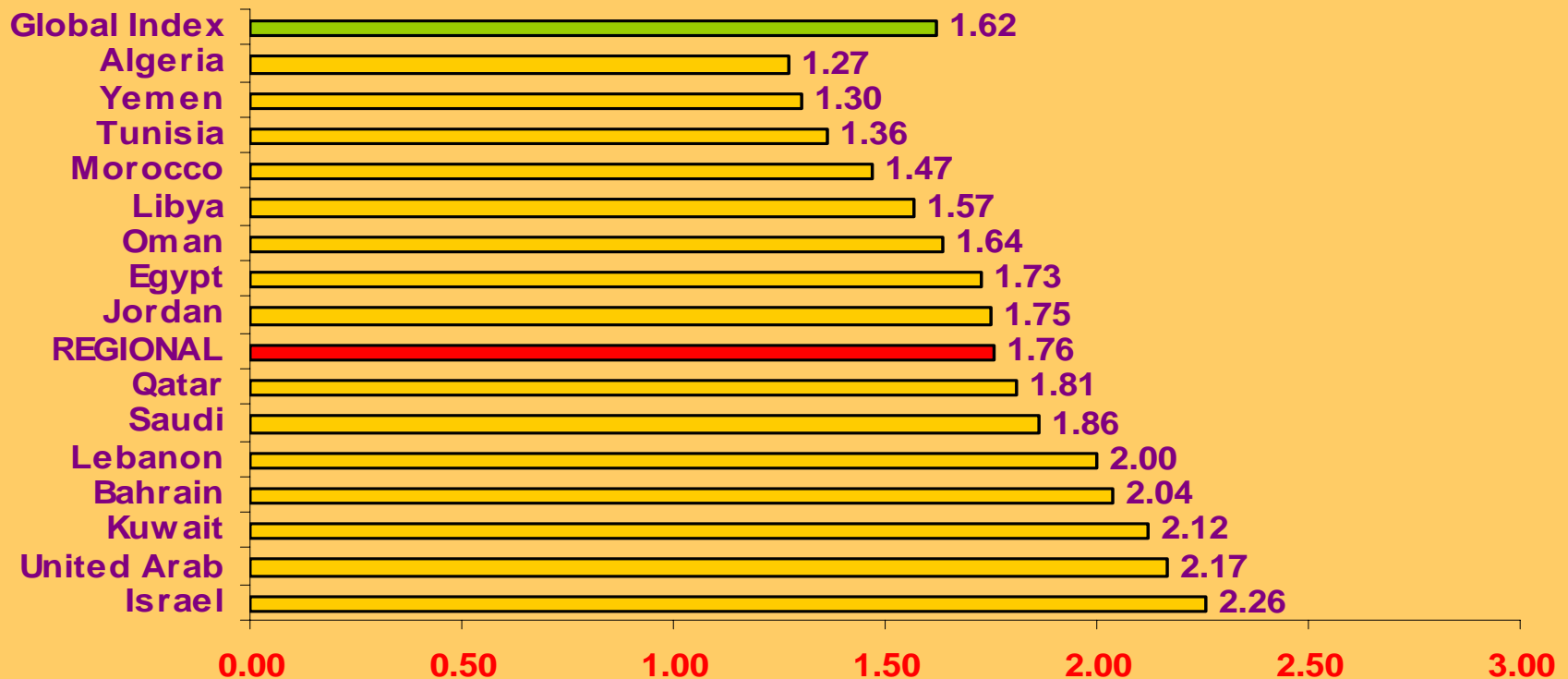
## Rise of the Anticorruption Agenda: 2005 Transparency International Rankings



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



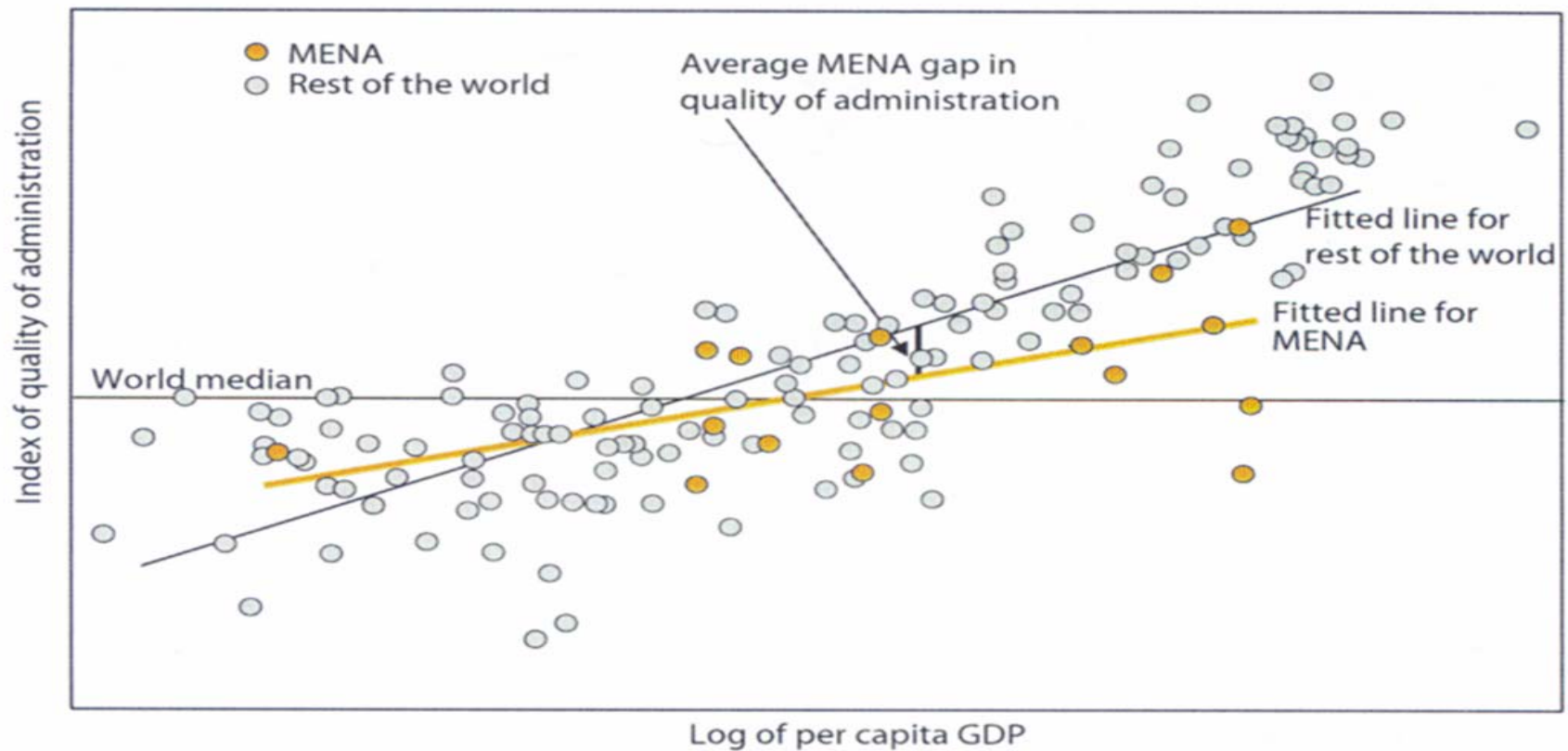
# Growth of “New Public Management”



- 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

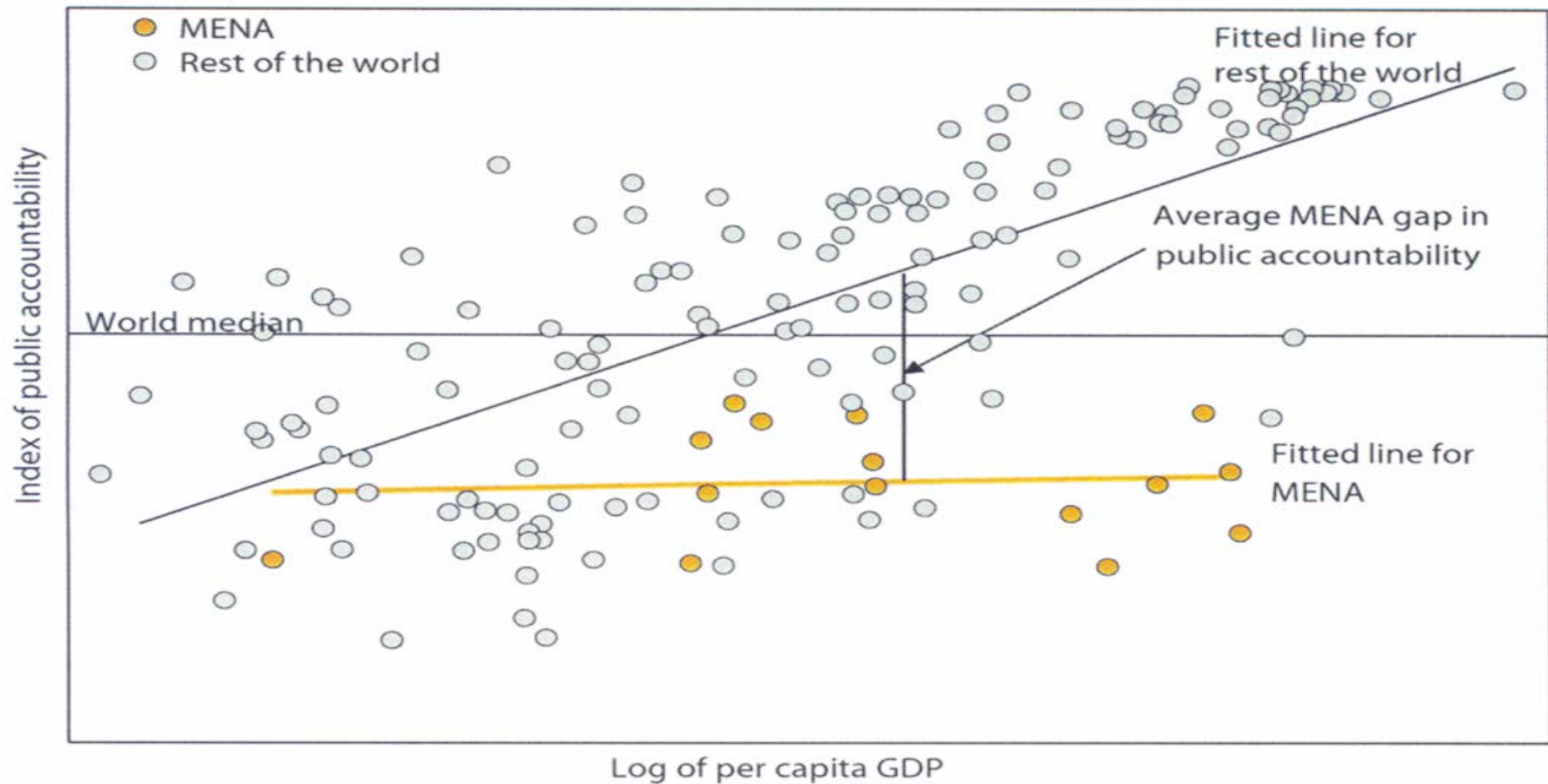


# For the Quality of Administration, MENA's 'Governance Gap' is Small





# But for Public Accountability, the 'Governance Gap' is Wider



# Global Governance Trends...



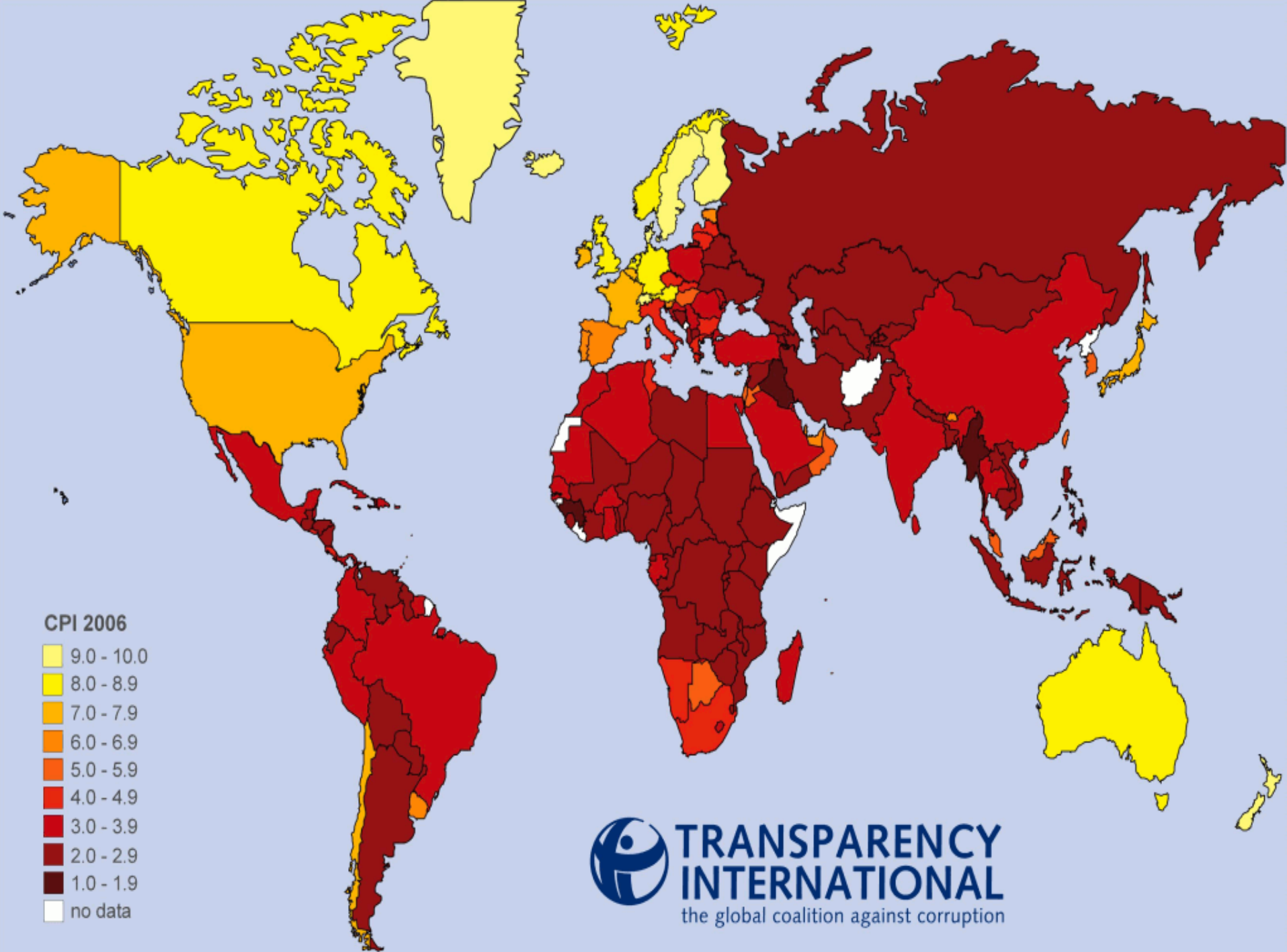
- Many of the global trends in governance in the 1990s & beyond were felt only distantly in MENA
- In comparison with other regions, MENA fares well in terms of political stability and e-governance and fair in terms of facilitating private sector development, service delivery and anticorruption, with 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...



World Rank	Regional Rank	Country	2007 CPI Score	2006 CPI Score	Confidence Range	Surveys Used
32	1	<b>Qatar</b>	6.00	6.00	5.4 - 6.4	4
34	2	<b>United Arab Emirates</b>	5.70	6.20	4.8 – 6.5	5
46	3	<b>Bahrain</b>	5.00	5.70	4.2 – 5.7	5
		<b>Oman</b>	4.70	5.40	3.9 – 5.3	4
53	4	<b>Jordan</b>	4.70	5.30	3.8 – 5.6	7
60	6	<b>Kuwait</b>	4.30	4.80	3.3 – 5.1	5
61	7	<b>Tunisia</b>	4.20	4.60	3.4 – 4.8	6
72	8	<b>Morocco</b>	3.50	3.20	3.0 – 4.2	7
79	9	<b>Saudi Arabia</b>	3.40	3.30	2.7 – 3.9	4
		<b>Lebanon</b>	3.00	3.60	2.2 – 3.6	4
99	10	<b>Algeria</b>	3.00	3.10	2.7 – 3.2	6
		<b>Djibouti</b>	2.90	-	2.2 – 3.4	3
105	12	<b>Egypt</b>	2.90	3.30	2.6 – 3.3	7
		<b>Yemen</b>	2.50	2.60	2.1 – 3.0	5
		<b>Libya</b>	2.50	2.70	2.1 – 2.6	4
131	14	<b>Iran</b>	2.50	2.70	2.0 - 3.0	4
138	17	<b>Syria</b>	2.40	2.90	1.7 – 2.9	4
178	18	<b>Iraq</b>	1.50	1.90	1.3 – 1.7	4
-	-	<b>Average Score</b>	3.80	3.96	-	-



**CPI 2006**

- 9.0 - 10.0
- 8.0 - 8.9
- 7.0 - 7.9
- 6.0 - 6.9
- 5.0 - 5.9
- 4.0 - 4.9
- 3.0 - 3.9
- 2.0 - 2.9
- 1.0 - 1.9
- no data



**TRANSPARENCY  
INTERNATIONAL**  
the global coalition against corruption

# 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

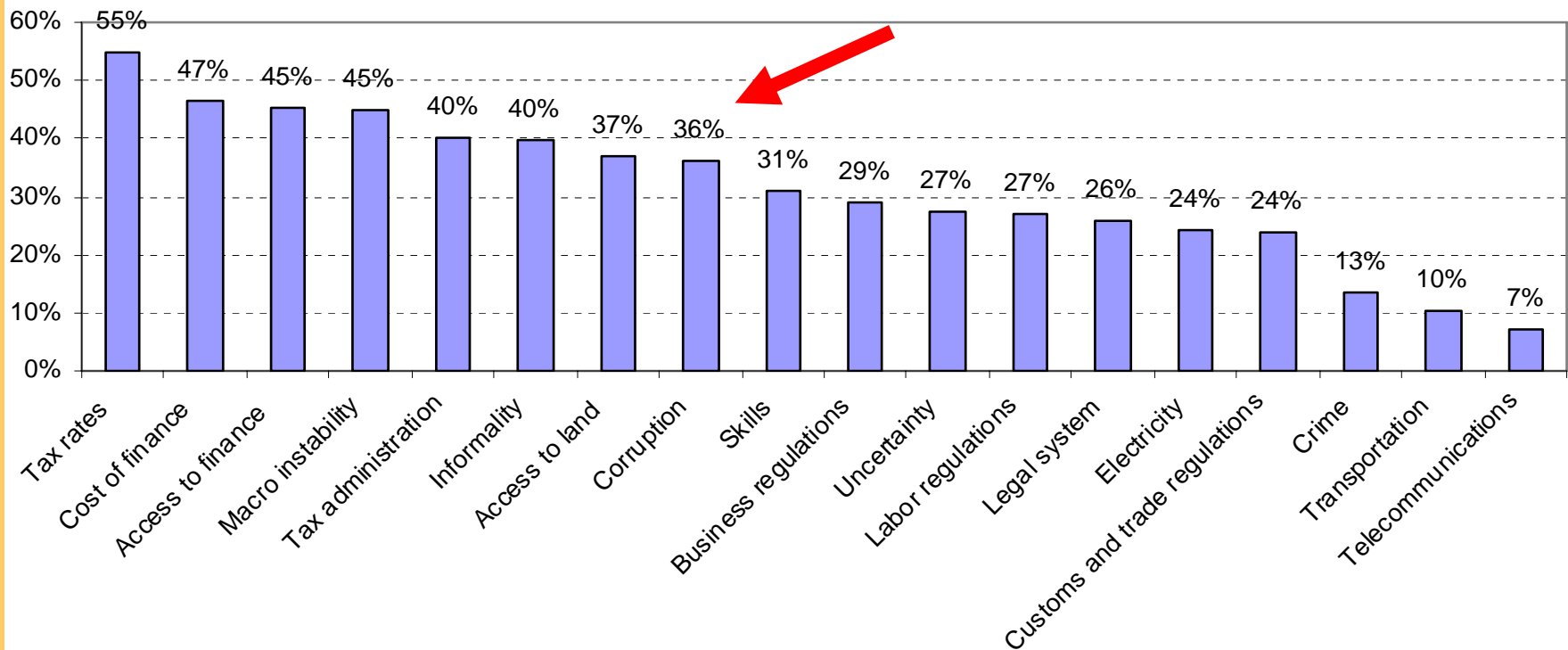




# What do MENA entrepreneurs complain about?



**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



FREEDOM OF THE PRESS WORLDWIDE

Good situation

Satisfactory situation

Noticeable problems

Difficult situation

Very serious situation



# 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 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 GI 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

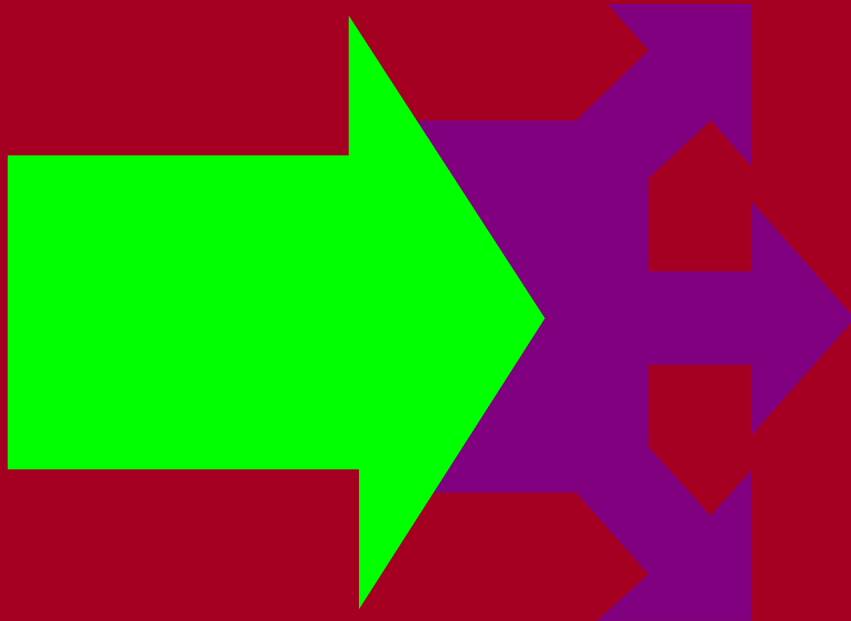


# Six Key Elements for Implementation

1. Create institutional infrastructure for oversight
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

1. Create institutional infrastructure for oversight
2. Staffing and skills mix
3. **Country Governance and Anticorruption Strategies**



# 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



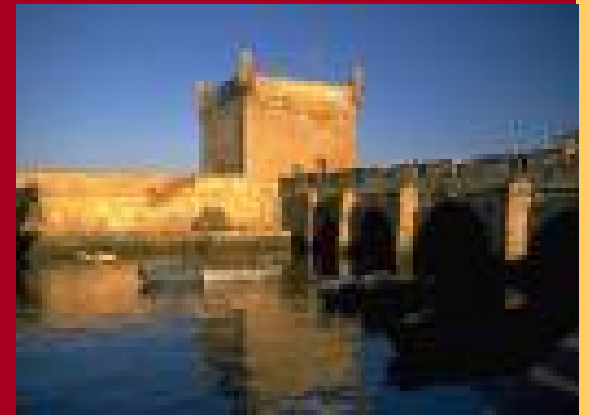
## FY08

- Lebanon
- Iraq
- Yemen



## FY09

- Morocco
- Djibouti?
- Other?





# Six Key Elements for Implementation

1. Create institutional infrastructure for oversight
2. Staffing and skills mix
3. Country Governance and Anticorruption Strategies
4. Improving integrity in Bank operations



# 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)



# Six Key Elements for Implementation

1. Create institutional infrastructure for oversight
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3. Country Governance and Anticorruption Strategies
4. Improving integrity in Bank operations
5. Strengthen governance in sectors





# 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)



# Six Key Elements for Implementation

1. Create institutional infrastructure for oversight
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4. Improving integrity in Bank operations
5. Strengthen governance in sectors
6. Regional governance agenda



# 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



# Six Key Elements for GAC Implementation in MENA



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# MENA Governance News & Notes Newsletter



<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/EXTMNAREGTOP/GOVERNANCE>

