



## STRENGTHENING GOVERNANCE & INSTITUTIONS IN MENA: ISSUES & PRIORITIES

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**Introduction** – Governance has been an explicit part of the Bank’s developmental agenda since the latter part of the 1990s, though elements of good governance have always played a role in the institution’s work on development. These ranged from project focused work on financial management and procurement to the various sector governance components embedded in many of the Bank’s adjustment and sector operations since the 1980s. More recently, the Bank has evolved towards a more explicit acknowledgment that inefficiencies and weaknesses in the institutional environment have a direct impact on the achievement and the quality of development results.

In MENA, governance is a critical part of the regional strategy and plays an important role at the sector and topical level in all four pillars of the regional strategy (Figure 1).

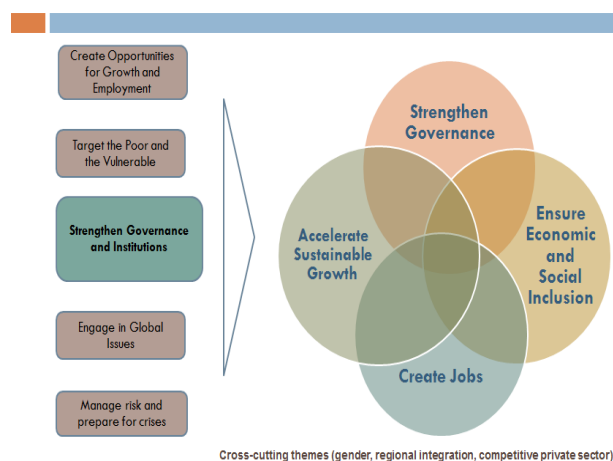
A credible system of ‘good governance’ has various dimensions which, in broad terms, include:

- (i) **Political accountability** which refers to political competition including broad based political parties, adequate transparency and regulation of party financing, and, among others, disclosure of parliamentary votes.
- (ii) **Checks and balances**, essentially focused on ensuring separation of powers, including an independent and effective judiciary and

other institutions of accountability, legislative oversight through parliaments with independent oversight institutions such as Supreme Audit Institutions, Anti-Corruption Agencies, etc.

FIGURE 1

### MENA Regional Strategy and Priorities



(iii) **A robust civil society and media**, which is an essential part of ensuring good governance. Obviously freedom of expression and open media are key elements here together with civil society organizations acting as watchdogs to monitor public and private agencies and the use of feedback mechanisms from citizens such as citizen report cards, surveys, etc. **An effective private sector interface** is also essential and involves a variety of mechanisms and agencies ranging from effective business regulations, good public-private

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dialogue to collective business associations, etc.

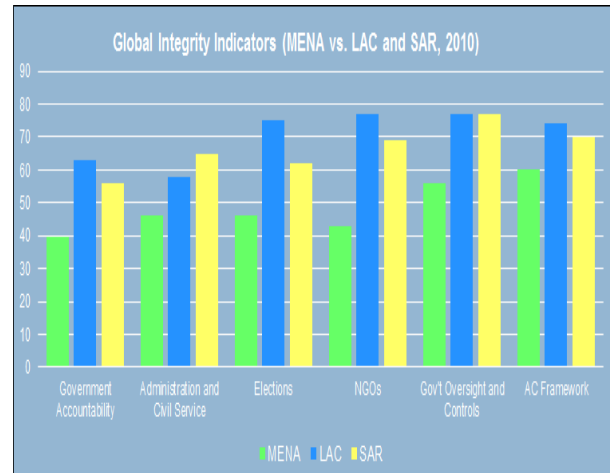
(iv) *Effective public sector management* is another key dimension with a focus on a strong and results-oriented public administration, ethical leadership and safeguards regarding assets, conflict of interest rules, effective financial management, procurement, and regulatory agencies.

(v) *Decentralization and local participation* with appropriate accountability and effective citizen oversight and participation is likely to improve services delivery and greatly enhance the effectiveness of the implementation of government policies and strategies.

**Governance Challenges:** While not an exhaustive list, these dimensions provide a set of basic principles and mechanisms that comprise the foundation of good governance. Most countries in the world experience varying strengths and weaknesses relating to governance systems, such as weak institutions and procedures, low performance and low quality in services, inefficient public spending and low capacity. Other ‘breakdowns’ may include excessive administrative discretion and malfeasance, political corruption, the broader issue of state capture, and patronage, nepotism, secrecy and information asymmetry.

**Regional Context:** If compared to the rest of the world MNA’s governance indicators (Figure 2) are notably weak and are particularly pronounced in areas such as transparency, civil liberties, media freedom, participation and social accountability. As a consequence, overall government accountability is weak and public sector service delivery does not meet the expectations of citizens. There is little improvement on governance indicators since the Arab Spring (see for example Figure 3) which points to deeply rooted governance issues that are difficult to overcome.

**FIGURE 2**



**FIGURE 3**

RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE
26	United Arab Emirates	69	66	Jordan	45	144	Iran	25
28	Qatar	68	69	Kuwait	43	167	Yemen	18
36	Israel	61	77	Tunisia	41	168	Syria	17
57	Bahrain	48	91	Morocco	37	171	Iraq	16
61	Oman	47	94	Algeria	36	172	Libya	15
63	Saudi Arabia	46	114	Egypt	32	174	Sudan	11
			127	Lebanon	28			

The 2013 Corruption Perceptions Index measures the perceived levels of public sector corruption in 177 countries/territories around the world. To see the full results go to: [www.transparency.org/cpi](http://www.transparency.org/cpi) #stopthecorrupt

**Arab Spring and the Governance Agenda:** The Arab Spring has highlighted some important governance challenges across the region, in particular the very high concentration of political and economic power by the governing elites and those close to them, a general lack of transparency and accountability of state actors and deeply felt feelings of a lack of dignity, social justice and inequality by the populace at large.

In response to these challenges the Bank focused prominently on cross cutting governance reforms that signal a break from the past. Such reforms include:

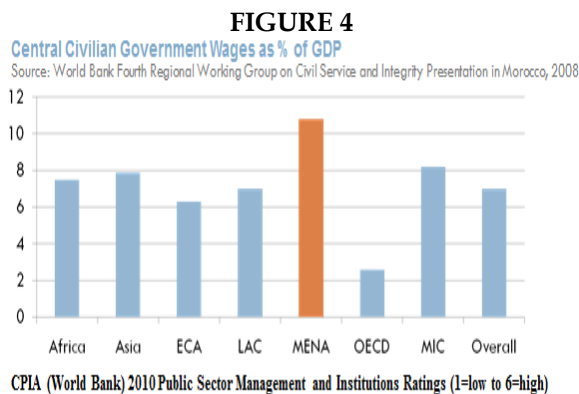
(i) *Promoting government transparency* with a focus on access-to-information, the disclosure of economic and social data, and

transparency of administrative processes and procedures.

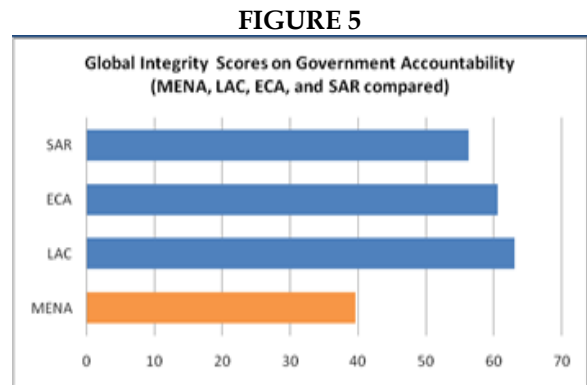
- (ii) **Improving accountability** with independent monitoring of government activities and more efficient accountability institutions, i.e. the judiciary, Supreme Audit bodies, etc. Included are administrative reforms to improve public performance, e.g. via transparent service delivery standards.
- (iii) **Fostering broad-based participation** by enhancing civil society involvement in design and implementation of government programs and strengthening of sub-national governments, and strengthening of sub-national governments and improving the mechanisms for public participation at the level of country systems.

The Bank has been involved in a wide range of governance activities in virtually all countries in the region. Main areas of engagement include:

- (i) **Building credible State/Institutions** remains a priority. Large public sectors (Figure 3) are a characteristic of most MENA countries, often with quality and efficiency problems. Bank engagement here is to clarify core government functions, including service provision in health, energy and financial regulations. Libya and Yemen have broader state-building through institutional and capacity development. Rationalizing SOEs and other agencies is also part of the agenda, especially in energy, transport, banking, etc. via corporate governance and performance monitoring.



- (ii) **Strengthening Government Accountability** is a key area (Figure 5). Activities focus inter alia on reducing excessive centralization of the state through administrative and fiscal deconcentration and decentralization. The Bank also provides assistance to improve access to and the quality of services via e-government reforms, service standards, performance monitoring, etc. Expenditure management and public procurement reforms are also part of this agenda.



- (iii) **Supporting Open Government Reforms** is a key part of the governance agenda (see Figures 6&7). The objective of Bank supported reforms is to enhance citizen participation, access to information and promote government transparency through legislation and new institutions. The Bank also promotes the systemic inclusion of civil society in projects, in particular on monitoring & evaluation.

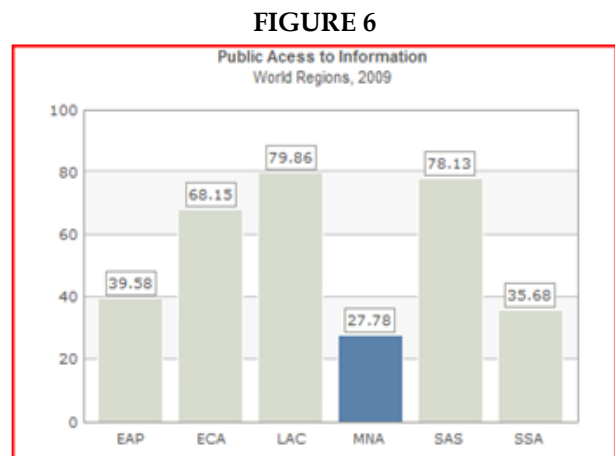
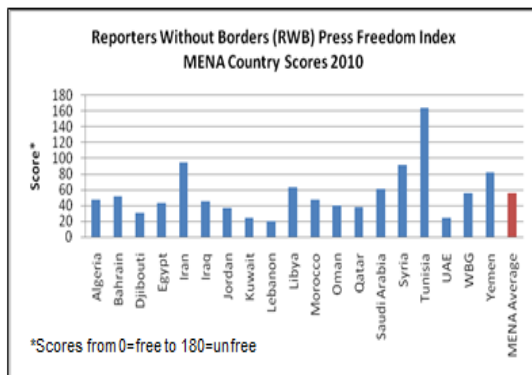


FIGURE 7



(iv) **Improving the Rule of Law** is critical to Bank governance work. Helping governments fight corruption is one part of this agenda. Another is to bridge the gap between legislation and its implementation. In some MENA countries this includes comprehensive support on legal and justice reforms.

**Highlights from Governance Engagements in MENA:** On *policy dialogue*, the Bank engages with most MENA countries on governance and institutional development issues, though areas of focus and uptake differ. In a number of countries in the region there is interest in reforms on access to information, citizen participation and more transparent government operations, often reflected in Country Assistance Strategies and Interim Strategy Notes.

*Lending operations* include Development Policy Loans (DPLs) on governance in Tunisia and the “Hakama”<sup>2</sup> series in Morocco which integrate general and sector governance issues. *Technical assistance* for governance and institutional development is being provided to various countries, including Egypt, Iraq, Morocco, the Palestinian Territories, Tunisia, Yemen and some GCC countries. There are procurement reforms in Egypt, Jordan, Morocco, the Palestinian Territories, Tunisia and Yemen. There is a pipeline of innovative *analytic and advisory* work on governance and service delivery in health, rule of law gap analysis, informal sector governance and the political economy of procurement reform. Some have been completed, i.e. a university benchmarking

<sup>2</sup> Arabic for Governance.

toolkit which allows MENA universities to benchmark themselves to improve transparency and accountability. Efforts on corporate governance of state-owned enterprises are ongoing in Iraq, Morocco, and Tunisia. There are also studies and engagements on Public Investment Management in Tunisia and Public expenditure reviews in Morocco.

**Some Key Challenges and Issues:** *To support subnational government reforms*, adequate sequencing and coordination between central/regional and fiscal/institutional reforms and local government reforms is needed. Also needed are integrated teams to promote subnational government reforms (e.g. Morocco). Key challenges to *social sector service delivery* are institutional and governance weaknesses which prevent better service quality and delivery. Weak *public investment management* is the main reason for the low execution rate of investment budgets in many countries. This concerns countries trying to scale up public investments. *In strengthening social accountability*, there is a need to engage on both supply and demand sides, ensuring that enhanced public engagements lead to long-lasting results.

**Conclusion:** In MENA the governance agenda is integrated in virtually all sectors and is an important part of sector dialogues. Clearly, visible and tangible changes will take time. Governance reforms require a long term engagement and support, underlining the need to stay the course despite potential setbacks and slow progress.

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