Expert report for the
Arab Sustainable Development Report

From Government to Governance:
How Will the Arab Region Meet the Goals of Sustainable Development in the Post 2015 Period?
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Acknowledgement

This report was prepared by Ms. Lamia Moubayed Bissat for the Economic and Social Commission for Western Asia (ESCWA) as a background paper for the Arab Sustainable Development Report. It was enriched by the comments and suggestions of a group of peer reviewers from ESCWA and outside.
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Executive Summary

The report is an elaboration of the "Political and Institutional Conception" and “Means of Implementation” component of the Arab Sustainable Development Report (ASDR). It focuses on the institutional frameworks influencing the achievement of the Sustainable Development Goals (SDG’s) in the Arab region, particularly Goal 16 pertaining to peace, security, and the inclusiveness of state institutions, and the extent to which the strength or weakness of these frameworks are providing a basis for, or a hindrance of, economic, social and environmental sustainability in light of recent and on-going political uprisings.

The report asserts the centrality of Goal 16 within the remaining SDG’s and recognizes the interlinkages that exist between all of the sustainable development goals. Its basic theoretical foundation is that peace, security and inclusiveness are not solely goals, but enabling conditions, without which no other SDG can be achieved. It thus outlines main categories of risks threatening the achievement of peace and security in the region, specifically the quality of governance. It presents the main reasons why peace and security collapsed, how political and institutional inclusiveness was neglected, and asserts the importance of government institutions and good governance as central pillars in the sustainability of peace and security, and in the achievability of Sustainable Development Goals.

In reviewing the link between governance and sustainable development, this report focuses on assessing governance reform efforts pre-2015 and attempts to draw attention to some challenges posed by the new landscape in the post-2015 period. It analyzes the adequacy of national and cross-national mechanisms and assesses success stories and lessons learned.

Recognizing the variations in measuring governance, the report draws on multiple sources of data available from different organizations that have compiled different measures to assess public governance performance. It confirms the necessity to consider governance as a central component of peace building and state building, both prerequisites for a sustainable path to development. Governance links and binds other important components such as human development, security, economic growth and political inclusiveness.

The report emphasizes the “global” aspect of risks and opportunities presented by “supra-national” cooperation arrangements. Those are increasingly designed to address cross-national threats to peace, stability and economic growth; military cooperation, regional human rights courts, free trade agreements being among the mechanisms to address cross-national threats. More notably, organizations specialized in policy formulation act as knowledge centers where structured dialogue has the power to harness the energy and talents of society into policy instruments that guide the future. Assuming the threats to peace and security diminish, the Arab World’s limited engagement in such mechanisms as well as limited regional integration will continue to be a major setback to achieving a prosperous and sustainable region.

The report presents policy recommendations pertaining to the way forward at the national and regional level in the context of the United Nations post-2015 development agenda; proposals that could draw the region closer to the outlined SDGs in the Open Working Group (OWG) on Sustainable Development Goals.

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2 The ASDR is expected to contribute to reviewing the progress of the Arab Region on Sustainable Development from 1992 until the present, engage debate among the region’s countries in what relates to national capacity building, success stories and lessons learned, and assess trends and gaps relating to enabling conditions and risks. The ASDR will serve as an input to a number of outputs namely the Arab Sustainable Development Forum due to be held in 2015, as well as to the High-level Political Forum of 2015 to be held under the auspices of the United Nations ECOSOC in New York in June-July 2015. It would feed in the newly-launched Global Sustainable Development Report (GSDR) that is an expected outcomes of the United Nations’ General Assembly (UNGA) resolution 66/288, The Future We Want, adopted following the Conference on Sustainable Development (Rio+20) held in Rio, Brazil, from the 20th until the 22nd of June 2012. The first draft of the Executive Summary of the GSDR was launched in September 2013, while a prototype edition was launched on the 1st of July 2014.
A number of key messages are summarized here below:

- **Capacity deficits are root causes for development failures worldwide, but in the Arab region, they proved to be existence-threatening failures.** The impotence of Arab societies in the face of emerging challenges raises fundamental questions about the structure and methods of governance in government, private sector and civil society, and the competence of public leaders throughout. High quality models of Governance” that are democratic, humanistic and moral, are essential in all sectors for coping with ongoing transformations. In Governments, they are particularly needed for fulfilling the crucial governmental tasks of shaping the future.

- **In time of Crisis, the “State” is the solution.** Besides honoring the citizenship contract based on taxation, the capacity to govern is key factor to rebuilding the trust in and legitimacy of the State. When legitimacy is eroded, it is challenging to engage development actors in addressing development priorities. Reinforcing people’s commitment to peace and sustainable development require forms of governance that influence accepted political notions, engage in facilitating pluralistic views of life, suppressing the hate and discrimination speech and privileging governance as a “value-institution”. Targeted initiatives, particularly among excluded communities, are critical to bring those back to the State and prevent them from being subject to temptation to join militant groups, or to forge alliances with arms and drugs traffickers. This is vital for curbing trans-border criminality, and spill over neighboring countries.

- **The Arab world is full of talent, but these should not be left out of doors of the State.** Credible institutions are those that strive on the talent and values of public employees and the quality of their attitude, knowledge and skills. Entry to civil service, especially at decision making levels, should be on merit basis and not used as an instrument to relieve employment pressure or to buy out alliances. Investment in skills, leadership and management capacity is crucial for dealing with current and emerging challenges.

- **Technology is powerful.** In a globalized world powered by technology, citizens are empowered to benchmark and compare, to construct a vision for their lives and to dream. They feel less dependent and thus have a lower tolerance for exploitation and abuse. Governments should harness this power and invest in Information and Communications Technology (ICT) to build a responsive, output oriented, credible public service.

- **Governance effort starts with money management budget transparency and curbing corruption.** Building high quality governance structures “normally” involves painful restructuring, reforms and commitment to fostering transparency and thereby accountability. Lessons learned from the global experience suggest that reform of public finances is the starting point to other reforms, especially civil service as it is the obliged path to rationalizing government budgets and therefore structures and to providing enough financial maneuver for the State to exercise its mission. The challenge of efficiency is dual considering that budgets are bloated by a large wage bill and a large public debt (the case of resource-poor Arab countries). Furthermore, in an environment of reduced control, money laundering, terrorism financing, and corruption, businesses that operate within the region, and those outside who transact with businesses within the region, will be more exposed to financing risks, criminals and terrorists who take advantage of social and institutional chaos. The natural consequence would be low investor appetite and Capital flight, both detrimental to development prospects. Building the “capacity to govern” starts necessarily by a fresh look at building competent public financial management capacity at the center of government and strong oversight capacity in financial institutions.

- **Demographic and fiscal pressures offer both challenges and opportunities.** Given the current demographic and financial context of most countries, macroeconomic and fiscal forecasting capabilities, careful workforce planning, and strategic management of human and financial resources in government, should be among the top priority. Continuously weak financial management and deficient social protection systems may transform this opportunity to a curse as it places vulnerable people on the edge of social unrest. Investing in human capital formation puts the large workforce on the path of growth and development.

- **The road to reform is painful but inexorable.** Governments in the Arab World need to engage in inclusive policy reforms addressing simultaneously political, social and economic governance including gradual opening-up of regimes, political reforms, public financial management reforms, anti-corruption and anti-trust, civil service reform, support to small and medium businesses and enforcing citizens’ role in state and peace building. The “Silo thinking” approach is doomed to fail.
- **There is a large financing gap for development** exacerbated by fiscal constraints facing the region’s governments that Official Development Assistance (ODA) alone will not be able to satisfy. A highly volatile and unpredictable political environment reduces economic activity and makes private investment hesitant. Money laundering, terrorist financing, corruption, security and political uncertainty heighten risk perceptions. Governments need to be aware of the overall risk incurred by businesses that operate within the region, and their global results. They need to strengthen security, intelligence and military institutions to face and be able to anticipate fast moving events in an environment of reduced control. Arab donor organizations mostly interested in capital spending, need to upgrade their perspective and include governance and institutions building in their development philosophy. They should as well reshape their technical assistance strategies and delivery mechanisms to recognize the future-influencing power of technology, talent management and capacity building in government.

- **Cross-regional cooperation is a main pillar in fostering governance.** Trade cooperation, political mechanisms, capacity building networks are (1) essential in strengthening cross countries institutional relationships (2) crucial in joining efforts towards an effective response to crisis, security challenges and common exterior political stressors and para-statal threats (3) inevitable to foster governance through sharing mutual experiences, networking and knowledge exchange.

- **A major revision of the “development paradigm”**, and resulting goals is needed with more emphasis to grant to the “quality of Governance” including its future-shaping capacities as critical and independent Goal.

- **The way forward in the Arab world** is for a democratic political philosophy to emerge, to focus on the overall responsibility of governance to take care of the future in an open concerted way, to emphasize the efficiency, responsiveness and ethical dimensions, and to mainstream development goals into long term national strategies. **Mid-term budgeting and multi-year national finance strategies should thus be able to bridge the gap** between policy priorities and actual government spending allowing governments to reallocate resources towards sustainable development goals within a process that is not only reliant on aid money. **Inscribing the goals in the national budgets** would push governments to go beyond mere ratification of the SDGs to actually detail their plans and means of implementation. Central statistics agencies and Ministries of Finance equipped with economic intelligence and forecasting abilities are key institutions to ensuring the sustainable delivery and public reporting of such goals.
Introduction

“There is ample historical evidence from France (Jacobins and Napoleon), Russia (the Bolsheviks), Iran (the Ayatollah), Burma (SLORC), and elsewhere that shows that the collapse of an oppressive regime will be seen by some persons and groups as merely the opportunity for them to step in as the new masters”.

0.1 A SHIFT IN DEVELOPMENT PARADIGM

The international and regional development policies of the past twenty years have been met with mixed outcomes. Shaped primarily by Agenda 21 in 1992 which set the strategy for promoting sustainable development, and the Millennium Development Goals of the year 2000, this international-scale development policy has fallen short of gathering the momentum necessary for the achievement of these goals, and was unable to meet two main considerations: First, the set of goals did not cover the entire scope of the Millennium declaration, and second, the development policy lacked flexibility in terms of addressing different levels of specificities that characterize developing countries.

This has prompted the international community to seek the elaboration of a new policy for international development that remains nevertheless committed to previous engagements. On the 27th of July 2012, the United Nations General Assembly (UNGA) adopted resolution 66/288, The Future We Want, which delineated the engagements of the international community towards furthering the policy agenda on sustainable development. The resolution renewed engagements towards past action plans including Agenda 21, raised new concerns and sought to further the efforts of strengthening institutional frameworks of sustainable development through the establishment of a High-Level Political Forum (HLPF), an international intergovernmental assembly that can provide political leadership, guidance, serve as a platform for discussion, and follow-up on the progress of previous commitments.

The resolution also asserted the need to develop a set of Sustainable Development Goals (SDG’s) based on Agenda 21 and the Johannesburg Plan of Implementation, and in coherence with the United Nations Development Agenda post-2015, to be established by an Open Working Group (OWG) that reflects fair geographical representation. The OWG, which held its sessions from March 2013 until July 2014, established these goals in the outcome document of its sessions, “Introduction to the Proposals of the Open Working Group for Sustainable Development Goals”, thus delineating 17 Goals that were further elaborated into detailed and measurable objectives.

0.2 GEOPOLITICAL RISK IMPACTING GOVERNMENT FORMATION OR FRACTURE

While this effort was brought by winds of hope for a better future, peace and security in the region continued to plummet to an all-time low. Hopes and plans to meet commitments to the SDG’s in the Arab world were challenged. In the “Global Peace Index Report” for 2014, Egypt, Lebanon, Yemen, Sudan, Iraq, have been.
indexed as “Low” to “Very Low” in what relates to the global state of peace. Syria, which was ranked 162, finished last in the list after Afghanistan. Countries with the scores deteriorating most were Egypt and Syria. In Libya, which had shown signs of progress on a number of indicators, the security situation has spiraled again into violence. In other countries especially GCC, peace and security were maintained through an aggressive crackdown from the side of the authorities as well as by emergency spending aimed at curbing social unrest. Some countries such as Morocco and Jordan were able to withstand social unrest by including the opposition into the ruling coalition, pushing forward a state reform agenda, and channeling foreign grants and funding to quelling popular frustration.

The “Islamic State” (IS-ISIS) was able to shatter the geographical integrity of Iraq despite heavy investment in re-building institutions in the post-Saddam era, especially in armed forces and security, but also of neighboring northern Syria, causing an unprecedented humanitarian crisis.

Yet as conflicts spilled-over to neighboring countries, especially Iraq and Lebanon, the geopolitical risks impacting government formation or fracture emerged as the “strongest challenges yet posed to the post-Ottoman order in the Levant”. While we continue to refer to Iraq, Palestine, Syria, Lebanon and others by the names that they were given in the aftermath of World War I, the realities on the ground seem more confusing. Whether the map of the Middle East will remain the same in the years to come is today an open question. Are we witnessing a big fracture and the rise of mini-states? How is this going to impact other Arab countries, the Mediterranean and the world? Which future approaches to the region are likely to bear fruit—and which are likely to be a waste of time? Though the old order is broken in many places, it is not clear what kind of new order will emerge, which powers will influence the course of the future and who will put the pieces together again. In many countries of the Arab region today, citizens are under the impression that the State has failed. In others, foundational questions are debated. Sustainable development concerns are put on hold in the face of pressing needs for peace building and state building.

0.3 THE ILLUSION OF A FUNCTIONING STATE

At the crossroad of the cause and effect divide, however, figures the state and its apparatus, a central player in reinforcing the “pillars” of peace, or letting external and internal stressors exhaust these pillars. Widely contested, often accused of granting special privileges, distorting markets and competition, breaking human rights, the state in the Arab world is both the problem and the solution. The Arab world is not unique in the prevalence of authoritarian regimes and subsequent models of governance. However, the seemingly essential feature of the “Middle East exceptionalism” is in fact the failure of states and policymakers to adequately respond to the political, economic and social stressors, particularly those relating to social protection, employment and education; contributing to the spark of the so-called Arab spring.

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11 Ibid, 6  
12 Ibid, 11-13  
17 The UN mission to Iraq has found that at least 5,576 civilians were killed while 11,665 were wounded from 1 January until the end of June, namely since the ISIS offensive. For more information, see: “Iraqi civilian death toll passes 5,500 in wake of Isis offensive,” The Guardian (Bagdad, Iraq). 18 July 2014. Accessed on 2.9.2014. http://www.theguardian.com/world/2014/jul/18/iraqi-civilian-death-toll-5500-2014-isis  
In most countries of the region, promises for inclusive reform have remained unfulfilled. Civil society and private sector initiatives were largely hindered by a coercive state apparatus neither rule-governed nor meritocratic, and that readily used force to enforce its self-sustaining interests. Not only so, this apparatus, marked by cronyism, and the enduring robustness of patronial-based authoritarianism led to the exacerbation of a number of problems, including deficient governments, abuse of power, corruption, increased radicalism, as well as by ethnic and confessional favoritism. The breakdown of models of governance brought tremendous distrust in government institutions and a corresponding move toward local power structures and para-state groups. Sound educational policies and nationwide-inclusive programs targeting excluded areas, which promote social inclusion and integration, increase human capital, and help avert the spread of sectarianism, radicalism, communalism and even separatist tendencies were lacking. Income inequalities, lack of faith in the judiciary, a bloated civil service, a largely hindered and private sector, and a largely untapped human capital, all eroded the political, administrative, social and economic pillars of peace, leading to an unprecedented outbreak in violence throughout the region.

In the case of Syria and Iraq, armed groups such as An-Nusra and ISIS benefited from popular communal discontent vis-à-vis the central government. Governance indicators failed to capture the transformative powers of para-state forces driven by an invigorated and young extremist Islam; the latter descending from a lineage of extremist movements both Shiaa and Sunni, Wahhabist, Khomeinist and other forms nurtured during the past century by social inequalities, oppression and mis-governance. It failed to view Islam as a contemporary school of thought with strong Governance ambitions. The “wilayat al Fakih” inspiring Iran and the Lebanese “Hezbollah” can be viewed for instance as governance model that draws its legitimacy from the unquestioned holiness of the political ideology and the religious leader.

Though differing in cultures, politics, economies, social societies, and recent history, states of the region lay at the crossroad between the stressors that weight upon the preservation of peace and security, and the eventual outcome of these stressors.

0.4 THE “SILO” THINKING AND THE MULTI-PILLAR APPROACH

In many countries of the Arab region though, initiatives have been launched during the past years to address key components of political, social and economic governance including gradual opening-up of regimes, political reforms, public financial management reforms, anti-corruption and anti-trust, civil service reform, support to small and medium businesses, etc. While some have been more successful than others, these reforms failed to compound into a significant process. In most countries, inequalities and exclusion weighted heavily on societies ambitions to move forward and deteriorated into tensions and civil wars. The fact that “challenges are interlinked and need to be addressed through an integrated approach” instead of what could be referred to as one-dimensional “silo-thinking” was not properly levered by policymakers and the development community. The structural disconnection between the political, governance, economic and social structures remained acute. Policymakers and the development community at large failed to consider at their right measures the interlinkages between the many “pillars” of development leading to societal peace and progress. This is the “Integration Approach” as opposed to the traditional “Silo” approach.

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20 Eva Bellin, “The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective,” *Comparative Politics* 36, no. 2 (January 2004), 141-145
0.5 THE ILLUSION OF THE INDICATORS

The most recent developments in the Arab region raise new and pressing questions about the fundamental qualities of government and the “capacity to govern”, but also about the “capacity to anticipate” and foresee future trends. The latest MDG progress report on the Arab world highlighted that some of the leading countries in the achievement of many MDG’s were those that experienced unrest, political upheavals and war. This revealed a flaw in the expectations that lay behind the achievement of the MDG’s and put under scrutiny a fundamental variable that has been rather obscured: the governance deficit in the Arab region. As such, wide indicators pertaining to the decline in poverty, universal primary education, and the reduction in child mortality, for example, did not necessarily reflect more the capacity or inclusiveness of state institutions.

Assessing progress will need to take into consideration a larger number of indicators especially budget and performance indicators instead of the wide classical indicators of economic growth, mortality rate, education and literacy. How much do governments cost? How much does the military apparatus cost? How is public money spent? (Wages, benefits, infrastructure, maintenance, equipment) How do these levels of spending compare to other areas such as healthcare and education? Are civil service working hours less numerous and higher in wages, and why? How are policies priorities set in the budget? And is the budget credible vis-à-vis policy agenda setting? Is the tax base fair and distributive or does the taxation system sustain the ruling political and economic elite? Are subsidies efficient and do they reach the final beneficiaries? Is the government following up on projects aimed at creating jobs, reducing unemployment, establishing sustainable social safety nets? Is the youth, particularly the educated and trained, provided enough incentives for work, innovation, and entrepreneurship? And most importantly, what targets and indicators can provide a holistic reading of the “general health” of governance mechanisms?

In this context, devising measurable, meaningful indicators most suited to capture the achievement of a cornerstone SDG, Goal 16: “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”, seems to be a most challenging pursuit.

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24 ESCWA, “SDG Priority Conceptual Issues,” 6-7
The Arab world is witnessing an unprecedented escalation of conflict and violence. This poses real threats to the ability of many countries to achieve the SDG’s. The Arab-Israeli conflict endures. The Syrian conflict lingers for its third year creating an unprecedented human tragedy with more than 3,205,042 refugees, displaced persons, and persons of concern spilling over neighboring fragile states, namely Lebanon and Jordan. With the rise of violence, flow of arms and increased number of armed groups in Syria and Iraq, the security situation broke down further. The clashes in Libya and Yemen are also worrying as the risk of cross border security spill-overs increases. According to Francesc Badia i Dalmases “what began with an initial wave of hope and civil courage has become bloody, messy and tragic”. This situation is menacing global stability with risks of greater insecurity and increased volatility in international trade and oil-supply routes and prices as this region is located on one of the world’s most important trade routes; it hosts more than 50% of the world’s conventional oil reserves and 42% of conventional gas reserves; forms the southern neighborhood of the European Union, which the European Union’s Common Foreign and Security Policy (CFSP) calls a “political and security front”.

By focusing on some of the most evident cases, this section presents based on available data and indicators the current status of peace, security and governance in the region. For the most current cases, this section highlights the link between 1) long-term deficiencies in governance and the outbreak of war and conflict, 2) the link between the move towards good governance and the reduction of political and social tensions, and 3) the centrality of oil revenues in the maintenance of peace and security where governance has been found largely deficient.

### 1.1 Occupation, Persistence Violation of Palestinian Rights and Dramatic Situation in Gaza

Given the deadlock of the Peace Process, and the unwillingness of the Israeli government to move towards a path conducive of settlement vis-à-vis the recognition of a Palestinian state and the right to return of the refugees, it was only a matter of time before violence escalated again in Palestine. The abduction and killing of three Israeli teenage settlers in the West Bank and the subsequent killing and burning of a Palestinian boy in Jerusalem escalated tensions between the Israeli occupation forces and the Palestinian groups, leading to an exchange of fire between Gaza and Israel. This has precipitated a full-scale ruthless onslaught on the Gaza strip in July 2014 in what became known as “Operation Protective Edge”. The outcome was 1,473 Palestinian civilian casualties, 1.8 million people in crisis situation and in need of emergency relief, 72% of households insecure in food, and an estimated total of $ 427 million required to fund the food and shelter crisis.

As pleas to lifting the blockade were ignored and with no long-term political solution envisaged to the entirety of the Arab-Israeli conflict, the risk for crisis and violence to re-erupt is extremely high.

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The 2014 scenario of violence and aggression on Gaza is not an exception in the new history of the Arab World. Israeli occupation and violation of the Palestinian basic rights to freedom and self-determination are unfortunately described as the mainstream policy prevailing in this Area of the world. Mainly perceived as the core reason for the region instability, the Israeli-Palestinian conflict resulting in continuous occupation and aggression did weaken the institutional and legal framework hindering the capabilities of the Palestinian authorities to move toward achieving any of the SDGs. The international community, including the Arab league failed to join efforts to ensure the realization of the enabler conditions recommended in "the Proposal for an Arab Strategic Framework for Sustainable Development" and "Sustainable Development Goals ... An Arab Regional Perspective" starting by securing basic human rights and human dignity for the Palestinian people and protecting the environment and natural resources of people under occupation and aggression. Any attempt toward the SDGs, epically in the case of the occupied Palestine, without addressing instability, without securing the right of self-determination, is doomed to fail.

1.2 THE ARAB WINTER: LONG-TERM DEFICIENCIES IN GOVERNANCE AND THE OUTBREAK OF WAR AND CONFLICT

Before what is now known as the "Arab spring" or "Arab awakening" began, some countries of the region were making progress towards the MDGs. They were however still lagging on political voice, suffering from inequalities and lacking fundamental rights and freedoms, including on assembly and expression. This dramatic turnaround in many countries lends credence to the importance of the linkages between institutional governance, political infrastructures, and public participation/inclusion. According to the World Bank worldwide Governance indicators of 2013, and as shown in Figure 1, the MENA region is one of the poorest performing regions across the world, ranking consistently lower than East Asia & Pacific, Europe & Central Asia, and Latin America & Caribbean across all six composite indicators that form the WGI.

This opportunities-rich, talent-rich region only outperforms Sub-Saharan Africa in measures that relate to public institution capacities but registers lower performance on Voice and Accountability and Political Stability and Absence of Violence. Though this global view merits consideration, it does not provide insights on the situation of a quite diverse country context. The Arab “spring” is believed to have brought to surface country deficiencies in matters of governance as well as wide inter-regional differences.

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36 Algeria, Bahrain, Djibouti, Egypt, Arab Rep., Iran, Islamic Rep., Iraq, Israel, Kuwait, Lebanon, Jordan, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, West Bank and Gaza, Yemen, Rep.
37 Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. 
Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.
38 The 2011 MIGA-EIU Political Risk Survey stated that 31% of companies have not changed their investment plans in MENA despite recent turmoil. And more optimistically, in the same survey, more than 50% said they would raise investment in the region if there was greater stability under democratic governments. Africa and Middle East also boast low-cost production capabilities and one of the fastest growing domestic markets. The geographical closeness of MENA to European markets is yet another advantage the former can possibly utilize.
1.2.1 Syria, Libya, Iraq, Yemen

Figure 2 captures Governance performance of the countries that are witnessing the most violence and turmoil, namely Syria, Iraq, Libya and Yemen. The chart shows the percentile rank of each country on each of the three governance indicators.
Figure 2: Comparative Diagram of Governance Performance in Turmoil Countries


**a) Syria**

Libya and Syria (SAR) registered significant drops in their percentile ranks over the past two years due to the breakdown of state institutions, wars and armed conflicts. Syria’s drop is most telling given the relative good records of 2009 and 2010. Syria was in fact doing relatively well and steadily improving on development and growth indicators.

Table 1: Syria, Iraq, Yemen and Libya Economic and Human Development Indicators

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<tbody>
<tr>
<td>Syria</td>
<td>GDP growth (annual %)</td>
<td>4.40</td>
<td>10.16</td>
<td>1.38</td>
<td>6.61</td>
<td>5.81</td>
<td>5.54</td>
<td>10.21</td>
<td>10.29</td>
<td>4.21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GDP per capita growth (annual %)</td>
<td>1.36</td>
<td>6.95</td>
<td>-1.48</td>
<td>3.71</td>
<td>3.03</td>
<td>4.08</td>
<td>6.86</td>
<td>6.89</td>
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<tr>
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<td>HDI</td>
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<td>0.636</td>
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<td>0.632</td>
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<td>0.639</td>
<td>0.641</td>
<td>0.642</td>
</tr>
<tr>
<td>Libya</td>
<td>GDP growth (annual %)</td>
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<td>11.87</td>
<td>6.50</td>
<td>6.35</td>
<td>2.67</td>
<td>-0.79</td>
<td>5.02</td>
<td>-62.08</td>
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<td>-13.55</td>
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<td>-61.38</td>
<td>101.48</td>
<td>-14.82</td>
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<td></td>
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<td>0.772</td>
<td>0.778</td>
<td>0.784</td>
<td>0.789</td>
<td>0.794</td>
<td>0.799</td>
<td>0.753</td>
<td>0.789</td>
<td>0.784</td>
</tr>
<tr>
<td>Yemen</td>
<td>GDP growth (annual %)</td>
<td>2.29</td>
<td>6.22</td>
<td>5.05</td>
<td>5.67</td>
<td>4.48</td>
<td>5.91</td>
<td>3.44</td>
<td>3.13</td>
<td>3.50</td>
<td>3.44</td>
</tr>
<tr>
<td></td>
<td>GDP per capita growth (annual %)</td>
<td>-0.31</td>
<td>2.83</td>
<td>2.50</td>
<td>3.11</td>
<td>1.95</td>
<td>3.35</td>
<td>1.99</td>
<td>1.95</td>
<td>2.02</td>
<td>2.00</td>
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<tr>
<td></td>
<td>HDI</td>
<td>0.605</td>
<td>0.653</td>
<td>0.658</td>
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<td>0.662</td>
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<td>0.662</td>
<td>0.662</td>
<td>0.658</td>
</tr>
<tr>
<td>Iraq</td>
<td>GDP growth (annual %)</td>
<td>6.18</td>
<td>5.59</td>
<td>3.17</td>
<td>3.34</td>
<td>3.65</td>
<td>3.87</td>
<td>7.70</td>
<td>-12.71</td>
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<td>4.82</td>
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<tr>
<td></td>
<td>GDP per capita growth (annual %)</td>
<td>2.95</td>
<td>2.34</td>
<td>0.08</td>
<td>0.24</td>
<td>0.54</td>
<td>0.76</td>
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<td>-0.59</td>
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<td>0.471</td>
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<td>0.484</td>
<td>0.497</td>
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</tr>
</tbody>
</table>


Syria witnessed sharp deterioration on most indicators. The civil war that broke out in 2011 has dragged the entirety of the country into the crosshairs of either the Syrian armed forces loyal to President Bashar al-Assad, the Free Syrian Army or the Islamic fundamentalist groups, a conflict which eventually took sectarian
dimensions. In three years, the war claimed the lives of more than 191,300 individual, and 9 million Syrians have been displaced within and outside Syria. According to the United Nations High Commissioner for Refugees (UNHCR), about 2.5 million now dwell in Turkey, Lebanon, Jordan and Iraq, while 6.5 million remain internally displaced. Fewer than 100,000 have declared asylum in Europe with a small number offered resettlement by countries such as Germany and Sweden. Syria today figures at the bottom of the GPI (Global Peace Index), as the 162nd less peaceful country, behind Afghanistan, and has the worse deteriorations in two of the three sub-categories of the GPI, safety and security, and ongoing conflict, and the second worse in the third sub-category, militarization (See Table 2).

b) **Libya**

As for Libya, and while having started to show progress on a number of indicators including *deaths from organized conflict, political terror and heavy-weapons capabilities*, thus rising 14 points in 2013-2014 and reaching the score of 133 in the GPI, the security situation spiraled again into instability. The fragile post-revolution government was unable to draw unanimity or social consensus, and militias refused to disband. Described as “worst spasms of violence since Gaddafi’s ouster”, the quick deterioration of the security conditions has inevitably led to an economic backlash. The gains that were made, in terms of GDP growth following 2011, were wiped away (see Figure 3). Among the main political and social problems that the country is facing today and that are hindering any improvement in the situation is a complete lack of faith in the electoral process (0.0/10), a largely dysfunctional government (2.9/10), a lack of political participation (3.3/10), an high unemployment rate (36%) accompanied by a high willingness to fight (4.5).

| Table 2: Countries with the largest decreases in peace by sub-domain, 2008 GPI to 2014 GPI |
|-----------------------------------------------|--------|-----------------|-----------------|-----------------|
| SAFETY & SECURITY               | Score  | Change          |
| Syria                          | 4.18   | 0.03            |
| South Sudan                    | 3.76   | 0.88            |
| Central African Republic       | 3.94   | 0.64            |
| Libya                          | 2.69   | 0.75            |
| Egypt                          | 3.00   | 0.74            |
| ONGOING CONFLICT               | Score  | Change          |
| Libya                          | 3.60   | 1.80            |
| Egypt                          | 3.20   | 1.60            |
| Egypt                          | 3.80   | 1.20            |
| Syria                          | 2.62   | 0.68            |
| Afghanistan                   | 2.50   | 0.73            |
| Syria                          | 2.62   | 0.68            |
| Norway                         | 2.02   | 0.07            |
| Iraq                           | 2.29   | 0.05            |
| Cote d'Ivoire                  | 2.07   | 0.47            |


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Iraq

The conflict regained ground in Iraq, a country that has been ridden with sectarian strife and erroneous communal policies by the central government since the U.S. invasion of Iraq in 2003, and the country has in all but name been divided into communal provinces. Despite a steady increase of the human development index since 2000 and positive growth rates (except for the year of 2007) as shown in Table 1, the overall encouraging economic situation was not enough to prevent an inter-state clash.

By early 2014, the north of the country was overrun by the Islamic State of Iraq and Syria (ISIS). As of the 11th of June, ISIS forces reached the west of Bagdad.\(^{45}\) The onslaught of the extreme Al-Qaida offshoot was facilitated by the unexpected capitulation of more than 30’000 soldiers who turned up and ran at the sight of

an insurgent force of just 800 fighters, which precipitated the immediate displacement of half a million people. The ISIS take-over has precipitated an unprecedented humanitarian crisis. Some opinions even talk about the possible disintegration of the country should sectarian conflict keep spiraling out of control while central Iraqi authority diminishes.

The GPI 2014, published in June, correctly asserts the position of Iraq on the global peace index, as it stands among the least peaceful countries worldwide, with a rank of 159, behind Somalia, only faring better than South Sudan, Afghanistan, and Syria. The detailed peace and security indicators of Iraq portray a country in unprecedented free-fall: indicators of perceived criminality, homicides, access to weapons, terrorist activity, violent crime, deaths from conflict, and displaced people stand at a worrying cumulative average score of 4.7/5.00 (See figure 4), and the national cost of violence standing at a startling USD 43,970,000,000.

d) Yemen

Yemen, one of the poorest countries in the region, experienced slow but steady progress in human development indicators (as shown in Table 1). Unfortunately, such gains quickly wither in a country of articulated political instability. Though the power-sharing deal of 2011, which ended 33 years of the autocratic rule of Ali Abdullah Saleh and his clan, incorporated the country’s main sectarian groups in the governing coalition, it was not sufficient to avoid turmoil. Recently, sectarian conflicts re-emerged opposing the Iranian-backed group "the Houthis" and the Sunni tribes leading the country to a potential explosion.

The main challenge for the governance system lays in its own particularity “a tribal-based political system”. While global governance indicator for Yemen plummeted (voice and accountability, rule of law, government effectiveness, regulatory quality, political stability and control of corruption), it was observed that tribal traditions and interrelations were the main factors in preventing degeneration of conflicts and in restoring some forms of security and justice especially in transition periods, when the central government capacity was limited. Global indicators, in the particular case of Yemen failed to capture realities on the ground, raising new questions pertaining to their inclusiveness and relevance.

The turnaround in Syria, Libya, Iraq and Yemen is a largely a product of a combination of factors, noteworthy of which the decline in institutional capacity, lack of basic freedoms and accountability, political exclusion, and economic deficiencies, added to the decisive factor of external interferences and interventions. In the face of current instability and conflicts, the focus on long-term development policy is an unlikely choice.

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1.3 **Mixed Governance Records and Conflict Containment**

Though they witnessed social and political upheavals, some countries like Tunisia and Egypt did not necessarily experience outright armed conflict and war. Tunisia and Egypt experienced a *coup d'état* and a severe subsequent crackdown on opposition groups. Others like Morocco and Jordan could avert escalation through direct and emergency government policies aimed at depressurizing social unrest. The stabilization of the regimes took place through many ways: a) political reform aimed at including and accommodating political opposition, combat corruption, and create new economic incentives; b) coercive force; c) but also through direct and indirect emergency financial intervention from the part of the consortium of the GCC monarchies and emirates.

These countries have not recorded a significant improvement on three main indicators of good governance over the past five years: rule of law, regulatory quality, and government effectiveness. Reasons include:

- Political infrastructure granting the executive access to and in cases control of the judiciary and legislative.
- Weak institutionalization of mechanisms of accountability and checks and balances.
- Government institutions suffering from patronage and influenced by networks of elites.
- Weak political inclusion processes negatively effecting public participation.
- Lack of transparency and access to information limiting public awareness and social accountability.
- Limited space for civil society organization to partake in government decision-making.

These countries remain in many cases unstable and may witness further unrest should no comprehensive and long-term political and social change be brought.

**Examples of Governance Reforms that were launched with disappointing results**

- **Morocco** enshrined the right to access information in its revised Constitution.
- **Tunisia** developed interim freedom of information legislation. Similar initiatives were launched in Egypt and Kuwait.
- **Egypt**: efforts at enforcement have enabled investigation and prosecution of some high-level corruption cases.
- **Morocco and Iraq**: judicial reform programs hoped to improve the rule of law and access to justice.
- **Tunisia and Morocco**: local government accountability through elected and strengthened municipal and regional councils
- **Lebanon, Morocco, Gaza, and Iraq** have vibrant civil societies. Laws in support of CSOs have been adopted in Iraq and **Tunisia**.
- **Egypt and Jordan** have initiated revisions to their CSO laws.
1.3.1 Tunisia and Egypt

Towards the year 2008, both Tunisians and Egyptians report a dramatic decrease in their perceived well-being, even though GDP per capita was reportedly on the rise.

Figure 6: Trends in Official Gross Domestic Product per Capita versus Well-Being (percentage of citizens who report “thriving” in Gallup Polls)

![Graph showing trends in GDP per capita and well-being in Tunisia and Egypt from 2005 to 2010.]

Indicators shown (in figure 7) capture perceptions of institutional governance performance, the results show a systematic year-on-year decrease across all indicators tracing from 2009 to 2013. They are inextricably linked with the ongoing political transformations that illuminated evidence on the extent of corruption, patronage, and nepotism.

In both countries, evidence of systemic collusion between public and private sector emerged in the wake of the uprisings. Transparency International’s Corruption Index 2013 ranked Egypt 114/177 countries with a score of 32 and Tunisia 75/177 with a score of 41 with neither having shown significant changes over the past few years.

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55 *Government effectiveness* captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies.

*Regulatory quality* captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

*Rule of law* captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the ease of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

In Egypt, widespread discontent against the rule of the first post-Mubarak era President Mohammad Morsi, prompted the head of the armed forces, Abd al-Fattah al-Sisi to intervene and oust the president on the 3rd of July 2013.\textsuperscript{57} While Egypt witnessed a severe political instability leading to the death of more than 3’000 people. The country was nevertheless successful in containing the crisis and avoided the deterioration of the situation into widespread war.

However, Egypt is still facing a heavy fiscal burden (up to 44% equivalent to 13.7% of GDP 2013 in local currency while general government debt reached almost 90% of GDP)\textsuperscript{58} and low prospects of growth.

\subsection{1.3.2 Jordan and Morocco}

In the wake of the crisis, Jordan and Morocco have led the charge in introducing reforms aimed at meeting citizen demands. Particular attention was given to reforms aimed at gradual political inclusion.

**Figure 9: Comparative Diagram of Voice and Accountability Indicator, 2009 - 2013**

\begin{figure}
\centering
\includegraphics[width=0.5\textwidth]{figure9.png}
\caption{Comparative Diagram of Voice and Accountability Indicator, 2009 - 2013}
\end{figure}

\textbf{Source:} The World Bank, Worldwide Governance Indicators. \url{http://info.worldbank.org/governance/wgi/index.aspx#reports}

Although Jordan figured among those countries with a high development index (score 77 over 187 On the Human Development Index HDI)\textsuperscript{59}, key challenges to the ruling house as well as to the efficiency of government remain. Among these figures the rise of the Islamist wave particularly represented by the Islamic Action Front (IAF) of the Muslim Brotherhood,\textsuperscript{60} important restrictions on the freedom of speech, and the efforts for curbing corruption.\textsuperscript{61}

While a similar situation unfolded in Morocco, many differences remained: Indeed, only in Morocco did we witness the integration of the Islamist Party of Justice and Development (PJD), main opposition group, into the institutions.\textsuperscript{62} The new constitution was approved by popular referendum of 98% with 70% of voters participating, which affirmed popular support for both the institutions as well as for the Monarchy itself. The PJD supported the constitution as well as the Popular Union of Socialist Forces (USFP).\textsuperscript{63} According to the Global Peace Index (GPI) Report for 2014, Morocco experienced a small change in its score yet nevertheless maintained a position of 63/162.\textsuperscript{64} It scored low on perceived criminality in society (2.0/5.0), had little homicides (1.0/5.0), low on deaths from conflict (1.0/5.0) and rather limited terrorist activity (2.0/5.0). It

\begin{itemize}
\item \textsuperscript{61} Ibid., 10-12. In December 2012, the King of Jordan, Abdullah II has established the Jordanian Royal Committee for Enhancing the National Integrity System. A number of high-profile persons have been prosecuted. Nevertheless, efforts to reduce corruption have also been marked with preferential treatment of those convicted and by the lingering weakness of government accountability. See: “A Snapshot of Corruption in Jordan,” Business Anti-Corruption Portal. Accessed on 10.9.2014. \url{http://www.business-anti-corruption.com/country-profiles/middle-east-north-africa/jordan/snapshot.aspx} On a score from 0 (most corrupt) to 10 (most clean), Jordan now ranks as 45/100 on the Corruption Perception Index 2013 (CPI). See: “Jordan,” Transparency International. Accessed on: 10.9. 2014. \url{http://www.transparency.org/country/JOR}
\item \textsuperscript{63} Ibid., 7
\item \textsuperscript{64} Institute for Economics and Peace, \textit{Global Peace Index} (2014), 11
\end{itemize}
nevertheless witnessed borderline violent demonstrations (3.0/5.0), political terror (3.0/5.0), and overall political instability (3.0/5.0).^

### 1.3.3 Lebanon and the Dynamics of Proxy War

Given the communal and geopolitical ramifications of the war, there was little hope that the crisis would remain contained within strictly Syrian territory. In neighboring Lebanon, where political stability is maintained by a delicate system of sectarian power-sharing, the civil war in Syria had an unparalleled impact, with the major political factions declaring allegiance to either the Syrian government or to the opposition, and with an influx of fighters and military support to both sides of the conflict in Syria becoming openly declared by April 2013.^

Violence also erupted in various areas of the country, particularly in Tripoli.^

In 2014, Lebanon figured behind Egypt, India and Guinea-Bissau in terms of GPI, ranking 146th, is on the borderline with the most violent and vulnerable countries, and incurring an estimated USD 4,380 million in direct violence containment cost. Moreover, political instability and the war in Syria has had a direct impact upon the Lebanese economy, which has plummeted from 2010 onward, at least in terms of GDP Growth (see Figure 11). Lebanon today has the largest number of refugee per capita inhabitant in the world (over ¼).

Altogether, the cumulative cost of the Syrian war on Lebanon was expected to reach, by September 2014, USD 7.5 billion, double unemployment up to 20%, and increase the nation’s deficit by USD 2.6 billion. The refugee crisis also weighted upon the education and hospitalization sectors, as the number of Syrian students expected to enroll in schools was estimated to rise up to 150’000, almost more than half the number of public

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68 Institute for Economics and Peace, Global Peace Index (2014), 6

69 Ibid, 66

70 Ibid, 100


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![Figure 10: Registered Syrian Refugees by Countries](http://data.unhcr.org/syrianrefugees/regional.php)
school students in Lebanon. Finally, it is estimated that more than 170,000 people will fall into poverty.\textsuperscript{72} With such stressors weighting upon the already fragile sociopolitical Lebanese equilibrium, the risk of Lebanon falling from the borderline category to that of violent and vulnerable is exceedingly high.\textsuperscript{73}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{lebanon_gdp_growth.png}
\caption{Lebanon’s GDP Growth (\%) per Year, 2004-2013}
\end{figure}

Nevertheless, until today, and albeit the sporadic outbreaks of violence, it seems that Lebanon has been able to “dodge the bullet” largely due to its “weak state syndrome”, the communal power-sharing that characterizes its government, and the conviction of most politicians that the delicate balance of power ought to be maintained among the communities.

### 1.4 BUYING OUT STABILITY

In the Arabian Peninsula, GCC countries (except Bahrain) have been able to largely avoid both war and instability by a greater margin than countries such as Morocco or Jordan. What has been described in the case of Kuwait as “sharing oil wealth in return for political acquiescence,”\textsuperscript{74} does not only apply to the small neighbor of Iraq, but also to most of the oil-producing countries of the GCC. Qatar topped the GPI with its extremely high standard of living and its score of 22/162, and albeit it’s difficult standing in what relates to freedom of expression, labor law, and tense relations with its neighbors. In a similar fashion, the United Arab Emirates (UAE), maintained a strong standing within the GPI, at 40/162, while Oman stood at 59/162 and at a score of 135/167 on the Democracy Index. Starting 2011, Saudi Arabia, announced large direct and indirect payments to the population.\textsuperscript{75} In February 2011 alone, the spending program included a package of USD 37 billion alone to defuse popular discontent.\textsuperscript{76} Similar measures were adopted in Qatar, Bahrain and other GCC.

Figure 13 showcases the dichotomy between the governance dimensions in the GCC countries. While institutional performance ranks highly and remains stable across the observed period, Voice and Accountability scores are low. Through revenue redistribution, these resource rich countries were able to maintain stability in the short run. However, the question remains whether GCC countries will be able to sustain the status quo when resources are exhausted.

\textsuperscript{74} Institute for Economics and Peace, Global Peace Index (2014), 24
Notwithstanding this fact, many GCC countries have used their large oil revenues as leverage for other counter-revolutionary currents in the region. Support was given to Morocco and Jordan at the GCC summit in 2011 where the possibility of accession of the two monarchies to the GCC was explored, and as a follow-up to the pledge of support, the disbursement of USD 5 billion in development project in each of the two countries was decided by the end of the year.77

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77 Steinberg, “Leading the Counter-Revolution,” 16
By September 2014, new announcements for a “Pan-Arab Marshall development plan” were made at a conference in Manama, organized by the International Institute of Strategic Studies. New aid packages were announced including USD 10 billion to Oman and Bahrain, while several billions were again pledged to Jordan, Morocco, and Yemen, just as USD 20 billion had been rushed to Egypt after the army overthrew President Morsi. Nevertheless, and while GCC countries remain faring largely well in macro-economic terms, disbursing revenues in return for political consent may not remain an alternative for long-term governance-oriented reforms.

1.5 OBSTACLES TO ACHIEVING SUSTAINABLE DEVELOPMENT

Violence and instability are becoming the largest obstacles to achieving sustainable development. It is acknowledged that in fragile states and states affected by conflict and violence, people are twice more likely to be undernourished than in other developing countries, the number of out-of-school children three times higher, while the impact of the conflict exhaust 30 years of GDP growth and cause 20% more people living below the poverty line.

The longer term security problem that threatens the future of the Arab world seems to take greater dimensions by the day. If this persists over a longer period of time, the weakening, let alone withering of central authority, augurs a long cycle of violence. The way is reversely State-building and development. Working toward achieving Sustainable development could not be a single and common formulation of the same strategy; obstacles hindering the progress to achieve the SDGs differ from one country to another and especially when it comes to political and security issues. For instance, the case of Palestine under classic occupation denying the right of people to self-determination: continuous aggression and interference preventing the formation of a strong and independent state is the main reason behind the failure of economic, social and environmental policy implementation.

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2 Governance deficits and development failures-structural problems that led to the big bang

“The Arab uprisings have shown that development and economic growth should not be solely concerned with wealth creation, but also with wealth distribution and participation through democratic governance”⁸¹. The following analysis looks at major governance problems that induced development failure.

To better frame the governance dilemma in the Arab world, we have grouped weaknesses in three sets: 1- Political (analyzing the deficit in governance function of political culture, free flow of information, good relations with neighbors); 2- Institutional (analyzing the deficit in governance from the stand point of efficiency and management of public money, corruption and equitable social protection); and 3- Capital (analyzing the deficit in governance from the stand point of human capital).

2.1 DEFICIENT POLITICAL ENVIRONMENT

At the eve of the Arab spring, the Arab region had the worst scores on the democracy index with an average 3.73, behind Sub-Saharan Africa (4.33).⁸² Six countries of the region had the worst score. Across the emerging markets (EM), the region stood as the worst in terms of voice and accountability, with Arab countries on average consistently underperforming as measured by the World Governance Indicators (WGI). This conveyed problems of freedom of expression, media censorship, freedom of association and political affiliation, and ultimately proved the datum that political institutions were by far not inclusive.⁸³

Freedom House⁸⁴ scores of 2012 confirmed the eroded trust between the state and citizens. Again, on this indicator, most countries recorded relatively lower performance compared to all other regions of the world.

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⁸⁴ Freedom House constructed a Voice and Accountability measure that included the following indicators: Free and Fair Elections (electoral framework and conduct, campaigning, rotation of power, and campaign finance), Effective and Accountable Government (checks and balances, freedom from domination, civil service), civic monitoring and engagement (NGO engagement and influence, legal environment for NGOs, donors and funders), Media Independence and Freedom of Expression (media environment, libel and legal harassment, intimidation attacks, censorship, internet, state funding, and other state influence). All scores are on scale of 1 – 7, with 7 being the highest.
Table 3: Freedom House Scores of Arab Countries on Accountability and Public Voice, 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Free and Fair Elections</th>
<th>Effective and Accountable Government</th>
<th>Civic Engagement and Monitoring</th>
<th>Media Independence and Freedom of Expression</th>
<th>Accountability and Public Voice Average</th>
</tr>
</thead>
<tbody>
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<td>Bahrain</td>
<td>2.00</td>
<td>1.33</td>
<td>1.33</td>
<td>1.29</td>
<td>1.49</td>
</tr>
<tr>
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<td>2.67</td>
<td>2.00</td>
<td>2.00</td>
<td>2.62</td>
</tr>
<tr>
<td>Jordan</td>
<td>0.80</td>
<td>1.67</td>
<td>2.00</td>
<td>2.29</td>
<td>2.19</td>
</tr>
<tr>
<td>Lebanon</td>
<td>3.60</td>
<td>2.00</td>
<td>5.00</td>
<td>4.57</td>
<td>3.79</td>
</tr>
<tr>
<td>Saudi Arabia</td>
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<td>1.33</td>
<td>1.00</td>
<td>0.43</td>
<td>0.69</td>
</tr>
<tr>
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<td>5.00</td>
<td>6.00</td>
<td>5.14</td>
<td>5.59</td>
</tr>
<tr>
<td>Yemen</td>
<td>2.40</td>
<td>1.67</td>
<td>3.67</td>
<td>1.57</td>
<td>2.33</td>
</tr>
</tbody>
</table>


According to many reports, political structures were monopolized by few elites with high barriers to access from the majority. The main political form that spearheaded opposition to most regimes was of Islamist nature, and had long been either thoroughly repressed, such as in the case of Syria and Egypt, or marginally tolerated, such as in the case of Jordan, Morocco, and Lebanon. With a large and dissatisfied opposition (in most cases), and a failed record of responding to citizen’s need and respect of values of neutral, fair and equal exercise of governance, internal cohesion and national consensus were breached, particularly in states that had historically opted for cracking down on opposition rather than seeking, as in the case of Jordan and Morocco, to accommodate their existence and size, or to work a power sharing arrangement such as is the case in Lebanon and Palestine.

Against this backdrop of exclusion, the strength of ideological Islamist organizations and their ability to largely mobilize in many countries led to direct clashes and to civil wars, such as in Syria. They brought back to the forefront the debate concerning the “Inclusion-moderation” vs. the “wolf in sheep clothing” hypotheses. In country cases where religious and confessional heterogeneity were the prevailing social characteristics, opposition to the regime was quickly hijacked by well-organized fundamentalist parties, leading to social divisions along sectarian lines. Among the analyses that were presented to frame the conflict in Syria for example is that of a frustrated Sunni majority opposing the rule of the Alawite-dominated Damascus government. The Bahrain eruptions of violence were also framed as Shia-Sunni confrontations. Such simplistic analysis discounted the large inequalities and frustrations resulting from years of development failures and governance deficits.


86 Schwedler, “Islamists in Power?,” 7-8

87 The “Inclusion-Moderation” hypothesis is the hypothesis that postulates that once radical opposition groups are included into political institutions, they will inevitably become more pragmatic and moderate, while the “Wolf in sheep clothing” hypothesis asserts that some radical groups could eventually take advantage of the democratic process to install a totalitarian state. For more information see: Schwedler, “Islamists in Power?,” 7-8

In the year 2000, stagnation, high unemployment, poverty and social tensions were common in Syria. Shortly after succeeding to his father, President Bashar al-Assad declared the ushering of an era of political and economic reform. The government response, however, went counter to the initial pledges. Political reform was halted, the ruling coalition was narrowed down and the opposition was repressed. While having initially sought to limit the interference of the regime’s “old guard”, the new regime nevertheless put an end to what was referred to as the “Damascus spring”. Deteriorating relations between Syria and the United States, particularly due to the passing of the Syrian Accountability and Lebanese Sovereignty Act of 2003 and UNSC 1559 intensified the willingness of the Syrian opposition to obtain its demands.

As the international relations between Syria and the West deteriorated following the US invasion of Iraq, which ended favorable economic agreements between the two countries, and as popular discontent grew, the government responded in curbing domestic debates and restricting them to the economic sphere solely. During the Baath Party Congress decisions of 2005, President announced that political change was not forthcoming: no major constitutional changes, no relinquishment of the role of the party in the state, and no opening to the opposition parties, particularly the Muslim brotherhood. New parties were to be allies of the ruling party, and party formation required ten founding members and 500 members present at the founding conference. Economically and administratively, the period saw the establishment of private banks and universities, large reductions in customs as well as the expansion of foreign investment opportunities. In 2005 alone, more than 134 laws and presidential decrees were signed. The willingness to move away from the socialist-style economy of the Baath party was illustrated by the nomination of young westernized Syrian talents to key institutions. Nonetheless, despite loosening up government control over the economy, there was no real indication that new domestic economic players were able to enter the competition. On the contrary, a new form of oligarchy was created allowing embers of the governing elite to obtain more influence. Ultimately, the failure to strengthen the political, governance and economic pillars of peace in an “interlinked” fashion resulted in further political and exclusion, marginalization of popular discontent, and increased radicalization of Islamic forces due to non-inclusion in the political process.

Without political and governance reform the economic reform process was hindered, and although new business prospects were created, they gave way to further entrenchment from the part of the ruling class, ultimately leading to a stagnation of the business sector. Such was the “negative spillover” of a “silo approach” to development that failed to take into consideration the interlinkages of the many “pillars” of societal peace and democratic governance.

2.1.1 Tense regional relations with neighbors and difficult integration

As revolutions sparked around the region, and legitimate frontiers ceded in the face of trans-border Islamist fighters and flow of money and arms, regional relations became tense, with states declaring their support to this or that fraction, armed and unarmed opposition, or attempting to re-establish the “status-quo”. Saudi Arabia for example strongly supported the Syrian insurgency, while providing support to the regimes of Jordan, Morocco, and subsequently Egypt as well as direct intervention in Bahrain. Qatar heavily funded the Islamist brotherhoods in Tunisia and Egypt. In other countries such as Lebanon and Palestine, Governments failures to respond to the crisis effectively and to defuse tensions between opposition groups – and in many cases, sectarian communities, brought on local arenas regional state actors to pull the strings. Opposition groups mobilized funding and arms and trans-state actors such as Al-Qaeda, Annusra and ISIS became heavily involved in the recruitment, training and arming of fighters in an ever-more unstable region.

The state’s presence in the border regions has been traditionally weak and support to local communities through socio-economic development programs lacking. Across countries such as Lebanon, Tunisia, Algeria, 

89 Ellen Lust-Okar, “Reforms in Syria: Steering between the Chinese Model and Regime Change,” in Marina Ottway, Julia Choukair-Vizoso (eds.) Beyond the Façade: Political Reform in the Arab World (Washington: 2007), 72
90 Ibid., 73
91 Lust-Okar, “Reforms in Syria,” 78
92 Ibid., 76-77
93 See: Schwedler, “Islamists in Power?,” 4-5
95 Steinberg, “Leading the Counter-Revolution,” 16
Libya, etc., border communities, for long treated as second class citizens, were alienated from the state and, and this has heightened the temptation to join jihadi militant groups. The alliance between arms and drugs traffickers and armed jihadi cells appear to have considerably strengthened across borders. The activities of the major illegal trade networks are encouraging violence. The worsening of the Libyan conflict for example threatens economic and political impact on Tunisia.

Regional relations were further made tense with the outbreak of the Gaza war of 2014, the continuous blockade of the Gaza strip, the systematic colonization of the West Bank, the denial of the right of return of refugees, acknowledging the independent Palestinian state, the excessive militarization of the Israeli armed forces, and the radicalization of the Israeli right. With Israeli refusal to negotiate an inclusive peace process including all stakeholders Syria, Lebanon, and the Palestinian refugees, coupled by increasing defiance to UN conventions and international law demonstrated during the genocidal Operation Protective Edge, little hope was left for the resolution of the 66-year-old conflict.

With escalated tensions, prospects for peace and development which were at their highest in the 1990’s seem to have completely vanished, and with them, inevitably, efforts bent on increasing regional economic integration.

2.2 THE DEFICIT OF STATE INSTITUTIONS

2.2.1 Large efficiency gaps in public financial management

When people took to the streets in several Arab countries in early 2011, it was not only about democratic elections, rotation of power, civic engagement and influence, intimidation attacks, censorship and lack of freedoms. It was also to question government effectiveness and prudence in money management, and to demand fairness, and accountability from civil servants. A well-functioning government can best be conceptualized in terms of efficient and effective public institutions that draw legitimacy from the social body they govern, adequately manage public resources and revenues, achieve a high-level of performance in the delivery of public goods and services, foresee future challenges and act in anticipation.

A well-functioning government is necessarily the result of sound public governance, which is measured through a large number of indicators including budgeting and public expenditure, public sector innovation, regional development, and civil service performance. By the beginning of the “Arab spring”, and while slightly over the Emerging Markets average, government effectiveness in most Arab countries lagged largely behind the world average.

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A key report, *Public Financial Management in the Middle East and North Africa*\(^9\) published by the World Bank one year before the outbreak of the Arab spring, used the PEFA framework\(^9\) to provide an evaluation of public financial management (PFM) performance in MENA. It signaled a number of alarming deficiencies. Arab countries lagged behind world averages in what relates to budget credibility, policy-based budgeting, as well as accounting, record keeping and reporting (See Figure 18).

While sound budgeting is central to the achievability of development policy goals such as job creation\(^1\) or social protection to name a few, the exercise of budgeting, both preparation and execution stood in dissonance with government policy objectives. The implications on development deficit were consequent. Simply put, the discrepancy between budget and policy implied that goals such as education, rural development, poverty reduction, social protection, etc., were not always met with adequate budgetary resources or actual expenditures, which ultimately implied a shortage in achieving development goals.

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\(^9\) The PEFA Framework was created as a high level analytical instrument consisting of a set of 31 indicators and a supporting PFM Performance Report, providing an overview of the performance of a country’s PFM system. It was developed to see whether country has the tools to deliver three main budgetary outcomes: aggregate fiscal discipline, strategic resource allocation and efficient use of resources for service delivery. For further information, see: “The PEFA Framework,” *Public Expenditure and Financial Accountability*. Accessed on 17.9.2014. [http://www.pefa.org/en/content/pefa-framework](http://www.pefa.org/en/content/pefa-framework)

\(^1\) Georges Corm, “Public Budgeting: A Tool of State Modernization,” *Assadissa*, no.3 (November 2012), 5
2.2.2 Non-transparent budget information

A resulting consequent deficit is the lack of transparent information about how public money is allocated, spent, and audited. According to a recent publication by the International Budget Partnership, Countries in the MENA region (Algeria, Egypt, Iraq, Lebanon, Jordan, Morocco, Qatar, Tunisia, Saudi Arabia, Yemen) recorded by far the lowest scores on transparency in the Open Budget Index with an average of 18, while the countries in the Western European region had the highest scores, with an average of 75 (the score ranges from 0 to 100). Only Jordan had a relatively good score of 57 in 2012, while Tunisia, Egypt, Algeria, Yemen were all in the bottom range of 0-20.

2.2.3 Bloated civil service low on performance and ambition to serve

Oversized, low performing civil service is another major feature of dysfunctional governments. Indeed, it is the civil service, which is constituted by the entirety of the staff members of the public administration, whether central or local, that enables good governance, and is directly involved in efficient and effective public expenditure management and tax administration. Regardless of structural differences between countries themselves, these systems have little performance orientation, disparaging and unfair pay scales, disproportionate staffing levels, rigid hierarchies and non-transparent organizational structures. There is a serious shortage of competency based training and capacity building programs. The latter, when they exist, are classroom training based on “shopping” lists with little linkages to competencies frameworks,

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attitudes and behaviors required to perform. They do not seek to implement a policy focused on values and results.

In most Arab countries, Governments are the primary employer, employing between 14 and 40% of the total workforce. 105 Bloated public sectors, including government agencies and SOEs employ 22 percent of Tunisians and around 33–35 percent of Syrian, Jordanian, and Egyptian labor force and these percentages jump to 42 percent in Jordan and 70 percent in Egypt, if non-agricultural employment is considered. 106

Not only is civil service oversized and deficient, but it is also costing too much. The region has the highest civil service wage bill in the world, standing at a 9.8% of GDP compared to a world average of 5.4%. In Lebanon, the cost of the central government personnel is believed to have more than doubled in a decade (2000-2010) 107. Across the region, the inflated civil service benefits from wages that are on average 30% higher than private sector wages, while on a worldwide scale, public wages are 20% lower than those of the private sector. Ultimately, deficient governments became bloated, expensive, and distorted the job market by impeding the development of a dynamic and prosperous private sector. 108

Figure 21. Civil service share of population, labor force and wage bill in 4 Arab countries, 2008


Notwithstanding these facts, the first reaction of governments in the “post-spring” period was to increase salaries and jobs in the public sector as a short-term response to social discontent. The government of Egypt announced a 15% increase to the base wage of all civil servants (estimated at 5.8 million employees) and incentives schemes for the lowest-paid government employees (around 1.9 million people, working mostly in municipalities). Tunisia’s transitional government also announced an employment plan, which included the creation of 20,000 jobs in the public sector. Similar measures were taken by many other MENA governments thus exacerbating pressure on already strained public budgets (especially in resource-poor countries), and restraining the margin for investment policies geared at creating more jobs and implementing costly social policies.

While seeking to mitigate unemployment in the short term, or appease social discontent, such measures present large financial risks over the long term. They also bring large political “Risks” as the new powers in place are unable to address the economic and social causes behind the revolutions, or creating the jobs needed to absorb new entrants let alone reducing unemployment rates, The risks to have the development gap grow wider causing relapse into conflicts and violence. They markedly damage civil service performance in the long term.

Box 4: Lesson learned from Civil Service Reform in Morocco

The reform of civil service in Morocco and particularly the “retirement reform act” is an illustration of a successful approach to reform through which a number of goals were achieved. The program allowed deflating the bloated civil service, provided competencies frameworks for the future, and encouraged retirees to become active entrants into the business sector. Faced with excessive centralization, lack of performance, ineffective resource allocation, and a rigid civil service structure, the government of the Kingdom of Morocco initiated, in 2004, a program aimed at restructuring its civil service, dubbed as INTILAKA (“the launch”). At the beginning of the program, 856,000 employees or 2.3% of the population (a ratio which is relatively low when compared to other countries such as Algeria, where it reached 4.2%), made up the civil service, with a wage bill that reached 12.8% of GDP in 2004. With an estimated retirement total of almost 59,000 employees between 2005 and 2011, and one of 97,000 between 2012 and 2018, the Moroccan government launched the program with the hope of increasing the momentum of retirement through voluntary exit in exchange of financial incentives. The first year of implementation was not exactly a success with only 944 enlisted. However, when launched again in 2005, it delivered remarkable results: the wage bill dropped from 12.8% of GDP to 10.6% end of 2005. Competencies frameworks (repertoire des métiers et des compétences) were established along six dimensions: 1. Activity, 2. Task, 3. Competency required, 4. Importance of the task vis-à-vis the administration, 5. Goals, 6. Responsibility level. It was complemented by a new system of performance evaluation that took into consideration quality of work, innovation, ability to achieve, performance and productivity. Ultimately, this allowed Morocco to deflate the civil service, decrease stress on the budget expenditure component, increase government effectiveness, achieve a better management of its human capital, and encourage, through voluntary exit, the inclusion of ex-civil servants into the business sector. in the implementation of a voluntary exit strategy bent on This case is an illustrative example of a “positive spillover” from pillar/silo to another, civil service reform interlinked to the reform of public financial management helped achieve a smaller wage bill, provide new incentives for market entry, develop a new class of entrepreneurs, stimulate the private sector, and ultimately create new jobs and reduce unemployment. Using the Integration framework, civil service reform comes at the crossroad with PFM reform and strengthening the private sector. Considering similar voluntary models in countries most in need of decreasing the wage bill, including Tunisia, Egypt and Lebanon might be interesting given the successful experience of Morocco. Firstly it would support ongoing PFM reform efforts, provide a safety net for former civil servants, and provide the market with new entrepreneurs, ultimately leading to a reduction of unemployment among youth as an indirect result of increased private sector activity.

2.2.4 Corruption and distorted business environment

In addition to dysfunctional policy planning, budgeting, and civil service, corruption is a rampant dent of development efforts hindering achievability of budget and policy goals as taxpayers’ money, is wasted. According to “Corruption Watch”: corruption and bad management practices eat into the nation’s wealth,

109 Anthony O’Sullivan, Marie-Estelle Rey and Jorge Galvez Mendez, “Opportunities and Challenges in the MENA Region”, OECD, 6
110 Moubayed, “Why Civil Service Reform in an Inevitable Choice in times of crisis”.
channeling money away from such projects and the very people most dependent on government for support.\textsuperscript{112}

Transparency International’s tool, the Corruption Perception Index (CPI) for 2011, affirms that the MENA region is widely perceived as very corrupt, with an average score of 3.1. Figure 22 shows that the countries that witnessed the most degeneration in terms of peace and security are those that have marked, on the eve of the “Arab spring”, the worst scores on the CPI.\textsuperscript{113} The only two MENA countries to perform well in the index are Qatar (7.2) and the United Arab Emirates (6.8).

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Figure22.png}
\caption{Corruption Perception Index (CPI), 2011 Scores}
\end{figure}


The World Economic Forum (2011) had also confirmed how corruption and the misuse of political power hinder prospects of doing business in the Arab World, especially in countries of the Levant and in North Africa, where granting special privileges based on relationships with the ruling elite distort markets and competition. Such malpractices played a major role in the disparity between the wellbeing of political elites and the populations at large. “Rentier economies meant that resources and state revenue was monopolized by the state, and then opportunities, jobs and benefits would depend on the goodwill of the regimes.” Kauffmann explains: “Grand corruption is exemplified by the multibillionaire clans of Qaddafi in Libya, Ben Ali in Tunisia, and Mubarak in Egypt, where the ruling elites, including extended family and select cronies, captured both the polity and key segments of the economy. They abused formal and informal institutions to control the accumulation and distribution of resources and jobs to perpetuate their power and amass illicit wealth. Monopolized top-down corruption was an instrument for the capture of polity and economy.”\textsuperscript{114}

\begin{table}[h]
\centering
\begin{tabular}{|l|}
\hline
\textbf{Transparency International Corruption Perception Index (2008)}
\hline
Most of the Arab countries have been ranked within the bottom third of Transparency International Corruption Perception Index (2008). A total of 180 countries are ranked, three Arab states are ranked at the absolute bottom: Sudan 173, Iraq 178, Somalia 180. A little above are Syria 147, Yemen 141, Libya 126. No Arab country is ranked within the top 25, but Qatar, UAE, Bahrain, Jordan and Oman are ranked in a relatively favorable one between 25 and 50 among the 180 countries in the Index. In the middle or lower are the rest of the Arab states. CCL: more than 75\% of the Arab people resides in states perceived to the below average in terms of ethical standards.\textsuperscript{115}
\hline
\end{tabular}
\end{table}

\textsuperscript{113} CPI ranges from 10 (highly “clean”), to 0 (highly corrupt)
In the Global Competitiveness ratings of rule of law and control of corruption, three trends are noted across the region: (1) top GCC countries, namely Saudi Arabia and Emirates, are ranked in the top third, (2) second-tier GCC countries and monarchies, including Kuwait, Bahrain, Jordan and Morocco rank between the first and second thirds of the overall rankings, and finally (3) transitioning and weak states, including Libya, Egypt, Yemen, Lebanon, and Tunisia, rank within the second the third thirds of the overall 144 rankings. These figures indicate the strength of the state institutions themselves and how susceptible they are to internal and external threats. Transitioning countries and Lebanon need to take measures to strengthen their institutions both in terms of rule of law and control of corruption. There is a direct relationship between the state’s inability to administer, fairly and equitably, and instability.

Table 4: Global Competitiveness Report 2014-2015 Institutional Governance Indicators for Arab Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Property Rights</th>
<th>Irregular payments and bribes</th>
<th>Judicial independence</th>
<th>Favoritism in decisions of government officials</th>
<th>Efficiency of legal framework in settling disputes</th>
<th>Reliability of Police Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>29</td>
<td>28</td>
<td>47</td>
<td>26</td>
<td>40</td>
<td>36</td>
</tr>
<tr>
<td>Egypt</td>
<td>104</td>
<td>65</td>
<td>57</td>
<td>36</td>
<td>105</td>
<td>111</td>
</tr>
<tr>
<td>Jordan</td>
<td>34</td>
<td>46</td>
<td>46</td>
<td>34</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Kuwait</td>
<td>51</td>
<td>57</td>
<td>37</td>
<td>81</td>
<td>65</td>
<td>57</td>
</tr>
<tr>
<td>Lebanon</td>
<td>108</td>
<td>142</td>
<td>138</td>
<td>142</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>Libya</td>
<td>131</td>
<td>122</td>
<td>104</td>
<td>124</td>
<td>135</td>
<td>143</td>
</tr>
<tr>
<td>Morocco</td>
<td>41</td>
<td>53</td>
<td>81</td>
<td>44</td>
<td>73</td>
<td>41</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>32</td>
<td>22</td>
<td>26</td>
<td>25</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Tunisia</td>
<td>76</td>
<td>77</td>
<td>75</td>
<td>60</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>23</td>
<td>4</td>
<td>22</td>
<td>5</td>
<td>17</td>
<td>7</td>
</tr>
<tr>
<td>Yemen</td>
<td>129</td>
<td>144</td>
<td>128</td>
<td>136</td>
<td>141</td>
<td>140</td>
</tr>
</tbody>
</table>


Indeed, corruption is strongly correlated to confidence in national Government as shown by the below graph. According to OECD, transparent administrative procedures (among which the procurement procedures) are considered one of the core components of the Integrity Framework in a country.\footnote{Sana El Attar, “OECD Approach to Corruption Prevention”, Accessed on 26.9.2014. https://www.unodc.org/documents/treaties/UNCAC/WorkingGroups/workinggroup4/2010-December-13-15/Presentations/Sana_Al-Attar_-_Integrity-OECD.pdf}

Figure 23: Correlation Between Confidence in National Government and Perception of Government Corruption (2012)
It is a real governance problem, as a lack of transparency and poor management of procurement systems can lead to corruption, inflated transaction costs and substandard products or quality of work. These costs are generally borne by the community and taxpayers.\textsuperscript{117}

Unclear and overly complex non-standard bidding documents, lengthy procurement process, bribery, and other opportunities for corruption abound in the region. A 2006 Foreign Investment Advisory Service study showed that corruption is the main obstacle to investment in Lebanon. Although it is a crime to give or accept a bribe, 60\% of the Lebanese firms surveyed for that study reported that "they must give gifts or informal payments to public officials to get things done, and these gifts impose an annual tax equivalent to 5\% of sales."\textsuperscript{118}

In Morocco, the lack of transparency in public procurement has been estimated to cost an amount equivalent to approximately 0.5 per cent of GDP\textsuperscript{5} in the Middle East and North Africa region. Applied to Morocco, this implies an annual loss of some US$3.6 billion (based on a GDP of US$74 billion in 2007).\textsuperscript{119}

The cost of corruption in public procurement is not only measured by money lost. Corruption distorts fair competition, increases the cost of services to the public, may reduce their quality and hamper sustainability and safety of public projects and purchases such as healthcare, access to clean water and education. Corruption in public procurement may obstruct public investments and purchases from benefiting the country’s economic development and meeting proper environmental standards.

\subsection*{2.2.5 Weak social protection systems}

In a situation where authoritarianism is coupled with large government employment and corruption, the policy and practice of sustainable economic development measured in terms of proportional and fair distribution of resources, is largely hindered. The problem is compounded when social protection systems are biased and failing. Pension systems in most Arab countries especially MENA are weak and have been discounted from the institutional development agenda. “Pension funds have low coverage (33 percent of the labor force). When present, they are believed to favor middle- and high-income workers mostly in the public sector and the formal private sector, at the expense of low-income workers. They are nontransparent and in many cases regressive. Moreover, in the majority of systems, the returns that individuals receive on their savings depend on career and wage histories and on enrollment and on retirement strategies”\textsuperscript{120}

\begin{figure}[!h]
\centering
\includegraphics[width=\textwidth]{figure24.png}
\caption{Pension Coverage in the MENA region}
\end{figure}


Across Central and Eastern Europe, Central Asia, and Latin America, countries have invested in their pensions systems. Pension systems and other social safety nets are essential for maintaining social cohesion.

\textsuperscript{119} Transparency International. "Global Corruption Report 2009"
\textsuperscript{120} David A. Robalino, Pensions in the Middle East and North Africa Time for Change, The Worldbank, 2005
and protecting the vulnerable groups. The Arab population is not only growing in numbers but the region is also witnessing massive demographic shifts. In light of recent events in the Arab world, great attention must be given to building these institutions.

2.3 THE UNTAPPED POTENTIAL OF HUMAN CAPITAL

The quality of people management is a determinant of government performance. In recent years, from 1998/1999 to 2007/2008, the number of students in higher education rose from 2.967 million to 7.607 million, an exponential increase of 256%.\(^\text{121}\) The Arab world is full of talent. Yet, in many countries, there is a wide impression that public employment is strongly biased against talent. Entry to civil service remains largely centralized in old structures such as civil service boards, and is largely perceived as an instrument to relieve employment or political pressure. It is not designed with the underlying aim to improve the quality of public services nor to ensure value for money in the management of public funds. Frustration is compounded by the weak link between the job market and the universities as well as by non-competitive non-meritocratic public employment.

In countries with long traditions of civil service and where such talent is attracted, not enough margin is provided to leaders to exercise their skills and innovate while in most developed countries public management reforms involved a delegation of responsibility for human resource management and a strengthening of the performance orientation of public governance and public management. A strong culture of top down management is exercised. Considerations for efficiency and talent management are underrated. Motivation, engagement and commitment of public servants – which affects the quality of service delivery is seldom seen as part and parcels of institutions building blocks.

Although these issues are critical for the sound functioning of governance, they are not addressed enough. Today, information indicates that few countries are engaged in or are planning reforms that will decrease the size of the public service workforce and increase its efficiency. In many countries (Egypt) efforts to reform civil service where limited to applying fiscal consolidation plans imposed by international financial institutions. These normally involved reductions in staffing levels and in compensation of public employees and rarely addressed the “people management aspects of skills, values and attitudes”, a situation that had mostly a reverse impact on such reforms.

<table>
<thead>
<tr>
<th>Key challenges to good governance in the Arab states region(^\text{122}):</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Public Service that does not meet citizens’ needs, shortcoming in institutional accountability, constrained opportunities for people to participate in the decision making processes affecting their lives, the lack of enjoyment of fundamental rights such as citizenship and gender equality. This is negatively affecting strategic planning and service delivery.</td>
</tr>
<tr>
<td>2. Public Service and local governments suffer from various levels of capacity weakness as well as authority threats.</td>
</tr>
<tr>
<td>3. Civil society remains weak and gender empowerment is lagging, street and media activism are on the rise, putting performance of state administrative units and local governments on the line.</td>
</tr>
<tr>
<td>4. Large number of public servants with limited qualifications and low efficiency and productivity and limited career development prospective.</td>
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<tr>
<td>5. Low wages add to the causes that reduce the performance of PAs and explain the high level of corruption.</td>
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<tr>
<td>6. Women’s participation in public life remains weak</td>
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<tr>
<td>7. Over-centralized bureaucratic structures, overlapping mandates between government institutions, redundant functions, outdated processes and procedures and lack of specifications regarding the quality of services.</td>
</tr>
</tbody>
</table>

Improving quality of people management involves a continuous commitment to defining current and future levels of staffing and competency requirements. It involves as well substantive investments in broader human resources management policies and building skills, especially those of middle managers who are the real “people on the ground”; those that the layman would turn to or criticize as being the “State”. Capacity

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building works or doesn’t at this level starting by rallying civil servants around common goals and “values” of public service; and around inducing “attitudes” and “behaviors” that reinforce confidence and trust in the State. Events of the “Arab spring” and in Tunisia in particular proved how important this is for steering a country through a time of uncertainty. They proved that the investment is worth the try.

The Lebanese Experience - Investing in Capacity Building

Lebanon’s fifteen years civil war (1975-1990) which caused loss of life and destruction of the country’s economic infrastructure had a strong impact on the country’s public finances. During war time, Lebanon’s real GDP declined sharply, by more than 70 percent. The absence of a central government authority compromised revenue collection, leading to deterioration in Lebanon’s fiscal stance, current account balances and the provision of public services. Skilled professionals fled the country. From inexistent prior to the war, Lebanon’s public debt reached 180% of GDP in 2005.

Economic recovery, measured by real GDP, was slow, gradually, reaching its pre-war level only in 2010, while real GDP per capita still remains well below its pre-war level.

From the very beginning of the reconstruction period (1992), the Ministry of Finance embarked on a comprehensive reform program that targeted public finances under three broad categories:

1- Fiscal and economic policy formulation and implementation;
2- Public financial management;
3- Service delivery to the general public and to other Government agencies.

Capacity-building was a central piece of this vision. In this context, the Ministry established the Institute of Finance Basil Fuleihan (IOF) in 1996 as a training and communication agency targeting the public sector. The Ministry equipped the Institute to become a sustainable source of capacity building, training and knowledge services, specialized in public financial management, and servicing the financial administration in Lebanon and the MENA region.

The approach, that consisted of creating and sustaining a dedicated provider of training services in financial management to public sector agencies in Lebanon came from the belief that public finance – or the ability of the State to raise and administer revenue and allocate expenditures – has a direct impact on the survival, legitimacy and effectiveness of a state.

The more capability the public administration shows in managing public funds efficiently, the more a country gains in stability, combating corruption and establishing rule-based systems of governance (Michael Carnahan and Clare Lockhart).

The success of the approach was further emphasized when demands for replication from other Arab countries were channeled to the Institute of Finance and the Ministry. As such, and with the technical assistance of the Institute of Finance of Lebanon, a Public Finance Training Center was established in 2007 at the Ministry of Finance of Jordan; and a Palestinian Institute of Finance was created in 2009 in Ramallah; and another in Morocco in 2011.

Exchange linkages were established with the Financial Institute of Yemen, the Training Center in Finance and Accounting of Iraq, as well as with the Ministries of Finance of Libya, Kuwait and the Regional Government of Kurdistan to channel technical assistance for the potential establishment of similar training institutions.

If development targets are to be attained, the Arab countries will need to seriously look at the conditions to make their Government workforce more competent, prudent, and open. They would need to find culturally acceptable drivers of reforms that help development of a competitive, diverse and inclusive public sector.

Reforms of the State, as literature tells, is a profound societal transformation that is not solely about size or wage bill, but mostly about coherence in expectations, means and mostly values. It is also about disengaging the political from the policy choices thus privileging prudence, efficiency, and sustainability. It is a social influence process grounded in an all-inclusive approach that creates a dynamic for change through the involvement of all concerned.

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Diversity, whether gender, ethnic or religious is a potent driver of social cohesion that most Arab Governments have failed to use. Diversity is not only described as the mixture of backgrounds and competences but also as valuing and using people’s competences, experience and perspectives to improve government efficiency and effectiveness, and to meet public servants’ professional expectations. European governments have put lots of emphasis on fostering diversity in public service. They have devised instrument for anticipating, planning, managing and monitoring diversity attainments in civil service. Achieving diversity requires dealing with discrimination and equality in public employment. If pursued, it may help improve understanding of community needs and can be a great asset in a socially, ethnically, culturally and economically diverse society. It is a long-term, confidence-building process and may help achieve political and social government objectives.

2.4 STATE-DRIVEN REFORMS: THE SUPPLY SIDE

In most countries, much of the progress in governance reform has been on an ad hoc basis with the support of international development agencies. While regional cooperation and integration will most likely have a positive feedback on public policies in each country, some countries like Morocco and Jordan have been largely able to reduce the likeliness of conflict erupting by strengthening governance and promoting reform through internally-driven mechanisms.

Governance assistance to the Arab World has been a key feature of the development agenda for over two decades. The shortcoming of governance assistance in the region has been largely due to its ad hoc, sectorial focus rather than a more holistic approach. For example, projects focused on economic growth and attracting investment were prioritized over major governance reforms including, for instance, the independence of the judiciary. Much of this support was channeled to the supply-side, with limited support to the demand-side, namely civil society. This can be attributed to the structure of Arab regimes and the restrictions placed on civil society’s role in governance and political spheres.

Another supply-side approach to governance reform at the national level, usually led by government, is the establishment of independent and neutral bodies that are mandated to monitor and investigate government conduct. These bodies include independent election commissions, anti-corruption commissions, and independent audit bureaus. Relatively new and low in capacity, Arab states are moving towards such mechanisms like the establishment of the Independent Election Commission and the Anti-Corruption Commission in Jordan, the Commission of Integrity in Iraq, l'Instance Nationale de la Lutte Contre la Corruption in Tunisia, L’instance Centrale de la Prévention de la Corruption in Morocco among others. The key criticism of these institutions to date has been the lack of independence in practice. In the United Arab Emirates a model institution called the “State Audit Institution” (SAI) was established to be the federal audit authority and was guaranteed financial and functional independence by federal law and mandated to report directly to the Federal National Council. The SAI is charged with overseeing that public funds are allocated to a legal aim through the right procedure. The SAI is moving towards a model of auditing that not only ensures that all legal requirements for spending have been observed but also controls whether the state budget is managed efficiently and spent effectively.

Programme on Governance in the Arab Region

The regional bureau of Arab states launched the programme on Governance in the Arab region (POGAR) in 2000. It delivers a wide range of services and activities to further the triple pillars of good governance: participation, rule of law, and transparency and accountability. In 2005, POGAR partnered with OECD to launch a regional initiative for the Arab region called “Initiative for the development of good governance in the Arab countries”. Countries involved include: Lebanon, Bahrain, Jordan, UAE, Egypt and Morocco.

In July 2008, the Arab anti-corruption and Integrity Network was established with POGAR support.

3 Existing governance frameworks and mechanisms

Confronted with current conflicts and the risks of civil wars, in (i) Egypt (ideological conflicts) (ii) Syria, Iraq and Bahrain (religious and sectarian conflicts) (iii) Libya and Yemen (Tribal based conflicts), global and regional multilateral institutions including the United Nations, the Arab League, the Gulf Cooperation Council, or the African Union seem to face increasing difficulty in coping with the rapid pace of change. They have failed to bring states together to search for good governance, and eventually, peace and stability. Western states, namely European countries in close geographical proximity with the Arab region, have been badly hit by the economic and financial crisis since 2008 as well as costly military interventions in Afghanistan and Iraq. Their foreign policy is ambivalent and they seem to have less appetite to act as active shapers of the region’s future.

“In this fluid situation, neither regional powers nor global institutions appear ready on their own to fill gaps in authority or provide new direction. This means that no one has the full capacity to shape the new order the Arab spring promised and the MENA region greatly needs”127.

In the direct vicinity, the European neighborhood policy and subsequent calls for a Union for the Mediterranean which privileged Europe’s preoccupations with energy security, maritime trade-routes, immigration and arms deals lost their standing. The latest development brought new regional actors (including Turkey, Qatar, Saudi Arabia and Iran) to participate in the region’s intergovernmental dynamics. The Arab League as well as regional UN institutions such as ESCWA remain relevant regional actors with the potential to play the role of legitimate platforms for dialogue and maybe for envisioning scenarios for the future of the region.

Dealing with cross-national threats, finding consensus on political Islam, overcoming trans-border tribal divides, satisfying an insatiable demand for jobs, curbing pervasive corruption, building democratic institutions, but most of all building the capacity to Govern and anticipate the future are issues that stretch far beyond the capacity of a single nation or a country. Cross-country and regional mechanisms may well be effective instruments for the states to put at work the talents of nations to the benefits of stability, peace and development. They have the power to act as platforms for engaging society in an informed dialogue aimed at foreseeing future trends, anticipating needs, proposing policy instruments to address rising development challenges, report benchmark and progress, and guide the allocation of resources.

In this section, we look into existing cross-national mechanisms across the Arab World that can influence change regionally, sub-regionally, and nationally, at the levels of governance, institutional development, and peace and security, highlighting cases that could serve as examples for strengthening these various mechanisms.

3.1 REGIONAL AND SUB-REGIONAL POLICY MECHANISMS

3.1.1 The Arab League: Rising to the occasion?

The League of Arab States is the only region-wide governance mechanism that is comprised of all 22 Arab countries to date. Criticized often for its little to no impact on the regional sphere, politically, economically and socially, the League of Arab State has had attempts, largely supported by the UN and its agencies, to play a proactive role in promoting sustainable development. In its structure, LAS includes the Economic and Social Council – a body meant to promote economic and social development of the Arab World. Furthermore, the League oversees 19 Arab Specialized Organizations whose location and year of establishment are detailed in the table below.

It is worth noting that since 1988, few new specialized organizations were created, despite the emergence of concerns that justify the need for such new organizations.

Table 5: Specialized Organizations in the LAS

<table>
<thead>
<tr>
<th>Arab Specialized Organizations related to the Arab League</th>
<th>Location</th>
<th>Year Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Arab States Broadcasting Union</td>
<td>Tunis</td>
<td>1955</td>
</tr>
<tr>
<td>• Arab League Educational Cultural &amp; Scientific Organization</td>
<td>Tunis</td>
<td>1964</td>
</tr>
<tr>
<td>• The Arab Atomic Energy Agency (AAEA)</td>
<td>Tunis</td>
<td>1988</td>
</tr>
<tr>
<td>• The Arab Interior Ministers Council</td>
<td>Tunis</td>
<td></td>
</tr>
<tr>
<td>• The Arab Administrative Development Organization</td>
<td>Egypt</td>
<td>1961</td>
</tr>
<tr>
<td>• The Council of The Arab Economy Unity</td>
<td>Egypt</td>
<td>1964</td>
</tr>
<tr>
<td>• The Arab Labor Organization (ALO)</td>
<td>Egypt</td>
<td>1965</td>
</tr>
<tr>
<td>• The Arab Academy for Science &amp; Technology</td>
<td>Egypt</td>
<td>1975</td>
</tr>
<tr>
<td>• Arab Organization for Agricultural Development</td>
<td>Sudan</td>
<td>1970</td>
</tr>
<tr>
<td>• The Arab Bank for Economic Development in Africa</td>
<td>Sudan</td>
<td>1973</td>
</tr>
<tr>
<td>• Arab Authority for Agricultural Investment and Development (AAAIM)</td>
<td>Sudan</td>
<td>1976</td>
</tr>
<tr>
<td>• The Organization of Arab Petroleum Exporting Countries (OAPEC)</td>
<td>Kuwait</td>
<td>1968</td>
</tr>
<tr>
<td>• The Arab Fund for Economic &amp; Social Development</td>
<td>Kuwait</td>
<td>1968</td>
</tr>
<tr>
<td>• The Inter-Arab Investment Guarantee Corporation</td>
<td>Kuwait</td>
<td>1970</td>
</tr>
<tr>
<td>• The Arab Industrial Development &amp; Mining Organization (AIDMO)</td>
<td>Morocco</td>
<td>1978</td>
</tr>
<tr>
<td>• The Arab Civil Aviation Association</td>
<td>Morocco</td>
<td></td>
</tr>
<tr>
<td>• The Arab Satellite Communications Organization (ARBSAT)</td>
<td>Saudi Arabia</td>
<td>1976</td>
</tr>
<tr>
<td>• The Arab Monetary Fund</td>
<td>UAE–Abu Dhabi</td>
<td>1975</td>
</tr>
<tr>
<td>• The Arab Center for the Studies of Arid Zones Dry Lands (ACSAD)</td>
<td>Syria</td>
<td>1968</td>
</tr>
</tbody>
</table>

In 2000, LAS launched the “Sustainable Development Initiative in the Arab Region” (SDIAR) in response to the Rio Summit’s principle of common but differentiated responsibility. The initiative was designed to support peace and security, institutional development and governance, poverty alleviation, population and health, education and scientific research and technology. Nevertheless, the regional program has only issued three progress reports since its launch with minor results reported on the regional level especially in the areas of peace and security and institutional development.

On the 7th of April 2014, a crisis response initiative was initiated by 20 Arab countries in Amman at the meeting of the first regional conference “Towards a Crisis Response Network in the Arab Region”, at the close of a project designed to strengthen the crisis mitigation capacities of the League of Arab States. The conference came at the close of a joint project between the Arab League and the EU, and implemented by the UNDP, which established a crisis management platform at the League that is responsible for three crisis
areas: prevention, mitigation, and recovery. The project “Strengthening Crisis Response Capacities of the League of Arab States”, mainly funded by the European Union, included five key output components (see Figure 25). Launched in 2010 through an EC-UNDP agreement to set up a Crisis Response Center and Warning System at the League of Arab States, the main scope of the project built up to a large extent upon existing country efforts to mitigate crisis and natural disaster.

The extent to which LAS will rise up to the challenge of providing unified Crisis Response remains unclear. The League faces major challenges that impede its effectiveness and relevance to current affairs across the region. Most crippling of these challenges is the lack of political will and unity, the disconnection between the political agenda and the desire of the people, and not being invested enough in institutional building.

<table>
<thead>
<tr>
<th>LAS and the Arab spring</th>
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</thead>
<tbody>
<tr>
<td>The 2011 upheavals across the Arab region nevertheless provide LAS with an opportunity to renegotiate member states’ commitment and adopt a functional enforcement mechanism that allows collective action measures. Since the uprisings, LAS has presented prospects for re-emerging as an effective regional governance body – the November 2011 suspension of Syrian membership resulting in the peace agreement negotiations with the Assad regime where followed with a LAS observer team being deployed to Syria to monitor the plan’s implementation. This was followed by a January 2012 collective call by the member states for Assad to step down in January 2012. In addition, the recent adoption of Resolution 7804 in September 2014 condemning the Islamic State and committing to scale up on anti-terrorism efforts led to the Jeddah communiqué and the joining of a number of Arab states into the military coalition.</td>
</tr>
<tr>
<td>The first commending issue for the LAS is to build a platform that will be able to effectively respond to urgent problems and crisis degeneration (massive refugee crisis for instance) and to be able to manage potential conflicts. LAS investing in promoting governance and fostering cross regional institutions is a pre-requisite toward enabling Arab states to embrace the Arab High Level Forum on Sustainable Development and developing an implementation mechanism for supporting and monitoring the SDGs and the regional targets.</td>
</tr>
</tbody>
</table>

3.1.2 The Gulf Cooperation Council: Prospects for success beyond the Gulf

On the sub-regional level, cooperation has been successfully noted with the Gulf Cooperation Council, compared to other regional attempts including the Arab Maghreb Union (AMU). The Supreme Council (also acts as the Commission for the Settlement of Disputes), the Ministerial Council and the General Secretariat are the main institutions comprising the Council. The GCC has had a plausible effort in cross-national cooperation especially in peace and security building. GCC states have established unified operational procedures, training and military curricula to strengthen their security apparatus. They acknowledge that there is room for larger economic cooperation, particularly on currency, and in this respect, the GCC provides a solid institutional mechanism.

As regional threats escalate, cooperation among GCC is increasing. Recent efforts to maintain peace and security in the region had GCC states’ forces join the international coalition to fight the Islamic State (ISIS or ISIL), as noted by the Jeddah Communiqué. Launched by the US, GCC countries were also joined by Jordan, Egypt, Iraq, Jordan and Lebanon as the main regional actors in the International Alliance.

“The participating states agreed to do their share in the comprehensive fight against ISIL, including: stopping the flow of foreign fighters through neighboring countries, countering financing of ISIL and other violent extremists, repudiating their hateful ideology, ending impunity and bringing perpetrators to justice, contributing to humanitarian relief efforts, assisting with the reconstruction and rehabilitation of communities brutalized by ISIL,”

supporting states that face the most acute ISIL threat, and, as appropriate, joining in the many aspects of a coordinated military campaign against ISIL. [...] Participants emphasized that the role played by regional states is central to this effort.” – Jeddah Communiqué, September 11, 2014

Economic and military cooperation within GCC member states is yielding results for Gulf countries – although not for the region as a whole. The oil-based economies, the regime types (absolute of constitutional monarchies) and a common perception of external threats (Iran) are underlying reasons that allow GCC member states to work collectively as a sub-regional system. While Saudi Arabia is a sub-regional power, member states in general have similar views on international affairs (as seen by their voting record at the UN and LAS Summits).  

Government-led, the Council is relatively exclusive and has not institutionalized a role for citizens or civil society in its structure. In order to have a substantive influence beyond the Gulf States, the GCC will need to establish stronger and permanent partnerships with its neighbors and the Arab states at large. To do so, it will need to expand its scope and allow new actors (citizens, state and non-state actors) to voice their demands and participate in shaping the regional development agenda.

3.2 REGIONAL COOPERATION

3.2.1 Opportunities for south-south cooperation: The African Union

The African Union (formerly Organization for African Unity) was designed to strengthen the regional security framework with emphasis on the protection of human rights. The African Union Commission is instrumental in promoting and seeing the achievement of governance objectives. Under the AUC, the Political Affairs Department and the Social Affairs Department are the two bodies that implement and monitor good governance activities listed in the AUC’s Strategic Plan (2009 – 2012).

The AU has made progress on governance including: the establishment of common standards of governance such as the African Charter on Democracy, Elections and Governance, and the launch of the African Governance Architecture. “The African Governance Architecture is a policy approach aimed at defining the necessary norms, institutions and processes that facilitate policy and program convergence on Governance amongst AU Member States as a means to accelerate deeper integration. These decisions are part of a programmatic shift of focus of the AU from norm setting to consolidation and implementation.” To support these instruments and ensure accountability as means to secure commitment, the African Governance Assessment Platform was recently developed by civil society with the aim of aggregating region-specific governance data, sharing information in a timely manner to allow social accountability activities, and to involve a wider-range of stakeholders in the region in monitoring and assessing the status of governance.

In acknowledging the benefits of regional cooperation, the African Union has also reached out cross-regionally and globally to build partnerships for sustainable development. Its partnerships include Continent-to-Continent and Continent-to-Country cooperation. The Afro-Arab Cooperation was designed to address economic, political and anti-terrorism coordination, and the recent summit held in Kuwait in late 2013 reinforced the need for south-south cooperation. Building stronger partnerships between the AU and Arab countries can help institutionalize and strengthen Arab regional bodies, and collectively address cross-border conflicts and their implications on both regions alike, particularly since there is interest and will among most African states to strengthen cooperation.

As the Union continues to build and strengthen its institutions and engage all stakeholders, Arab states may benefit from examining the AU model and lessons learnt. Given the geographical proximity to Arab

131 Ibid.
countries and the historic trade and labor exchange relation, it is believed that the stronger cooperation between both regions, the more attainable sustainable development goals will be post-2015.

<table>
<thead>
<tr>
<th>Table 6: Evolution of Trade Relations (in billions USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports from Arab countries to Africa</strong></td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>5.85</td>
</tr>
<tr>
<td><strong>Imports from Africa to Arab countries</strong></td>
</tr>
<tr>
<td><strong>Balance</strong></td>
</tr>
</tbody>
</table>

*source: Arab/Africa - economic forum

Beyond promises: Moving forward towards an Effective Arab/Africa partnership
November 2013*

#### 3.2.2 North-south driven cooperation and integration initiatives

From the European Neighborhood Policy to the Union for the Mediterranean (UfM), Europe has had a number of policies attempting to address environmental and security challenges on its borders. The UfM brings European Union states along with Southern and Eastern Mediterranean states. The design of the Union is set to target cross-border challenges by launching projects in the water sector, energy sector and job creation, without “democratic conditionality” unlike the Barcelona Process. After the Arab uprisings in 2011, the EU launched a new policy: the Money, Market Access, and Mobility Strategy (MMM). While it is early to assess the impact of this strategy, the overlapping of EU initiatives from Barcelona to the ENP is criticized for favoring bilateralism on the expense of promoting regionalism – an approach that needs to be revisited for the post-2015 agenda.

The United States has placed emphasis on regional integration as means to establishing a resilient region able to face rising security challenges, but continues to fall short by favoring bilateral engagements. The Qualified Industrial Zones (QIZs) were an extension of the already established US-Israel Free Trade Agreement. “Those agreements allowed certain products from identified industrial zones in Egypt, Jordan, the Gaza Strip and the West Bank to be exported to the US market duty free. From the US perspective, this helped promote peace in the region through economic development and integration by fostering trade between Israel and the other Arab States of the QIZs.” The QIZs remain a highly controversial mechanism and are not widely accepted by the populations of these countries. The QIZ is also believed to be a political tool to sell the normalization discourse. The economic impact it had on Egypt and Jordan is negligible. It institutionalized the current colonial modes of production in occupied territories and apartheid in Palestine. The QIZ could only come into a balanced economic and political context with a peace settlement based on the right to return of all pre-1948 refugees and a Palestinian state.

Another initiative is the Middle East Free Trade Area Initiative (MEFTA), which envisages graduated steps for Arab countries to increase trade and investment with the US and with other international actors. Arab States receive support in their accession towards becoming members of the WTO. “The conditionality required by Middle Eastern countries involved the implementation of domestic reform agendas, the institution of the rule of law, the protection of property rights, and the creation of a foundation for openness and economic growth.” Bilateral FTAs with Bahrain, Jordan, Morocco and Oman have already been signed, while Lebanon, Algeria and Yemen are receiving US support throughout their WTO accession process. Negotiations between the US and Egypt and Saudi Arabia are still underway.

The G8 Deauville Partnership was launched by the G8 to support Arab countries in transition after the 2011 uprisings. The partnership brings together international financial institutions, the League of Arab States, OECD and the UN. G8 Leaders committed, in the 2012 Camp David Summit, to supporting transitioning Arab countries in stabilization, job creation, participation/governance and integration. Various instruments were mobilized including the OECD-MENA initiative on governance and investment for

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135 ibid
development, and the MENA transition fund that aims as well at strengthening governance and public institutions and fostering sustainable and inclusive economic growth. Early investments of the partnership were focused on solar power projects and were envisaged to expand in sectors and implementation. Nevertheless, transitioning environment surrounded by uncertainties, is discouraging\textsuperscript{136} for investors. Countries have a long way to go and need to be able to attract more investment.

### 3.3 Multi-stakeholders regional networks

Regional networks addressing challenges of corruption and state building are not many in the region. We are citing here two promising networks. The “Arab Anti-Corruption and Integrity Network” (ACINET) and the Governance institutes Forum for training GIFT-MENA

#### 3.3.1 The Arab Anti-Corruption and Integrity Network (http://www.arabacinet.org/index.php?lang=en)

The “Arab Anti-Corruption and Integrity Network” (ACINET) established in July 2008, brings together 44 ministries, governmental and judicial authorities from 17 Arab countries including Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Palestine, Qatar, Saudi Arabia, Sudan, Tunisia and Yemen. It also includes observer members from Brazil and Malaysia, as well as a “Non-Governmental Group" composed of 20 independent organizations that represent civil society, academia, and business community; thus making it the first Arab regional mechanism that brings together governmental and non-governmental entities for consultation and cooperation on anti-corruption issues in the Arab Region. Nevertheless, the network, to date, has not posted data or progress reports and it remains unclear how the operational aspect of its mandate impacts governance on national levels. Strengthening such initiatives and securing a political will by states across the region will allow for achieving significant impact.

#### 3.3.2 The GIFT-MENA Network (http://www.gift-mena.org/fr)

The Governance Institutes Forum for Training GIFT-MENA is a consortium of schools and institutes specialized in building capacity of civil servants in the MENA region. The network is a south born initiative conceived as an instrument of development cooperation that was created to allow countries of the MENA region to enhance the development of South-South cooperation in the areas of capacity development for public finance, state modernization and governance reform. It promotes South-South cooperation in the Arab world and in the Euro-Mediterranean zone, in the areas of state modernization, capacity development and governance reform. In strategy, it acts as a global hub for networking, knowledge dissemination and peer-to-peer learning across the MENA region.

Although the network is able to rally a large number of stakeholders around key areas pertaining to PFM reform, lack of country-driven reform plans remain a stumbling block for the network’s policy data dissemination and capacity building efforts. Indeed, it performs in a largely unstable environment and needs to continuously pair and create synergies with newly emerging post-2011 partnerships. Moreover, with the challenges faced by Arab countries, it needs to continuously convince Arab donors and policymakers of the importance of cooperation, partnership building and capacity building in PFM, as well as in the need to carry out a number of lessons learned and best practices in their respective governments.

#### 3.3.3 Civil Society and Whistleblowers Networks (http://www.annd.org/english/)

Civil society is increasingly playing an active role in developing governance capacity of the state. The Arab NGO Network for Development (ANND) – is a regional network, working in 12 Arab countries with nine national networks (with an extended membership of 250 CSOs from different backgrounds) and 23 NGO members. ANND aims at strengthening the role of civil society, enhancing the values of democracy, respect of human rights and sustainable development in the region.

\textsuperscript{136}Regionalism and Regionalization in the Middle East: Options and Challenges”, \textit{International Peace Institute} (March 2013), 9.
In the past decade, civil society initiatives to monitor government performance and hold institutions accountable have been increasing in size and impact, examples include: OpenGovTN in Tunisia, RASED in Jordan, Jordanian Parliamentary Monitor by Al Quds Center for Political and Strategic Studies, Lebanese Transparency Association on corruption and budget monitoring, Association Jeunes Pour Jeunes in Morocco and the Bahrain Human Rights Observatory. While still reliant on bilateral and multilateral aid, such initiatives are succeeding in building a culture of social accountability and wider awareness among citizens of their right to hold governments accountable for mismanagement. A major challenge facing these initiatives is the limited access to information and the limited terms of engagement with policy circles. For a real constitution of CSOs to the sustainable development and good governance agenda, the region’s governments must recognize civil society as an equal partner throughout the planning, implementation and assessment of development efforts.

3.4 GEARING ALL MECHANISMS TOWARDS THE SDGs

3.4.1 The ASEAN Case

The Association for South East Asian Nations sets a good example of cross-national mechanisms that were able to guide and inspire progress in achieving national development goals and in mitigating negative effects of conflicts and instability.

In 2008, the Association for South East Asian Nations launched a roadmap for MDGs attainment in 2008 under the ASEAN Socio-Cultural Community Blueprint. The roadmap defines the role of the Association and its mandate in overseeing development progress at the national and regional levels. The roadmap identifies the interaction between national level responsibilities and regional initiatives; it also illustrates the institutional role of ASEAN and state bodies in data collection and performance monitoring. The roadmap objectives include knowledge sharing, securing a role for civil society, strengthening institutions and monitoring capacity of the MDGs and establishing stronger regional cooperation. Today, most ASEAN countries are either on track or have already achieved their MDG targets, whereas poorer ASEAN nations are lagging behind the region.

3.4.2 Accession to the EU as leverage for progress

Two main country experiences have been praised by the international community for adopting governance reform as a main mechanism for achieving the MDGs. Both Mongolia and Albania added one extra national-level goal to their 8-goal MDG-commitment. In Mongolia, Goal 9 stated: “Strengthen Human Rights and Foster Democratic Governance”. Where as in Albania, Goal 9 stated: “Improve Governance for All Citizens, Especially for the Most Disadvantaged Groups”. The targets for Albania’s 9th goal included approaching EU governance standards, e-government and ensuring access to the disadvantaged. Both Mongolia and Albania established local targets, strategies for implementation and performance monitoring mechanisms. In recognizing the instrumental role of governance in achieving sustainable development, both countries have made strides in attaining their targets and helped moving their countries to be members of the EU.

What can the Arab World take from these experiences? A regional strategy for sustainable development that is based on local ownership is a welcomed prerequisite. Having the vision legitimized and carried by a regional governance body is a long shot target. Whether it is LAS, the Arab High Level Forum on Sustainable Development, or another body an enforcement mechanism must be adopted by Arab nations in order to allow an effective monitoring and support. Region-level goals can be complemented with nation-level targets, with each state developing its own strategy for sustainable development. An important component will be the role civil society can play, both at the national and regional levels.

Realities on the ground shed a pessimistic view. The Arab states have weak political institutions that, as demonstrated above, translate into weak regional institutions, themselves in great need of reinvention. The latter have their legitimacy challenged by civil society actors and influencers and by professional communities as well. The fundamental prerequisite for successful institutions is the participation and representation of its constituents. As most Arab countries lag behind on democratization, and regional institutions seem stalled in amber, this lack of legitimacy impedes regional institutions from playing any major role in the region’s political, economic and social realities. Not to be discounted is the role of external players in national and regional political alliances who have strong leverage and influence in the region and can undermine institution building for political gains. It is a catch 22 situation.

As a matter of fact, when war knocks on the door, development and economic growth wouldn't be of concern anymore: the more a country faces instability, the more priorities shift toward security.

Security challenges, starting with the Arab-Israeli conflict as a dividing issue among Arab states. The emergence of non-state actors and the ambiguous relations between some Arab states and guerrilla groups is another security impediment. And finally, the instable Arab-Iranian relation (referring to the conflict between the Gulf countries and Iran) prevent the establishment of a new security framework in the region.

139 Major powers including Russia and the US, as well as Iran and Israel.
140 The rise of Political Islam voices different threats with some Arab nations supportive and other against the acceptance of political Islam as mainstream ideology.
4 Measuring governance

4.1 Indicators to monitor governance and the new development agenda

Governance was an important consideration in the United Nations Millennium Declaration, the foundation of the Millennium Development Goals (MDGs) and the current development agenda. In there, participatory governance and democracy are stated not only as an objective in itself, but as essential enablers to achieve freedom, one of the fundamental values, and the development objectives of the Declaration. In spite of this, governance was a “blind spot” of the MDGs: it was not explicitly reflected in any of the eight development goals.

This gap became more and more evident as reports and analysis recognized the role of governance deficits in cases of stagnation or even deterioration in the progress towards the agreed development goals. When the exploratory work towards the post-2015 development agenda began, governance was always mentioned as a key component. For instance, in the report compiling the results from a large global consultation of the world population led by the UN, participatory and accountable governance featured predominantly as a right in itself, but also as the means to effectively implement other development goals and targets. The High-Level Panel of Eminent Persons in its 2013 report included effective, open and accountable institutions for all as one of their five transformative shifts that must drive the new development agenda. The panel emphasized good governance as an essential element of well-being for all the population, much more than just an optional item, and included it as one of their 12 illustrative universal development goals. The UN Secretary-General in his report to the General Assembly as a follow-up to the outcome of the Millennium Summit embraced “effective governance based on the rule of law and sound institutions” as one of universal, transformative and mutually-reinforcing actions required for the new development agenda.

As a matter of fact, in its synthesis report that compiled all contributions and set the stage for the final deliberations of the post-2015 development agenda, the UN Secretary-General noted that countries “need to fill key sustainable development gaps left by the MDGs, such as […] strengthening effective, accountable, participatory and inclusive governance”. This is reflected by the inclusion in the proposed 17 Sustainable Development Goals (SDGs), currently on the table for the final discussion by the world countries, of Goal 16, which currently reads as “promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”. Governance also forms an integral part of the essential elements for delivering the SDGs cited by the Secretary-General, noting that “sustainable development demands that public institutions in all countries and at all levels be inclusive, participatory, and accountable to the people”; “participatory democracy, free, safe, and peaceful societies are both enablers and outcomes of development”; and “[a]ccess to fair justice systems, accountable institutions of democratic governance, measures to combat corruption and curb illicit financial flows, and safeguards to protect personal security are integral to sustainable development”. Clearly, governance has entered the deliberations of the development agenda as one of its indispensable components.

But now the question of how to measure governance and institutional quality emerges. This is required to evaluate the current state of affairs, determine applicable and evidence-based indicators and targets, and monitor progress towards those goals. In general, countries “have recognized the importance of building on existing initiatives to develop measurements of progress on sustainable development”. This will require the recognition of the essential role of data and sound statistical methodologies in the new agenda, as well as

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145 United Nations Secretary-General (2013), paragraph 95.
146 United Nations Secretary-General (2014), paragraph 50.
147 Ibid., Table 1 in p. 18.
148 Ibid., Figure 1 in p. 20 and paragraphs 77-78.
149 Ibid., paragraph 135.
the joint effort of many local, national and international actors committed to the transparent monitoring of progress towards the sustainable development goals. “Enhanced national and international statistical capacities, rigorous indicators, reliable and timely data sets, new and non-traditional data sources, and broader and systematic disaggregation to reveal inequities will all be fundamental to it”.

Nonetheless, for some of the goals, including the one referring to governance and institutions, no consensus has been reached so far in terms of measurement and monitoring.

Some proposals, including an analysis of existing data and information gaps, a global partnership for sustainable development data, and a series of accountability, monitoring and peer-review mechanisms, have been proposed thus far and the next months will be crucial to determine the course of action that needs to be taken. This document attempts to contribute to the debate on the measurement and monitoring of governance in the context of the SDGs with an emphasis of the current challenges of the Arab region. The next section will describe the state of affairs in terms of governance indicators, as well as the main difficulties in measuring this concept. After that, the basic characteristics of a good system to monitor governance in the Arab region will be laid out. A final section will present ESCWA’s proposal to monitor governance and institutional quality, including how it could be integrated in the post-2015 development framework.

4.2 MEASURING GOVERNANCE: PRESENT SITUATION

The past two decades saw the appearance of many indicators that attempt to measure governance following various concepts and a diversity of methodologies. The increased interest arguably originates from the relevance that governance has acquired in the political and development literature, thus demanding appropriate instruments to measure it, as well as the emergence of new sources of data with a wider geographic, temporal and conceptual coverage.

Some of these measures attempt to assess governance from a broad perspective. Of these, the most commonly disseminated are the Worldwide Governance Indicators produced by the World Bank. Launched in 1996 and currently following a yearly update schedule, they provide a measurement of governance across six dimensions (voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption) for most countries of the world. Many other governance-related indices, instead of taking a general definition of the concept, focus on only one or a few aspects. For example, Transparency International’s Corruption Perceptions Index or the International Budget Partnership’s Open Budget Index. Finally, there is a multitude of indicators whose primary objective is the measurement of concepts other than governance but that may be decomposed into elements that could provide information directly related to governance. For instance, the World Economic Forum’s World Competitiveness Index includes many variables in areas such as infrastructure, education, economic policy and many others that may provide an insight on various components of governance. Other examples are the Cingrannelli-Richards Human Rights Database, the World Bank Group’s Ease of Doing Business and the French Development Agency’s Institutional Profiles Database.

Some of these draw on a universal definition of the concept they attempt to measure and then apply it to all countries in the world with available information. Others deliberately narrow down their underlying concept to the specific elements pertinent to a subgroup of countries; this can be according to geography (like the Ibrahim Index of African Governance) or any another type of grouping (such as the Transition Indicator

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150 Ibid., paragraph 141.
151 This section draws partially from Chapter 4 of ESCWA (2014a).
152 See www.govindicators.org
153 See www.transparency.org/research/cpi.
156 See www.humanrightsdata.com.
157 See www.doingbusiness.org.
158 See www.cepii.fr/institutions/EN/ipd.asp.
159 See www.moibrahimfoundation.org/interact.
Scores published by the European Bank of Reconstruction and Development,\textsuperscript{160} which only considers the transition economies in central and eastern Europe, central Asia and north Africa).

The sources used to calculate these indicators vary to an important degree. Some rely purely on desk research and primary data collected expressly for a particular index. Others are based on public opinion or business surveys. The majority are constructed from assessments of local or international experts. Most of them draw on several types of sources and apply statistical methods of varying complexity to homogenize and aggregate the underlying data.

Gareth Williams provides a breakdown of the different types and examples of governance indicators and related each indicator to the potential use of it by the different stakeholders. He explains that governance indicators “can be distinguished according to their source and objectivity, level of impact, comparability, degree of aggregation and ‘actionability’.\textsuperscript{161}” While governance indicators provide valuable information to different stakeholders: the donor community, civil society, governments, development agencies, media and international investors, they can also be easily misused. Williams explains that when “inappropriately used governance indicators can obscure more than they reveal, promote false assumptions about what drives progress in governance and development, and at worst lead to the wrong policy or investment choices.”\textsuperscript{162}

An exhaustive list of all the available governance-related indicators and their evaluation lies outside the scope of this document.\textsuperscript{163} However, it is valuable to summarize the main shortfalls they suffer as a tool intended to monitor governance.

1. There is no universally-accepted definition of governance, but this should not necessarily hamper the creation of a measurement system. If the authors of an indicator choose an unambiguous conceptualization of the term and then proceed to render it operational, the indicator will measure what it is created to measure. The problem lies when there is only a weak conceptualization of governance or when an unclear definition is used. In this case, the link between the concept and the underlying variables becomes fragile and the indicator loses validity: we cannot be certain of what it is measuring. This is arguably the most commonly debated problem of the existing governance indicators, and one that inevitably affects all of them to some extent. It could be mitigated through a methodic and well-supported conceptualization and operationalization of the measurement.\textsuperscript{164}

2. Governance evaluation can be approached from at least three perspectives: de jure (how the rules and procedures are designed according to “the books”), de facto (how said rules and procedures are actually applied on the ground) and outcome (how the application of existing rules and procedures produce results in the economic, social, institutional, political, environmental or other spheres). Although theoretically the difference is clear, in practice it may not be as straightforward, either because there is not always a direct, definite link between the three perspectives or because an underlying variable combines several of them. A governance indicator constructed from a mixture of the three perspectives will suffer from double-counting, lack of clarity and a difficult interpretation.

3. Data sources are updated with different frequencies, definitions and methodologies used to calculate variables are not always the same, while experts surveyed may vary from year to year and from country

\textsuperscript{162} Ibid 
\textsuperscript{163} Kaufmann, “Governance and the Arab World Transition,” 2. 
\textsuperscript{164} For this, see for instance Arndt and Oman (2006), Maurseth (2008), UN DESA (2008), UNDP (2012) and Gisselquist (2013). 
\textsuperscript{165} For example, by following the procedure outlined by Adcock and Collier (2001).
to country. These are some reasons that could create consistency issues when measuring governance, and as a result the proposed indicator may lack comparability across countries and/or over time.

4. When the underlying variables favor one ideology, a certain behavior, or a specific type of policy or institutional design (certainly the case of expert assessments and business surveys, but also possibly present in other sources of data), the composite governance indicator will inherit this bias. Unless this particular point of view is sought after, it goes in accordance with the definition of the concept and it is transparently mentioned, the presence of a bias could create issues of validity and confidence in the resulting measurement.

5. Most of the existing governance indices combine anywhere from a small number to a few hundred different variables. These vary according to type (categorical, ordinal, continuous, etc.), source (expert assessments, surveys, hard data, and others) and coverage (in terms of countries and time periods). By using statistical methods of varying complexity, these variables are combined into one or a few indicators intended to measure governance across its different dimensions. But this raises issues, like subjectivity or lack or rigor, in the selection of the weighting method. In addition, the aggregation may blur the link between the variables and the resulting synthetic indicators: would it still be possible to attribute a result in the governance indicator to one specific variable if they are linked through a complicated statistical method that assigns different weights to the present, and possibly also past, values of the source variable? In other words, the aggregation procedure may become a “black box” that hampers the transparency, specificity, interpretability and actionability of the resulting indicator.

6. Another common criticism of the systems to monitor governance is the lack of actionability. Either because of an opaque aggregation process, an unclear conceptualization or a poor presentation of results, the governance indicator may not be able to identify specific areas of action and bottlenecks that should become priorities in any effort to improve governance. Closely related is the issue of identifying action-worthy targets: actions identified by the governance index that may lead to a higher score without actual bringing any improvement on the ground. For instance, the enactment of a law on transparency, while it would lead to a better score on a governance measurement, would prove futile if it is not accompanied by other actions that would effectively make it operational and followed by all the applicable institutions.

7. In their intention to employ general definitions of governance and cover many countries, the indicators may turn out too broad and unspecific, too detached from national realities, so that they only have a limited applicability. For example, the institutional needs of a middle-income, politically unstable country are very different from those of a developed economy, and one-size-fits-all indicators would likely be inadequate.

8. Related to the previous shortfall is the lack of national engagement. Indicators produced in detachment of the national specificities and without consulting and engaging national actors (all levels of governments, political actors, civil society organizations, private sector and others) could limit the audience and the actual use of the indicator to purely academic circles.

9. Finally, the governance indicators are frequently published as highly aggregated indices that highlight rankings of countries or the main trends observed through time. Although this may have some synthetic and marketing value, it detracts from the main objective of a governance indicator: the identification of specific, action-worthy areas that, if developed by the relevant national actors, could lead to improvements in institutional quality and governance.

4.3 WHAT ARE THE CHARACTERISTICS OF AN ADEQUATE SYSTEM TO MONITOR GOVERNANCE?

The previous paragraphs identified some shortcomings that commonly affect governance indicators. Building on them, this section briefly outlines the main features that a framework to evaluate and monitor governance should have in order to become functional and useful. The discussion of the desirable statistical properties and methodological details lies outside the objective of this document; these could be consulted in Nardo et. al. (2005) and OECD (2008), for example.

1. Governance is an all-encompassing term that, lacking a universal definition, can be taken as broadly or as narrowly as required for the task at hand. The first and most crucial step of any governance indicator is to unambiguously define what is meant by governance so that the measurement can be operationalized through the main elements of the definition and the relevant variables that provide
information about them can be selected. Only then would it be possible to affirm that the resulting score is a valid indicator of the state of governance.

2. Given the context of the new development agenda, any proposed assessment of governance and institutional effectiveness should suggest **clear and direct lines of action** that national actors could follow to improve governance outcomes. Rankings of countries and cross-country comparisons, even if they are interesting exercises, should not be the main goals of the indicators. The level of aggregation and the presentation of results should be designed in a way that lagging areas and bottlenecks could be immediately identified and possible courses of actions be put forward.

3. ESCWA (2014b) and ESCWA (forthcoming) identify how situations of conflict and instability can have a disastrous impact on sustainable development for the countries directly affected by them as well as indirectly for the entire region. Furthermore, as noted in the UN Secretary-General’s synthesis report, investments in stability, reconciliation and state-building “are essential to retaining the gains of development and avoiding reversals in the future”. Given the current situation in the Arab region, where some countries are undergoing a process of political transition or are affected by instability and conflict, the proposal of a framework to monitor governance should be **adapted to the realities of the region**, including the role of institutions to maintain stability, mitigate the ramifications of conflict and prevent conflict relapse, and build inclusive, participatory and prosperous societies. Any governance-related assessment that neglects these elements risks missing one of the most critical challenges of the region. In parallel, sustainable development in low-income economies, which are also present in the Arab world, also imposes special challenges.

4. The use of an **appropriate methodology for the data at hand** cannot be stressed enough. It needs to strike a balance between, on one hand, a method that considers the type of variables available and their characteristics and synthesizes them in a suitable manner, and on the other hand, a transparent option that can be clearly understood and that does not become an obstacle to the actionability mentioned in the previous paragraph.

5. Governance is a highly multi-dimensional, multi-actor subject that requires a lot of information from many areas in order to form a comprehensive understanding about it. For this reason, an indicator of governance should incorporate as many data sources as feasible to try to capture this complexity. However, not all data sources are statistically or conceptually sound and they must be first endorsed as **consistent, unbiased, reliable and up-to-date**, or else the resulting indicator would inherit those problems. Even with the large amounts of databases currently available, there are still many areas of governance with large information gaps. A governance indicator should be **innovative in trying to bridge these gaps** either by incorporating new or more complete databases or by directly compiling it through primary sources.

6. Even if governance can be defined in general terms, many of its elements depend on the idiosyncrasies and specificities of each society and political system. In addition, countries in the region are undergoing special circumstances, such as conflict or political transition, which change priorities and should bring the study of governance under a different lens. Also, a lot of the information required to build adequate indicators is incomplete or missing and obtaining it would require direct, primary sources on the ground. For these, the construction of a governance indicator should **involve national actors**, from the different levels of government and public institutions to civil society organizations, during all steps of the measurement process. These national counterparts can contribute in bridging the information gaps by collecting new data directly, as well as framing the governance system according to national priorities and requirements. Furthermore, this generates ownership and engagement of the indicator and, once it identifies the main areas of action, it would naturally lead to an outline of what has to be done, how to do it and who has to be involved in the process in order to bring about improvements in governance.

The construction of a governance indicator that complies with all the points below would not be a straightforward task. Working around these challenges requires careful planning and analysis, as well as collaboration with an important group of national counterparts. However, as noted in the previous sections, there is a lot to be gained. The future sustainable development agenda will require a framework to assess and monitor governance and there are still many areas of work in this direction, particularly for countries, like some areas of the Arab region, in the midst of a singular context of political, institutional, economic and security unrest.

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166 United Nations Secretary-General (2014), paragraph 79.
5 Governance and the SDGs

The Arab High Level Forum on Sustainable Development reiterated the centrality of governance in achieving sustainable development for the Arab World as follows:

“The establishment of capable and effective institutions in the Arab region is critically needed to create a stable foundation for societies to live in peace and stability. In particular, individuals in the Arab countries need to regain trust in their governments and therefore it is important to enhance accountability and transparency of public budgets such as through leveraging information and communication technology (ICT) and promoting e-government services, combat corruption and favoritism, and guarantee the independence of the judiciary.”

Arab High Level Forum on Sustainable Development, Amman- May 2014.

5.1 INTERDEPENDENT DIMENSIONS

The UN system Task Team report\(^\text{167}\) on the post-2015 development agenda captured well the consequence of violence on development and identified four, highly interdependent dimensions: inclusive social development; environmental sustainability; inclusive economic development; and peace and security. They recognized that drivers of violence, fragility and conflicts, now considered main obstacles to achieving SDGs, are multidimensional in nature and thus necessitate approaches that span the development, political, security and justice areas. Moreover, they recognized that political exclusion is an important trigger for a relapse into violence.\(^\text{168}\) The 2011 World Bank’s World Development Report had also provided strong evidence of the interrelations among development, peace and security, justice and inclusive politics.\(^\text{169}\)

As demonstrated in section 1, before what is now known as the "Arab spring" or "Arab awakening began, some countries were making considerable progress towards the MDGs. But, they were lagging on political voice and suffering from inequalities, lack of fundamental rights and freedoms, including freedom of assembly and expression\(^\text{170}\). Governance was a missing link in the measurement of MDGs achievements and sustainability. Though the collapse of Arab nationalist dictatorships was firstly a function of adverse economics and staggering inequalities (17% of MENA’s population live on less than $2 per day), theory and evidence both indicate that even the poorest are concerned about voice, dignity, personal security and corruption. And, that any development goal should be able to capture that.

From a narrow focus based on GDP and GNP figures (1970s), to the measurement of human development through the HDI (1990s), freedom, and lately the measurement of well-being, there are broader concerns about the relevance of current measures, especially when it comes to the Arab region today.

Considering that “what we measure shapes what we collectively strive to pursue”\(^\text{171}\) advocating for a broad concept of well-being, which includes, as per the Stiglitz-Sen-Fitoussi Commission, political voice, governance (e.g. functioning democracy, free media, rule of law) and personal security, might serve well the objective of measuring SDGs in the post 2015 era.


\(^{170}\) See, for example, the statement by Ms. Navanethem Pillay, United Nations High Commissioner for Human Rights on “The Tunis Imperative: Human Rights in Development Cooperation in the Wake of the Arab Spring” at the United Nations Chief Executives Board on 28 October 2011.

5.2 ARTICULATING PEACE, SECURITY AND GOVERNANCE INTO THE SDGS

5.2.1 Governance as a variable or as a stand-alone goal

The debate around articulating peace, security and good governance in the SDGs and subsequent development of targets and indicators is in headway.

While some views favor “a stand-alone governance goal”, others favor “integrating governance into other goals on specific issues (e.g. goals on poverty reduction, water, food)” thus linking governance considerations to the “means of implementation” and to financing in the SDGs. In this case, governance reform targets would be integrated into the guidelines attached to these “means”.

Integrating governance reforms into other development goals would ensure effective and equitable implementation, being itself the mean and the end. However, given that stark governance deficiencies are the key cause of rising security threats and the slow development progress across the Arab region, it may be argued that a stand-alone governance goal where equitable and effective governance are equally emphasized to the processes of decision making and institutions-building, may power Arab countries to reform their governance institutions, nationally and regionally.

Particularly relevant to the Arab World in post-2015, the need to look beyond the façade of reforms and to provide an as much as possible accurate assessment of the status of governance; inclusive, equitable and effective governance. “One challenge will be to ensure that good governance, which has the backing of important actor coalitions and is supported by a range of available quantitative indicators, does not dominate the SDG governance agenda at the expense of effective or equitable governance.” This means that much discussion are still needed. In what concerns the Arab region, global goals need to broken-down to a regional level with adequate targets and implementation action plans at the national level. Demands for regional goals and national targets have been heard across the world from ASEAN countries to African countries, and although the Arab World has considerably weak regional institutions, this may be an opportunity to invest in building the capacity of and better articulate the mandate of regional institutions.

The Economic and Social Commission for Western Asia

The Economic and Social Commission for Western Asia (ESCWA) has launched a series of consultative seminars to discuss development progress in the Arab World and set an agenda for the post-2015 regional development priorities. ESCWA worked with members of civil society, League of Arab States and government representatives to translate the proposed Sustainable Development Goals Post-2015 to region-level goals. In articulating a vision for good governance, the Forum proposed the following goal and targets for the region:

Arab Region SDG - Goal 10: Secure peaceful societies and effective institutions

a. Remove the obstacles to the full realization of the right of self-determination of peoples living under colonial and foreign occupation
b. Ensure human rights of refugees
c. Ensure rights to freedom of expression, association, assembly and access to information
d. Ensure the rule of law and independence of the judiciary
e. Ensure equal access to justice
f. Improve transparency and accountability in public finances management
g. Leverage ICT and promote e-government services

5.2.2 A stand-alone goal on peace

A recent approach, of relevance to Arab context, puts the accent on peace as central building block to sustainable development. It integrates governance and development concerns as part and parcels of a single long term peace-building Goal.

The “8 pillars of peace” model product of the Institute for Economics and Peace and presented in the Global Peace Index (GPI) Report 2014 sets eight intertwined and mutually reinforcing dimensions: 1) a well-functioning government, 2) equitable distribution of resources, 3) free flow of information, 4) sound business environment, 5) high level of human capital, 6) acceptance of the rights of others, 7) low levels of corruption, and finally 8) good relations with neighbors.

Each pillar may be translated into sets of indicators that guide the development of national public policies. These particular policies would in turn enable and reinforce each of these pillars.

The need for a separate goal on peace and security as a pre-condition for sustainable development is justified in the current context of affairs. Endogenous content would ensure national ownership and induce institutions to take on the responsibility of measuring and monitoring the progress of policy implementation, and bring about necessary modifications along the way.

A specific goal on peace and security would signal the importance of stability for development. It would draw attention of decision makers and civil society organizations to the necessity of concerted actions towards building a safe environment; an objective that is not only relevant to fragile or post-conflict countries, but applies to all societies, developed and developing alike.

5.3 GOAL 16 REFORMULATED

“SDGs should be action-oriented, concise and easy to communicate, limited in number, aspirational, global in nature and universally applicable to all countries while taking into account different national realities, capacities and levels of development and respecting national policies and priorities. We also recognize that the goals should address and be focused on priority areas for the achievement of sustainable development, being guided by this outcome document [“The Future We Want”]. Governments should drive implementation with the active involvement of all relevant stakeholders, as appropriate.”

- UNGA 2012, 43
Goal 16 of the SDGs\textsuperscript{175} which delineates 12 targets covers the peace and security dimension, the human right dimension, the governance dimension, and attempts to define clear targets and possibly measurable indicators. It invites governments to review their national governance systems and institutions to create inclusive societies for sustainable development. Targets 16.3, 16.5, 16.6, 16.7, 16.10, 16.a, and 16.b are set to promote good governance standards and principles. As an example, target 16.6 calls for developing effective, accountable, and transparent institutions at all levels.

These types of targets fall short of being specific enough to pressure government to act beyond ratification. On the other hand, the other five targets can be said to rather address specific outcomes of good governance. For example, target 16.9 calls for providing legal identity for all including birth registration by 2030. Target 16.2 calls to “end abuse, exploitation, trafficking and all forms of violence against children”. In combining both targets and indicators/outcomes, the proposed SDG 16 risks adding further confusion to the global concept of governance and downplaying the centrality of governance standards and principles in sustainable development.

The demarcation between goal, target, and indicator is not clear in the proposed goal 16 and its 12 targets which make it difficult to clearly capture the interdependence between the peace and security dimension, the human right dimension and the different dimensions of governance including justice and rule of law, state effectiveness, and access to information and inclusiveness and participation.

Whatever the option or format chosen there is a strong case indeed to reformulate goal 16 focusing on to include targets and indicators that measure the “Governability” and other dimensions related to establishing and preserving long lasting peace and security in the post-2015 framework.

The purpose here is to suggest formulating an SDG goal that focuses on indicators/outcomes of good governance. The centrality of good governance should then be reinforced by integrating these indicators to measure progress and achievements in different sectors that the SDG covers.

Goal 16 and its 12 targets must account for all three aspects of governance to guarantee buy-in from signatories: good governance (the processes of decision making and their institutional foundations), effective governance (the capacity of countries to pursue sustainable development), and equitable governance (distributive outcomes).

While the goal reflects region-level priorities, there is today an opportunity to creatively construct more relevant targets and indicators that provide measures of accessibility, effectiveness and inclusiveness. Breaking down these targets and tailoring them to country-specific needs priorities and settings is imperative. For example, passing Access to Information legislation is insufficient on its own, as seen by the Jordanian and Tunisian experience. In the stead, developing regulations and protections are the only guarantors that citizens are able to freely practice their right to access public data. This touches upon an existing debate on the adequacy of existing governance measures and whether national targets will require national indicators designed to address the underlying political processes in the respective countries.

The massive refugee crisis for instance puts specific importance on target/indicator 16.9 ‘by 2030 provide legal identity for all including birth registration’ whereby countries like Lebanon are witnessing by some estimates 24 new born refugees daily. The unique sets of challenges faced in the region make it imperative for the conversation around SDGs to concentrate on indicators that measure ‘functions’ of governance. Indeed, in selecting targets and indicators, there needs to be a consideration for (i) a ‘clear pathway of change’ that underpins a proposed indicator and (ii) a balanced selection between indicators focusing on forms and functions of governance\textsuperscript{176}.

\textsuperscript{175} SDG 16: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

\textsuperscript{176} Governance ‘form’ focuses on certain legislation, whether there is a formal separation of power, while ‘functions’ focus on governance performance including capacity to collect tax, implementation of policy and execution of budgets. See: Marta Foresti and Leni Wild, with Laura Rodriguez Takeuchi and Andrew Norton, Governance targets and indicators for post 2015: An initial assessment (ODI, 2014). Accessed on 6.11.2014. \url{http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8789.pdf}
6 The way forward

6.1 AN INTEGRATING APPROACH

6.1.1 Acknowledging the link between governance and all SDGs

Recognizing the intrinsic linkages and interdependence of indicators, any approach to achieving Sustainable Development Goals, including Goal 16, outlining targets and sub-targets from the Arab SDG goals need to be based upon an “Integrating Approach (IA)” for governance and peace building. Often do initiatives for reform operate in segments, or “silos”, independent from the other, with limited interaction and little synergies. The IA’s fundamental concept is the fact that “Goals” (such as Peace), are attainable by a set of targets that can either be addressed both through conventional “silo” policymaking but as well as by bottom-up targets that can fit into a number of goals simultaneously. Encouraging voluntary leave from the public sector, for example, would be accompanied with smaller targets such as securing adequate insertion into the private sector, providing more opportunities including loans for SME’s, which would eventually address a number of issues simultaneously, and take into consideration the “spillover” effect from one “silo” to the other. Benefits would include a better vision in policy background research and agenda setting, as well as in implementation, risk management and assessment. Not only so, IA would also imply increased dialogue between previously secluded sectors and the creation and strengthening of new interlinkages.

The table below illustrates how goals of security and peace could define targets that integrate governance targets without risks of duplication or collusion.

<table>
<thead>
<tr>
<th>Goal</th>
<th>target</th>
<th>Proposed indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>Reduce violent crime</td>
<td>Incidence of Intentional homicide disaggregated by age, gender, ethnic group, region</td>
</tr>
<tr>
<td></td>
<td>Reduce Small arms prevalence</td>
<td>% of people with small arms</td>
</tr>
<tr>
<td></td>
<td>Reduce sexual violence</td>
<td>Incidence of Sexual violence disaggregated by age, gender, ethnic group, region</td>
</tr>
<tr>
<td></td>
<td>Efficient Police and internal security Forces</td>
<td>Number of reported incidents</td>
</tr>
<tr>
<td></td>
<td>Respect of diversity in security institutions</td>
<td>% of women representation in security disaggregated by rank/seniority</td>
</tr>
<tr>
<td>Peace</td>
<td>conflict prevention</td>
<td>Number of Refugees disaggregated by age, gender, ethnic group, region</td>
</tr>
<tr>
<td></td>
<td>Reduce armed conflict</td>
<td>Number of war prisoners disaggregated by age, gender, ethnic group</td>
</tr>
<tr>
<td></td>
<td>Actions to sustain peace and reduce impunity</td>
<td>Inclusion of women in peace processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Efficient Armed forces</td>
</tr>
</tbody>
</table>

177 “The Integrating Approach.”: 1.
178 ibid
6.1.2 Inclusive assessment of progress

In order to guarantee an improved effectiveness of governance measures, the process of defining indicators and designing the data collection methodologies must be inclusive. Moreover, it necessitates a transparent measurement process: making the methodology and data public and open for scrutiny. As more country-level indicators are surfacing, more context-specific data and analysis is becoming available to different groups. Civil society, both local and regional, will have to become more involved in the measurement and scrutiny processes. Gareth Williams emphasizes the need to “subject governance indicators to stronger external scrutiny and challenge.”

On the demand-side of governance, research and performance monitoring efforts by civil society may help generate debate on the status and challenges of good governance, and its implications on sustainable development. “Strengthened political commitment to evidence-based policy making on behalf of the governments, demonstrated by creating enabling environment for public accessibility of basic governance-related data, is necessary to enable such initiative to contribute to improved governance in the region.”

It is believed that when citizens are actively rating government and public institutions’ performance, increased demand for reform would contribute to improved governance.

However, in addition to an array of impediments including restrictive legislative frameworks, limited freedom of association and expression, government control of foreign funds to CSOs, access to information may be the single most critical difficulty facing CSOs to effectively act as a government watchdog. The problem hence lies with “restrictive laws, policies and institution arrangements limiting access to information”.

Producing Indicators

There are several initiatives for producing governance indicators by Arab experts based on international standards and tailored to the Arab Region. Those initiatives include: the Arab Human Development reports produced with UNDP support; Arab Democracy Barometer and Arab Democracy Index work led by the Arab Reform Initiative; State of Local Democracy in the Arab World produced by IDEA; and Arab Opinion Index produced by the Arab Center for Research and Policy Studies (ACRPS). Regional governance assessment efforts remain new and dependent on donor funding. A further investment in developing the assessment tools, the data collection methods and analysis, with an open cross-national exchange of experience and best practices, is necessary to develop a more effective role for governance assessment nationally and regionally.

6.1.3 Gearing budgets towards governance goals

A main challenge for most Arab countries moving forward on the sustainable development goals is lack of resources. Most countries in the region are already struggling to tame their increasing budget deficits, especially in the face of widening discontent among citizens. The way forward for governments in the Arab world is to mainstream these development goals into national finance strategies aimed at bridging the gap between policy priorities and actual government spending. Among the main aspects that have been identified as deficient policymaking has been the lack of sound budgetary performance and hence government effectiveness in the delivery of quality output. National finance strategies will allow governments to reallocate resources towards sustainable development goals within a process and a system that is not only reliant on aid money. These strategies would push governments to go beyond mere ratification of the SDGs to actually detail their plans and means of implementation.

The review of the MDGs provided us with two main lessons (i) countries can achieve measurable progress on specific targets and indicators and (ii) governance was a missing element in sustaining improvements.

179 Gareth Williams, “: What Makes a Good Governance Indicator?”
181 Ibid. P30.
182 Ibid. P30.
6.1.4 An inclusive approach

The process of developing governance targets and indicators in Arab countries must be open to all key domestic stakeholder including governments, civil society organizations, and researchers. Civil society organizations need to be a key actor in the design, implementation and monitoring process of these plans. These consultations should also come up with viable solutions to address national statistical capacities. Indeed, a core component of any national plan should be developing the capacities of administrators to generate and use timely and reliable data to measure and monitor current standing and progress.

However, considering the withering of authorities in place, including data gathering and statistics institutions, one of the major difficulties would be to identify “reliable and stable interlocutors able to implement transformational policies and enforce agreements”\(^{183}\). Collection of data on a continuous and reliable basis would also be a challenge and may not, in specific context, be possible until stability is regained and a new status quo put in place.

Regionally, Arab governments should work together to create sub-regional expert hubs where leading states on specific issues can lead dialogue discussions on specific goals. The Arab region can also benefit from a similar initiative to the ‘Strategy for the harmonization of statistics in Africa’, established in 2011 that led to “the creation of a number of thematic technical groups including one on governance, peace and security statistics”.

6.2 A PROPOSAL TO MONITOR GOVERNANCE IN THE CONTEXT OF THE SDGS

Given the current state of affairs in terms of measuring governance described above and the pressing need for monitoring mechanisms in the context of the imminent SDGs and the post-2015 development agenda, there is room for new indicators that build on the existing tools by complying as closely as possible with the features outlined in the preceding section. ESCWA (2014a) proposes a comprehensive framework to monitor democratic governance with a unique focus on the present circumstances and priorities of the Arab region. This section summarizes some of the main elements proposed there.

This document defines democratic governance as “a system of collectively binding traditions, rules and policies that regulate a society and that are created, modified and controlled by its members through participative and representative arrangements that are based on the respect of human rights as well as equal rights and obligations.”\(^{184}\) The key dimensions of this definition are (i) contestation (the degree of political competition across society), (ii) inclusiveness (suffrage, political participation), (iii) division of powers, and (iv) institutional capacity of the state (economic management, service delivery, mitigation of conflict and instability). The respect of human rights and human empowerment are crosscutting issues in this framework because they are particularly instrumental to the attainment of the first two dimensions and can serve as a benchmark to pose a limit on the other two.

Based on this definition and the specific characteristics of developing and transition countries in the region\(^{185}\), governance is conceptualized through five macro-areas: clear constitutional and human right principles, political stability and absence of violence, institutional effectiveness and accountability, inclusiveness and transition-related reforms, and economic governance and effective service delivery. These are rendered operational through the following eight pillars\(^{186}\). Each pillar is subsequently subdivided into categories and subcategories, as depicted in Figure X.


\(^{184}\) ESCWA (2014a), Chapter 1.

\(^{185}\) Among these characteristics, Chapter 2 of the report mentions, for instance, economic and political power controlled by few; security state; demographic change and resulting youth bulges; centralized states with a weak private sector; political economy shaped by external revenues (oil, aid or remittances); weak and disorganized civil society; effective exploitation of political institutions, such as parties and electoral laws; division of opposition forces; liberalized autocracy; use of social forces through the allocation of rent, cronism and stunted economic liberalization; economic opportunities rationed by connection rather than competition; overall dominance of informal institutions; etc.

\(^{186}\) The complete definition, essential elements, measurement issues and the current situation of the Arab countries for each of the eight pillars can be found in the complete report: ESCWA (2014a), Chapter 3.
2. Institutional effectiveness and rule of law.
3. Women status.
4. Human rights.
5. Political transformation.
7. Economic governance.
8. Provision of public services.

This division does not necessarily imply that each pillar will stand on its own. As mentioned before, some of them (like human rights and women status) are in fact cross-cutting and their elements may be incorporated into other pillars.

In its proposal, ESCWA intends for the assessment to follow a modular approach where each individual country defines its priorities and chooses, among the pillars and categories, those that require urgent attention given their specific context. In addition, since there is a potentially high correlation between some pillars and categories, actors in each country may decide to combine some of them based on the country’s situation and priorities.

Figure X. Proposed pillars and categories of a democratic governance assessment in the Arab region

In order to build composite indicators at the subcategory and category level, the proposed methodology recommends a straightforward aggregation procedure that favors transparency and interpretation (in terms of a direct linkage between the underlying variables and the final scores) over statistical complexity. Special attention is placed in dealing with data of different types and frequencies. Once the national priorities and exact configuration of the pillars are determined together with the national actors (government, civil society and private sector), the next step will be to obtain the required information. Since many essential variables will be missing from the existing secondary sources, this will require the collection of primary data in each of the countries by the involved parties. The resulting indicator will thus be adapted to the national priorities and be “owned” by the actors in each country that collaborated in its construction. Given the monitoring and accountability mechanisms taking shape for the SDGs, this process would have to be repeated regularly in order to measure progress and have an up-to-date evaluation of governance to guide policy actions.

An important point that must be mentioned is that the aggregation of variables into categories and subcategories, as well as the presentation of the results, will be done in a way that highlights the areas with low scores, those where the main policy action must be directed in order to improve governance. This would differ from many existing indicators that favor rankings and cross-country comparisons. For the proposed indicator, since the exact configuration is defined nationally according to the priorities and most pressing
challenges of each country, this type of comparison would be meaningless. Instead, the focus will lie in producing actionable indicators that can point to the most pressing policy areas.

The governance indicator proposed by ESCWA could become a roadmap to guide the assessment and monitoring of democratic governance within the specific context of the Arab countries, including conflict, instability and political transition. These will be adapted to the specific context and priorities of each country and they will focus, instead of merely ranking countries, in identifying the policy actions that could lead to improvements in governance. Furthermore, they may be part of the broad monitoring and accountability mechanisms currently being developed to support the SDGs and the new development agenda, with both national and regional dimensions.
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