

Arab Development Challenges
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**The ADCR 2011: Governance of Equitable
Development: What Went Wrong & What
Lies Ahead**

Noha El-Mikawy





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Acronyms and Abbreviations

AC	Arab countries
ADI	Arab Democracy Index
CPI	Corruption Perception Index
CSO	Civil Society Organizations
DR	Developing Region
EAP	East Asia & Pacific (developing countries only)
ECA	Europe & Central Asia (developing countries only)
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HDI	Human Development Index
HDR	Human Development Report
ILO	International Labour Organization
LAC	Latin America & Caribbean
LDC	Least Developed Countries
NGO	Non-governmental Organization
OBI	Open Budget Index
OPT	Occupied Palestinian Territory
PPP	Purchasing Power Parity
SAS	South Asia
SSA	Sub-Saharan Africa
UAE	United Arab Emirates
UN	United Nations
WDI	World Development Indicators
WEF	World Economic Forum
WEO	World Economic Outlook

Introduction

This paper argues that hard choices about development need to be made in the Arab region and only a legitimately elected, responsive and accountable government can make these choices. Policies of legitimately elected governments tend to represent the needs and aspirations of many (not a few). Accountability of government tends to make its policies more transparent and effective. But no policy pleases everyone all the time. Hence, managing social conflict around hard choice policies is important for the credibility of such policies. Inclusive participation of social and political institutions that mobilize and articulate collective interests (be that political parties, labour unions and professional associations, or civil society advocacy groups) ultimately enhance the ability of states to manage social conflict. This bodes well for sustainability and credibility of hard choices. To summarize, the process of transformation of the Arab states has two pillars: transforming the political economy of exclusion and its oppressive security and stability model.

Five key and interrelated governance deficits provide some lessons on what to do and what to avoid if future transformation efforts are to bear fruit. Reform for show and not for real has not been a basis for legitimacy, effectiveness nor stability. Commitment to genuine reform is needed and for that a constituency for social justice and for democratic governance is required. Corruption has been a serious symptom of governance deficit and a catalyst of popular outbursts of anger. Combating corruption requires combined efforts of the various mechanisms of anti corruption, the police, the judiciary and civil society. Rule of law was dealt a blow due to half-hearted adherence to ratified international conventions and increased lack of accountability of the police forces that were protecting the rule of the few.

Efforts to improve freedom of information (especially budget openness) and to strengthen legislatures to guarantee civilian oversight are needed while governance of the police as a sector is to be revised and judicial independence is to be guaranteed. Local governance was the location where all dynamics of exclusion came together. It is, therefore, a good place to start transformation efforts in order to guarantee equitable development, accountability and the creation of champions of development and leaders thereof. Finally, shrinking public space to curtail participation in the name of security or stability did not contribute to resilience of oppressive regimes. Enhancing electoral processes and civic engagement in between elections are the guarantees for increased inclusion and stability in the future.¹

The Governance – Inclusive Development Nexus

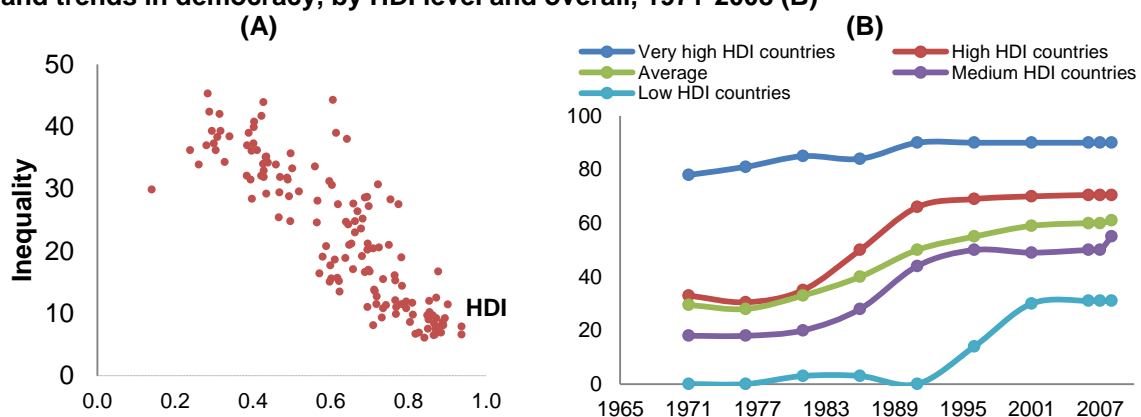
The Arab Spring came at the tail end of world events that had declared democratic governance necessary for sustainability of global economic well being. From the financial crisis of 2008-2009 which was condemned as an incident of governance failure to the most recent earthquake in Japan followed by a Tsunami and a nuclear disaster, transparent and accountable government is seen as key to people centred public policy. That was the main message of the 2002 global Human Development Report, the Arab Human Development Report 2005 and several other writings since 2004.²

We have come a long way in understanding the importance of governance for equitable development. Research in the past 15 years found that national wealth alone does not guarantee the initiation of transitions towards democratic governance, though national wealth may sustain democratic institutions once established.³

We now know that development is not only about wealth; it is about distribution. This realization established a nexus between democratic governance and equitable development. The latest Human Development report has shown that low human development correlates with inequality in 37% of the countries and that inequality greatly undermines development achievements (Figure 1.A). The latest Human Development report established that high human development correlates in many countries with equality (44% of countries) and political freedoms (42% of countries).

This underlines the imperative of equitable development and reminds us that poverty is manmade and is not a residue of inadvertent technical failures; hence to effectively address poverty, there will need to be an agenda for expanding capabilities and freedom, putting the responsibility of states at the forefront and the empowerment of people and their dignity at the centre.

Figure 1: Correlation between the HDI and Inequality in human development (%loss), 2010 (A) and trends in democracy, by HDI level and overall, 1971-2008 (B)



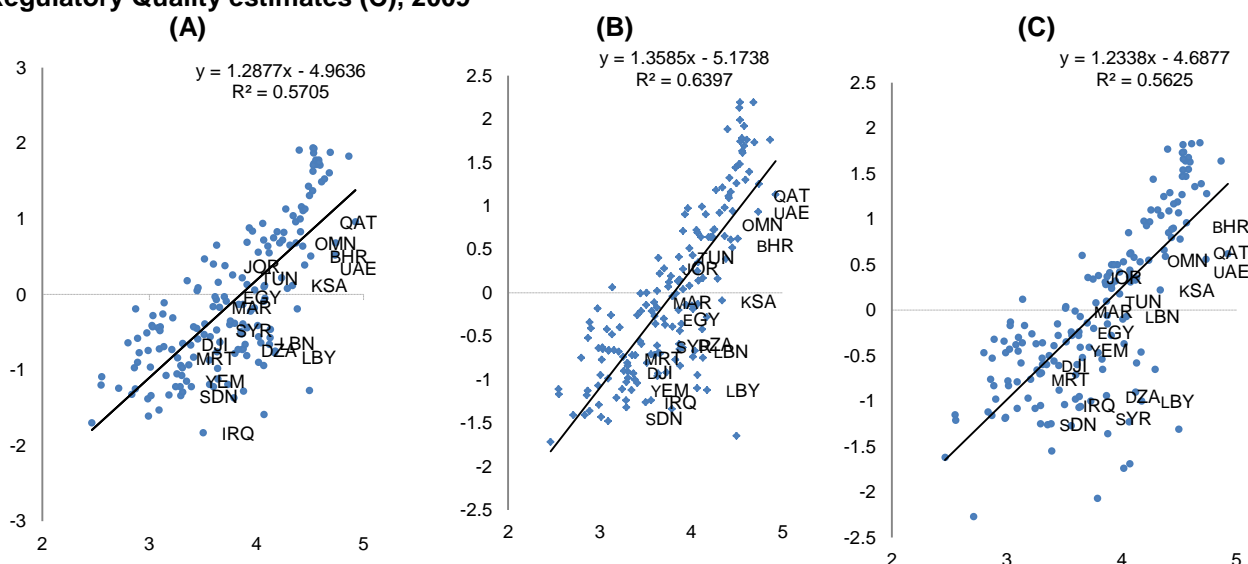
Source: Human Development Report, 2010

This is a democratic governance agenda that requires special attention to the deepening of democratic institutions and practices in order to protect people's rights and enhance their dignity. The need is for persistent effort to correct the course of democratic institutions in order to deepen their impact on rights and on dignity. Democracies of the world today manifest wide variation in their ability to do so. Most new democracies (since the third wave of democracies started in the 1970s and reached a plateau in the 1990s), with few exceptions, have problems in social cohesion after years of exclusion, this being manifested in many Latin American democracies. The biggest democracy of the developing world – India- continues to suffer from extreme forms of social and economic exclusion. The resolve of those who want to improve democracies' performance on dignity and social inclusion/social cohesion is often broken with arguments that point to the successes of autocratic countries: One recalls that achievements of socio economic equality in South East Asia were associated with strong one party rule; the same was witnessed in Eastern Europe under communist rule. Ultimately, some may want to argue that great economic growth records in China have been associated with dominant one party rule and restrictions of freedoms while in the case of Russia, democratization brought with it corruption and inequality.

For the respect and protection of rights and the achievement of dignity particular elements of democratic governance have proven to have a robust positive correlation with economic performance (measured in GDP and HDI). Three such elements are effective government, quality of regulations and rule of law. All three positively correlate with national wealth and income (Figure 2.A, B and C).⁴ This is a global trend that is sustained in the Arab States region.

Beyond GDP, three elements of democratic governance help address issues of equity and social cohesion; these are participation and social accountability. Indeed, it is inclusive participation and accountability that offer the opportunity for course correction (including through improved quality of regulations), as manifested in the cases of Brazil, Chile and others. Another element of democratic governance was added later, namely government effectiveness at managing social conflict. This is very much related to the issue of creating constituencies for social justice, fostering national dialogue and consensus on policy options of social justice.⁵

Figure 2: GDP per capita versus Rule of Law (A), Government Effectiveness (B) and Regulatory Quality estimates (C), 2009



Source: WDI 2009

Socio - Economic and Political Exclusion

The Arab states region spans the entire spectrum of the HDI: 3 have very high HDI, 6 have high HDI, 3 have middle and 6 low HDIs (Table 1). Three elements of democratic governance correlate positively with HDI performance in all three sub-groupings of the Arab region. The very high and high HDI ranking countries of the Arab states region tend to have consistently higher indicators of rule of law, effective government and quality of regulations, middle income and LDCs respectively lower indicators. Countries affected by conflict tend to score lowest on HDI and on those three indices of democratic governance. As diverse as the Arab states are, their overall HDI score (0.58) is below the world average (0.62) while East Asia & Pacific and Latin America & Caribbean are above the world average (0.64 and 0.70 respectively).

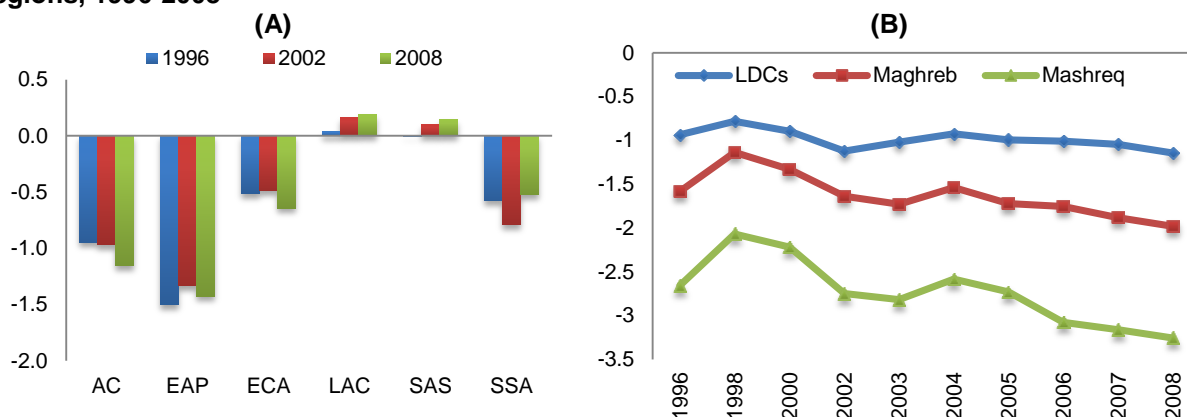
Table 1: HDI value and HDI rank by the level of HDI, 2010

Very High HDI			High HDI			Middle HDI			Low HDI		
Country	HDI	Rank	Country	HDI	Rank	Country	HDI	Rank	Country	HDI	Rank
UAE	0.815	32	Kuwait	0.771	47	Egypt	0.62	101	Yemen	0.439	133
Qatar	0.803	38	Libya	0.755	53	Syria	0.589	111	Mauritania	0.433	136
Bahrain	0.801	39	Saudi	0.752	55	Morocco	0.567	114	Djibouti	0.402	147
			Tunisia	0.683	81				Sudan	0.379	154
			Jordan	0.681	82						
			Algeria	0.677	84						

Source: Human Development Report 2010.

This comparatively low HDI performance correlates with the absence of the two important dimensions of democratic governance that are needed for equitable development: participation and accountability of government to its people. Both register consistently low scores also for countries that have very high and high HDI (Figure 3).

Figure 3: Voice and Accountability for Arab and developing regions (A) and for Arab sub-regions, 1996-2008



Source: Authors' estimates based on WDI 2009

Note: Arab countries included are Djibouti, Mauritania and Yemen for LDCs and Morocco and Tunisia for Maghreb and Egypt, Jordan and Syria for Mashreq.

Manifestation of exclusion in inequitable access to services

Though HDR 2010 attests to the positive performance with respect to expenditure on health and education, with few exceptions (Lebanon and Djibouti), anecdotal evidence inside countries indicates social exclusion of the poor from quality services in education, health and water and sanitation. This is partly an endemic structural disparity between rural and urban areas and partly a dynamic of social exclusion in urban areas (e.g. slum dwellers and migrant workers).

Beyond significant progress on quantitative indicators of education, the Arab region falls behind the industrially-advanced countries as well as many other countries in Asia and South America with respect to the quality of services. The problem is one of resource allocation whereby the state abdicates its responsibility for good quality education, leaving it up to those who can afford expensive private education. With respect to health, the actual expenditure on health reflects a clear regional variation, as it ranges from \$25 to \$871 per capita. With the exception of the rich Arab Gulf countries, most Arab countries have low public expenditure for the health sector. It is also noted that there is a disparity between rural and urban areas within the same country. The worst rates appear in the rural areas and the situation worsens in poor countries ravaged by war. As for the right to housing, most Arab states have failed to provide social housing, find solutions to the 'tin neighbourhoods', provide alternative housing in cases of forced evictions or give the affected suitable financial compensation and introduce standards of safety against earthquakes and earth slides.

A great part of weak equity of service delivery has to do with weak accountability of the budget process both nationally and on the local level to a people-centred focus on enhancing people's dignity as an overarching result. This is a corollary of lack of freedom of information acts in the Arab region.⁶ With the exception of Egypt, Jordan and Yemen which have contemplated draft laws to allow for freedom of information. According to the Open Budget Index (Table 2), Jordan and Egypt have taken some steps towards making their budgets open for public scrutiny. Morocco, Lebanon and Yemen have taken minimal steps, while Saudi Arabia, Iraq and Algeria provide scant to no information. Note that the least open among the eight Arab states scored in that index are oil dependent economies.⁷

Table 2: Open Budget Index (OBI) for Arab countries, 2006-2010

2010 OBI rank	Country	Open Budget Index		
		2010	2008	2006
1	Jordan	50	53	50
2	Egypt	49	43	18
3	Lebanon	32	32	N/A
4	Morocco	28	28	19
5	Yemen	25	10	N/A
6	Saudi Arabia	1	1	N/A
7	Algeria	1	N/A	28
8	Iraq	0	N/A	N/A

Source: International Budget Partnership, budget survey.

Notes: OBI scores 81-100= Extensive information/ OBI scores 61-80 = Significant/ OBI scores 41-60 = Some/ OBI values 21-40 = Minimal / OBI scores 0-20 = Scant or no information

Another driver of socio-economic exclusion is the public administration in Arab countries. Public administration reform in the Arab region has not led to socio-economic inclusion. Public administration reforms have often been technically driven and guarding against loss of political control by the ruling elite rather than being attentive to equity of service delivery. This has perpetuated the marginalization of the poor.

One prevalent complaint in most Arab countries is petty corruption; the other is nepotism, not only in distribution of job opportunities but also social services. Efforts to reform the civil service in several Arab countries to get rid of petty corruption have not been effective.

Raising minimum salaries and wages has been an economic challenge. Reforming salary scales to reduce the huge difference between highest and lowest salaries was not attempted in the region; the same goes for right-sizing, both of which have been considered politically infeasible. Finally, petty corruption could not be effectively combated in contexts of nepotism in hiring and grand corruption that were condoned by the intermarriage of power and wealth.

Another weakness of accountability of equitable service delivery has to do with the legislatures. While many parliamentary sessions are devoted to discussion of failure of service delivery in one constituency or another, the overall macro policy environment that allows for equitable delivery goes untouched. Parliamentarians are more focused on constituency level delivery than public policy driven equity and that is a reflection of the weakness of local government and local elected councils which should have been able to improve district level services, leaving national parliaments for national policy legislation and oversight.

All of the above adversely affects agricultural, industrial, privatization, fiscal and monetary policies. Those who lose are not given a chance to voice their concerns and negotiate collective compensation if necessary. Those who gain – the very few- do not see a need to restrain their motivation to maximize interest at any cost. They know they can go unchecked; they know they are not accountable. Their only concern is to maintain a pact of power and wealth.

Political Economy Drivers of Exclusion

The conspicuous absence of participation and accountability is an indicator of endemic political exclusion which in turn enhances poverty and perpetuates social and economic exclusion (Figure 3). A number of cross cutting features that affect the power and wealth balance in the region have helped sustain this multiple political, social and economic exclusion.

Rentier and weak tax base in the region

The coexistence in the region of a low average of HDI (compared to the global average and to other developing regions) and low participation and accountability is perpetuated by rentier-based Arab economies in which there is a concentration of political and economic power. The predominance of rentier revenue as the basis of most Arab economies both rich and poor weakens incentives for participation and accountability. This is because the political and economic elites of the Arab region are not dependent on productivity of capital and labour, thus not dependent on taxation, which had been the driver for participation and accountability in modern democracies.

As argued by I. Elbadawi and S. Makdisi (2011), it is not simply the oil as a rentier revenue that weakens governance across the Arab region. It is the combination of oil and deeply rooted institutions that perpetuate autocracy.⁸ What cuts across the Arab region a characteristic relationship of power that locks-in political and economic elites⁹, supported by a national security apparatus, in a self-contained relationship that marginalizes critical masses of the lower and lower middle classes and co-opts waves of opposing groups/associations.¹⁰ This concentrated power relation does not allow for diffusion of political or economic sources of power across different groups (defined by income or otherwise) and thus eliminates one important basis for democratic governance.

The weakness of the taxation base in the Arab region exacerbates the situation. As taxes increase in volume and significance in GDP, the taxed demand more accountability of public expenditures and overall integrity of government. This discussion was evident in the media discourse in Egypt in 2009-2010 in tandem with attempts by the Egyptian Ministry of Finance to expand its tax base. The fact that Arab regimes – with few exceptions – rely on oil revenue and remittances (and in some instances on international aid) and less so on taxation of productive economic sectors perpetuates the ability of Arab states to promise political and economic reforms yet retards implementation or leave it unmonitored.¹¹

Increasing the tax base through progressive taxation is complicated. It requires first and foremost productive activity to tax. It also requires an adjustment through better targeting of subsidies. Difficult as these two conditions may be, the most fundamental requirement for expanding the tax base is to have political economies where the ruling elite is not in control of most country assets and resources; it requires competitive and diversified markets.

Disempowered local government exacerbates exclusion

The concentration of power relations applies to local levels of governance as well, causing multiple exclusion. Despite verbal and some legal commitment to decentralization in several Arab countries (e.g. Egypt, Iraq, Lebanon, Morocco), diffusion of political and financial power is still weak, with the possible exception of Morocco. Administrative de-concentration is the main feature of local government coupled often with the marginalization of local societal forces from the process of keeping local governments accountable. That is partly due to weak local electoral processes; weak locally elected councils and continued dependence on transfer of centrally controlled revenues. Disinterest in democratizing local governance processes and increasing accountability of local government takes the form of tepid interest in freeing local government to expand its local fiscal base¹² even when local area economic development models espouse investment promotion. The latter often leads to enclave-based investment and the marginalization of regions outside the enclave.

A peasant woman living hundreds of kilometres from the capital city, with no access to education nor health and no voice in the local political process is suffering from multiple drivers of exclusion that are beyond her own ability to unravel. Moving to the capital city is

often the only solution and in the city there are only slums awaiting her, where economic, social and political exclusion continues.

Legal disempowerment exacerbates exclusion

Civic engagement has been hampered in many Arab countries by restrictive NGO laws which support charity organizations, often connected to the ruling elite, but restrain advocacy NGOs that work to defend human rights. The exception was when human rights organizations are aligned to national human rights machineries (institutes).

Against these odds, a rising tide of civic engagement has manifested itself in several cases of litigation.¹³ A network of civil society advocates of social, economic and political rights is building up in the region. The Arab Organization for Human Rights has documented such trend. There have been strong advocacy activities in support of minimum wages, the protection of the prices of medicine for the poor, stopping forced house evictions and the protection of domestic workers and stateless people in the region. Civil society institutions in Palestine and Kuwait advocated to remove obstacles that were preventing some vulnerable groups from enjoying their economic and social rights. The most prominent examples of such issues were the issue of civil, economic and social rights of Palestinian refugees in Lebanon and the issue of "*Bidoon*" (persons without nationality) in Kuwait. Human rights organizations, supported by national machineries for human rights and the international civil society as well as international reporting mechanisms (e.g. universal periodic review to the Human Rights Council), have started to push for accountability of governments to their international commitments and their nationally set development targets. Where litigation proved impossible, due to the political nature of these issues or their regional or international dimensions, civil society advocacy in protection of social and economic rights became a recurring example. Several incidents of success reveal the needed support by the legal profession and particularly judges as well as a needed commitment to legal activism for social and economic rights. This is the crux of legally empowering the weak and vulnerable through collective structural change, beyond forms of legal aid for individual rights.

The missing constituency for social justice

It has been difficult to break the dynamic of exclusion because of the weakness of the constituency that could have spoken and suggested policy changes for social justice. One such constituency is the labour movement. The other is the middle class.

Countries that have privatized the public sector have witnessed social and economic exclusion of the working class. Countries that have seen expansion of the informal sector have seen equal if not more socio economic exclusion for those working in informal activities (due to lack of social protection coverage). Restrictions on labour union formation contributed to the political exclusion of this constituency for social justice. More than half of Arab states have been reluctant to ratify the ILO Convention No. 87 (1948) concerning Freedom of Association and Protection of the Right to Organize; close to one third Arab states did not ratify Convention No. 98 concerning the right to organize and to collective bargaining (1968). The biggest labour class and labour union movement in the region – in Egypt- has been allowed to form independent labour unions in 2010 after years of restricted unionization (since 1957). This restrictive history had put Egypt on the ILO list of most restrictive countries till it was removed end of 2010.¹⁴ Furthermore, lacking organization, many workers in the informal sector (which is an important sector in many Arab economies and it is where most manifestations of socio economic and political exclusion are to be found) cannot defend their social and economic rights.¹⁵

Strong labour unions could be seen – especially by proponents of liberal economics – as being a cause for concern because they bargain for higher wages and more benefits, raising cost of production. This view welcomes weak labour unions. Yet weak labour unions can be a destabilizing factor for a country. Their weakness deprives a country of its ability to orderly negotiate collective compensation packages in times of tough economic decisions (e.g. austerity measures) and, most importantly, their weakness deprives the country of an orderly mechanism of social conflict management and peaceful expression of interest. Street politics becomes the only alternative.¹⁶

A constituency for social justice, furthermore, often comes from within the middle class and therein lays the malaise in the Arab region. While the concept and history of the middle class is ripe with many controversies,¹⁷ it is safe enough to argue that the history of development in the Arab region has been closely related to the middle class as a social constituency from which social and political movements that affected the course of Arab development was drawn.

In the Arab countries that experienced various shades of socialism, free education and increased job opportunities in the public sector did expand the ranks of the middle class. In countries that maintained a non-socialist path, the numeric expansion of the middle class was less dramatic. Years of economic structural adjustment and liberalization of the economy tightened the job market; work in oil-rich countries became the alternative means of expanding the middle class. The result of that was a structural polarization in the ranks of the middle class. Income wise, the middle class split into those who earned good income, e.g. those working or having worked in the Gulf and in thriving private sector firms and those who stayed in public sector jobs where salaries did not adjust to inflation. The middle class also saw a cultural polarization between those who continued to espouse modernity and secularism (economically left or right of centre and socially liberal) vs. those who espoused modernity and religiosity (economically liberal but socially conservative).

Economic, social and political exclusion is not only a problem that confronts the poor; the middle class of the Arab region is invariably vulnerable to similar exclusion. Economically, there is weak purchasing power because salaries are not adjusted to inflation and weak market economies that are not competitive nor productive. A thriving middle class requires right sizing of state bureaucracy to allow civil servants decent salaries and meaningful jobs; it also requires right balance between the productive and regulative roles of the state to allow for effective and efficient allocation of state resources and effective and efficient investment in physical and human capital. Secondly, there is political exclusion: A thriving middle class requires expansion of responsibilities on the local levels of government as well as expanded public space for expression and organization to try to correct all these failures.

The popular uprisings in several parts of the Arab region have been middle class uprisings. They have been spearheaded by middle class youth. This fact does not mask, though, the problematic nature of organizational reality of the Arab middle class. Political parties that espouse a social justice agenda are either discredited or weakened. Many of the ruling elites that have sustained structural and policy drivers of exclusion are leaders of dominant political parties with party platforms that espouse social and economic justice. However, actual liberal economic policies that privatized the public sector and social services did not contribute to the social justice that their party platforms espoused. Furthermore, restraint of political pluralism and of inclusive participation in policy making did not allow social movements to correct course.

Years of curtailment of freedom of expression and organization have, furthermore, resulted in the weakening of alternative political parties with a social justice agenda. Oppression and suppression of social movements with similar agendas – in the name of security and stability – further weakened the landscape of public discourse and policy options to achieve social justice.

There is finally a social reason for exclusion of the middle class exemplified in the problem of quality of education. The MENA countries with no exception suffer from low quality education and a mismatch between labour market demand for certain skills and the curricula taught at schools and universities. This challenge accounts for a considerable portion of unemployment among fresh graduates. Unless this challenge is met through the creation of a productive economy, the middle class will be doomed to further exclusion. Furthermore, education in the region does not include civic education and human rights as a core message. Thus the critical mass of the middle class cannot easily translate its dreams or frustrations into rights-based demands and rights-based developmental agendas. The available discourse is only focused on what the Arabs need. How to get there with a rights-based agenda and policy options is still a weak discourse.

The business class

The business class in the Arab region presents a similar paradox to inclusive transformation. Since the age of economic liberalization in the Arab region, business communities of the private sector have been increasing in number and in influence; the last example thereof being in Syria (the country's most recent national development plan assigned more than 50% of investment targets to the private sector). The Egyptian political regime under Mubarak exemplified the extent of power of the business community: Businessmen occupied ministerial posts, parliamentary seats and the inner circle of policy making in the ruling party. Investment decisions in several Arab countries have been often driven by the business interest of the ruling family, elite and particular businessmen. Due to weak regulatory institutions, accountability mechanisms, as well as lack of freedom of information this situation was unchallenged for several decades, beginning in the 1970s.¹⁸

With variations on the theme, the business community in the Arab region has favoured liberalization of national economies but refrained from fostering or demanding democratization. The business community nurtured close relations to the political elite and regarded the stability of the latter as necessary to protect business interests. Some businessmen have used the limited freedom of public space, e.g. in Egypt where three businessmen own three media outlets with wide audiences to promote liberal thinking and accountability; however, their respect for red lines that protected the stability of incumbent ruling families was unwavering.¹⁹

The business class of the Arab region was weakened as a force for democratic and inclusive development. This has been exacerbated by the deindustrialization process that ensued from structural adjustment and economic liberalization since the 1970s. Deindustrialization meant that the business class found its opportunities in quick profit in activities such as mobile phones, real estate etc. Furthermore, economic liberalization invariably resulted in concentration of power and wealth in the hand of the few, as in the case of Egypt. This concentration of power and wealth was accompanied by dependency of the business class on favouritism of some important members of the political family/elite; the business class relied on a general environment of favouritism and individually driven policy decisions to ensure its investments and profits. Mechanisms of accountability, such as parliament or the media, were used to maximize businessmen's interests.²⁰

Stability, security, oppression

Stability in many Arab countries has been associated with oppressive police and military machineries rather than with great advances in democratic governance and inclusive development. In fact, it is ironic that some of the conflict affected countries of the region (no beacons of stability by any measure) register better scores of democracy (Palestine and Lebanon).²¹ But that is often measured by procedural manifestations of democracy, namely

the holding of elections. Still on hold in those conflict contexts is an effort to reduce socio economic, cultural and political exclusion through an enhanced sense of national identity and human dignity protected by citizenship rights for all and a degree of consensus about wealth and power sharing through decentralization or other means.

Stability is a priority in all countries, whether in conflict or not. But when stability is made synonymous with security and stability of incumbent ruling elites,²² that becomes an alarming trend especially in a region that hosts the biggest number of internally displaced, refugees and stateless populations worldwide.²³ In the name of national security and stability, high military expenditures are not scrutinized by legislative institutions, depriving social service sectors of needed resources and reducing resources made available to local and regional economic development and to disaster risk management and environmental sustainability.

The heightened concern for national security defined as stability of incumbent ruling elites is also providing context for continued anti terror laws, emergency laws and restrained access to information, all of which constrain freedom of expression and organization and hence constrain the deepening of accountability mechanisms that could break down the dynamics of socio economic and political exclusion.

An oppressive model of stability has been equally adopted and condoned by external forces. Putting security before development, several donors and super powers have accepted the oppressive regimes in the region because of geo strategic alliances that protected national security of donors and superpowers.²⁴

Violent conflict

Violent conflict in the region has two key root causes: occupation (Palestine and Iraq) and internally driven strife fuelled by unfinished nation building and unequal wealth and power sharing (Iraq, Lebanon, Somalia, Yemen and Sudan). Economically, HDI is among the lowest in the world in most of the conflict affected countries of the region. Iraq and Lebanon are exceptions, whereby the former is essentially an oil-based middle income economy and Lebanon a service-based middle income economy saddled by exorbitantly high debt. Across the board, equity and regional developmental parity are huge challenges in all conflict affected countries of the region.

Three of the six Arab countries affected by conflict (Palestine, Lebanon, Iraq) have been designated “hybrid democracies” by the latest democracy Index of the Economist 2010. Conventional wisdom would lead one to believe that conflict and democratic governance reforms have an inverse relationship (more conflict leads to delayed democratic governance reform and more of the latter reduces conflict). Yet, the conflict affected countries of the region, especially Palestine, Lebanon and Iraq, have registered a number of positive developments over the past decade.

None of them, however, have meaningfully transitioned to responsive, inclusive and accountable governance. Palestine is a case in point. A people under occupation, they ran free and fair elections in 2006. The political ramifications of these elections, however, have been devastating for the Gaza strip which has been suffering from boycott of international assistance and recurring Israeli assaults on people and physical infrastructure. Devastating has also been the rift in the national Palestinian front between Fatah and Hamas which has obstructed the functioning of the Legislative Council and the holding of local elections. The Palestinian authority has been improving its rule of law and accountability records. This has resulted in a professional Prime Ministerial Office and National Forces (not intelligence or preventive forces). Improved people’s perceptions of professionalism of government are a

plus. However, occupation continues to straddle governance reform, contributing to corruption of institutions, division, polarization and dependency (on aid) by societal forces.

Putting Democratic Governance Breaks on Exclusion

The Arab Spring of popular demands for a rupture with the existing realities of exclusion underlines one key aspiration: genuine respect on the part of those who rule for the dignity of those ruled. Putting the breaks on exclusion will require that 6 governance deficits are addressed.

Genuine commitment: governance reform for real, not for show

Improvements in governance by elites, who were more interested in stability than in deep reform, led to anger and defiance. This was seen in increased human rights and civil society activism as well as social media, culminating in youth street uprisings in 2011.

The Arab Democracy Index, produced by the Arab Reform Initiative showed ten Arab countries in 2008 and 2009 with one key governance failure: A persistent gap between legal reforms (de jure) and reforms in practice (de facto). This is largely because legal reforms are easier to do to show responsiveness to external pressure (international standards or demands) while actual practices -that require a genuine transformation of state society relations- remain unchanged. That is to be seen in slight improvements in scores on public institutions and rule of law while respect for rights and freedoms shrank so has the legal environment for public space.²⁵ The result is, thus, modest increase in scores for strong and accountable public institutions and equality and social justice from 2008 to 2009 (compared to the score for law and order).²⁶

Elections are another case in point: Arab countries regularly run local and national elections (Table 4). Though commendable, the quality of the electoral process has deficits in democratic practice, in electoral professionalism especially of election management bodies (e.g. Egypt) and in openness and competitiveness. Electoral processes are often captured by locally clientelistic, family-based, tribal or confessional affiliations in the absence of strong political parties (e.g. Jordan, Lebanon and Egypt). Arab civil society and the judiciary have reacted strongly to these deficits. In fact, it is now argued that the badly rigged elections of 2010 in Egypt became the last nail in the coffin of the old regime.

Reform for show not for real also applies to corruption and gender.²⁷ The Arab region has managed over the past two decades to enhance its adoption of some international standards including most UN human rights conventions, thus enhancing de jure indicators of compliance with international rights based governance standards. Sixteen Arab countries have so far ratified the UN Convention against Corruption UNCAC, while Morocco is credited with being the first Arab country to venture in 2010 to lift all reservations against the Convention for the Elimination of all Forms of Discrimination against Women CEDAW. However, when it comes to actual practice, the Arab region has high rates of perceived corruption and still ranks lowest on women economic and political participation.

In the immediate and longer term future, reform for show will not suffice. The above examples clearly demonstrate that that Arab masses have revolted against the tendency to do reform pour la form.

Corruption

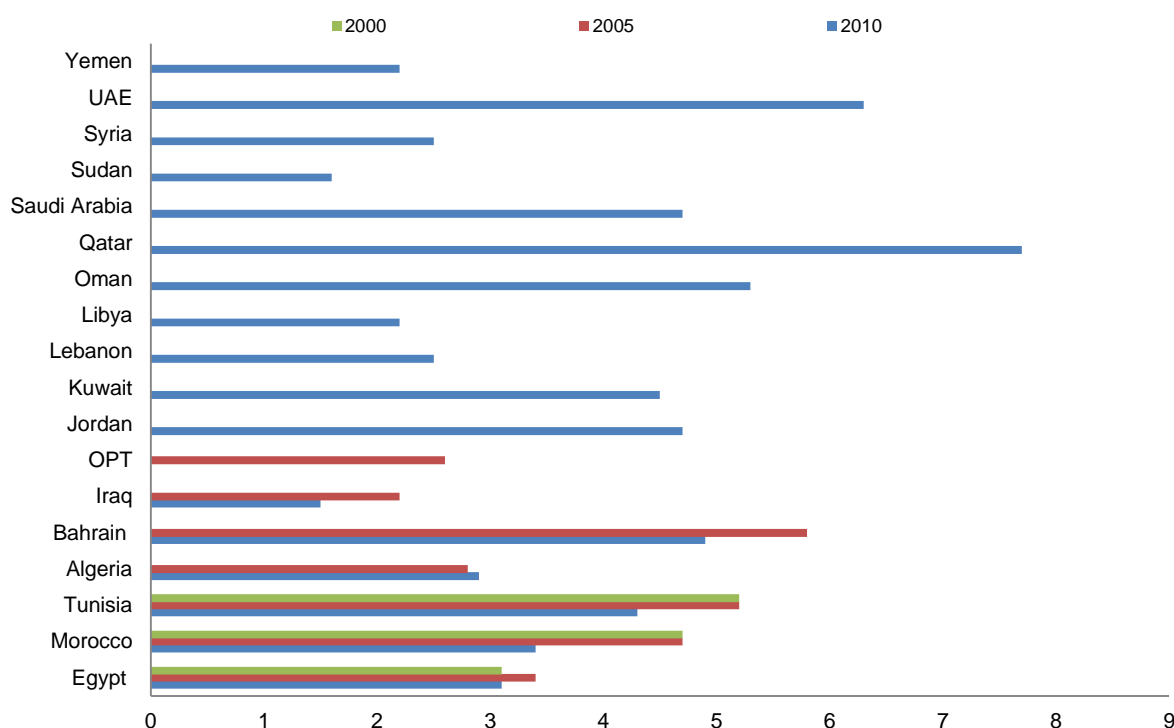
The governance failure here is deep and composite. Corruption is an issue in most countries of the world, so is the case in the Arab region. In Arab countries on which a corruption

perception index exists for over ten years (Transparency International Dataset), perception of corruption seems to have regressed (Figure 4).

Corruption has been identified in several Arab countries as a major hurdle to investment and doing business (Egypt, Libya, Algeria, Morocco and Lebanon). Countries with high frequency of complaints about inefficient government in the world economic forum survey cut across North Africa, the Mashreq and some of the oil-rich Arab countries. Inefficient government bureaucracy is another phenomenon that seems frequently cited among the hurdles to doing business and that often opens the country to vulnerability for corruption.

What makes it explosive in the Arab region is its combination with high levels of regional economic inequality within countries and high levels of nepotism that deprive vulnerable groups of jobs and services. All that is sealed with political loyalty networks that give the corrupt impunity and weaken judiciary independence. Despite record economic growth rates, the control of the nation's wealth continued to be inequitably distributed with few well-connected families gaining disproportionately more than most marginalized people; rising prices and unemployment have only augmented the sense of indignity and relative deprivation. Closed public space and weak oversight from parliaments ended up eating into the legitimacy of incumbent regimes.

Figure 4: Corruption Perception Index (CPI) for Arab countries, 2000-2010



Source: Transparency International
 Notes: score 10 = good; blanks=missing data

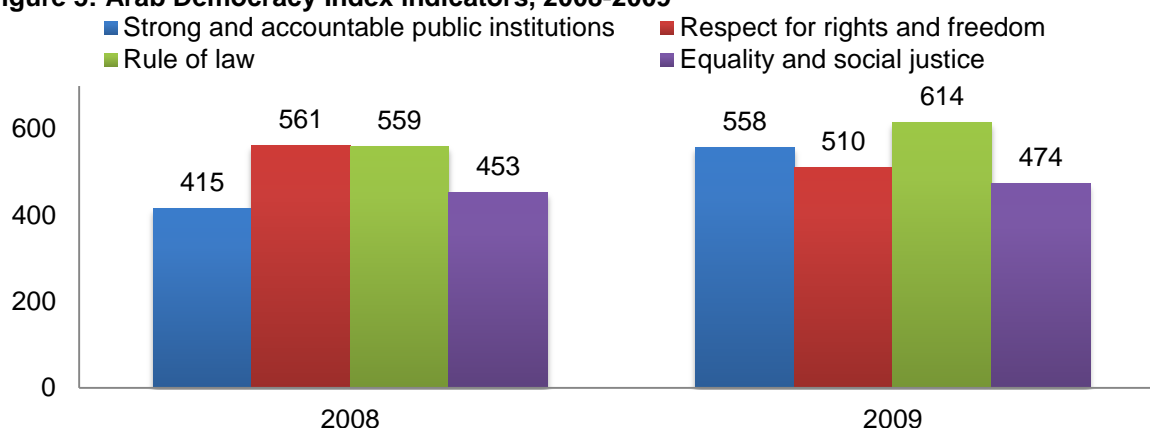
Societal pressure against corruption is increasing in the Arab region. Human rights based advocacy for laws that equally apply to all has been gaining ground supported by legal activism in high profile cases (in Egypt and elsewhere), especially in the past five years. Web based movements such as *Shayfenkum* and CSOs against corruption or for the protection of consumers are also good examples. Anti corruption mechanism have been increasing in number and so have some pioneering attempts to measure and monitor corruption in the Arab region (Egypt and Palestine). Any transformational efforts in the future will have to take such partners seriously and encourage networks among civil society, anti corruption mechanisms and the judiciary.

Finally, corruption in the region requires fundamental not only technical change. It is a dual phenomenon: petty and grand. The former festers under the protection or the negligence of the latter. It is also a factor of right sizing of the public sector, of right salary scales and fair salary differences. All of these are politically difficult decisions that can be easier taken by legitimate governments.

Justice and rule of law

The picture on corruption as a governance failure is not complete without a look at the rule of law. The rule of law index in the Arab Democracy Index of 2010 shows improved scores for most Arab countries (Figure 5), except for Yemen and Palestine.²⁸ This is a commendable result, though the authors of the ADI warn against over optimism since the scores are a reflection of technical improvements in measurement as much as they may reflect substantive improvement in governance. The other side of the coin on rule of law is continued emergency measures. Anti terror laws, emergency laws and security concerns in general continue to provide pretexts for detention without trial, torture and military courts in the region. This makes any effort at human rights training or standard setting for professionalism (e.g. investigation and forensic science) simply futile, for emergency and anti terror laws create a mentality of impunity.

Figure 5: Arab Democracy Index indicators, 2008-2009



Source: Shikaki, 2009-2010

The future requires a fresh assessment of the police – people relationship. A revision of how the security sector defines its role as protector of incumbent regimes or of people is overdue, while it is acknowledged that some army institutions in the Arab region have upheld their role as protectors of the people. The police sector is also in need of a review, especially the way it is governed. This includes a review of mandates, administrative structures, recruitment, inspection policies and practices, interface with justice institutions and with local government.

Rule of law is not an abstract institutional construct. The issue is often about the “law” as much as it is about its rule. Several Arab countries have national laws that fall way short of signed and ratified international conventions. Anecdotal evidence says the legal profession in the region has not yet started to reference international conventions in order to put pressure on the national frameworks to align with the countries’ international commitments. This is particularly relevant for women’s equality and empowerment as well as for social and economic rights. The past five years have seen increased public interest litigation to raise awareness of how laws are in violation of social, economic and cultural rights as well as civil and political rights.

Rule of law is one side of the coin of justice; access to justice is the other. The nexus between police and the judiciary is often troubled, opening room for police violations of human rights and for corruption. The troubled relationship between police and people has become a defining feature of both the Tunisian and, more so, the Egyptian transitions.

Judicial independence is the last line of defence and is pivotal for the effectiveness of accountability tools, especially when those who are to be held accountable are either politically or economically powerful, or both. The world competitiveness index of the World Economic forum which ranks 139 countries worldwide, registered in 2010 three Arab countries in the upper 1/3 on lack of judicial independence (relative to the rest of the sample). Two of those three Arab countries ranked in the upper 1/3 on favouritism of decision of government officials, i.e. high favouritism relative to others in the sample (Table 3).

Table 3: Global Competitiveness Index in detail, 2010

Institutions	Country rank/139							
	Algeria	Bahrain	Egypt	Jordan	Kuwait	Lebanon	Libya	Morocco
Judicial Independence	112	34	63	48	36	113	95	79
Favouritism in decisions of government officials	82	42	95	44	47	136	122	52

Source: WEF, 2010

Several Arab countries have anchored the independence of the judiciary in their constitutions. However, two sets of factors have impacted negatively on the fulfilment of this constitutional principle. One is contextual and has to do with political systems; the other is institutional and has to do with internal justice safeguards of judicial independence.

Contextually, Arab regimes that have one party rule have tended with the passage of time (in some instances over 30 years) to allow political considerations to interfere with the judiciary. Institutionally, heads of state in one-party systems were made to lead Supreme Judicial Councils, institutions which are meant to be the hallmark of judicial independence - if spared political intervention.

The overlap between the Executive and Judicial branches of government has proven unhealthy. The police's and security forces' lack of integrity and their lack of accountability to civilian control have been corrosive for the legitimacy of ruling elites. Transforming rule of law in the future should be people centred in order to break links with the oppressive model of stability and security (seen as those of the regime not the people).

Crisis of participation & freedom of information

Participation is weak in elections and in between elections. Elections do take place in the region (Table 4). But elections have lost their meaning and function as channels of participation and accountability, as per voter turnout rates and people's perceptions of elected offices. Participation through elections has become a non-credible option due to the weakness of political parties and the sluggish professionalism of electoral management bodies that may be units within Ministries of Interior which see themselves mandated to secure the power of the incumbent elite. In several countries, elections have become a terrain for tribal and family networks to assert their power and distribute the spoils of economic growth among themselves and their followers, often at the expense of wide participation and accountability.

Table 4: Date and type of elections in the Arab countries, 2009-2010

Date	Country	Type of Election
12.29. 2009	Algeria	Parliamentary Elections: renewal of ½
12.03. 2009	Yemen	Parliamentary Elections: to fill 12 vacated seats
10.25. 2009	Tunisia	Presidential
10.25. 2009	Tunisia	Parliamentary Elections: Chamber of Deputies
10.02. 2009	Morocco	Parliamentary Elections: 1/3 of House of Councillors
08.11. 2009	Iraq	Referendum: Constitution of Kurdistan
07.25. 2009	Iraq	Presidential elections: Kurdistan
07.25. 2009	Iraq	Parliamentary Elections: Kurdistan
06.25. 2009	Kuwait	Local elections
06.07. 2009	Lebanon	Parliamentary Elections: national assembly
05.16. 2009	Kuwait	Parliamentary elections: national assembly
04.09. 2009	Algeria	Presidential elections
01.31. 2009	Somalia	Presidential elections
11.28. 2010	Egypt	Parliamentary elections: People's Assembly
11.09. 2010	Jordan	Parliamentary elections: National Assembly
06.01. 2010	Egypt	Shura Council
10.30. 2010	Bahrain	Local elections
10.23.2010	Bahrain	Parliamentary elections: Council of Representatives
10.2011	Lebanon	Local elections: 4 rounds from May 2 nd to May 30 th
04.11. 2010	Sudan	Presidential elections
04.11. 2010	Sudan	Parliamentary elections: National Assembly
03.07. 2010	Iraq	Parliamentary elections: Council of Representatives
2.2011	Sudan	Parliamentary elections: Council of States

Source: Compiled by UNDP

Participation in between elections is an arena of constant push and pull and suffers from various efforts by the state to shrink public space. Arab states have, for instance, restricted freedom of expression and association through constitutional and legislative means. While several Arab countries continue to restrict the formation of political parties and civil society organizations and continue to restrict the free flow of information, including the internet, others have recently vowed to lift emergency and anti-terror laws in light of the recent uprisings. Syria, for instance plans to end their near 50-year emergency rule and Algeria has adopted an order to lift a 19 year old state of emergency. Egypt has also planned to stop extending their emergency law.²⁹

Freedom of information is a potent driver to empower participation in between elections. Arab regimes have limited broadband infrastructure and interrupted internet connections on several occasions to stem off criticism.³⁰ Beyond internet based social media, free access to public information on national and local budgets, bidding documents for huge procurement projects and other documentation in support of decisions to allocate public resources is often regulated through a freedom of information act.³¹ Eighty five countries worldwide, including Turkey, Malaysia, Thailand, Mexico, South Africa and India, have access of information acts. In the Arab region, Jordan has such act and both Yemen and Egypt have been trying to draft them.

If the Arab states do not undo the vicious circle of weak local fiscal space, weak participation and weak accountability, inequality will remain unchecked. With weak participation, those who are not receiving their fair share of resources, assets and services are bound to be voiceless. Furthermore, weak mechanisms of accountability retard the ability of legislation to respond to the needs of the excluded or the marginalized. This dynamic can be well observed in the myriad of strikes of public sector workers in Egypt and Tunisia, in the demonstrations of those working in the informal sector and the blocking of highways by poor communities in different parts of the Arab world in the past few years. This has recently culminated in sit-ins in front of Parliament by civil servants on temporary contracts in Egypt. In most of these cases, civil society advocates have called for legislation and public policies that protect social and economic rights (e.g. minimum wages, fixed contracts and universal

health and pension/unemployment benefits). In most cases, governments were slow in responding adequately to those demands.

In reaction to restrictive public space, Arab people started taking to the streets, engaging in strikes, sit-ins and demonstrations³² and embracing new media (social networks) way before the uprisings of late 2010. It is estimated that in Egypt alone, 3000 labour strikes involving 2 million workers took place in different parts of the country in the period from 2005 to 2010.³³ The Tunisian and Egyptian examples have shown the importance of strengthening institutions of participation and accountability in order to guide and contain street politics. The fact that countries, like Morocco, have seen street activism in less explosive measures till early 2011 is often explained by the presence of political parties and civil society which are granted relatively more freedom and public space.

Local governance

Most observations of and reflections on governance in the Arab region tend to focus on the national level, ignoring serious governance deficits on the local level. The Tunisian revolution ignited by a young man who was forced to work as a street vendor in one of the deprived regions of the country brought the troubles of local governance to the fore.³⁴ The Tunisian call for the dissolution of all local councils and the removal of local governors underlines the deep distrust of local government and the serious rift between people and their local government.

In general, the state of local governance in the Arab world shows equal problematic rifts and strong centralization. For instance, according to local country assessments in Egypt, Jordan and Yemen, ordinary Egyptians distrust local governments and local elected councils, as per low turnout in elections. Another common theme is the lack of involvement of civil society groups at the local level. Civil society organizations are still largely concentrated in the capital, with very limited or no relationships with the municipal councils. There is still very much little awareness of the need for such councils to develop cooperation and partnership with civil society. The Yemen assessment highlighted that this gap was linked to a need for more participation on the local level in political life to help reduce the high levels of poverty and unemployment.³⁵

Exclusionary dynamics for women and for the young are particularly alarming on the local level.³⁶ In Yemen, for instance, the number of female candidates taking part in local elections was reported to be very low.³⁷ The same is true of local elections in Lebanon, Iraq and Egypt. This is partly due to weak women representation inside political parties or on political party lists of candidates³⁸ especially on the local level.

More and more young people were participating in public debate, making use of high-tech communication tools and social networking sites such as Facebook and Twitter via the internet. It is still early to tell how much this new era of social media will encourage participation on the local level in local area development, deepening citizen participation in local planning and keeping local governments accountable to equitable service delivery on the local level.

Conclusion

Popular uprisings since December 2010 demonstrate the combustible nature of the combination of such oppressive stability with economic growth that does not produce decent jobs nor distributes wealth equitably. The catalysts for explosion vary. In some instances, it was an economic crisis which uncovered the fragile nature of jobless growth and

unaccountable government (Tunisia). In other instances it was a false sense of invincibility on the part of the incumbent regime that led to exaggerated oppression and arrogance (rigged elections in Egypt 2010), coupled with rising food prices and increasing social exclusion (due to inequitable provision of education, health, housing and oblivion to environmental degradation).

Rising unemployment among the educated youth, rising food prices, persisting regional disparities in a country, increased political impunity of a political, economic and administrative elite in the context of constrained freedoms and weakened accountability mechanisms have undoubtedly established the imperative of democratic governance to ensure equitable and inclusive economic growth. Joseph Stiglitz declared the Tunisian revolution a proof of the need for fair play and voice without which growth will not be enough for sustainable development.

Equitable human development in the Arab region has been delayed by two governance deficits: (i) a deficit in state capacity and accountability and (ii) a deficit in societies' empowerment which added political exclusion to socio-economic exclusionary dynamics. People are demanding that those outcomes be anchored and respected in constitutions and operationalized in rights-based social contracts. Summarizing hours of public debates in various countries in the Arab region, it appears that the developmental impact sought is four-fold: (i) enhanced legitimate leadership through free and fair elections in an environment of freedom of expression and organization; (ii) responsive policies of inclusion and equity that are informed by inclusive participative partnerships between state and society; (iii) effective implementation of policies through social monitoring and punishment of corruption, in a context of freedom of information and the vigilant eyes of an independent judiciary and a professional media.

Endnote

¹ These issues of governance have been discussed in depth in all Arab Human Development Reports of UNDP: Towards Freedom in the Arab World 2004; Towards the Rise of Women in the Arab World 2005; Challenges to Human Security in the Arab Countries 2009.

² Stiglitz 2004

³ Przeworski and Limongi 1993, Przeworski 1997 and Przeworski 2004

⁴ Rigobon and Rodrik 2004

⁵ After years of claiming that institutions matter by many institutional economists, it was D. Rodrik who singled out five such institutions among them those for management of social conflict. The others were property rights, social policies, policies of macroeconomic stabilization and regulatory institutions. DaniRodrik "Institutions for High Quality Growth: what they are and how to acquire them" A working paper. Cambridge MA: NBER Working Papers # 7540, February 2000.

⁶ Countries, where freedom of information exists, open room for social accountability of budgets (e.g. India and Brazil) and they register success in delivering services to the poor and the marginalized and in protecting communities from leakage of resources due to corruption.

⁷ International Budgets Partnerships 2010, <http://www.internationalbudget.org/what-we-do/open-budget-survey/?fa=Rankings>

⁸ Elbadawi and Makdisi 2011

⁹ Ubaidat 2009-2010

¹⁰ The Arab Human Development Report on Freedom Deficits has coined the image of the co-opting state as a black hole. Human Development Report 2010, The Real Wealth of the Nations: Pathways to Human Development.

¹¹ Biblawi and Luciani 2010

¹² International IDEA in Stockholm conducted three local governance assessments in Jordan, Yemen and Egypt. In varying degrees, those deficits come out clearly in all three. The same points have been made in a December 2010 conference on local governance at Cairo University. Papers by HalaSakr and Najwa..... highlighted these deficits in the Egyptian case.

¹³ In Egypt issues of minimum wages, "privatization" of health insurance, respecting the right to health which was protected in a decision to repeal linking the price of drugs with world prices, respecting the right to education in the legal action taken to cancel the decision of the Supreme Council of Universities to increase state university

tuition fees by ten-fold and the legal action taken to repeal forced eviction in the case of 5000 inhabitants of "Al-Qursaia" Island.

¹⁴ Abdel Baky 2011

¹⁵ Shukr 2011

¹⁶ Rodrik 2000, El-Mikawy and Posousney 2002

¹⁷ Besides the difficulty of structurally defining the middle class (by income, by relational position to factors of production and by educational attainment), there is a challenge in understanding its functional role. Liberal democratic schools have perceived the middle class as an agent of modernization and ultimately democratization. Based on a Socratic belief that the middle class is important for the moderation of a polity, the modernization school of the 1960s espoused a view of development which predicts the expansion of the middle class (through education, urbanization etc) leading to a society of mass consumption that greases the wheels of production (the American dream, so to speak). More recent liberal democratic thought pinned hopes on an expanding middle class that would demand more democracy (some interpretations of Asian development and some prognosis of the future of China). The history of Europe and other regions, however, has shown that the middle class can espouse liberal as well as fascist policies and ideologies.

¹⁸ El-Mikawy 2005

¹⁹ OTV of Naguib Sawiris, El Mehwar of Hassan Rateb and Dream of Ahmed Bahgat.

²⁰ Abdel Kahlek and El-Sayyed 2011

²¹ Kodmani 2010 and Safadi, Munro and Ziadeh 2010

²² UNDP 2010.

²³ UNDP 2009.

²⁴ Publications of the Carnegie Endowment for Democracy and International Peace have regularly made this point and warned against putting security ahead of development in the Arab region. The latest example thereof is

²⁵ The authors of the Arab Democracy Index also caution by saying that "the improvements in the Index's score in the current report can be partly attributed to technical considerations, not only to internal political developments within the countries concerned The State of Reform in the Arab World 2009-2010.": the Arab Democracy Index, p. 10-11.

²⁶ Arab Democracy Index 2010:30.

²⁷ UNDP 2005.

²⁸ Kuwait and Syria have been included for the first time, thus no comparative perspective exists for them.

²⁹ <http://english.ahram.org.eg/NewsContent/2/8/8699/World/Region/Syrias-emergency-law-to-be-revoked.aspx> and <http://english.aljazeera.net/news/middleeast/2011/02/2011223686267301.html>

³⁰ UNDP 2009.

³¹ Freedom of information legislation entails laws that guarantee access to information held by the state. Such laws establish a "right-to-know" and a process by which requests for information are met. Information received is either free of charge or at minimal cost. Some of such laws also establish a duty on the part of the state to publish and promote openness. While constitutions may enshrine the right to access state held information, legislation regulates such right and implementation agencies apply it. Often it is the latter stage that is marred with mistakes.

³² Abdel Baky 2011.

³³ Diamond 2010 and Deibert and Rohozinski 2010.

³⁴ Worth 2011.

³⁵ El Sawy , UJRC and IDEA 2009.

³⁶ UNDP 2005.

³⁸ The IPU usually have the latest statistics on women in politics and precisely parliaments, the latest for the world parliaments could be found under this link <http://www.ipu.org/wmn-e/world.htm>. There is a dataset published by Fatima Kassem on women percentage in political parties in 13 Arab countries and 7 others under this link <http://academiccommons.columbia.edu/catalog/ac:130405>

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ANNEX TABLES

Table 1: Correlation between the HDI and broader dimensions of human development in 2010, Inequality in human development (%loss), 2010

Country	HDI 2010	Inequality in HDI (% loss)
Tunisia	0.683	25.2
Jordan	0.681	19.2
Egypt	0.620	27.5
Syria	0.589	20.8
Morocco	0.567	28.1
Yemen	0.439	34.2
Mauritania	0.433	35.1
Comoros	0.428	43.9
Djibouti	0.402	37.3

Source: Authors' estimates based on HDR 2010

Table 2: Trends in democracy, by HDI level and overall, 1971–2008

Year	Very high HDI countries	High HDI countries	Average	Medium HDI countries	Low HDI countries
1971	78	33	29.5	18	0
1976	81	30.5	28	18	0
1981	85	35	33	20	3
1986	84	50	40	28	3
1991	90	66	50	44	0
1996	90	69	55	50	14
2001	90	70	59	49	30
2006	90	70.5	60	50	31
2007	90	70.5	60	50	31
2008	90	70.5	61	55	31

Source: Authors' estimates based on HDR 2010

Table 3: GDP per capita versus Rule of Law, Government Effectiveness and Regulatory Quality estimates, 2009

Country	GDP per capita	Rule of Law	Government Effectiveness	Regulatory Quality
Algeria	3.87	-0.73	-0.59	-0.94
Bahrain	4.51	0.51	0.62	0.78
Djibouti	3.31	-0.65	-0.91	-0.6
Egypt	3.70	-0.03	-0.3	-0.14
Iraq	3.50	-1.83	-1.26	-1.04
Jordan	3.71	0.38	0.28	0.36
KSA	4.34	0.12	-0.09	0.22
Lebanon	4.04	-0.64	-0.67	-0.07
Libya	4.18	-0.75	-1.12	-1
Mauritania	3.26	-0.84	-0.9	-0.66
Morocco	3.60	-0.16	-0.11	-0.01
Oman	4.37	0.68	0.65	0.66
Qatar	4.92	0.96	1.13	0.62
Sudan	3.29	-1.34	-1.32	-1.25
Syria	3.63	-0.47	-0.61	-1.07
Tunisia	3.87	0.22	0.41	0.1
UAE	4.73	0.52	0.93	0.56
Yemen	3.35	-1.15	-1.12	-0.6

Source: World development indicators, WDI

Table 4: Matrix of policy priority measures

Item	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Year Two
Developmental State	A National Consensus document on Developmental State agreed			Revised Constitution; planning system; and a new budgeting process.	
New social contract			Agreement on features, mechanisms and institutions for mutual account ability.		
			Public disclosure of procurement contracts		Development plan Implementation
Political life	Constitution legislation political parties civic society		New taxation and public procurement systems; reformed subsidies away from consumption to production and official a development vision.		New Legislatures mutual accountability counter power National + Local Elections
A) Macro Economy of Inclusion					
New Employ-growth nexus	Define Fiscal Space + public spending priorities		Employment focused Macro policies New planning + budgeting process Evaluation & Redesign of Policies Establish long-term vision		
	Select key institutions for reforms	Develop institutions to manage inclusive Macro Economy		Design Detailed Transformative	
			Institutions to address market failures Competition; infrastructure; market entry		Programmes Provide necessary human + financial resources.
Conflict resolution mechanisms	Preparation of Dialogue		National social dialogue mechanisms Stronger chambers + unions		
	Media + communications		Think ranks		
	Uplift Inter mediation <ul style="list-style-type: none"> • Credit guarantee schemes • Long term development finance • Monetary policy finance 			* Revisit sector policies	

Item	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Year Two
B) Sectoral Policies for Economic Diversification					
Industrial Policy	Design Policy; Establish or reform Institutional support structure; Vertical support: <ul style="list-style-type: none"> • R+D • Training • Marketing • Finance • Infrastructure 				<ul style="list-style-type: none"> • Industrial parks • Transport + Telecom • Energy
Comprehensive Rural Development	Design policy; review agricultural subsidies; Diversity economic activities Diversity social services		Support to producers + correct market failures		Improve Food Security + Reduce Rural Poverty; Create rural agricultural + non agricultural jobs
Services	Select services with apparent comparative advantage				
Agriculture			Design comprehensive support strategy; Improve-linkages with industry + agriculture Reform support institutions		High integration and circular linkages with productive sectors; High income jobs in high value added services Develop sub-sector policies Build infrastructure communication Human resources development
Oil and mining of Oil industry + mining	Assess productivity + sustainability		Develop new, more sustainable mining strategy		Implement post mining regional development strategies
	Assess contribution of natural resources revenues to development				Implement new fiscal rules for use of revenues transparent financial operations Sterilization of mining industry EITI
Social + productive infrastructure	Define needed human capabilities for inclusive development				
			Define needed human capabilities for inclusive development		New education + health based on “service is a right” Innovative service delivery PPP
			Define physical infrastructure for regional balanced development		Community driven social services
			Public works for infrastructure		New competitive and open public procurement for infrastructure

Item	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Year Two
Direct intervention	Study: Introduce direct support packages for redistribution such as direct transfers associated with subsidy reforms				Implement
Targeted programs	Poverty Maps	Poverty Maps Geographical targeting programs including Micro finance; public works; social services; training;	Poverty Maps Legal employment; gender based support		Legal employment; gender based support
Social security			Introduce social security stabilizers		
Equal access		Address market failures by providing start ups + SMEs with level playing field in access to information, skills, finance and infrastructure			
C) Poverty Alleviation					
Reducing working poor			Minimum wage policy Formalization	Decent jobs Social services Address vulnerable groups	
D) Urban Development					
Random housing areas		Identify + prioritize the areas Socio-economic & physical surveys Develop direct intervention programs			Social integration strategy Urban development strategy
		Public works for job creation and urban rejuvenation; Micro-finance SME support Social housing Social services Local councils support + employment			
Small + medium cities		Design a regional development strategy based on networking of small + medium cities with linkages to large cities + rural areas			Develop small cities as poles of growth linking agriculture, manufacturing, services from a regionally balanced development; Small cities as “corridors of development” Develop sector Specific urban development projects using local, central, public + private funding

Item	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Year Two	
E) Institutions						
Institutional development	Select key institutions for reform: e.g. - Customs - Tax admin - Central bank - Mission statement		Development: - Policies - Human resource - Key performance indicators			
Introduce multi-sectoral Inter institutional synergies			Create incentives for synergies by empowering Integrated institutions			
Over haul government organization					Civil service reforms Decentralization + local government Regional planning Fiscal devolution	
F) Regional Integration						
Labour	Regulate inter-Arab labour market Inter Arab labour market data base + employment services			Circular migration systems by regional institutions		
FDI			Encourage intra-industry trade (as part of an Arab industrial strategy) Eliminate non-tariff Technical barriers		Reduce cross-border costs (money + time) Develop logistic infrastructure (ports, handling stations, communications)	
			Approve inter-Arab agreement on trade in services(MFN national treatment) with emphasis on banking and insurance			
					Have the organization functioning Get consensus on an Arab investment promotion organization.	

Item	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Year Two
G) Labour market					
Reduce frictional unemployment	In depth understanding of employment dynamics Unemployment map Reduce transaction costs <ul style="list-style-type: none"> - Data basic - Employment - services 		In depth understanding of employment dynamics Unemployment map Reduce transaction costs <ul style="list-style-type: none"> - Data basic - Employment - services Public works for job creation Job creation through improving social services Support workers mobility		Develop + implement wider social protection Public works for job creation Job creation through improving social services Support workers mobility
Enhance social protection	A national formalization strategy		Improve migration regulation		Incentive for informal sectors to provide social insurance
H) Equity and redistribution					
Taxation	Introduce real progressive taxation on incomes + capital gains Revise vat to reflect increasing food prices and poverty trends		Increase share of wages + mixed income/GDP to world averages Comprehensive social security reforms Comprehensive social services delivery Coverage and quality Reduce informal jobs by 50% by 2020		