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Arab Governance Report

Governance Challenges in Countries
Undergoing Transition

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

ARAB GOVERNANCE REPORT

**Governance Challenges in Countries
Undergoing Transition**

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Governance Challenges in Countries Undergoing Transition



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Note: The opinions expressed are those of the authors and do not necessarily reflect the views of the Secretariat of the United Nations.

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Introduction

Following the Arab uprisings, citizens recognized that their problems stemmed from inextricably intertwined socioeconomic and political factors. Similar to other transitions across the world, the Arab uprisings sent the following strong message: the root causes of poverty and marginalization in all countries are comparable and usually only take on different shapes and dynamics based on specific contexts and sociopolitical attributes. These root causes are often the result of policies supported by narrow and predatory elites who govern most developing societies, which they organize for their own benefit at the expense of the vast majority of the population. In short, poor countries remain poor because those in power make choices that create poverty, not by mistake or ignorance, but also by intentionally supporting weak and extractive State institutions, group rivalry and bargaining, thus allowing the interests of ruling elites to override collective interests.¹

This status quo typically thrives in long-established institutions, characterized by inequality and marginalization or by ethnic identities deeply entrenched in market failures, collective action problems and coordination breakdown, which keep policymakers focused on the short term and on narrow self-interests. Development can only take place when government and citizens find ways to act collectively to achieve democracy and progress, highlighting the extreme importance of a candid debate on the structure of institutions and a rethinking of governance theory and practice in the Arab region.

The development debate therefore entails the overcoming of the “curse” of history, geography, climate, culture and religion as explanatory variables; this requires a transformative process from both a political and a socioeconomic perspective, commonly referred to as “democratic transition”.² This new social contract stipulates a shift from extractive political and economic institutions to inclusive ones; transitions often begin with broad social movements that contest the synergy between extractive political and economic institutions, which is what happened in the Arab region. They embody the most authentic and far-reaching meaning of the Schumpeterian concept of creative destruction, although any transition process entails an inherent puzzle made of profound changes in some respects and deep continuity in others.

However, transitions can then take very different trajectories depending on country-specific political dynamics that reflect historical, cultural, geopolitical and socioeconomic characteristics. A transition is the result of a triangular contest among those who want to maintain the old order, those who want to overthrow it and those who are ready to find common ground between these two extremes. Hence, at one extreme, they could follow the 1848 uprisings that took place simultaneously in different European countries in just a matter of weeks, only to be succeeded by counterrevolutions, or, at the other extreme, they could follow the Eastern European transition that took place after 1989. Disillusionment spread following many transitions that favoured groups with greater capacity to organize collective action to the point of causing political deadlock – the so-called “hybrid” regimes. Much of the scepticism surrounding improving governance during transitions reflects a general concern that weak institutions, electoral malpractice and limited information flows constrain participation in a way that allows political and economic elites to largely determine policies during transition, thus creating a political impasse.

The burden of transition, associated with the incapacity of political accommodation and of creating a common vision for all that may supersede group identities and social disputes, is currently being felt in

¹ This sentence is adapted from Acemoglu and Robinson (2012, p. 68) stated as follows: “poor countries are poor because those who have power make choices that create poverty. They get it wrong not by mistake or ignorance but on purpose”. However, we tend to diverge from the last part of this statement because quite often elites do not seem to take decisions with a clear plan or strategy in mind but rather as a result of inter-elite bargaining whose outcomes are not predictable and could be rather volatile.

² It should be noted that there is a clear conceptual difference between political liberalization and democratization. The former entails gradual reforms that do not change the core of a political system, while the latter is a more transformative process that aims to change a country’s polity.

many Arab countries in transition (ACTs).³ These difficulties risk transforming divisions within society into protracted instability, if not open conflict, resulting in countries being locked in a vicious cycle of political and socioeconomic exclusion, thus enflaming further grievances and instability, which in turn could falsely justify the use of oppressive methods by elites that further perpetuate exclusion. However, failures to embark on a progressive transition process are not inevitable. Since the Arab uprisings, there have been moments when the course of action could have taken a very different turn in each country had a more consensual process emerged. To embark firmly on such a long and difficult process, a wide set of reforms in the often cited but still unclear waters of democratic governance should be undertaken; past mistakes can serve to reinvigorate a new participatory process established and constantly monitored by all social groups and citizens. To avoid such failures, a wide set of democratic reforms must be undertaken, informed by a long-term unitary vision.

The present study's first objective is to clarify the concept of democratic governance and ways to assess it, which entails the development of new sets of country-specific indicators. The second objective is to contextualize democratic governance according to ACTs and to analyse the challenges of such a governance-based agenda in transformative processes. The third and final objective is to initiate a debate on whether a governance-based regional platform would help ACTs to steer transition processes and, if so, what type of platform is needed.

Similar projects undertaken in other regions of the world have facilitated the achievement of the above-mentioned objectives, namely the African Governance reports,⁴ the Ibrahim Index of African Governance,⁵ the democratic governance projects carried out by the Oslo Center for Governance of the United Nations Development Programme⁶ and the recently launched Open Government Partnership programme.

The present study is an abridged version of a report that can be found on the website of the Economic and Social Commission for Western Asia (ESCWA).⁷ It is divided into three parts: Part One (chapters 1 and 2) analyses the key issues that need to be considered when starting a transition process, particularly in the Arab region; Part Two (chapters 3 and 4) evaluates the key governance pillars of the transition process in ACTs and focuses on its methodological framework; and Part Three (chapter 5) examines potential regional mechanisms that could help enhance a governance-based reform process in ACTs. For a detailed review of governance indicators, see the annex to the full version of the present report.

³ While acknowledging the different trajectories that Arab countries in transition (ACTs) have taken so far, ACTs in this report generally refer to Egypt, Jordan, Libya, Morocco, the Syrian Arab Republic, Tunisia and Yemen, but could also possibly include Bahrain and Iraq.

⁴ Available from www.uneca.org/publications/serie/African-Governance-Report.

⁵ Available from www.moibrahimfoundation.org/interact/.

⁶ See www.undp.org/content/undp/en/home/ourwork/democraticgovernance/oslo_governance_centre/.

⁷ Available from <http://css.escwa.org.lb/SDD/docs/AGR0315.pdf>.

PART ONE: CONCEPTUAL FRAMEWORK

I. TRANSITION TO DEMOCRACY AND GOVERNANCE REFORM

A. TRANSFORMATIVE IMPLICATIONS OF A TRANSITION PROCESS

Market failures, caused by externalities and monopoly, among other things, have long inspired the theoretical conviction that government intervention is needed to promote development.⁸ However, if government becomes a fundamental variable in the development equation, this implies that politics is also a fundamental variable.⁹ However, the economic debate usually neutralizes this argument by assuming that good economics is good politics, meaning that good economic policies result in a virtuous political cycle.¹⁰ Nevertheless, political aspects are often left out of the equation. This contradiction becomes a paradox when economists try to advise Governments in countries undergoing democratic transition.

The misunderstanding lies in that, very often, political equilibrium rests on market failures. Providing simple economic advice to solve the latter does not achieve results as it does not address fundamental political problems. In the example provided by Acemoglu and Robinson,¹¹ economists advocated removing trade unions' monopoly power in some industries to bring wages down to affordable levels. "But unions do not just influence the way the labour market functions ... Historically, unions have played a key role in the creation of democracy in many parts of the world" thus "balancing the political power of established business interests and political elites".¹² This role has been seen in Poland and other transition countries and, lately, in Tunisia, for example. The same applies to the allocation of natural resources, such as land. It might be economically inefficient, in terms of innovation and export capacity, to distribute land among smallholders compared to large industrial landholders, which improve a country's trade balance but at the same time allow for a higher concentration of political and economic power. In the former socialist countries, deregulation and privatization seemed sensible after 1989 to improve economic efficiency and productivity. Nevertheless, this led to the concentration of economic and political power in the hands of oligarchs, thus derailing the transition process in many countries.¹³ To a certain extent, economic liberalization and privatization in Egypt in the 1990s and early 2000s produced similar effects. The key message is that good economics is not always good politics, and that it is important to look at the political consequences of a policy rather than just focus on its direct economic costs and benefits. In short, policy reforms should have a governance-based approach and must cover both economic benefits and the balance of power in a society.

According to North and others (2013), human history and today's developing countries are characterized by high levels of violence, which is controlled through the manipulation of economic interests by political systems to create rents utilized by powerful groups to encourage them to refrain from using violence.¹⁴ These groups (criminal organizations, militias, ethnic and confessional groups and political parties) are vertically organized and their powerful leaders enter into mutual (personal) power-sharing agreements. They represent what the economists Acemoglu and Robinson called "extractive institutions".¹⁵

⁸ Rodrik, 2007; Townsend, 2011.

⁹ La Porta and others, 1999.

¹⁰ Sachs and others, 2004; Banerjee and Duflo, 2011.

¹¹ Acemoglu and Robinson, 2013, p. 2.

¹² Ibid.

¹³ Hoffman, 2011.

¹⁴ North and others, 2013, p. 3.

¹⁵ Acemoglu and Robinson, 2012.

or what the sociologist Robert Michels described in 1962 as the “iron law of oligarchy” according to which, even following regime change, one oligarchy is typically replaced with another.

Consequently, transitions entail a change in the political control of economic privileges by coalitions of private and State actors. A transition is theoretically conceived as a passage from a fragile “limited access social order” (LAO),¹⁶ defined as a “dynamic social system in which violence is constantly a threat and political and economic outcomes result from the need to control violence rather than promoting growth or political rights”,¹⁷ to a basic¹⁸ or mature¹⁹ (i.e. increasingly more institutionalized) LAO and, eventually, to an “open access social order” (OAO) where violence is closely regulated under the exclusive monopoly of the State. In an OAO, access to key public services is provided on an equal basis to all citizens under standardized (impersonal) requirements and government change and institutional continuity are guarded by free and fair elections.

These dynamics of transition typically build on deeply entrenched collective action problems and coordination failures that keep policymakers focused on narrow self-interests and the short term. Indeed transition is about dealing with both people’s demands and government supply sides, finding ways to act collectively to achieve democracy and development. This calls for active, participatory and accountable institutions and entails opening up the “black box” of decision-making and analysing what is inside.

In the light of the above, no simple or linear relationship can exist between a country’s institutional characteristics and its economic development.²⁰ The institutional agenda of developing countries is not the same as that of developed countries. External and internal shocks, such as food price hikes, the discovery of new rents and new political agreements, contribute to changing institutional contexts that can be conducive or detrimental to economic development and democratization. LAOs can therefore easily regress to lower levels of their own spectrum. However, once countries become OAOs, they tend to remain in that category.²¹ According to North, the transition from LAO to OAO represents a key problem in human history, given that many LAOs are locked in a power structure equilibrium that prevents them from embarking on such a transition. Institutions in LAOs are often over-reliant on specific individuals, and hence have less incentive and more difficulty adapting to the width and depth of changes caused by transition. This claim is supported by the key message of the World Development Report 2011,²² according to which “strengthening legitimate institutions and governance to provide citizens security, justice and jobs is crucial to break cycles of violence”. This non-linear path is exemplified by ACTs that have been locked in the LAO spectrum.

According to Sen (1999a), transition from LAO to OAO parallels human development, intended as the process of expansion of the freedoms enjoyed by people. The combination of political freedom against a backdrop of marginalization and inequality is not conducive to human development. Sustained poverty reduction requires that the poor have political representation, which can primarily be achieved through

¹⁶ In a fragile limited access social order (LAO), dominant groups “can barely maintain” themselves “in the face of internal and external violence” (North and others, 2013, p. 11).

¹⁷ North and others, 2013.

¹⁸ In a basic LAO, the Government is well established and stable and closely supported by the elite. Violence capacity is dispersed among different government apparatuses, such as the police, the security forces and the military, each with its own access to rents sources.

¹⁹ In a mature LAO, coalitions and the Government support a relatively wider but still limited number of private groups through a predictable set of durable institutions, laws and rules.

²⁰ Chauvet and Collier, 2009; Easterly, 2001; Khan, 2004; and Rodrik, 2007.

²¹ This is exemplified by surveys on democracy perceptions in Latin America, for example, which show that people’s dissatisfaction is not about democratic principles but about government performance.

²² World Bank, 2011, p. 2.

participatory governance reforms. This means that both processes are an end and a means to that end, and are therefore exponential processes. However, from the perspective of North and others (2009), such a transition is not the inevitable and linear process that Fukuyama (1992), carried by the wave of democratization enthusiasm that spread in the 1990s, defined as “the end of history”. It is rather a categorical leap that occurs when dominant groups find it convenient to expand the power of other groups in a society.²³ The challenge for ACTs is that transitions typically happen from mature LAOs to OAOs, whereas many ACTs can historically be categorized as basic or fragile LAOs. Historically, the majority of countries have been locked in LAOs, moving back and forth in the continuum from fragile to mature levels; transitions from LAOs to OAOs have historically occurred only on relatively few occasions and in just a few decades, once rents are distributed according to impersonal rules, which has still not occurred in ACTs. This would require an unusual leap for ACTs resulting in a complex web of challenges, thus leaving these countries particularly vulnerable to potential reversals.

Moving towards OAOs is a complex endogenous process that cannot be achieved solely through pressure by the international community in favour of free and fair elections. In a number of cases, this exogenous pressure resulted in further instability and violence as it failed to understand the underlying political structures and dynamics of a society. In other cases, elections offered lip service for OAOs without changing the underlying characteristics of LAOs and even resulted in patron-client networks that used votes as another medium of exchange for privileges and other services.²⁴ The current challenges facing ACTs exemplify these problems and popular demands for democracy and development risk simply resulting in a reorganization of LAO-based group coalitions and a reshuffling of elites and power structures. A democratic transition is a gradual but non-linear process built around inclusive institutions, constantly threatened by partial interests and exogenous factors. During such a complex and delicate transformation, lack of socioeconomic opportunities, combined with increasing levels of inequality and social exclusion, can easily raise people’s frustration, resulting in quick disillusionment that threatens the stability of emerging political systems and the transition process.

The efforts made by Arab citizens since 2011 have been remarkable and must be capitalized upon through a continuous process of observation and analysis of ideas and experiences, as well as risk management. This process has to start now because a generalized awareness throughout society is the means through which democracy can advance and quasi-Pareto optimal solutions to new problems can be found. ESCWA, through the present study, aims to contribute to this process.

The present study was inspired by the following United Nations documents:

- (a) The United Nations Charter, which contains important democratic underpinnings, such as human rights, fundamental freedoms, gender equality, self-determination and non-discrimination;
- (b) The Universal Declaration of Human Rights, which further elaborates on the human rights provisions of the Charter, including equality before the law and freedom of movement, thought, opinion, information, expression, assembly and association – recognized as necessary rights for democracy;
- (c) The 1993 Vienna Declaration and Programme of Action, which state that the international community should support the strengthening and promoting of democracy, development and respect for human rights and fundamental freedoms;
- (d) Resolution 1999/57 of the United Nations Office of the High Commissioner for Human Rights (OHCHR), which calls for the promotion of the right to democracy;

²³ For this leap to happen, North and others (2009) identify the following three doorstep conditions that need to be simultaneously present: rule of law, non-personalized institutions and political control of institutions with violent capacity.

²⁴ Keefer and Vlaicu, 2007.

(e) The United Nations Millennium Declaration, which provides that no effort should be spared to promote democracy and strengthen the rule of law and respect for all internationally recognized human rights and fundamental freedoms;

(f) The 2005 World Summit and General Assembly Resolution A/RES/62/7, whereby member States committed themselves to protecting and promoting human rights, the rule of law and democracy;

(g) Economic and Social Council Resolution 2006/99, which encourages member States to strengthen citizens' trust in Governments by fostering citizen participation in key processes of public policy development, public service delivery and public accountability;

(h) The 2008 World Public Sector Report entitled *People Matter: Civic Engagement in Public Governance*;

(i) The 2009 Guidance Note of the Secretary-General on Democracy, which sets out a coherent strategy in support of democracy, anchoring it to three pillars, namely peace and security, development and human rights.

B. GOVERNANCE: CONCEPTS AND CHALLENGES

The concept of governance has been extensively debated over the last two decades. Despite its many definitions, its meaning remains vague. Nevertheless, in the literature, governance has four underpinnings in terms of structure, process, mechanism and strategy.²⁵ As a structure, it refers to both formal and informal institutions. As a process, it implies the complex dynamics of lengthy policymaking. As a mechanism, it entails the existence of institutional control and compliance procedures. As a strategy, it reflects stakeholders' decisions on design, structure, processes and mechanisms.²⁶

Central to the concept of governance is State capacity in the Weberian sense.²⁷ However, while there are numerous indicators to measure the quality of democracy, such as those developed by Freedom House and Polity IV, there are fewer measures of bureaucracy that monitor the degree of merit-based recruitment and promotion in public administration; the efficiency of a bureaucracy; and the degree of State impartiality, among other things. In addition, rational choice institutionalists believe that the State is predatory by nature and that good governance means creating institutions that promote the rule of law and accountability so as to limit this perverse behaviour. Many institutional economists, however, have sought to conceptualize governance according to a principal-agent framework where corruption and bureaucracy are limited through the use of market-like incentives, flexible contracts and increased competition, among other things.

Some, like Rothstein (2011), argue that government impartiality is the core measure of the quality of government because it implies the existence of sufficient capacity, while Fukuyama (2013) focuses exclusively on the execution-related concept of governance so as to avoid unnecessarily blurring the conceptual framework. For example, rule of law is measured differently depending on the source, ranging from the functioning of the judiciary to contract enforcement; and from respect of property rights to the existence of checks and balances. Here, the boundary with a wider concept of democracy might become blurred.²⁸

²⁵ Risse, 2012.

²⁶ Levi-Faur, 2012.

²⁷ Max Weber's characterization of a modern bureaucracy includes the following conditions: a clearly defined hierarchy of offices, each with a defined sphere of competence; staff selected on the basis of technical qualifications; salary-based remuneration; careers developed in-office; and strict discipline and control of public servants (Weber, 1978, pp. 220-221).

²⁸ Carothers, 2006a.

There also seems to be a general acceptance of the following main types of governance:²⁹

- (a) Political or public governance (whose primary authorities are the State and civil society), which relates to the process by which a society organizes its affairs and manages itself;
- (b) Economic governance (whose primary authorities are the State and the private sector), which relates to the policies, processes and organizational mechanisms that are necessary to produce and distribute services and goods;
- (c) Social governance (whose primary authority is civil society, including citizens and non-profit organizations), which relates to a system of values and beliefs that are necessary for social behaviours to happen and for public decisions to be taken.

Such aspects are perceived as interdependent in a society. Indeed, social governance provides a moral foundation, while economic governance provides a material foundation, and political governance guarantees the order and the cohesion of a society.³⁰

Governance is therefore neutral in relation to government size. Although governance was originally linked to the idea of a leaner and meaner State,³¹ recent debates have brought the State back.³² Following these latest developments, it has become increasingly clear that governance entails concepts and practices that are adaptable to both big and small States. Hence, the debate should not focus on advocating bigger Governments as much as on advocating bigger governance.³³

Governance dimensions

Since the dimensions of governance are closely related to its definition, it comes as no surprise that this is also a complex issue. For instance, according to the Worldwide Governance Indicators (WGI) of the World Bank³⁴, governance is formed through the following six dimensions:³⁵

- (a) Voice and accountability;
- (b) Political stability and absence of violence;
- (c) Government effectiveness;
- (d) Regulatory quality;
- (e) Rule of law;
- (f) Control of corruption.

The United Nations Development Programme (UNDP), however, has adapted the State of Democracy assessment methodology of the International Institute for Democracy and Electoral Assistance (IDEA) to support their work on democratic governance. The dimensions are as follows:³⁶

- (a) Participation;
- (b) Representation;

²⁹ Nzongola-Ntalaja, 2003. In the context of political governance, the author uses the following definition of public sector: activities that are undertaken with public funds, whether within or outside of core Government, and whether those funds represent a direct transfer or are provided in the form of an implicit guarantee.

³⁰ Ibid.

³¹ Rhodes, 2007.

³² Levi-Faur, 2012; Bache, 2012.

³³ Levi-Faur, 2012.

³⁴ The World Bank has gradually moved from a narrow definition of governance (in the 1980s and early 1990s) where the main focus was on economic management, to a wider definition as reported above.

³⁵ See the World Bank website. Available from <http://info.worldbank.org/governance/wgi/index.aspx#home>.

³⁶ UNDP, 2009.

- (c) Accountability;
- (d) Transparency;
- (e) Responsiveness;
- (f) Efficiency;
- (g) Equity.

According to the National Integrity System (NIS) of Transparency International, the framework of governance must be approached through 16 pillars, examined using the following seven criteria:³⁷

- (a) Role(s) of institution/sector as pillars of NIS;
- (b) Resources/structure;
- (c) Accountability;
- (d) Integrity mechanisms;
- (e) Transparency;
- (f) Complaint/enforcement mechanisms;
- (g) Relationship to other NIS pillars.

By summarizing the main findings from a comprehensive review of the literature, the following homogeneous categories constituting governance arise: accountability, transparency, inclusiveness, effectiveness and contestability. A detailed definition of each category follows:

(a) Accountability involves a set of rules and mechanisms to ensure that decisions and actions taken by public officials are subject to oversight, so as to guarantee that institutions respond to the needs of society as per their original mandate. It is composed of the following two aspects: answerability (obligations of institutions to provide the public with information about their decisions/actions) and enforcement (capacity of the public or ad hoc oversight body to correct and sanction decisions/actions that do not adhere to the mandate of a certain institution). Accountability can be horizontal (capacity of an institution to check and correct abuses by another institution) or vertical (capacity of civil society to check and correct abuses by an institution – for this reason, it is often called social accountability). Examples of horizontal accountability are auditors' offices, anti-corruption commissions and ombudsmen, which report either to parliament (in Anglo-Saxon systems) or to the judiciary (in French systems). Parliament is critical in realizing both horizontal (towards other State powers) and vertical accountability (through constituency delegates). Accountability requires information and transparency (allowing everyone to be fully informed), subsidiarity (providing essential services to citizens), contestability (enabling everyone to participate in choosing leaders, policies, service providers and goods) and an effective sanctioning mechanism based on the rule of law;

(b) Transparency implies that mechanisms are present and effective for ensuring wide access to information regarding the operational functions of government; responsiveness towards higher levels of government, population and civic grievances; standards for professional and personal integrity; and that the rule of law and public policies are applied in a transparent and predictable manner;

(c) Inclusiveness is composed of the following two elements:

- (i) Equal participation: participation is an insufficient but necessary condition for vertical accountability. Political participation can strengthen representative linkages between citizens and decision-makers and foster greater government responsiveness to citizen demands. However, linkages between citizens and leaders in democracies might also be ideological or

³⁷ The 16 NIS pillars are: the executive, the legislature, political parties, the electoral commission, the supreme audit institution, the judiciary, the public sector/civil service, law enforcement agencies, the public contracting system, the ombudsman, government anti-corruption agencies, the media, civil society, the business sector, regional and local government and international institutions (UNDP, 2009).

clientelistic. Political participation could increase government responsiveness where there is an exchange of policy outcomes for votes (or other forms of support), but it could also diminish responsiveness by allowing well-organized minorities to dominate State institutions. Even if political participation does not guarantee a responsive government, it is still an essential condition for responsiveness. The more citizens make their will known, the greater the likelihood that government policies will reflect public demands;

- (ii) Equal treatment: all citizens have equal rights before the law and have equal opportunities to exercise such rights and benefit from government services and public goods;

(d) Effectiveness measures the existing mechanisms and institutional capacity in financial management and planning, delivery of services and responses to civil society concerns. The effectiveness of institutional arrangements promotes the allocative and operational capacity of a budgeting system and of service delivery. Allocative effectiveness refers to the alignment of budgetary allocations with the strategic priorities of the country. Operational effectiveness refers to the cost-effectiveness of service delivery;

(e) Contestability involves enabling all citizens to participate in choosing alternative leaders, policies, service providers and goods. Options should exist to allow citizens either to choose among existing alternatives (for example, among candidates or among alternative service agencies), to lobby for different alternatives (for example, through public debate) or to have recourse and remedy if the citizens judge that a policy violates their rights. It is through such contestable and competitive processes that citizens have the opportunity to exercise effectively their right to hold government officials and agencies accountable. Contestability can be economic (the availability of alternative service providers) or political, such as when recurrent elections encourage elected officials to be more responsive to their constituencies.

From the above, it is clear that these dimensions are closely interlinked, but are also linked to key democratic principles and their underlying institutions, to the point of overlap. These linkages are further examined in the following section on democracy and its implementation in transition contexts.

C. VARYING CONCEPTS OF DEMOCRACY

Coming up with a clear definition of democracy is not an easy task. As Dahl (1998) notes, “democracy has meant different things to different people in different periods”. The definition has therefore changed over time, ranging from the minimalistic concept of electoral democracy (with free and fair elections being a sufficient condition), to liberal democracy (based on civil and political freedoms, rights and constrained government power, both vertically between rulers and ruled and horizontally between institutions) to substantive – or welfare – democracy (which includes all the previous concepts in addition to socioeconomic equality as a precondition). The point is that the more comprehensive people are in their definition the more likely they are to be disappointed during transition.³⁸

Until the first half of the twentieth century, scholars considered social and economic equality a defining characteristic of democracy. After that, a liberal representative concept was developed in the Western world to distinguish it from fascist and communist rhetoric, thereby leaving the concept with a minimalist definition, as evidenced by Schumpeter’s classical definition of competitive democracy.³⁹ Dahl tried to order the subject by including his conceptual framework elements of competition, participation and fundamental freedoms. He developed the concept of poliarchy, founded on the following seven key institutional requirements: parliamentary control over government decisions; universal suffrage; regular free and fair elections; right to run for public office; freedom of expression; free access to information; and freedom of association. In his view, combining free and fair elections with political freedoms constitutes the

³⁸ Crow, 2009.

³⁹ Schumpeter, 1942, pp. 269-283.

basic features of political democracy.⁴⁰ Dahl also believed that adequate institutions and a citizenry, especially a middle class, were prerequisites for democracy. This definition has often been used as a point of reference although it lacks crucial principles, such as protection of minority rights, the rule of law and an overarching separation of powers, for it to be an exhaustive definition of liberal democracy. The adoption of Dahl's definition would bunch together countries as diverse as Greece, South Africa and Switzerland. Following the third wave of democratization, authors like Diamond, O'Donnell, Przeworski and Valenzuela added rule of law, impartial respect for citizenship rights including the rights of minorities, satisfaction of basic socioeconomic needs, together with other matters pertaining to the quality of democracy and other attributes of democratic governance, as fundamentals for any meaningful democracy. In this vein, Sartori (1987) distinguishes between input (or the procedural side of the definition) vis-à-vis its output side. In developing countries, this assumes even more relevance owing to the limited capacity of Governments and political systems. For Sartori, when analysing democratization processes in developing countries, more emphasis on critical elements is needed, such as political stability, protection of minority rights and the ability to achieve economic progress with a reasonable degree of social equity. Evans' strong civil society theory could be added to this view, which goes hand in hand with effective institutions.⁴¹ According to Evans, and echoed by many other authors, the emergence and survival of democracy are indeed linked to development⁴² and to a particular form of State, known as a welfare State. Taken from this perspective, democracy is inherently an "unfinished journey"⁴³ that aims to achieve new goals as it moves along. The reduced or liberal version of democracy (more or less Dahl's definition of political democracy) has been extensively used for quantitative research while the extended version (the definition of substantive or welfare democracy) has benefitted from a more qualitative and multidimensional type of research.

Following an analysis of the scholarly debate, the present study concludes that a divide between the two approaches is artificial and of little help in the context of transition. After all, democratic ideals since Ancient Greece presume more than just the establishment of the basic institutions of democracy; they entail aspects such as keeping electoral promises, civilian oversight of the security sector, a minimum level of participation for all citizens and government institutions that are responsive to people's needs. The concept of democracy is continuously developing and becoming more comprehensive, given its deeply interconnected facets. The disenfranchisement of women and slaves was considered perfectly compatible with democracy until a couple of centuries ago. Scholars are therefore increasingly more averse to adopting a minimalist view of democracy founded on competitive, regular, free and fair elections.

A thread of the scholarly debate has increasingly stressed the importance of human empowerment for democracy to be effective. According to Welzel and Inglehart (2008a and 2008b), human empowerment consists of key elements that empower people on the following three levels: economic, cultural and political. At the cultural level, self-expression values, such as trust, tolerance and political activism, are crucial to the emergence and consolidation of democracy; democratic institutions are a conduit for these values. By improving people's education and social connections (for instance, through access to information and communications technology and social media), as witnessed in ACTs, self-expression values are more likely to propagate through society, resulting in more effective collective action and pressure on the elite. A democratic governance reform process aims to make these dimensions conducive to human empowerment.

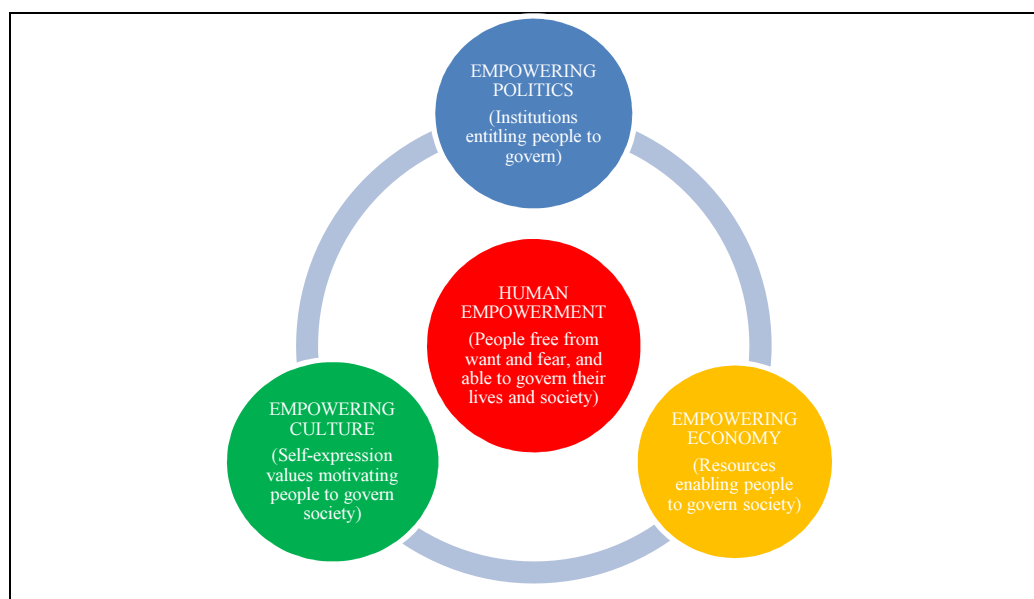
⁴⁰ Dahl, 1971.

⁴¹ Evans, 1997, p. 80.

⁴² Welzel and Inglehart, 2008a and 2008b; and UNDP, 2004.

⁴³ Dunn, 1992.

Figure 1. Human empowerment and governance



Source: ESCWA re-elaboration from Welzel and Inglehart, 2008a and 2008b.

Respect for human rights and human empowerment are cross-cutting in this framework, because they are instrumental to the attainment of all the above dimensions and can also serve as a benchmark to place a limit on them. Based on this conceptual framework, Dahl's and other liberal definitions seem to focus particularly on contestation and, to a lesser extent, on participation. Measurable indicators have also focused on contestation and have therefore shown their use as synthetic measures for research on democratic governance on the global scale, but are less useful for more detailed analysis at the regional or national levels. Instead, measurable indicators should distinctively capture the dimensions listed above. Composite indices that lump together such critical dimensions into a joint index of democracy are not very useful, particularly during a transition process.

However, the concept of democracy varies across countries and the right definition is the one that meets the polysemic dimensions that people adopt for their specific country. Based on a country's context, people might lean towards one end of the polysemic spectrum, with countries with a high discount rate typically paying more attention to the concrete elements, while those with a lower discount rate giving importance to the general ones. People evaluate a democratic regime on the basis of the definition that best fits a given country. For example, in Latin America, the relationship between economic performance and political support was evidenced by the 2004 Latinobarómetro survey, which showed that low satisfaction with democracy was strongly related to socioeconomic discontent. In former communist countries, the provision of rights and freedoms (i.e., political performance) seems to be as important as economic performance in generating trust in democratic regimes.⁴⁴

D. GOVERNANCE AND DEMOCRACY OR DEMOCRATIC GOVERNANCE

According to the development community, democracy and good governance are mutually supportive. Econometric analysis has helped identify the key components of governance through the use of measurable indicators. Rigobon and Rodrik (2005) state that democracy and the rule of law are mutually reinforcing and that the rule of law has a positive casual impact on income.

⁴⁴ Mishler and Rose, 1994.

However, the concept of democracy has historically been separated from the concept of good governance. Both have been highly disputed in the literature and both show a tension between values/principles and practices. As a result of this tension, both have often taken a narrow definition, which, in the case of democracy, has meant a confinement to the political sphere although the vast majority of scholars have acknowledged the interrelationship between political and socioeconomic factors. In parallel, good governance has long remained in the sphere of public affairs management, founded on the principles of effectiveness, efficiency and accountability. Therefore, the two concepts have historically tried to define two different fields and developing countries have either been strong in one field or in neither.

Nevertheless, there is increasing evidence of the close relationship between governance reform and democratic transition processes, with the former being instrumental to achieving the latter, seen not just in the traditional terms of “electoral democracy” and “poliarchy”, but rather in a wider way of organizing a society with the objective of expanding people’s rights and capabilities. Despite the historical focus on the narrow definitions of both governance and democracy and their mutually independent use, one of the main messages of this study is that transition processes in the Arab region force concerned societies to combine the two concepts and work in parallel on both. In the end, a transition process is about matching the supply side of governance with the demand side of democracy.⁴⁵ Recently, a more participatory approach has been advocated in the development arena, aimed at integrating governance concerns into national reform agendas. The present study therefore focuses on the wider concept of governance, usually defined as “democratic governance” for its emphasis on people’s engagement in governance mechanisms through a wider use of representative and deliberative practices. This concept, when applied to LAOs, stresses equal distribution of political powers, decision-making processes and access to resources and services; the establishment of a transparent exchange of knowledge and information; and greater accountability practice pervading the entire political and institutional system.⁴⁶

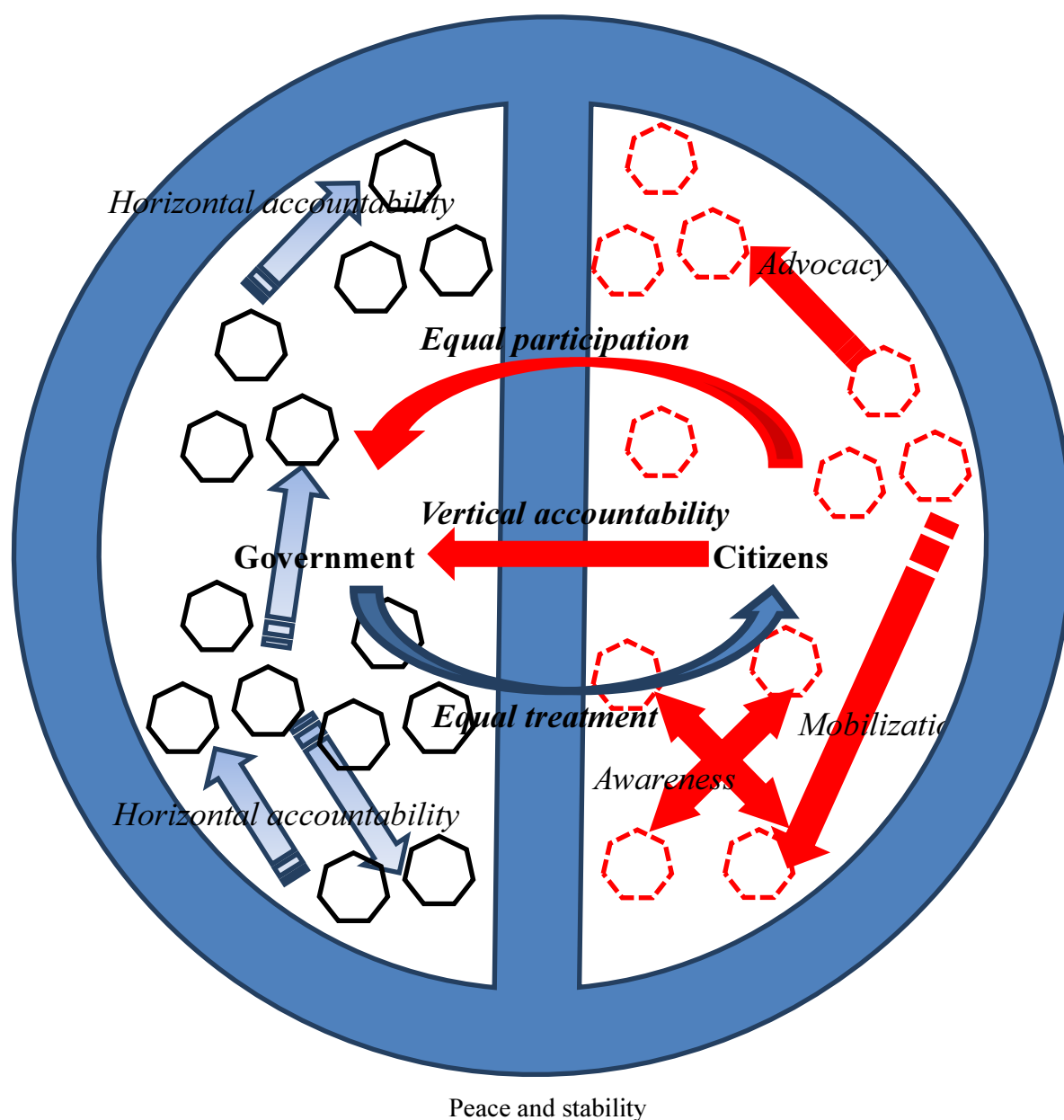
In short, the term “democratic governance” can be defined as follows: a system of collectively binding traditions, rules and policies that regulate a society and that are created, modified and controlled by its members through participative and representative arrangements, based on respect for human rights and equal rights and obligations. A summary of the ideal definition of democratic governance is depicted in figure 2. Despite this general definition, its adaptation can vary drastically according to contexts. As Schmitter and Karl (1991) note, based on varying identities and values, some regions of the world place more importance on community rights and obligations, while others focus on individual rights and obligations. In some countries, civil society is embedded in primary groups based on religious, ethnic, or tribal affiliations; while in others, civil society is organized autonomously from these types of affiliations. Depending on a society’s ambition, this definition can vary in scope (it can be applicable to both the political and the socioeconomic spheres of a society) and depth (it can progressively promote new sets of rights as a society moves along its own democratization path). The bottom line is that the concept of democratic governance, regardless of its contextualization, does not mean less State, as some research institutes have often hinted, but rather a State of better quality.

⁴⁵ Norris, 2012.

⁴⁶ Fischer, 2010.

Figure 2. Democratic governance system

Constitutional and human rights principles



Source: ESCWA.

E. DEMOCRATIC GOVERNANCE IN DEVELOPING AND TRANSITION COUNTRIES

Institutions in developed countries operate very differently than those in developing ones. This phenomenon can be explained through the concept of political settlement, defined as the distribution of political power between competing groups that, in developing countries, can have their own specificities and where power and institutions need to be mutually compatible and sustainable in terms of economic and political viability. Therefore, “political compromises between powerful groups in a society” set “the context

for institutional and other policies”.⁴⁷ The distribution of benefits and power in developing countries thus involves formal and, above all, informal institutions, including patron-client networks that are the outcome of negotiation and conflict between contending groups. For these networks to function, the creation and reallocation of rents should occur selectively to accommodate requests from the most vocal or potentially dangerous groups, and hence require that property rights be adjusted accordingly. Clientelistic networks thrive in informal economies; it is therefore not surprising that developing countries, such as ACTs, have large informality.

If institutions can adapt to the redistribution of power, conflicts can be avoided; if they cannot, conflicts may arise until a new distribution of power emerges. It is important to understand such dynamics and its relationship to the productive sector. “Once political settlement based on a compatible combination of institutions and power emerges, both the institutions and the distribution of power become supportive of each other”.⁴⁸ As this relationship evolves, growth can be achieved. Therefore, institutions in LAOs are not the cause of growth and poverty reduction but rather the consequences of political settlements; and the good governance agenda promoted by the international community is likely to fail if this direction of causality is not well understood. The fact that many fast growing developing countries did not perform particularly well in governance indicators, while there are very few examples of governance-based fast growing economies, is a vivid example of this.⁴⁹

Through this lens, patron-client politics is a rational arrangement that aims to sustain a country’s social contract, which does not have much to do with traditional cultural values and weak democratic institutions. In ACTs, patrimonial rules are not based just on traditional values and religious norms but also on exchanges according to which clients agree to give political support to the patron in exchange for payoffs or rents that the patron can deliver. In this regard, the classical approach of good governance is misplaced because it attempts to enforce formal institutions that are unfit to address political settlements that largely rely on informal ones. Even democratization processes do not address clientelistic politics and informal economy, at least in the medium term. Since States remain largely informal, democracy does not ensure the elimination of rent seeking, political corruption or property rights instability. Even the middle class, considered by Dahl as a fundamental prerequisite of democracy, is quite different in ACTs. In developed economies, the middle class is made of professionals whose interests are linked to formal markets and the rule of law. In developing countries, such as ACTs, it consists of a collection of heterogeneous groups and categories that are better described as the “intermediate class”, which does not have a common interest that lies in formal markets⁵⁰ and whose political allegiance is based more on distribution of rents than on the rule of law. The following two intertwined strategies are therefore needed: on the one hand, in the medium term, a better understanding of clientelistic politics will help identify institutions and reform agendas that make sense in ACTs; on the other hand, in the long term, more formalized institutions will provide a voice to citizens, thus strengthening civil society and allowing new political coalitions to organize and emerge. This two-tracked approach is the one that India has followed for decades and shows how clientelistic politics can operate through democratic institutions while allowing the country to continue its transition to a formal polity and a market-based economy.

Another criticism of the conventional governance agenda is how unrealistic it is. Sartori noted that democracy evolved to its present stage over 2,000 years through a trial and error process, with an acceleration taking place since the industrial revolution. It is therefore unrealistic and unfair from the Western world to expect a swift transition in developing countries, despite external assistance, where many of the preconditions are different or might simply not exist. The governance agenda comprises a “multitude

⁴⁷ Khan, 2010, p. 4.

⁴⁸ Ibid., p. 5.

⁴⁹ Khan, 2004; 2006.

⁵⁰ Khan, 2000.

of governance reforms that ‘must be done, [with] little guidance about what’s essential and what’s not, what should come first and what should follow, what can be achieved in the short term and what can only be achieved over the longer term, what is feasible and what is not’.⁵¹ Furthermore, these “solutions often insufficiently take the difficult trade-offs and dilemmas into account, and neglect the different features of the contexts and the different levels of development in different countries”.⁵² Moreover, evidence suggests that there is no common set of reforms and institutions in successful developing countries. Successful and lagging countries have often shown similar levels of corruption, government effectiveness and regulatory quality, to the point of concluding that “while there are significant governance differences between these two sets of developing countries, these are not captured in the conventional governance indicators”.⁵³ An alternative tactic would be targeting “good enough governance, seen as governance that scores high on those factors that do matter for the reduction of societal problems, although it may fail on other indicators of good governance which are less relevant in a specific situation”.⁵⁴ However, since governance and democracy are closely linked, it is difficult, and perhaps even dangerous, to limit the governance reform agenda, particularly in countries in transition.

F. TYPES OF TRANSITION

Until the early 1990s, debates stressed the narrative of convergence, arguing that countries tended to converge over time on the basis of key variables, such as savings, human capital and population growth; which in turn converged in terms of governance. Authors like Rhodes and Olsen argued that the evolution of governance is path dependent, i.e. conditioned by beliefs and traditions that are unique to a country. Political systems that preceded transitions ranged from military dictatorships in Latin America, to authoritarian socialist countries in Eastern Europe, to tribe-based monarchies in Africa. Even the causes of a transition are country-specific, as in some countries, such as the former socialist ones, economic failures acted as a catalyst to bring about democratic transition, while in others, such as South Korea and Taiwan, economic success acted as a catalyst. Moreover, the role played by civil society varies a great deal between countries. For example, the Catholic Church played an active role in the Philippines and Poland;⁵⁵ students and the middle class played a part in Bangladesh and Thailand, as did intellectuals in some Eastern European countries; trade unions in Poland; and the business class in Latin America. In other countries, mainly in Africa, transitions went through a civil war. In the case of South Africa, international sanctions contributed to the transition. Key stakeholders have also varied greatly, with the military playing a critical role in Latin America and parts of Asia, and ethnic and tribal groups in Africa. These differences are also reflected in the Arab transitions, with trade unions playing an active role in Tunisia; Muslim parties in Egypt and Tunisia; the military in Egypt; tribal groups in Libya and Yemen; and students throughout the region, while political instability and even civil conflict threatens many ACTs.

Countries therefore have different dynamics and take different trajectories; this can be seen when government and civil society are the key variables, ranging from government-centred indicators (i.e. government effectiveness, rule of law, regulatory quality) to human rights, participation and accountability. For instance, East Asian countries focused on building government capacity before liberalizing, while many African countries have tried to do both at the same time. ACTs need to strengthen their civil society pillar (path

⁵¹ Sartori, 1987.

⁵² Ibid.

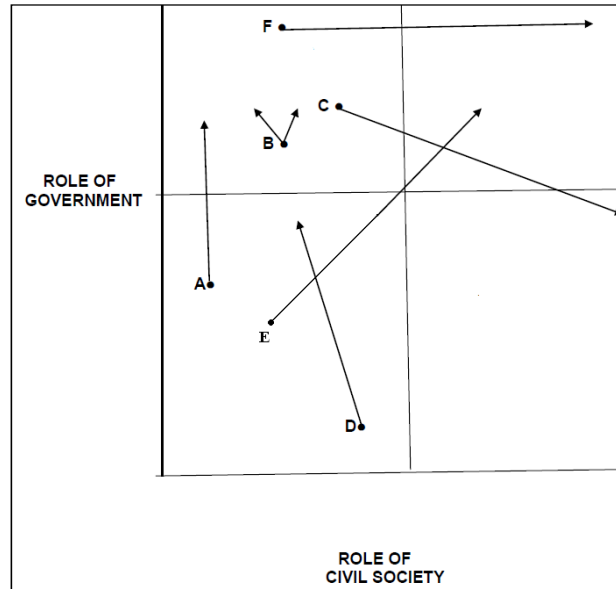
⁵³ Khan, 2006, p. 2. Khan elaborates on this concept and finds no difference in corruption among high-growth developing countries and low-growth developing countries. He also criticizes anticorruption policies aimed at rationalizing the State and limiting its role (liberalization, privatization, salary increases for public officials, decentralization and anticorruption agencies) proposed by international financial institutions in many developing countries, which in some cases have even worsened corruption levels and, in his opinion, are based on the wrong assumption that corruption is caused primarily by the greed of public officials who are endowed with discretionary power. Khan distinguishes between at least five different types of corruption that would require different policies in different countries.

⁵⁴ Grindle, 2004. Also see De Vries, 2013.

⁵⁵ Huntington, 1991.

F in figure 3 below), while others (particularly countries affected by tribal-based conflicts) might choose to follow a Weberian concept of State by strengthening their government capacity first and then focusing on empowering civil society (trajectory A or D). Other countries might need to opt for paths E or C.

Figure 3. Paths to governance reform



Source: Elaboration from Lynn, 2010.

Transitions around the world have provided a unique window of opportunity for improving national governance systems, particularly concerning voice, accountability and regulatory quality in the first few years of transition, although improving the rule of law, corruption control and government effectiveness has proven difficult.⁵⁶ Studies have pointed to the existence of a non-linear relationship between democracy and governance indicators, such as corruption, accountability and government effectiveness.⁵⁷ There seems to be increasing evidence that the impact of democratization on governance is conditioned by the level of economic wealth. In a poor country, a negative relationship between democracy and governance indicators is expected; in a rich society, a positive relationship is expected.⁵⁸ Welzel and Inglehart (2008a and 2008b) show a strong statistical association (without any direction of causality) between the level of economic development and the presence of self-expression values and government capacity. Poverty is usually correlated with low educational levels and high future discount rates, so this might help explain why politicians in poor countries tend to follow clientelistic models of governance and aim to deliver goods for immediate consumption, while voters do not seem to reward politicians who propose long-term programmes based on meritocracy or subsidy reforms. According to Keefer (2007), in young democracies, politicians still tend to rely on populist messages, patrons and clientelistic practices to get elected, instead of focusing on public goods. Countries that are long-standing democracies develop a learning by doing process, where public opinion gradually matures and detaches itself from old-fashioned practices. The challenge is therefore to keep a country democratic until this virtuous process kicks in.

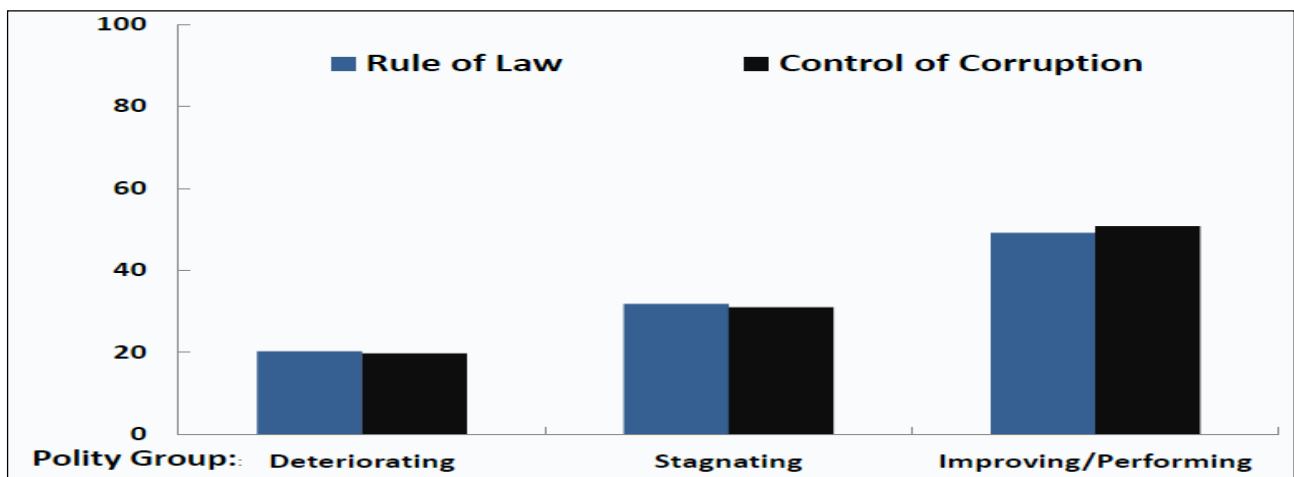
⁵⁶ World Bank, 2011.

⁵⁷ Charron and Lapuente, 2008. This non-linear relationship is explained through the following two aspects: the level of democracy (the most democratic countries have better governance indicators) and the length of time a country has been democratic (the longer it is, the better governance indicators get).

⁵⁸ Keefer, 2007; Charron and Lapuente, 2008.

As evidenced by the third wave of democratization, many countries are stuck in transition because of basic deficiencies, such as in the protection of human rights.⁵⁹ For this reason, scholars have increasingly focused on wide governance aspects that are instrumental for democracy to work. Improving governance indicators is not only good for growth but also increases the chance of success in the transition process itself. According to Kaufmann's estimates presented in figure 4, countries with low ratings in terms of corruption and the rule of law have deteriorating levels of democratization, unlike those with high levels of these governance indicators.

Figure 4. Relationship between governance and democratization



Source: Kaufmann, 2012.

From this perspective, poverty and marginalization are not a development problem but a political problem that generates democratic deficits. Economic and social agendas cannot be divorced from the democratic transition process; this is the nexus established under the democratic governance reform agenda. The State therefore becomes crucial in terms of the following three key aspects: a focus of collective identity and action; a legal system that regulates social relations; and bureaucracies that provide services and carry out tasks for citizens.

G. THIRD WAVE OF DEMOCRATIZATION

Democratization is usually subdivided into the following three phases: the liberalization phase, when authoritarian regimes collapse or open up; the transition phase, starting with open elections; and the consolidation phase, when democratic principles and practices are established and shared by the vast majority of elites and citizens.⁶⁰ The last phase, defined by Przeworski (1991) as “institutionalized uncertainty”, has proved to be the most difficult in developing countries, because many of them get stuck in transition without fully realizing the third phase.

The third wave of democratization that made entire regions around the world establish democratic regimes, however imperfect, provides evidence of prevailing challenges, particularly for non-Eastern European countries. It has shown that the modernization theory of Lipset (1959) and Moore (1966), which considered socioeconomic development as the major precondition for the start of a transition process, does not capture the complexity of the process, except for a few countries concentrated in South East Asia and for

⁵⁹ Alexander and others, 2011, p. 41.

⁶⁰ O'Donnell and Schmitter, 1986; Rakner and others, 2007, p. 7.

Chile.⁶¹ In other countries, the process becomes less controllable and more volatile with less predictable outcomes, because a real consensus between elites and citizens to recognize democracy as the possible option is difficult to arrive at spontaneously. Other interpretations of the democratization process – normally insisting on the cultural preconditions of transition – were contradicted by the third wave, with the exception of one common point of analysis claiming that Arab countries have historically been outside the process because of a mix of economic, cultural and geopolitical factors.⁶² The new thread of literature that emerged during the third wave adopted an agency approach based on the strategic interaction among key power group actors that made the process inherently uncertain.⁶³ The position of the later literature in this field is that the complexity of a transition process results not only from the interaction of agents, but also from the historical, socioeconomic and political contexts agents operate in.⁶⁴ A snowballing effect is part of this interaction, according to which democratization processes often have a regional scale where transition start in one country of a region and propagates to other countries in that region.⁶⁵

By analysing countries that went through the third wave, it can be observed how popular satisfaction with democracy in most countries is low and/or declining.⁶⁶ Many argue that a main cause of dissatisfaction lies in the fact that citizens commonly use an augmented concept of democracy – often called substantive democracy – that emphasizes economic development and social equity combined with government effectiveness and bearable corruption. Electoral irregularities, human rights violations, fragile rule of law, inefficient institutions and oligarchies’ influence over politicians have cast long shadows in many countries in transition as the novelty of democracy fades. This is supported by some indicators, such as Freedom House’s quality of democracy that ranked only 28 countries as “free” in 2007 from 70 countries that took part in the third wave, while 39 fell under the “partially free” category. Such widespread dissatisfaction on the governance aspects of democracy is to be taken very seriously as it can jeopardize the quality of democracy – locking it in what scholars have described as semi, partial or illiberal democracies –⁶⁷ if not its own survival and can teach important lessons to ACTs. Regional patterns can also be identified and show average downward common trends (figure 5). Satisfaction is lowest in Eastern Europe (20 to 30 per cent) and Latin America (30 to 40 per cent), and highest in Africa and Asia, but it has plummeted most sharply there.

⁶¹ The structuralist theory of democratization sees it as a consequence of class structure transformation, transiting from the landed aristocracy towards the emergence of the bourgeoisie (Moore, 1966; Lichbach, 2013).

⁶² Barro, 1999; Stepan and Roberston, 2003.

⁶³ O’Donnell and Schmitter, 1986; Przeworski and Limongi, 1997.

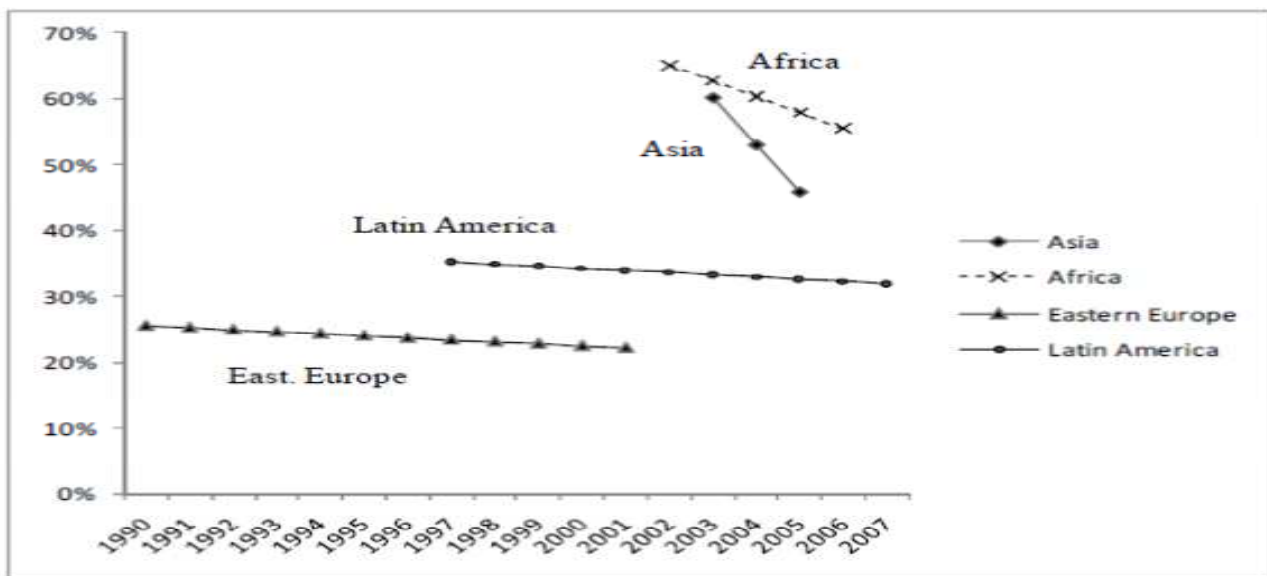
⁶⁴ Przeworski and Limongi (1997) find that, while there is no threshold effect for the minimum level of income that a country would need to be able to start a democratic transition, economic development has a determinant impact on the consolidation of democracies. Indeed, analyzing panel data, the authors found that the more successful transition countries are in generating economic development, the more likely they are to consolidate. Also, according to Inglehart and Welzel (2010), all else equal, human rights values such as freedom of expression, equal gender rights and political activism (named self-expression values) constitute a mediating variable between economic development and demand for democracy. These values emerge through a slow process that exerts pressure for demand of democracy, whereas actual democratic regimes have suddenly emerged after exogenous shocks have kicked in and after long periods of autocratic stagnation. According to these authors, mass demands for democracy have increased worldwide over the recent history. Indeed, the Third Wave does not seem to have been motivated by a desire for greater economic equality, as the Acemoglu and Robinson model holds, but by an increasing request for freedom, as the transition of former communist countries show.

⁶⁵ Huntington, 1991; Rueschemeyer and others, 1992; Bratton and van de Walle, 1994; Haggard and Kaufman, 1995.

⁶⁶ However, mass survey questionnaires do not provide a common definition of democracy, including its most critical dimensions. Hence, the data generated through mass surveys inherently combine different views of democracy. The introduction of standardized questions with clear conceptual definitions linked to measurable indicators would be a step forward in such opinion surveys.

⁶⁷ Carothers, 2002.

Figure 5. Regional trends in satisfaction with democracy, 1990-2007



Source: Crow, 2009.

Many of the challenges now facing countries in transition are similar to those experienced by countries belonging to the previous two waves of democratization, where popular discontent with politicians, their parties and State powers led to widespread protests in the 1960s and 1970s. However, in that period, protests took two different paths: one of political radicalization and extremism, the other of creation of, and participation in, new channels outside traditional ones. In the end, it was not the concept of democracy that was put into question in these countries, but rather governance structure. These older democracies were fortunate enough to have their own antibodies that have allowed them to attenuate the harmful effects of dissatisfaction and alienation towards politics and institutions. Such antibodies include widespread civic values that were groomed during long periods of democracy; and relatively prosperous and egalitarian societies that kept the opportunity cost of violence and regime change high for the vast majority of people.⁶⁸ Many third wave countries have neither and this makes them particularly vulnerable to protracted spells of dissatisfaction and apathy. Without solid civic values and solid beliefs in democratic principles, popular support for democracy primarily rests on the continued success of a country's economic performance, which in a globalized world cannot be taken for granted, as repeated crises cycles in the 1990s, culminating in the 2008 crisis, have shown. In older democracies, socioeconomic frustration tends to engender reshuffling of votes that end up changing government colours, while in transition countries, such frustration caused by repeated waves of economic recessions or stagnation can tempt citizens to exchange unknown, newly established democracies for well-known authoritarian regimes.

That is why State legitimacy is crucial in any transition process, defined as "a State which is seen by its citizens as rightfully holding and exercising political power".⁶⁹ The literature in this field is vast and includes security, order, general welfare, freedom, justice, social capital, ethnic homogeneity and cultural values as explanatory factors of legitimacy.⁷⁰ A particular strand of the literature has focused on political

⁶⁸ These two sets are critical parts of the elements that define any political system along a spectrum of abstractness that ranges from concrete elements (socioeconomic performance and quality of politicians) to general ones (democratic principles and national identity). Based on a specific country's context, people may lean towards one end of this polysemic spectrum, with countries with a high discount rate typically paying more attention to the concrete elements, while those with a lower discount rate giving more importance to general ones.

⁶⁹ Gilley, 2006, p. 48.

⁷⁰ Haggard, 1990; Przeworski, 1991; Putnam, 1993; Fukuyama, 1995; Huntington, 1996.

stability, control of corruption and the rule of law as causes of legitimacy,⁷¹ while some scholars have put more weight on democratic rights as the key source of legitimacy.⁷² Econometric evidence has shown that good governance (in particular, the rule of law, control of corruption and government effectiveness), democratic rights (political rights and civil freedoms) and welfare gains provide robust determinants of State legitimacy. Moreover, gender equality, economic governance and social trust are important correlates of legitimacy, although probably mediated by the political and economic context. Several widely cited sources of legitimacy, such as income equality, ethnic homogeneity and nationalism, do not seem to be so.⁷³ This furthers the case for a governance-based reform process in transition.

H. STUCK IN TRANSITION: THE SURGE OF HYBRID REGIMES

In the past, scholars used dichotomous categories of political systems based on a democracy-autocracy binary scale.⁷⁴ However, over the last two decades, so-called hybrid regimes have increased to the detriment of fully-fledged autocracies but also as a result of failed democratization processes. The term “hybrid regime” was introduced during the third wave of democratization to refer to newly emerging political systems that contained both democratic and authoritarian traits. It has gradually replaced terms in the political science debate, describing the range from quasi-democratic to quasi-authoritarian regimes, such as illiberal democracy,⁷⁵ semi-democracy,⁷⁶ partial democracy,⁷⁷ competitive authoritarianism⁷⁸ and electoral authoritarianism.⁷⁹ Hybrid regimes should not be confused with “fragile States” that are typically not able to have a centralized government system. These regimes have some of the following traits: populism; unaccountable Governments; personalism in political leadership; coexistence of formal and informal institutions; uneven application of the rule of law; clientelistic structure (of political, religious, or ethnic/geographic type), nepotism and widespread corruption; weak institutional capacity in the face of growing popular demand for public services; high risk of political reversal because of partial elite capture; structurally weak (or political party-dependant) civil society; and political party programmes based on personalism or on partial (religious, and ethnic/geographic) characteristics rather than addressing wider cross-cutting issues for the whole population. Hybrid regimes might lose some of the potential advantages of autocratic regimes (e.g. concentration of decision making, government effectiveness and political stability) without really attaining those of democratic regimes (e.g. accountability, checks and balances and respect for human rights). Moreover, their trajectory will depend on the specific institutional and political economy context in which a transition takes place. In brief, quite often, hybrid regimes are not only trying to democratize but are more fundamentally grappling with the task of building functioning State institutions.

⁷¹ Fukuyama, 2005; Ackerman, 1991.

⁷² Fukuyama, 1992; Dahl, 1998; Diamond, 1999.

⁷³ Gilley, 2006.

⁷⁴ Przeworski and others, 2000.

⁷⁵ Zakaria, 1997.

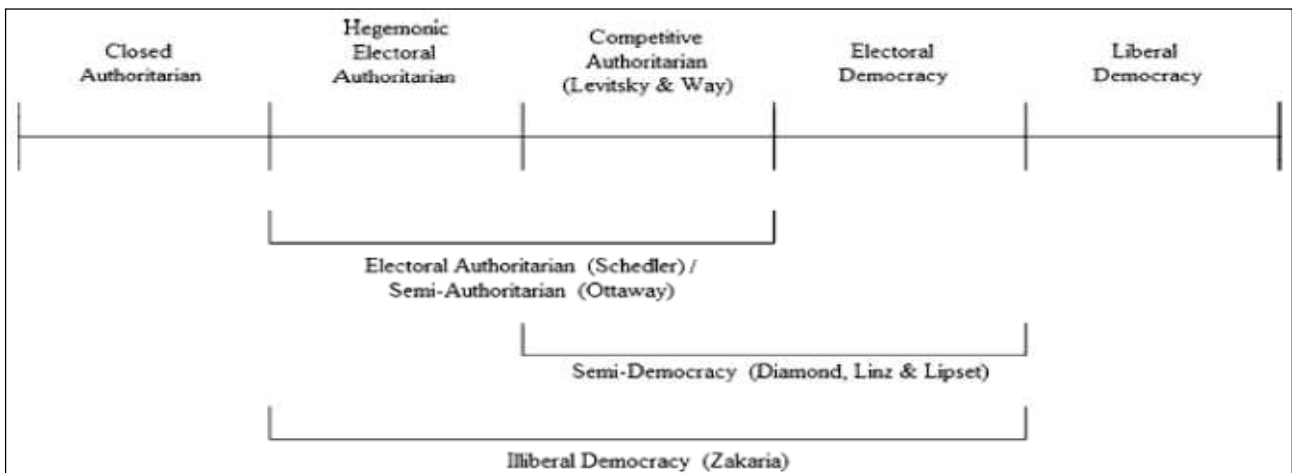
⁷⁶ Diamond and others, 1988.

⁷⁷ Carothers, 2002.

⁷⁸ Levitsky and Way, 2002.

⁷⁹ Schedler, 2002.

Figure 6. Scheme of regime types and definitions



Source: Gilbert and Mohseni, 2011.

Hybrid regimes can be a stable equilibrium between democratic consolidation and authoritarian reversal, continuously fed by endogenous and exogenous factors of a political, social and economic nature. Stepan and Linz (2013) categorize ACTs as hybrid regimes, with the exception of the Syrian Arab Republic. Many ACTs will likely fall in this range, depending on the governance reform programmes that they adopt.

The literature has increasingly shown that hybrid regimes are a critical category that should be analysed in detail because they can be a stable condition or a transitory one, depending on the other characteristics of a country. Many Middle East scholars think that the optimistic scenario for the region would be to have countries turning into hybrid regimes against the real danger of relapsing into new forms of authoritarianism. Some of the literature is of consolation in this regard, since econometric studies have shown that if countries that were hybrid regimes in the recent past (held competitive elections) transition to democracy, they are more likely to remain in it and are less prone to backsliding compared to regimes without competitive elections.⁸⁰

Hybrid regimes, being of different types, are particularly difficult to measure. Many scholars have utilized thresholds in mono-dimensional continuum scales, including think tanks, such as Freedom House and Polity IV, through aggregation and by averaging different indicators into a single measure. However, these techniques, the dimensions to select and the arbitrary use of thresholds have challenged such efforts, as different types of regimes might receive a similar score despite their structural differences because of different combinations of authoritarian and democratic characteristics.

I. POLITICAL ECONOMY OF TRANSITION

The Arab uprisings have demonstrated that the often cited “authoritarian growth” based on the Eastern Asian model is not replicable in ACTs; this conclusion results from the underlying governance structures of the two regions. Scholars have repeatedly shown that, in Eastern Asia, institutions are heavily centralized and highly effective, allowing economic growth to take place in a sustained manner and for a long period of time. In many ACTs, institutions have been heavily centralized but are structurally weak because of the predatory behaviour of national elites. The “East Asia exceptionalism” argument, based on the limitation of political rights and democratic governance, has therefore proved to be stronger than the “Arab exceptionalism” one. As Carothers (2002) pointed out, the odds of finding liberal and developmental

⁸⁰ Hadenius and Teorell, 2007; Shirah, 2012.

dictators – something only found in East Asia to date – are very slim compared to the odds of corrupt, incompetent or self-serving ones.

Throughout human history, rulers in LAOs have not accepted political and economic competition and have not tended to voluntarily reform institutions and redistribute power more evenly across societies. They do so only when they tactically or strategically feel pressured to create more inclusive institutions. Any transition process results in winners and losers in political groups or socioeconomic categories that often are heterogeneous. Following the industrial revolution, for instance, groups with opposite interests, such as the landed aristocracies and the Luddites, were economic losers that had the common intent of opposing industrialization but through different means – the former through institutions that were instrumental to their power and the latter through violence. The intensity of opposition depends on the power accumulated by a certain group or category (as the difference in the capacity of opposition to industrialization of the British aristocracy vis-à-vis the Russian aristocracy, who had more power and therefore far more to lose, shows). A transition can therefore typically reshape the political and economic landscape of many interest groups whose interactions create unpredictability in the transition process. In addition, the degree of institutional concentration of power becomes critical in any transition process from its very start. Many countries stuck in transition, which never upgraded to OAO status, either had strong extractive central institutions or were never able to strengthen inclusive central State institutions, which contributed to further inter-group fighting and even widespread lawlessness. In LAOs, strong central institutions are likely only when one group is more powerful than others and forges them to its own interests. A transition therefore is heavily affected not only by the struggle for political and economic interests, but also by the capacity of institutions to exercise their power effectively while reflecting the new political and economic landscape. Eventually, in OAOs these institutions are able to become autonomous.

Other transitions provide valuable lessons to ACTs. Elites with vested political and economic interests, rather than visions or ideologies, have probably been the major spoilers. Apparently, in many countries such as Brazil, Chile and Indonesia, transition was mainly the result of an agreement between elites (military or economic) at the expense of the demands of the poorer parts of the population.⁸¹ The inability to address socioeconomic inequalities from the very start had dangerously hampered the credibility of the whole process. The rhetoric that emerged during transition in Latin America was not reconcilable with the reality created by extractive elites. However, the masters of this rhetoric were themselves an expression of the very same extractive elites against whom people claimed their rights. This state of affairs has gradually pushed voters in new democracies to support leaders with extreme ideologies. According to Acemoglu and Robinson, “it is not that Argentineans are just naïve and think that” politicians “are selfless ... Instead, many Argentineans and Venezuelans recognize that all other politicians and parties have for so long failed to give them voice, to provide them with the most basic public services ... and to protect them from exploitation”.⁸² A further side effect of this type of LAO in transition is that charismatic strongmen become more attractive than parties’ programmes, although they might be just another (more human) expression of extractive oligarchies. If this type of analysis is extended to the Arab region, it is easy to see how these dynamics enter a country’s context through its characteristics and public rhetoric. In the former Soviet Union countries, such dynamics have taken the shape of new nationalism, while in ACTs they are mired in a mix of proto-socialist, nationalistic and religious facets.

Using such rhetoric, old and new elites can easily persuade new Governments to restrict entry to markets through State regulation in key sectors, such as the media, steel, cement and other commodities, and provide State subsidies and preferential treatment (often another form of rent extraction) to their respective sectors under the increasingly populist rhetoric of job creation. Privatization also becomes instrumental to these dynamics, as seen in other transitions, with the risk of simply turning State-owned monopolies into privately owned monopolies, which end up benefitting the same elites (or their heirs) of connected

⁸¹ Cohen, 1987; UNDP, 2013a.

⁸² Acemoglu and Robinson, 2012, p. 387.

businessmen that used to thrive at the time of State monopolies. This shows that industrial policy tends to not be effective in helping a country develop if underlying governance-related factors are not tackled first. This also shows that extractive institutions are persistent even during a transition process and can even become more extractive, as evidenced by the Bolshevik revolution that kept some traits of the tsarist regime.⁸³

As the experiences of Brazil and Venezuela show, breaking this cycle is not easy. Single political parties, even when they win a majority in parliament, are often reluctant to undertake structural transformations because of their awareness of their potential backfiring effects in political terms.⁸⁴ These transformations normally entail the formation of broad coalitions that put together diverse social and political movements. The Brazilian transition is emblematic in this sense as it was neither the result of economic modernization nor was it designed by international financial institutions and based on the market failure mantra. It also did not benefit from injections of foreign aid. It was rather the result of repeated rounds of attempts within the wider social spectrum to build inclusive institutions and enhance democratic governance. Within a landscape of fragmented political parties, the leading party since the 1990s (the Workers' Party) was able to attract a variety of other social movements, ranging from the Catholic Church to feminist groups, and expand its political platform accordingly while compromising on the elite privileges.⁸⁵ In contrast, the Venezuelan democratic transition did not trigger a real transformation, as it took place without mass mobilization and left many patronage networks intact. This resulted in people trading socioeconomic entitlements for political rights and increased demand for a strongman supported by oil windfall revenues.⁸⁶

J. DETERMINANTS OF DEMOCRATIZATION AND ITS CONSOLIDATION

As we have seen, existing democracies can be divided into the following two groups: transitional democracies and consolidated democracies. The former face the possibility of reverting to autocratic systems. A democracy can survive if it is young and benefits from favourable circumstances or is already consolidated and hence at low risk of reversal. To move to the consolidation phase, according to Linz and Stepan (1996), a young democracy should fulfil the following requirements: sufficient agreement on new key legislative frameworks; Government formed as a result of free and popular votes; Government has the necessary authority to make reforms and implement policies; and constitutional powers are not subjected to other de facto powers, such as military or religious leaders.

Levels of economic development appear to be a fundamental explanatory factor in categorizing a country as a transitional or a consolidated democracy.⁸⁷ According to the literature, transition reversals are

⁸³ Ibid., p. 458.

⁸⁴ For example, Janvry and others (2013) studied how strengthening property rights over agricultural land in Mexico impacted voting behaviour. The 1992 Mexican land reform was rolled out across the country by the left-wing Government, providing certificates of ownership to individuals who previously had access to land but faced limitations in official property rights. The authors found that, after receiving complete property rights, voters exhibited a shift towards the right-wing party. This shift was stronger in regions with more valuable land. These results support the idea that individuals with productive assets, such as land, prefer pro-market politicians who support low taxes on capital and labour income. Hence, voters did not respond to the increase in property rights by supporting the party that implemented the reforms. The authors therefore show that redistributive land policies, which are often championed by pro-State parties, actually end up being politically costly for such parties.

⁸⁵ One example of compromising strategy is given by the country's mass media, whose owners have historically been close to the economic and political elites both before and after transition (UNDP, 2013a).

⁸⁶ Oil revenues may impact election outcomes and even transition processes. For example, Caselli and Michaels (2009) and Monteiro and Ferraz (2010) find that, following the increase in Brazilian off-shore oil production, royalty payments created a large advantage for political incumbents in the two elections that followed the oil windfall boom that benefited some Brazilian municipalities, while Tabellini and others (2010) find that larger transfer to municipalities increased political corruption and reduced the quality of candidates for mayor.

⁸⁷ There is evidence that the effect is non-linear, with income increasingly fostering democracy up to a certain level, after which its effect is reduced (Moral-Benito and Bartolucci, 2011).

more likely to happen in the midst of an economic recession⁸⁸ and reversals during the early stages of transition are more likely. Przeworski and others (2000) claim that economic development affects a democracy's chance of survival but not its transition from autocracy to democracy.⁸⁹ The effect of economic growth on delaying the onset of reversal exhibits increasing returns, so greater growth will buy more time for the consolidation phase. For example, three democracies with covariates at median levels, but with per capita gross domestic product (GDP) growing by -10 per cent, 0 per cent and 10 per cent, will have a median survival time of about 5, 8 and 12 years, respectively.⁹⁰ However, any correlation between the duration of a democracy and its chances of survival might be linked more to the occurrence of economic recessions rather than just to its consolidation process.⁹¹ Przeworski and others (2000) show that the odds of democratic survival decrease drastically after three consecutive years of negative economic growth. The results of a number of polls conducted since the start of the Arab uprisings seem to confirm this perspective. For example, in a poll conducted by the International Republican Institute in Egypt in 2011, just after President Mubarak's resignation, from the respondents who claimed that they had participated in the protests, almost two thirds mentioned low living standards and lack of jobs as their primary reason for taking part, distantly followed by lack of democracy and political reform (19 per cent), while 41 per cent claimed they faced difficulties feeding their families.⁹²

Income inequality, however, does not appear to have a robust effect on democratization⁹³ but inequality is a significant predictor of reversion to authoritarian regime,⁹⁴ as the experiences of Latin America clearly show.⁹⁵ The debate on the effect of inequality on democracy is, however, quite complex depending on the concept of inequality used (vertical or horizontal). Boix (2011) shows that equal distribution positively affects the probability of transition. According to Acemoglu and Robinson (2006a), intergroup inequality is an explanatory variable. Gender equality in education has lately been included as a potential positive determinant of democratization with one standard deviation increase in the ratio of female-to-male literates raising the probability of democratization by an average of 2.7 per cent.⁹⁶

⁸⁸ Acemoglu and Robinson, 2006a.

⁸⁹ Lipset (1959, p. 75) states that from Aristotle down to present, men have argued that only in a wealthy society the mass of the population could intelligently participate in politics and avoid succumbing to the appeals of irresponsible demagogues. This became known as the Lipset hypothesis according to which development, increased education and enlargement of the middle class stimulated democracy. According to Huber and others (1993), capitalist development weakens the power of the landlord class while strengthening the power of the working and middle classes. Using a panel study, Barro (1999) found that improvements in living standards, measured by per capita GDP, schooling, low inequality and primary education promoted the democratic concepts of electoral rights and civil liberties. However, urbanization and greater economic reliance on natural resources tended to discourage democracy. Barro also found that democracy rose with the middle class share of the economy and that democracy had a non-linear effect on growth.

⁹⁰ Svolik, 2007, p. 20.

⁹¹ According to Przeworski and others (2000), poor democracies experiencing decreasing GDP per capita are exposed to regime breakdown unlike rich democracies that are resistant to economic crises. In the case of dictatorships, both rich and poor regimes are vulnerable to economic crises.

⁹² International Republican Institute, 2011.

⁹³ Houle, 2009; Teorell, 2010; Haggard and Kaufman, 2012; Hegre and others, 2012.

⁹⁴ Acemoglu and Robinson, 2006a; Houle, 2009; and Landman and Larizza, 2009.

⁹⁵ This can be the result of two opposed forces in action. On the one hand, democracy may be less tenable in societies affected by high inequality (elites may particularly fear democracy because of potentially high redistributive costs and hence adopt repressive systems or at least clientelistic and patronage methods that would guarantee elite control of politics). On the other hand, an authoritarian regime with a low degree of inequality may reduce the likelihood of democratization, as the relatively poor may have little to gain from it. Acemoglu and Robinson (2006a) conclude that the relationship between inequality and democratic transition is characterized by an inverted U-pattern, with transition onsets more likely to occur at intermediate levels of inequality.

⁹⁶ Freund and Jaud, 2013b.

When it comes to economic structures, the literature converges on the existence of a “political resource curse”, implying that, in economies that depend on oil and other natural resources, the probability of democratization is reduced.⁹⁷ According to Boix (2003) and Acemoglu and Robinson (2006a), democratic transitions are also more likely when asset mobility is high so elites can easily transfer assets abroad and hence temper their repressive attitude. An agricultural economy, however, hinging on fixed assets, limits the options of elites to transfer assets elsewhere and increases the redistribution costs that they would have to bear under democratization. Industrialization has also been reported as a determinant of democracy because of the following two different agents: the presence of a large middle class⁹⁸ and the presence of a large working class.⁹⁹ The existence of these classes contributes to reducing horizontal inequality because they tend to work as a vehicle for mobility out of poverty and a more market-based return to investment (in both human and physical capital). Therefore, if, on the one hand, the presence of a middle class may reduce grievances of intergroup inequality and higher opportunity costs of revolts; on the other hand, its economic interests strongly support a gradual and orderly democratic transition.¹⁰⁰ However, the effects of industrialization might partly be at work through the urbanization process that is closely linked to it. Scholars have increasingly found a positive association between democratization and urbanization.¹⁰¹ In summary, rural societies are not as conducive to democracy as urban and industrialized ones¹⁰² and policies that effectively combat monopolies and other market failures to reduce elite economic rents support less violent transitions.

The existing empirical literature has also analysed the potential link between the institutional history of a country and its propensity to democratize. According to Acemoglu and Robinson (2006a), countries where colonizers established despotic institutions had less chance to democratize after independence. Others have analysed the nexus between pre-existing political institutions and the chance of democratization events,¹⁰³ while others the type of new democratic executive and the chance of survival of the new democracy. They found that presidential systems seemed to fail at a higher rate than other systems.¹⁰⁴ According to Cheibub (2007), however, presidentialism does not kill democracies as much as having a military dictatorship in the past does. Svobik (2007) finds that both a military past and a presidential executive have a very large and negative effect on the chances of democratic consolidation. This means that, in time of economic recession, having a military past and a current presidential executive will make the onset of authoritarian reversal more likely. Freund and Jaud (2013b) also find that democratic consolidation is less likely in the presence of a military regime. According to the econometric analysis in Svobik (2007), at the median levels of the model’s covariates (level of economic development, economic growth, executive type, and past authoritarian institutions), about half of transitional democracies revert to autocracy within the first 13 years of the transition. Countries with a democratic past are more likely to democratize¹⁰⁵ and, among non-democracies,¹⁰⁶ a limited multiparty system and competitive elections favour a broad acceptance of democratic norms and values and hence stand out as the prime instrument for insulating new democracies

⁹⁷ Caselli, 2006.

⁹⁸ Lipset, 1959.

⁹⁹ Rueschemeyer and others, 1992.

¹⁰⁰ Conversely, elite refusal to accommodate the requests of the middle class may cement its interests with those of the poor and open the way to a potentially more violent transition. For a more detailed analysis, see Acemoglu and Robinson 2006a, pp. 255-286.

¹⁰¹ Freund and Jaud, 2013b.

¹⁰² Acemoglu and Robinson, 2006a.

¹⁰³ Gandhi (2008) found that institutionalized dictatorships where various political parties are allowed to compete have a relatively higher chance to democratize compared to one-party regimes.

¹⁰⁴ Przeworski and others, 2000, pp. 128-136.

¹⁰⁵ Helliwell, 1994.

¹⁰⁶ Hadenius and Teorell, 2007; Wright, 2008; Brownlee, 2009; Shirah, 2012.

from potential threats to their survival during the first few power alternations.¹⁰⁷ Chaney (2012) finds in the institutional characteristics and history of the Arab region a hindering factor for democratization.¹⁰⁸

In addition, Inglehart and Welzel (2006) state that cultural traits and liberal values (freedoms) are important for democratization and consolidation. Religions and their relationships with democracy are one of the most contested factors and the literature is inconclusive on this matter¹⁰⁹ or finds no relation at all among the two.¹¹⁰ Ethnic fractionalization is also a contested variable, with some authors finding a causality nexus,¹¹¹ while others do not find any causality neither for democratization nor for consolidation.¹¹² Noland (2008) sees in the specific cultural characteristics a hindering factor for democratization and civil society empowerment. Educational levels, however, seem to be one of the most important drivers for democracy establishment,¹¹³ because education increases political awareness, fosters socialization and enhances civic values and demands for freedoms.¹¹⁴ The remarkable and fast achievements of many Arab countries, such as Egypt, Libya and Tunisia, are the result of an increase in schooling over the last three decades (it has more than doubled).

In addition, for some scholars, information and communications technology infrastructure and its regulation might enhance democratization.¹¹⁵ Moreover, neighbourhood effects¹¹⁶ and the strength of regional and global powers in a region also appear to be relevant for democratization and its consolidation.¹¹⁷ Table 1 below summarizes the potential determinants that characterize ACTs. Among the factors whose impact is proven, half of these characteristics seem to work in favour of democratization and democratic consolidation, while half work against them.¹¹⁸ The interaction of these two groups of factors is therefore crucial in shaping transition in each ACT.

¹⁰⁷ However, Dahl (1971) argues that high levels of participation are dangerous to the survival of young democracies because they might generate chaos by giving many groups simultaneous access to power and hence increase their opportunity cost to fight for it.

¹⁰⁸ More specifically, Chaney (2012, p.12) finds that “the historic division of power between the military and religious leaders did not produce democratic institutions” and that “elites worked to resist the emergence of rival centres of political power such as merchant guilds”.

¹⁰⁹ Teorell, 2010.

¹¹⁰ Freund and Jaud, 2013b. According to Rothstein and Broms (2010), it is not religion but how religion has been financed that may explain the lack of democracy in the Arab region.

¹¹¹ Lijphart, 1999; Alesina and others, 1999, 2003; Aghion and others, 2004. Landman and Larizza (2009) find a curvilinear relationship with civil and political rights.

¹¹² Hegre and others, 2012; Freund and Jaud, 2013b. Landman and Larizza (2009) find a curvilinear relationship between ethnic fractionalization and the protection of civil and political rights.

¹¹³ Lipset, 1959; Putnam, 1995.

¹¹⁴ Education also seems to positively influence the speed of democratization (Papaioannou and Siourounis, 2008).

¹¹⁵ Diamond, 2008.

¹¹⁶ Gleditsch and Ward, 2006; Freund and Jaud, 2013b.

¹¹⁷ Diamond, 2010, according to which the Arab region is too important given its oil reserves to foreign powers, which historically have traded autocratic rulers in exchange of political stability.

¹¹⁸ However, in the specific case of Tunisia, most of the factors seem to work in favour of the transition and give a sign of hope for the whole region.

TABLE 1. SUMMARY OF DETERMINANTS OF DEMOCRATIZATION
AND DEMOCRATIC CONSOLIDATION

Determinants	Democratization	Democratic consolidation	Characteristics belonging to ACTs
Natural resources	-	?	√
Industrialization	+	?	
Information and communications technology/ infrastructure	+	+	√
Urbanization	+	?	√
Education	+	?	√
Health	+	?	√
Income level	?	+	
Corruption	?	-	√
Military involvement in politics	-	-	√
Presidential democracy	?	- (but + in Latin America)	
Economic performance	-	+	
Trade openness	?	?	√
Inequality	?	-	√
Gender equality in education	+	?	√
Ethnic fractionalization	-	?	√
Religion	?	?	√
Previous democracy	+	+	
Previous competitive elections	?	+	
Arab region	-	-	√

Source: ESCWA compilation based on the works cited in this section on the subject.

Note: Sign “+” and sign “-” represent a positive and a negative effect, respectively, on democratization or democratic consolidation. The “?” sign means that the effects can be ambiguous or the literature is inconclusive or not well established.

The determinants we have just looked at are definitively important but not sufficient conditions for igniting regime change. Their interactions are also critical drivers of democratization and consolidation. For instance, according to the modernization hypothesis, rising income and education levels is a precondition for democracy.¹¹⁹ However, by analysing the datasets of five rounds of the World Value Surveys, it emerges that this effect might be mediated by other important factors. Higher education levels, which cause greater propensity to engage in political activity, coupled with a deterioration of the economy, are statistically associated with higher government turnover and pressure for democratization or at least instability.¹²⁰ However, a favourable economic context helps mute such a propensity¹²¹ given the higher opportunity cost of income deriving from labour markets that would be foregone.¹²² The combination of rising education levels and persistent youth unemployment has been extensively used as one of the main analytical tools to understand the determinants of the Arab uprisings,¹²³ and econometric regressions show a clear mismatch

¹¹⁹ Lipset, 1959; Barro, 1999.

¹²⁰ Noland and Pack, 2007; Campante and Chor, 2012a.

¹²¹ Charles and Stephens, 2011.

¹²² According to Campante and Chor (2012a), the underlying factor for the interaction to influence the decision to engage in political protest does not seem to be driven only by the grievance caused by bad economic performance, but also by the low opportunity cost for engaging in political protest. For an analysis of the role of the opportunity cost theory in regime changes and political violence, see Acemoglu and Robinson, 2006a; Bruckner and Ciccone, 2011; Aidt and Leon, 2012; and Besley and Persson, 2011.

¹²³ El-Said and Rauch, 2012; Campante and Chor, 2012b.

between predicted income and educational levels in Egypt, Jordan and Morocco.¹²⁴ Other interactive dynamics could also be at work with regard to the propensity for democratic transition. For instance, although vertical inequality does not seem to be a decisive factor for pressure from below towards democratization, when combined with the capacity of the poor to mobilize through parties or unions, thereby transforming it into horizontal inequality, the likelihood might increase drastically.¹²⁵ Poor people concentrated in rural areas face difficulty in organizing themselves and remain weak in the face of potentially predatory elite attitudes. However, structural factors, such as economic volatility combined with rising inequalities, when combined with spontaneous events such as those that took place in Tunisia could prompt scattered individuals and groups to gather in collective action.¹²⁶ Lastly, the interaction between political and economic variables is of paramount importance in understanding the possible types of transition paths, including their potential degree of violence. In the absence of a political conduit and of institutions that can channel protests and reform themselves accordingly, the underlying weaknesses of ACTs combined with political dislocation deriving from violence and political polarization will likely worsen the economic situation and horizontal inequalities, thereby making the transition path even more arduous.

However, according to Teorell (2010), structural characteristics seem to explain only around 40 per cent of changes in democracy levels. This means that country-specific characteristics, accidental events and policy choices on issues such as the role of the military, constitution-making process and elections, can seriously affect democratization and its consolidation. Indeed, there have been cases of steady democratization processes against all odds. Mongolia, for instance, experienced one of the most surprising transitions of the third wave. The country is poor; has no previous democratic experience or genuinely democratic neighbours; is geographically landlocked; and suffered painful economic hardships during the transition process. Sound leadership and broad-based commitment to embrace democratic processes turned out to be crucial. Unfortunately, the Mongolian case appears to be unique among third wave countries.

K. TRANSITION AND COLLECTIVE ACTION

The temptation to put a democratic governance agenda – according to Western views – at the centre of foreign aid for countries in transition has been big over the last two decades. However, as already mentioned, governance reforms risk having only a face value or could even contribute to deteriorating political stability and foment creeping conflicts if underlying structural and political economic issues are not addressed at the very early stages of a transition. Better governance can arise as a coherent agenda when a mobilized civil society is able to organize itself to “hold Governments to account”.¹²⁷ Hence, collective-action problems are at the hearth of transitions. The issue then becomes how to address these challenges during a transition, when elites are fragmented and subject to fierce competition among themselves. Unfortunately, corruption, clientelism, vote-buying and a general short-termism attitude can often become powerful (if not the only) vectors of coordination during transition and that is why, in many democratizing countries, they have often been noticed at sustained high levels. The more a society is fragmented along ethnic, confessional and geographic lines, like in many ACTs, the more this is likely to be a hindrance to transition and the more difficult it is to find an effective vehicle of collective action. While social media can help mobilize at an early stage of protest, they do not seem to be able to organize collective action in the consolidation phase. Potential tools can be found among local communities, networks of civil society organizations, trade unions, chambers of small and medium enterprises, traditional charities and other “informal social groups”, and all those “intermediate bodies” that can play the role of organizing platforms for people (and potentially future elites) from different corners of society.

¹²⁴ Campante and Chor, 2012b.

¹²⁵ Haggard and Kaufman, 2012.

¹²⁶ Inglehart and Welzel, 2006; and Haggard and Kaufman, 2012.

¹²⁷ Booth, 2012.

II. DEMOCRATIC GOVERNANCE CHALLENGES IN ARAB COUNTRIES IN TRANSITION

A. BACKGROUND

The Arab uprisings “inaugurated a revolutionary moment in the Arab world not experienced since 1958”¹²⁸ – a year known for significant changes in Middle Eastern countries. Now that the dust has settled, it is clear that perhaps they left behind, at least for the time being, more challenges than opportunities. One can ascribe the emergence of civil society as a real actor, the vocal calls for human rights and democracy as the stepping-stones of any political platform. However, many challenges remain, including the following:

- (a) An institutional vacuum;
- (b) A polarized society and political spectrum;
- (c) Collective action problems;
- (d) Disillusionment;
- (e) Economic stagnation;
- (f) Ambiguous role of the security sector;
- (g) A dysfunctional bureaucracy;
- (h) Widespread risk of autocratic relapse;
- (i) Instability and conflict.

It is important to understand the sociopolitical and economic context of Arab countries prior to the uprisings and the problems inherent within them, given that they acted as major catalysts of the unrest that might have interplayed with time-bound factors, such as economic distress, succession crises, cases of perceived electoral frauds and neighbourhood effects.¹²⁹

1. *Sociopolitical and economic context of Arab countries*

For the purpose of the present study, some sociopolitical and economic similarities among Arab countries gain particular relevance, as they create the context in which governance challenges arise. Scholars have highlighted several of these similarities, including the following:

- (a) Economic and political power controlled by few;
- (b) Centralized States dominated by the public sector, with a weak private sector;
- (c) Security States with extensive and fierce coercive apparatuses;
- (d) Regional political economy shaped by external revenues, such as oil, aid and remittances;¹³⁰
- (e) Economic opportunities rationed by connection rather than competition;
- (f) Labour markets segmented at multiple levels (public and private sectors, formal and informal sectors and nationals and non-nationals), not allowing citizens and State to have vested interests in private sector development;¹³¹
- (g) Direct beneficiaries, such as unemployed youth and young firms, not sufficiently organized to push for meaningful reforms;¹³²

¹²⁸ Rabbani, 2011, p. 28.

¹²⁹ The combination of perceived frauds of the 2010 parliamentary elections in Egypt and the widespread rumours of President Mubarak’s plan to hand power to his son, as well as the contagion from Tunisia, helped trigger protests in Egypt.

¹³⁰ Malik and Awadallah, 2011, pp. 1 and 4.

¹³¹ Ibid., pp. 1 and 3.

¹³² Ibid., p. 23.

- (h) Demographic change and resulting youth bulges;
- (i) Use of social forces through the allocation of rent, cronyism and stunted economic liberalization;¹³³
- (j) Manipulation and division of opposition forces;¹³⁴
- (k) Ineffective exploitation of political institutions, such as parties and electoral laws;¹³⁵
- (l) Feeble civil society;¹³⁶
- (m) Liberalized autocracies¹³⁷ and monarchies;¹³⁸
- (n) Culture.¹³⁹

Combined, the above-mentioned elements characterize the sociopolitical and economic context of many Arab countries prior to the uprisings. Contrary to what had been observed in other regions that eventually moved from autocracy towards democracy, Arab Governments have had the capacity and will to suppress democratic initiatives originating from society. Such capacity derives from the following five factors: fiscal health of the coercive apparatus, which is extremely strong in the region because of incomes from fossil fuels; geostrategic location and secondary rents; preservation of international assistance flows because of the benefits that the coercive apparatus yields to foreign security interests; low level of institutionalization; and low level of popular mobilization to challenge the coercive apparatus in the name of political reform.¹⁴⁰ In addition, former autocratic regimes in the region have used the excuse of terrorism or foreign threats to tighten the grip over their countries.

All the above factors have to do with a multidimensional concept that relies on an amalgamation of political, economic and social processes and outcomes that have at their core the convergence of the concepts of neopatrimonialism¹⁴¹ and rentierism, which lean on the following three sources of legitimacy: traditional loyalty (such as informal personal and religious close-knit networks); redistribution of assets (such as jobs, subsidies, licenses and other privileges); and extensive use (or abuse) of symbolism linked to a mix of culture, identity and national rhetoric. In this system, rulers' strategy consists of balancing (first and foremost) different elites and (secondly) other strata of society by elite rotation and divide-and-rule tactics.¹⁴² The increasing use of elections has so far not changed these underlying characteristics to the point of making them instrumental to the system as a mechanism of "elite selection"¹⁴³ or "competitive clientelism".¹⁴⁴

¹³³ Beblawi and Luciani, 1987; King, 2003; Moore, 2004.

¹³⁴ Zartman, 1988, pp. 61-87.

¹³⁵ Brownlee, 2007; Posusney, 2002.

¹³⁶ Norton, 1995.

¹³⁷ Brumberg, 2002, pp. 56-68.

¹³⁸ Anderson, 1991, pp. 1-15; Lucas, 2004, pp. 103-119.

¹³⁹ Huntington, 1996; Lewis, 1993; Kedurie, 1994; Vatikiotis, 1987.

¹⁴⁰ Bellin, 2004, pp. 139-157.

¹⁴¹ Neopatrimonialism blurs the boundary between the public and private as well as the political and economic domains, with a group of individuals treating national resources and institutions as if they were private. It is different though from corruption or clientelism because it refers to a certain functioning of the State that these terms do not entail. It also tends to differentiate itself from cronyism, as the latter implies an exchange of resources between the private and the public sectors based on mutual interests, while the former does not. In the literature, neopatrimonialism has been associated with the resource curse, patronage, predatory behaviour, inequality, lack of economic diversification and, ultimately, bad governance. It is not linked to a particular type of political regime, such as democracy or autocracy, as many neopatrimonial States are actually new democracies or countries in transition.

¹⁴² Bank and Richter, 2010.

¹⁴³ Blaydes, 2008.

¹⁴⁴ Lust, 2009.

The result is a two-level principal-agent problem where, at the first level, the principals are the citizens who vote for their agents (i.e. politicians) to enact policies in voters' interests; and, at the second level, politicians in turn become principals themselves towards their agents (i.e. civil servants), who should implement such policies. In the Arab region, both of these accountability links are usually weak.

While the root causes of the Arab uprisings are more or less the same across the region, they took different shapes and trends owing to the specific circumstances of each country. It is therefore important to discuss the drivers or conditions that shaped those uprisings.

2. Paths of the Arab uprisings

According to Gelvin (2012), at the outset of the uprisings it was possible to group different Arab countries into clusters. Egypt and Tunisia formed one cluster; these two countries have witnessed over two centuries of continuous State-building and have "functioning institutions separate from the executive branch of Government". Libya and Yemen formed the second cluster; with both countries "lacking strong institutions or having weak national identities". Therefore, during the unrest, institutions fractured and the uprisings turned violent and drawn out. The third cluster consisted of Bahrain and the Syrian Arab Republic; where "regimes are built in such a manner that it was impossible to maintain their cohesion" against the uprisings. The fourth cluster comprised the monarchies of Jordan and Morocco, which have witnessed protests but these were limited in size compared to those of other countries. In such cases, the demand was mainly for reform and not for the overthrow of the current political system. However, Gelvin's categorization has been put to the test as various factors and developments have partly changed it since 2012.

Another vital aspect affecting transition paths is the position of the army post-conflict. When the military is called upon to intervene, it attempts to determine what course of action is more aligned to its goals and mission. For instance, during the Arab uprisings, the decision to utilize lethal force against civilians risked seriously undermining the military's core interests: cohesion, discipline, prestige and legitimacy. Consequently, the level of social mobilization is likely to influence whether the military joins the uprising, sidelines itself or fights against it. Other components of such an equation are the degree of institutionalization of the military, as opposed to being organized along patrimonial lines (blood, sect, ethnicity); and the level of commitment to the regime by the security establishment, including the military elite.¹⁴⁵

The practice of politicized religiosity or sectarianism is also a key element of transition in Arab countries. This means that patterns of political organization and behaviour are based on religious identity, a type of primordial attachment or pre-State loyalties. If primordial loyalties can undermine a Government, primordialism can threaten the very existence of a State.¹⁴⁶

Rulers who have maintained power by exploiting clan or ethnic differences within tribal societies face potential conflict and can find themselves in a stand or die situation. However, countries that have transcended clan-based politics and tried to create a more modern sense of nationalism have experienced less violent and more outwardly successful transitions.¹⁴⁷

¹⁴⁵ Bellin, 2012, pp. 131-133. On the one hand, if the military is institutionalized (recruitment and promotion based on merit not politics; clear separation between the public and the private that forbids predatory behavior towards society, where discipline is upheld by the inculcation of a service ethic and the strict enforcement of a merit-based hierarchy rather than cronyism and/or balanced rivalry between primordial groups), it will have a sense of corporate identity separate from the regime and can consider separation from the ruling establishment since it will live beyond the regime. On the other hand, if the military is structured patrimonially (if the military elite is closely linked to the regime through blood, ethnicity or sect, career advancement depends on political loyalty or cronyism instead of merit; distinction between public and private is hazy; and economic corruption, cronyism and predation are widespread), its fate is linked to that of the regime.

¹⁴⁶ Hazran, 2012, p. 118.

¹⁴⁷ Jones, 2012, p. 450.

The trajectory of transition can also be influenced by the long-term process of State formation. In this sense, when compared to other Arab countries, Egypt, Tunisia and Morocco are, to some extent, closer to the notion of a nation State, defined as a political space whose boundaries correspond with those of an imagined community commanding the ultimate loyalty of its members. For centuries, the rulers of these countries have governed generally identical territory and populations, meaning that they were able to follow State and nation-building strategies with some success. These countries have therefore witnessed limited violence in their transitions, with the notable exception of Egypt. In contrast, Libya, the Syrian Arab Republic and Yemen are “territorial States that seek to be nation States”. They have internal divisions and at times their borders have been redrawn substantially, which further complicates the imagination and building of a community of solidarity that is coextensive with the population of the State.¹⁴⁸

B. ERA OF POST-DYNASTIC REPUBLICS: GOVERNANCE CHALLENGES IN ARAB COUNTRIES IN TRANSITION

Calculating the Pearson correlation coefficient for all six indices of the 2013 Worldwide Governance Indicators (WGIs) for the whole dataset (table 2) reveals a high correlation between these indices, where the rank of one index might indicate the country’s performance in other governance aspects. For example, better voice and accountability might affect both government effectiveness and regulatory quality. Furthermore, a better voice and accountability score might also be associated with low corruption, while high political stability could be associated with a high score for rule of law.

TABLE 2. PAIRWISE CORRELATION COEFFICIENTS FOR ALL COUNTRIES INCLUDED IN WGI

	Corruption	Government effectiveness	Regulatory quality	Political instability	Voice and accountability	Rule of law
Corruption	1					
Government effectiveness	0.932	1				
Regulatory quality	0.867	0.932	1			
Political instability	0.726	0.684	0.641	1		
Voice and accountability	0.765	0.772	0.784	0.685	1	
Rule of law	0.926	0.922	0.882	0.784	0.825	1

Source: WGIs and ESCWA calculations.

Note: All the pairwise correlations are significant at less than 5 per cent confidence interval.

If the same process is applied to Arab countries, these positive and strong correlations still persist with high degrees of significance, but the obvious difference is in voice and accountability. Many Arab countries have a significantly low level of voice and accountability, yet are associated with high levels of regulatory quality, high government effectiveness and high rule of law compared to other countries in the region or their international comparators. As this report shows, political economy scholars linked this weak performance in voice and accountability to the fact that Governments and monarchies in extractive economies tend to resist democratic governance reforms.

TABLE 3. PAIRWISE CORRELATION COEFFICIENTS FOR ARAB COUNTRIES INCLUDED IN WGI

	Corruption	Government effectiveness	Regulatory quality	Political instability	Voice and accountability	Rule of law
Corruption	1					
Government effectiveness	0.958	1				
Regulatory quality	0.938	0.962	1			
Political instability	0.855	0.812	0.723	1		
Voice and accountability	0.682	0.691	0.716	0.462	1	
Rule of law	0.9481	0.936	0.933	0.823	0.635	1

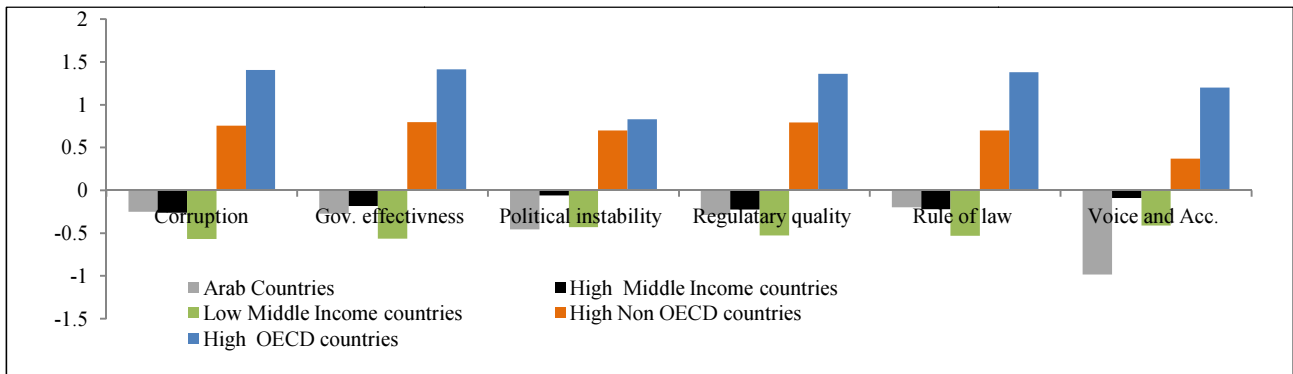
Source: WGIs and ESCWA calculations.

Note: All the pairwise correlations are significant at less than 5 per cent confidence interval.

¹⁴⁸ Kienle, 2012.

An example of the stylized facts in the Arab region is provided in figure 7, which compares governance quality in Arab countries to the rest of the world using WGIs. According to these indicators, the quality of governance fluctuates over a spectrum of -2.5 (bad quality) to +2.5 (excellent quality). It is obvious that Governments in the Arab region have failed to build enough capacity to promote good governance and governance for growth over the last 18 years. The Arab region's performance in governance quality is around the thirty-third percentile of the world's overall ranking, scoring below the average for middle income countries, with a deteriorating trend over the years.

Figure 7. Governance in Arab countries versus other countries

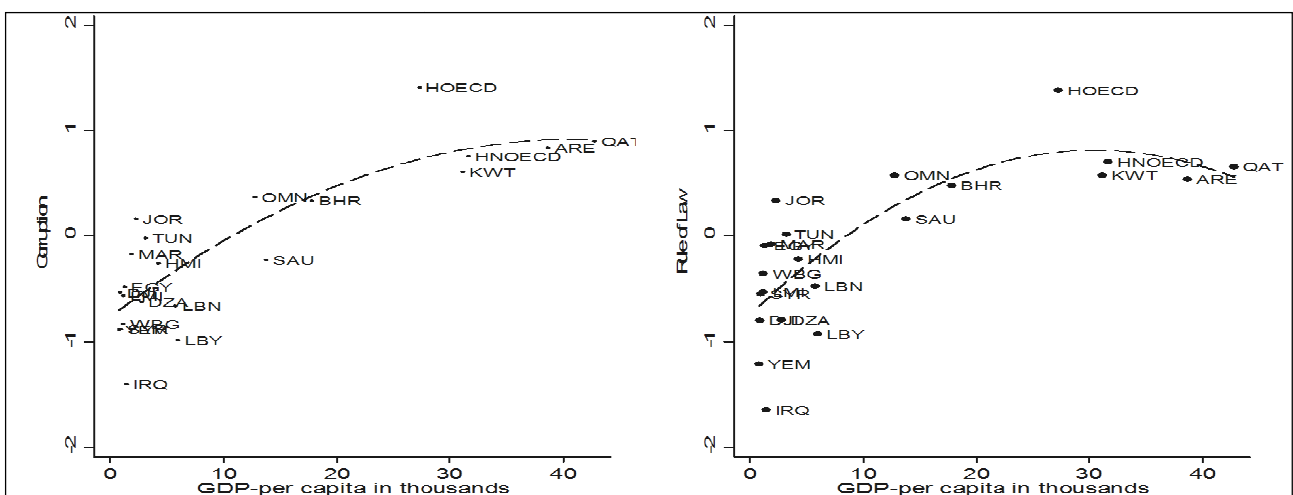


Abbreviation: OECD, Organisation of Economic Co-operation and Development.

Source: WGIs and ESCWA calculations.

Looking at the institutional governance part of WGIs, Libya, Iraq, the Syrian Arab Republic and Yemen are performing relatively lower compared to the income bracket that they belong to. These countries register a high level of corruption (low control for corruption quality as specified in figure 8) and low quality of rule of law; activities such as tax favouring, connections, government lobbying, lower social spending, unequal access to public goods (including quality education) and the limited rule of law have hindered income growth. However, the relationship in ACTs between income and institutional governance quality is still puzzling. Countries such as Jordan, Morocco and Tunisia performed higher than their average income bracket.

Figure 8. Institutional governance



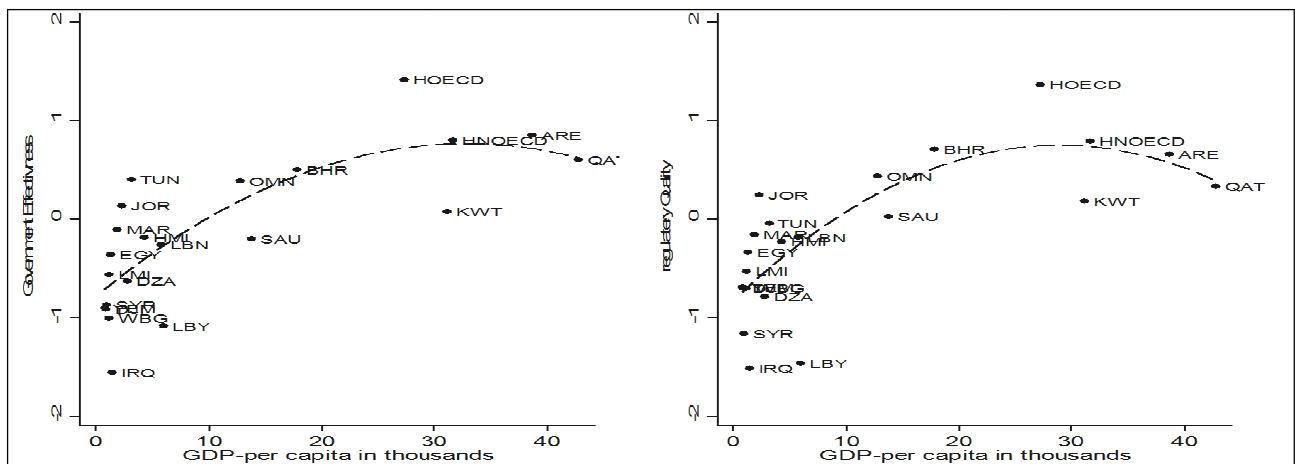
Abbreviations: HOECD, high income OECD member countries; HNOECD, high income countries non-members of OECD.

Source: WGIs and ESCWA calculations.

Note: ISO country codes are used to designate countries.

Looking at the quality of economic governance in the Arab region (figure 9), countries such as Libya, Iraq, the Syrian Arab Republic and Yemen (mainly with relatively low political stability) perform worse than the average of countries in the same income bracket. Furthermore, even star performers in the Arab region perform below average for their income bracket. Evidence suggests that economic governing institutions in the Arab region lack the capacity to face negative economic shocks, including external shocks. Reforms in areas such as competition, trade, fiscal policy, monetary policy and infrastructure are of great importance; however, what is more crucial is in what manner these reforms are executed and if they directly target inclusive growth and development.

Figure 9. Economic governance and GDP per capita



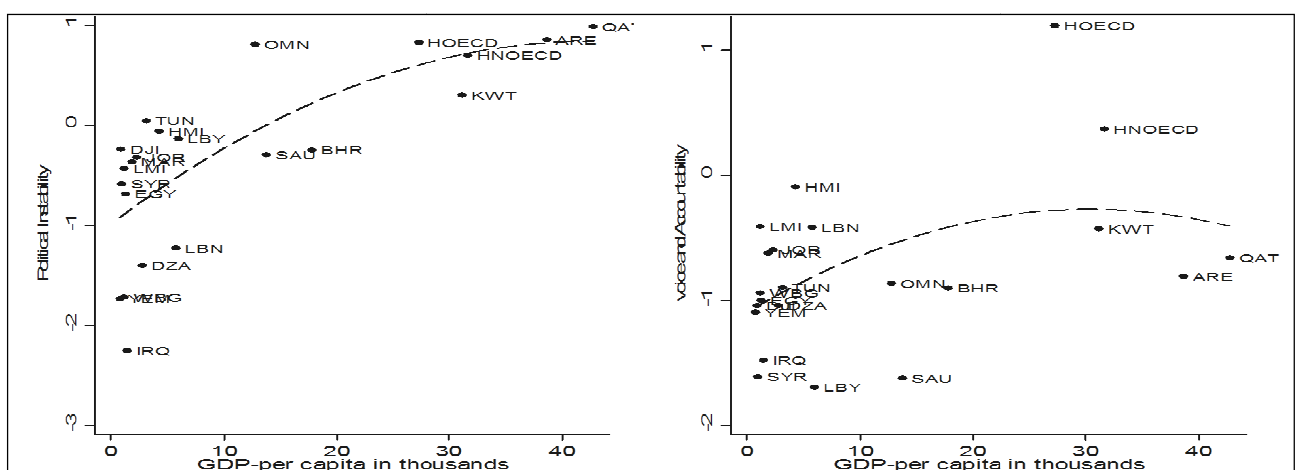
Abbreviations: HOECD, high income OECD member countries; HNOECD, high income countries non-members of OECD.

Source: WGI and ESCWA calculations.

Note: ISO country codes are used to designate countries.

The quality of political governance is somehow contradictory in the Arab region. It is obvious that many ACTs perform lower than average in both political instability and voice and accountability. However, some resource rich countries enjoy a high quality of political stability, with a disappointing quality of voice and accountability.

Figure 10. Political institutions



Abbreviations: HOECD, high income OECD member countries; HNOECD, high income countries non-members of OECD.

Source: WGI and ESCWA calculations.

Note: ISO country codes are used to designate countries.

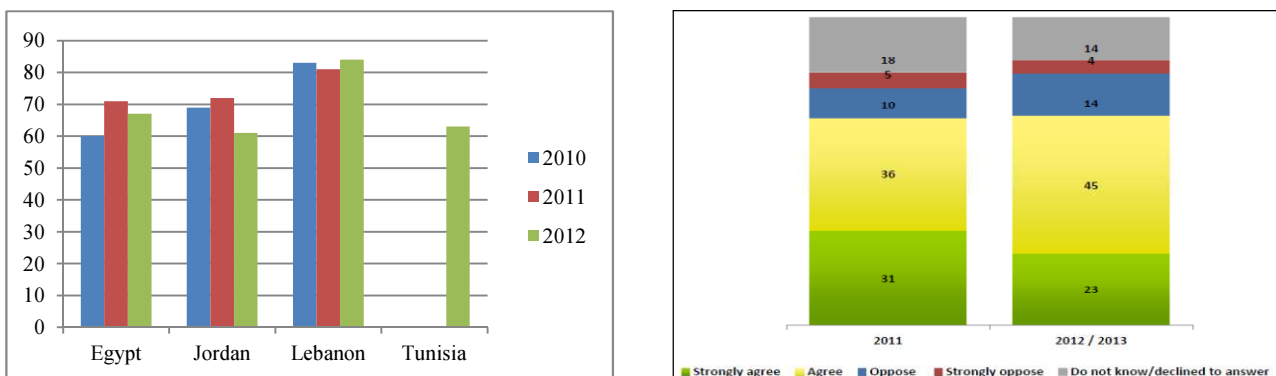
From the schematic analysis above, it is clear that the different transition trajectories that ACTs are taking are a clear reflection of two crucial factors, namely their different starting points and the fortuity of early choices.¹⁴⁹ Unlike Libya, Tunisia did not have to fight to oust President Zine al-Abidine Ben Ali, and the Tunisian army was not as popular as the Egyptian army. This gave Tunisia the opportunity to have a civilian-led transition that other ACTs have not had. These and many other characteristics included in the present study produce fundamental differences from the start, which make transitions very much country-specific. These trends and the extent of violence that took place, when combined with the pre-existing challenges of Arab countries, have served to create many of the governance challenges now faced by ACTs.

1. Norms and culture

Deep-rooted norms and cultures pose a challenge to democratic governance in the region. As Puddington¹⁵⁰ wrote, courage and sacrifice are essential to attaining freedom. Building democratic infrastructure, to ensure long-term observance of political rights and civil liberties, requires the acceptance of a free press, the courage to place restrictions on leaders and political opponents as part of the fight against corruption and to allow the judiciary, police and other critical institutions to function without political interference.

Fortunately, the latest opinion polls show that democracy remains vastly supported in the region.¹⁵¹ Moreover, new questions in the second round of surveys since the uprisings revealed that a large majority of interviewees believed in racial tolerance, supported having women in the workplace and preferred having a range of politicians espousing diverse political ideas.¹⁵² A recent Gallup poll in Egypt also shows that Egyptians are relatively more optimistic about the media, with 57 per cent believing that media freedom has improved since Hosni Mubarak's fall.¹⁵³ Obviously, a word of caution needs to be said about such surveys, given the inherent volatility of the transitions in the region and hence of people's opinions.

Figure 11. Public support for democracy



Sources: Pew Research Centre, Global Attitudes Project, 2013; and the Arab Center for Research and Policy Studies, Arab Opinion Index, 2013.

Note: The right-hand figure shows the average results in 14 Arab countries in support/opposition to the statement "Democracy remains the best possible form of Government, despite its difficulties".

¹⁴⁹ Diamond and others, 2014.

¹⁵⁰ Puddington, 2012, p. 88.

¹⁵¹ In Egypt, according to Pew Research, support for democracy in the May 2013 survey was around 66 per cent. When people were asked to choose between democracy and strong leaders, 60 per cent supported the former while 36 per cent supported the latter.

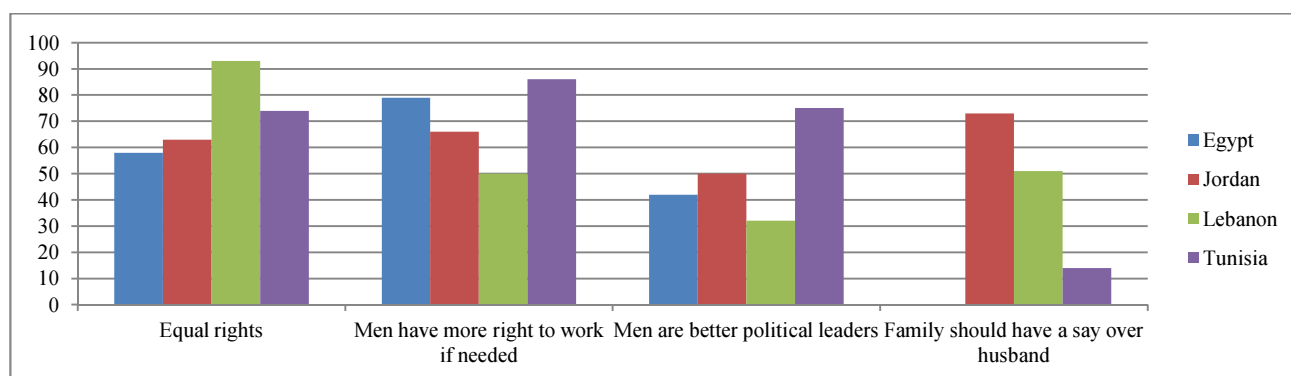
¹⁵² Tessler and others, 2012, pp. 89-90. The first wave of Arab Barometer surveys was conducted through face-to-face interviews with nationally representative samples of men and women, aged 18 and older, in Algeria, Jordan, Kuwait, Lebanon, Morocco, Palestine and Yemen. The second wave was carried out in all of these countries, except Kuwait, and also in Egypt, Iraq, Saudi Arabia, the Sudan and Tunisia.

¹⁵³ Younis, 2013. However, it should be noted that the poll was conducted in June 2013, before the military's heavy-handed action of 3 July 2013 that included the closure of various Islamist-leaning television channels.

Democratic transformation also depends on the cultural aspect of a society. It is therefore paramount to develop “a new democratic culture” that corresponds to the specific conditions of each Arab society; guarantee material and moral resources without which no political movement can persist; build an active, democratic, pluralistic centre and avoid one-sided views of reality; learn to absorb intellectual and organizational multiplicity; reform official and social institutions; and construct a unifying collective political credo or national consensus.¹⁵⁴

Promoting and monitoring the development of this new “democratic culture” is one of the most important factors in measuring the success of the uprisings and their call for democracy. Until the region enshrines diversity and participatory values and norms, such as respect for minorities, gender equality, political pluralism, election results and inclusive politics, the status quo will essentially remain the same. Election victories should be seen as something other than seizing complete control of the State and as a mandate to enforce the leaders’ own agendas. Measuring this participatory and accountable culture is critical to discerning the extent of progress in governance. One of the priorities in this direction must be women’s rights (figure 12).

Figure 12. People’s beliefs on gender equality in Arab countries in transition



Source: Pew Research Centre, 2012.

2. Political Islam

The religion versus State debate is expected to be shaped during the post-Arab uprisings period, especially as Islamist parties won the first round of elections in almost every Arab country that held them following the uprisings. The need to examine the dynamics of transition within the framework of Islamism is important for the issue of governance in the Arab region. In the Arab countries surveyed by the Pew Research Centre following the uprisings, the majority of people think that Islam and the Holy Quran should play an important role in the political life and legal principles of their countries – only in Jordan do the two questions diverge in terms of majority of respondents.¹⁵⁵ The surveys conducted by the Arab Barometer support this view in countries such as Iraq, the Sudan and Yemen, with the relative majority of respondents agreeing that “men of religion should have influence over government decisions”. This is not the case in the rest of ACTs, which show declining trends in this respect.¹⁵⁶ According to the May 2013 findings of the Pew Research Centre, less than 30 per cent of Egyptian respondents think that men of religion should have limited or no influence in political matters but this share seems to be on a rising trend lately.¹⁵⁷ At the same time, the majority, although not overwhelming, has exhibited religious moderation because of concerns over Islamic extremism. According to the Arab Opinion Index, over 70 per cent of Arabs interviewed expressed preference for an open political system regardless of religious or ideological issues (figure 13). Interestingly,

¹⁵⁴ Ghalioun, 2001, pp. 440, 442 and 443.

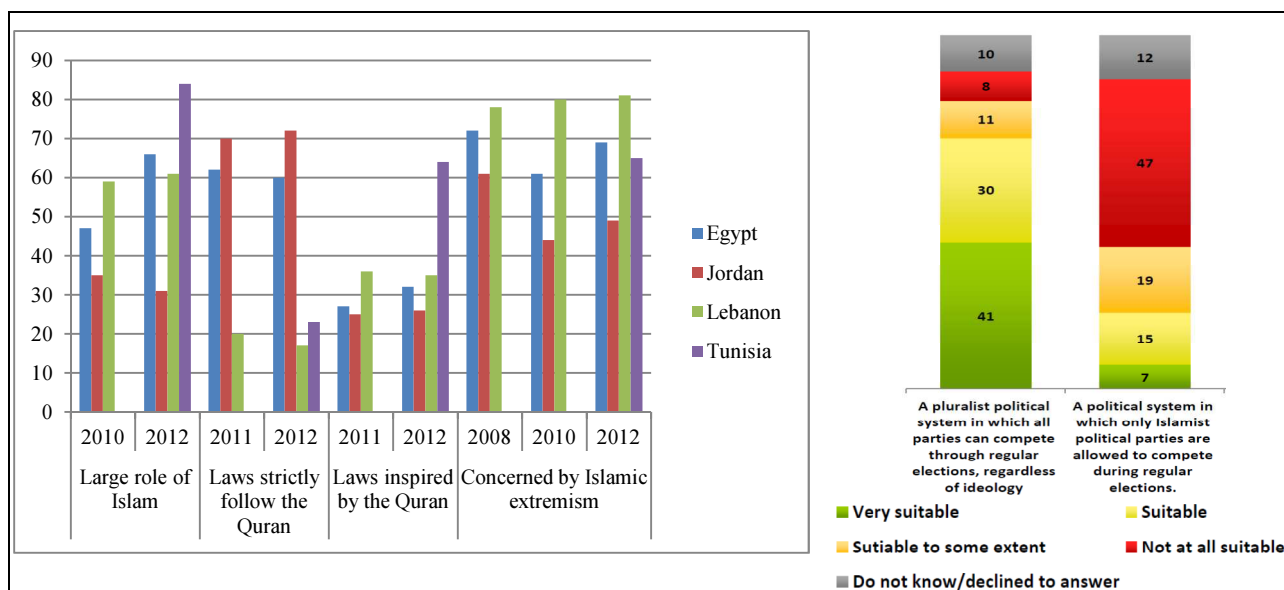
¹⁵⁵ In the survey conducted in Egypt, the Pew Research Centre found that 58 per cent of respondents were in favour of domestic laws strictly following the Quran (Pew Research Centre, 2013).

¹⁵⁶ Arab Barometer, 2011.

¹⁵⁷ The same survey found that 58 per cent of the respondents want the country’s laws to strictly follow the Quran.

support for the role of religion in Government and politics declined between the two Arab Barometer surveys carried out in 2006-2007 and 2010-2011.

Figure 13. Importance of Islam and concerns about religious extremism



Source: Pew Research Centre, 2012 and Arab Center for Research and Policy Studies, 2013.

Note: “Large role of Islam” is the sum of “very large” and “fairly large role”, as reported in the questionnaire. “Concerned by Islamic extremism” is the sum of “very concerned” and “somewhat concerned”, as reported in the questionnaire.

The Middle East of today bears deep-rooted prejudices, including that democracy presupposes secularization. These views might change over time. In any transition, politics plays a fundamental role that helps shape views and beliefs. It should be expected, for instance, that extremist parties, which were once part of a government coalition, might be pushed towards a more open and democratic way of governance, because therein lies their only chance to remain at the centre of political life. Consequently, both groups might turn out to be willing, if unenthusiastic, agents of democratization.¹⁵⁸ The case of Egypt, however, has been used to counter-argue such a perspective. In Egypt, the two opposing fronts sought to reshape the new political space to their own advantage, thereby narrowing the democratic space and strengthening its polarization.¹⁵⁹

3. Young people

The Arab uprisings have frequently been portrayed as youth uprisings. The role of Facebook and other social media has been highly prominent and the problems of young people, namely high unemployment, the “waithood” syndrome and new family structures, have already been largely discussed. However, what role will young people continue to play after the uprisings?

Looking at the region’s demographics, women have now entered universities and the job market; and young people have received more schooling, have married later and have had fewer children. Moreover, the concept of nuclear families is replacing extended households. Mobile phones, satellite television and the Internet enabled newer generations to associate, connect and debate on a peer-to-peer basis rather than through a top-down authoritarian system of knowledge transmission. Young people feel less attached to

¹⁵⁸ Roy, 2012, pp. 6-8 and 13.

¹⁵⁹ Franklin, 2013, p. 8.

patriarchal customs and institutions. The political culture is changing: young educated people are more individualistic, less prone to be swayed by holistic ideologies or charismatic leaders.¹⁶⁰

In spite of that, individualism among Arab youth is not straightforward on anti-parochial authority, anti-tribe, anti-community and anti-political party attitudes. Their position is a type of individualism that entails the unending negotiation of a protagonist with the existing social structure to realize a partial emancipation from it. The new “political subjectivity of youth”, embodied in the nation (*al-watan*), has been expressed in various forms, such as toppling the regime in Egypt or cleaning *Tahrir* Square and the surrounding streets following the protests.¹⁶¹ Young people became a source of unification for all civilians opposing the regime, without raising narrower or particularistic slogans. Significantly, sectarian or religious slogans became morally inferior and unfit for grounding this new political subjectivity.

The role of young people will likely remain one of the Arab uprisings’ central facets. Their ambitions to be employed, begin their social and economic lives early and become truly politically active are crucial in the post-Arab uprising era, especially in terms of economic and political stability and progress. Whether they are violently active or represent forces for democratic and universalizing progress can also be an influential variable. In any case, young people are one of the most important vectors in Arab society.

4. *Communalism*

Ethnic and confessional exclusion is a significant predictor of conflicts in the region and consequently advocates that, even if Arab countries make the transition to procedural democracy, they will remain unstable and conflict-prone as long as they are not built upon an identity-inclusive notion – defined as “the people of a given political unit authorized to participate politically”.¹⁶² As such, one of the main future challenges of the Arab region will be ethnic, confessional and socioeconomic inclusion.¹⁶³

Essentially, the shared history and shared cultures of the revolting peoples of the region gave them the power to emulate their revolting neighbours. This could partially explain why Arab countries all began to rise up almost simultaneously, as they drew upon the successes of those they saw as their counterparts. This is an example of how a certain kind of “communal” identity, that of “Arab”, became a powerful force in sparking revolt.¹⁶⁴

Throughout the literature, it is possible to see that communalism has had and is having a profound effect on a number of Arab countries. A feeling of communal identity was instrumental at the start of the Arab uprisings, and communal identities and exclusionary politics continue to have an effect and could threaten the very principles upon which a participatory and accountable governance system is founded. Finding ways of measuring the degree to which communal-based politics and economics are prevalent within a country and society could reveal how identities and politics of tribe, ethnicity and sect determine the emergence of new governance systems in the post-Arab uprising era.

C. FOLLOWING THE UPRISINGS

Where do we go from here? This has been one of the most asked questions in the region following the downfall of some of the world’s longest serving leaders, succeeded by a period of protracted instability in many ACTs. Creating and predicting possible scenarios of the post-uprising environment is now a priority.

¹⁶⁰ Roy, 2012, pp. 6-8 and 13.

¹⁶¹ Hanafi, 2012, p. 205.

¹⁶² Bormann and others, 2012, p.3.

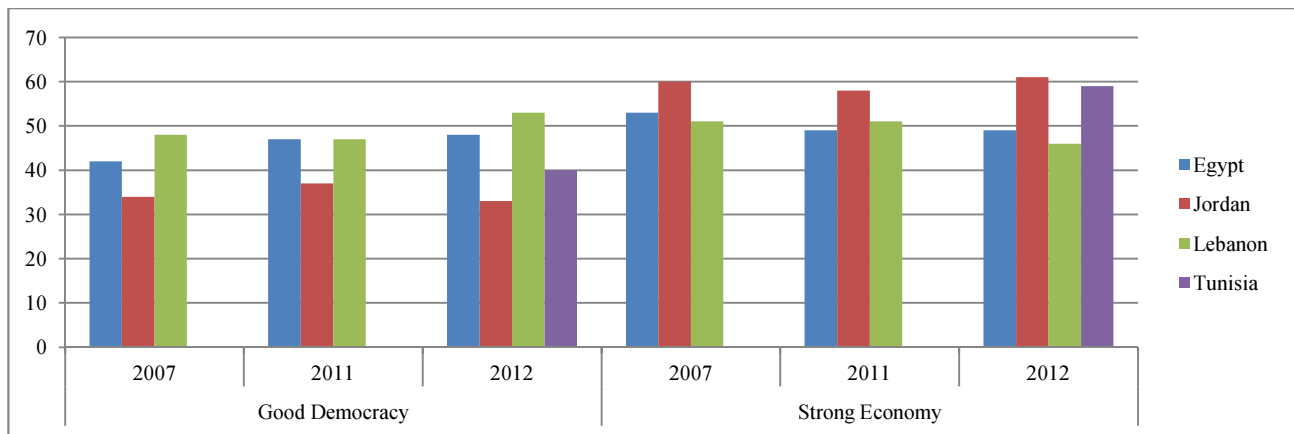
¹⁶³ Ibid., pp. 3-6 and 9-10.

¹⁶⁴ Bellin, 2012, pp. 140-142.

To correctly identify, measure and treat future governance problems, attempts must be made to identify them today in the light of numerous setbacks that started looming across the region in 2013.

Opinion polls have already shown the extent of the economic challenges, revealing an increasingly worried population ready to sacrifice democracy for strong economy (figure 14).¹⁶⁵

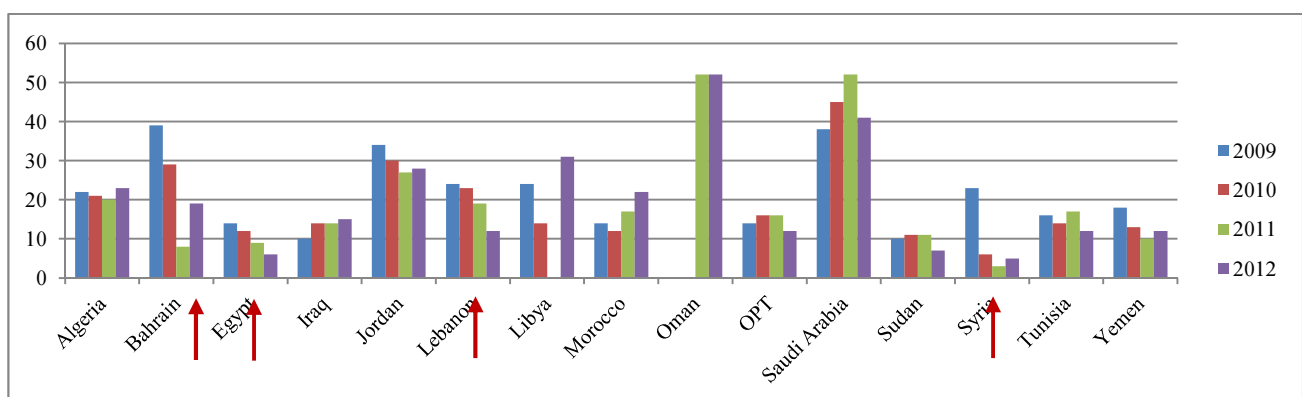
Figure 14. Support for democracy or economy



Source: Pew Research Centre, 2012.

In addition, to capture the different factors that can influence the propensity for unrest and regime change, the present study sets out the trends of self-reported perceptions of well-being in the Arab region over the period 2009-2012, using Gallup World Poll data. The steep downward trends in well-being, particularly in most ACTs, are clear (and hence the symmetric increase in those reporting that they are “struggling” or “suffering”) even after the start of the transition. These trends are likely to be linked to some of the variables reported above, such as the combined effect of high levels of education and economic crisis (that hit many ACTs after 2009) or some regional characteristics combined with some global trends, such as the wider use of media and information and communications technology.

Figure 15. Well-being trends in Arab countries



Source: Gallup World Poll data. Available from www.gallup.com.

Note: arrows identify countries where the drop in one surveyed year is more than 50 per cent compared to the first year (2009).

¹⁶⁵ According to the study conducted by the Pew Research Centre in May 2013, when asked to choose between democracy and the economy, 45 per cent opted for the former and 52 per cent opted for the latter. Indeed, 83 per cent of people responded that the economic situation was currently their top priority, ahead of a fair judiciary (81 per cent), law and order (62 per cent), uncensored media (60 per cent), free and fair elections (56 per cent) and freedom of speech (51 per cent).

In conclusion, identifying the outcomes and progress of governance in the Arab region is a highly difficult process. However, based on recent literature, some critical variables can be observed, which are analysed in the second part of the present study. The roots of governance challenges include the fact that, in Arab countries, political and economic power remains in the hands of a few; and governance is highly centralized through a bloated and inefficient public sector and dependent on a coercive security apparatus. An imminent youth bulge; changing outlook and perceptions among young people; contradicting dynamics of religiosity and family structure; and the mobilization and information prowess of the social media are also some of the issues that further challenge existing orders. These trends of transition must be examined in the context of governance challenges, ranging from the influence of the military to communal tensions and political instability dynamics in the post-uprisings era.

Part Two of the present report sets out elements for a conceptual and methodological framework for democratic governance reform and monitoring, together with specific governance pillars in ACTs that warrant detailed analysis.

PART TWO: METHODOLOGICAL FRAMEWORK

I. GOVERNANCE PILLARS: A PRELIMINARY DASHBOARD FOR ARAB COUNTRIES IN TRANSITION

A. IMPORTANCE OF MONITORING GOVERNANCE TRENDS IN TRANSITIONS

As the present study shows, the fundamental challenge that ACTs are facing can be summarized in how to move from LAO design principles of “rents, limited access and personal commitments”¹⁶⁶ to the design principles found in OAOs (no rents, open access and impersonal commitments). To move along the transition trajectory, a society needs to work simultaneously on all three principles,¹⁶⁷ which highlights the monumental task facing ACTs.

Here, however, a clear divergence emerges between Acemoglu and Robinson, on one side, and Cox and others, on the other. The former authors’ analysis suggests that working on small differences characterizing societies at historical junctures can initiate a snowball effect. The latter authors advocate that such a task cannot be carried out through a series of small steps but rather through “simultaneous and large reforms on a number of fronts”.¹⁶⁸ The synthesis between the two approaches is given by a governance-based reform process built on the use of democratic governance assessments.

Governance assessments and reforms have taken place all over the world in the past two decades and have been key to keeping countries on the transition trajectory. Each country brings its own story to this field and can provide valuable lessons, such as strong ownership of national assessments by Mongolia and Indonesia; tensions between the Government and donors in Rwanda on how to deal with past human rights violations; improving governance at the local level in South Africa and Viet Nam; emphasis on popular awareness as a means of increasing accountability in Brazil; better production of data as a tool for more citizens’ activism in the Philippines; monitoring of human rights violations by non-governmental organizations in Sri Lanka. Each assessment had its own specific interaction between key stakeholders, such as Governments and civil society, ranging from a relatively confrontational type (for instance, in India) to a more consensual one (Mongolia).

Governance assessments usually employ a mechanism to monitor key country-specific indicators, which are important for many reasons. Firstly, governance indicators help to put governance on the agenda and create incentives for transition countries to improve their governance. Secondly, indicators can help identify areas of reform and measure the success of governance reforms. Thirdly, governance indicators can help enhance country dialogue, if correctly used. Fourthly, indicators can contribute to a higher transparency of budget-allocation decisions, including foreign assistance. Fifthly, the production of governance indicators can help create momentum around reform policies throughout society. Sixthly, indicators can be used for quantitative comparative analysis to understand correlations and causalities in reform agendas.

However, this process can only be achieved through a strong commitment to governance-based reforms by all social groups, regional powers and the international community. Like all complex and lengthy processes, it requires an integrated approach, adopting milestones and benchmarks that can help factions and the public understand the trajectory of the reform process over time, and using objective and reliable indicators. The integrated approach entails both horizontal and vertical integration of the reform agenda, where the former combines both the political and socioeconomic dimensions of governance and the

¹⁶⁶ Cox and others, 2012.

¹⁶⁷ For example, given the proportionality principle, a society cannot switch to impersonal commitments if rents are still high and access is still limited, because it does not have incentives to open economies, or to allocate large fiscal resources to expand and improve access to public services and finance.

¹⁶⁸ Cox and others, 2012, p. 25.

latter covers the macrolevel, the sector level and the grass-root level. The present study concludes that these indicators, identified as the Arab Governance Indicators (AGIs), need to be used in a wider reform context. Regardless of the approach used, they can help monitor trends in all the critical areas of the process, given that many political and economic factors are complementary and mutually reinforcing.

B. PILLARS OF DEMOCRATIC GOVERNANCE ASSESSMENTS IN ARAB COUNTRIES IN TRANSITION

This section analyses in more detail the key pillars of democratic governance and how they can be used to develop a governance reform agenda in ACTs, so as to give a preliminary overview of notions that will be treated in more detail in the second study on Arab governance, which will build on the feedback received on the present study.¹⁶⁹

As stated in part I of the present study, research on countries in transition indicates that the following six themes are critical to the democratization process: civil society and media; legal systems and the rule of law; government structures and the division of power; education and demography; socioeconomic inclusion; and economic structures and policies.¹⁷⁰

Matching the critical themes of the democratization process with those of the governance reform process (resulting from our comprehensive literature review and analysis conducted to date), the present study finds that the following macroareas constitute the building blocks of democratic governance:

(a) Clear constitutional and human rights principles: a social contract, or fundamental principles defining relations between the State and the citizenry, should be clearly spelled out and inspired by international conventions and laws to provide firm guidance for the transition process;

(b) Political stability and the absence of violence: as many ACTs have been witnessing, transitions might be heavily affected by an unstable or even violent climate. This usually puts unbearable pressure on consensus-building processes and emerging fragile institutions, thereby affecting the legitimacy and credibility of the process itself and leaving it subject to authoritarian reversals;

(c) Institutional effectiveness and accountability: if people do not trust key State institutions, such as the legislature, the executive and the judiciary, they might have an incentive to turn to non-State groups that can deliver clear rules and justice, even if such groups use violence. Paradoxically, such groups end up being seen as more accountable than impersonal State institutions when the latter malfunction;

(d) Inclusiveness of transition-related reforms: if people do not feel that they are being treated as equal citizens, feel no sense of national identity and do not feel part of the overall transition process, they might embark upon opportunistic behaviour, thus taking a free riding attitude during a time of transition when the State is particularly fragile (this concept also benefits from Tocqueville's idea that private institutions are important checks on government power and has been extended by Putnam (1993) who, using the example of Italy, argued that civic activity is the key factor of democratic governance);

(e) Economic governance and effective service delivery: if local communities and groups feel excluded from socioeconomic opportunities (education, health care, access to social security, infrastructure and job opportunities), they will have less opportunity cost to resort to violent rebellion and anti-State attitudes. A number of authors have pointed out that the liberal democratic concept, when implemented in countries in transition, tends to exclude social and economic aspects which, in turn, can limit participation.¹⁷¹

¹⁶⁹ The next reports should be based on a number of sources, including opinion polls, expert country analyses, information from existing monitoring mechanisms, data from national public authorities and statistical offices, and research carried out by academic institutions, independent experts, think tanks and civil society organizations.

¹⁷⁰ Coleman and others, 2013.

¹⁷¹ Chambers, 1996.

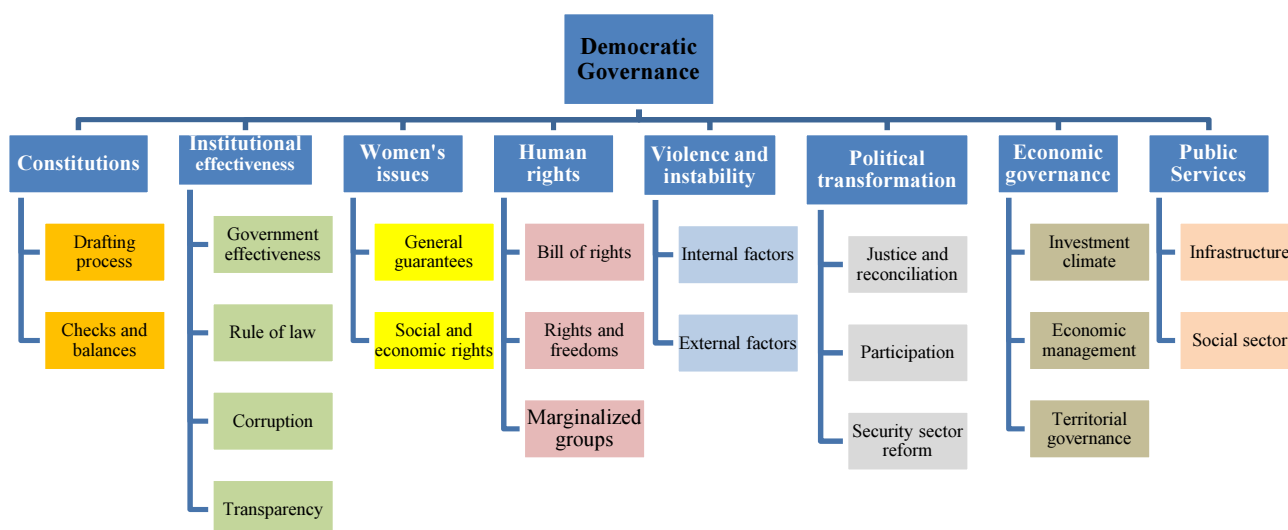
The following pillars result from the above-mentioned macroareas that also constitute specific challenges for transition countries. They are the result of an effort to contextualize governance and transition-related reforms, while trying to avoid one-size-fit-all diagnostics and policy advice. Therefore, it is crucial for ACTs to tackle the following pillars from the outset of the transition:

- (a) Constitutional reform;
- (b) Institutional effectiveness;
- (c) Status of women;
- (d) Human rights;
- (e) Political transformation;
- (f) Instability and conflict;
- (g) Economic management;
- (h) Public service provision.

Each pillar is composed of one or more categories (figure 16), which in turn are composed of subcategories and sets of selected indicators. While the overall assessments should cover the spectrum ranging from the pillars down to the indicators, the quantitative analysis must primarily focus on the category and subcategory levels for the sake of analytical homogeneity and methodological consistency.

Given the width and depth arising from the analysis of these pillars and categories, which might be perceived as overwhelming because of the limited capacities of most transition countries, this report is of the view that assessments could follow a modular approach where it would be up to each individual ACT to prioritize among the pillars and categories that require urgent attention given country specificities. In addition, given the potentially high correlation between selected pillars and categories, national assessments could be based on a country's specific context and needs. In theory, it would be advisable for both Government and civil society organizations to carry out such assessments together. Nevertheless, they might have different priorities and could therefore conduct their own assessments in different pillars and categories.

Figure 16. Preliminary pillars and categories of a democratic governance assessment in ACTs



Source: ESCWA.

A detailed analysis of each pillar and category follows, including their conceptual underpinnings, lessons learned from other transitions, key issues specific to ACTs and measurement issues. A more detailed analysis can be found in the full version of the present study.

C. CONSTITUTION

1. *Conceptual relevance*

The constitution-building process is crucial because it is the first exercise that transitional powers have to undertake and sends powerful signals to the public from the outset. Establishing an inclusive and democratic body to draft a country's constitution is the first step towards its proper implementation. The characteristics of a constitutional drafting body also have crucial influence on the choices made by drafters, which are historical background, the interests of the main players and legal choices.

2. *Lessons learned from other transitions*

Transition crises are often characterized by the following two separate challenges: the balance of power between the executive and legislative shifts to the detriment of the latter; and governability becomes increasingly difficult owing to widespread political cleavages that also affect institutional cleavages. Constitutional courts play a critical role in this regard. During a transition, their democratic legitimacy is often very weak but their role is of paramount importance. They should not serve as co-legislators and compete with parliament; judicial self-restraint is important for the democracy-enhancing role of constitutional courts. However, as guardians of the constitution, they also have a duty to prevent democratically problematic legislation launched by Governments or temporary parliamentary majorities, so as to prevent power clashes and delegitimization campaigns.

Issues such as political checks and balances and the type of political system chosen should also be considered. As recalled in Navia and Walker (2008), in Latin America, where most countries opted for presidential systems, "various voices have ...advocated instead the adoption of parliamentary systems. Because they are said to be associated with greater stability and because they allow power to be less concentrated". One of the most important institutional choices that is made during the drafting of constitutions relates to the relative power and authority of the executive and the legislature (and by implication the judiciary) and involves three main models: presidentialism, parliamentarism and semi-presidentialism. Each model affords different powers to each government branch and creates significant trade-offs between the principles of representation and governability.

In some countries, popular referendums were held to decide constitutional arrangements after democratic transition, such as in Brazil, where the electorate chose between a presidential system, a parliamentary system or a constitutional monarchy. Whatever the process used for selecting institutional arrangements, the choice itself has long-term implications on the nature and quality of democratic governance.

Scholars have long debated which system is more suitable in certain circumstances without clear results, since the merits and weaknesses of one system in relation to others need to be carefully assessed on the basis of structural and contingent factors, such as the strength of parties and their fragmentation, when designing political systems. Deadlocks are likely in either system although the underlying dynamics might differ.

Many other constitutional issues can arise during democratic transitions. Prominent among them is the question of whether a federal or unitary State structure should be adopted in the light of a country's political and social characteristics. Here there are inescapable trade-offs. If by pushing power down to lower levels, federalism can produce a more responsive Government, it can also place power in the hands of predatory local elites.

Another critical issue in religious-secularist polarized transitions is the so-called "twin tolerations".¹⁷² This means that, to achieve a general understanding based on which parties with religious roots refrain from

¹⁷² Stepan, 2012.

asserting special claims and rights for their own constituencies that supersede human laws, secular parties cannot deny the right of religious citizens to articulate their views democratically and within constitutional and human rights parameters.

Past transitions clearly show that constitution-writing is best done by a drafting committee that is representative, independent and includes, in addition to constitutional experts, civil society actors, academicians, representatives of main political parties and other key stakeholders. Moreover, the constitutional process must utilize instruments for consultation and dissemination. However, once approved, constitutions should not be easy to amend.

One of the most important lessons learned from other transitions is that, for democracies to consolidate, political groups need to build what Dahl (1971) called “a system of mutual security”, according to which each side gains confidence that “democracy is the only game in town” and plays by the new constitutional rules. A system of mutual security means that, if a party loses in an election, it will not lose everything and will still have a chance to play an important institutional role. In sum, democratic constitutions limit how much power is at stake in elections. The constitutional process crucially allows all political sides to increasingly gain mutual trust as the drafting process moves on. It is during this process that possible acts of violence and intolerance need to be collectively rejected and vigorously investigated. Since this is a slow and delicate process, no tight deadlines for constitutional drafting should be imposed.

3. Situations in Arab countries in transition

A constitution-building process requires consensus that guarantees the rights of all segments of civil society. Most ACTs have been in the process of developing this. The first notable accomplishment is the election of constituent bodies in Egypt, Libya and Tunisia, whereas in the past, constitutions in the region were “the exclusive product of secret drafting sessions by unrepresentative and unelected political elites”.¹⁷³ However, despite this novelty, winner-takes-all attitudes have emerged in political parties that are in a position to dictate terms to the rest.

Libya and Yemen have tried hard to establish an inclusive national dialogue in preparation for their constitutions. In Libya, capitalizing on the 1951 constitutional process, a 60 member elected body was appointed to draft a new constitution on the basis of equal geographical representation among the three regions of the country, regardless of their population.¹⁷⁴ Bahrain also embarked on a national dialogue process with limited results to date.

The Egyptian and Tunisian cases demonstrate the lack of a standardized approach to constitutionalism and highlight the need for a genuinely transparent constitutional process. Regarding the content of constitutions, all the debates, disputes and tensions stemming from the drafting processes have proven how crucial the rules set out in constitutions are. The inclusion of religious references in the constitution and the mention of gender equality were among the questions discussed in Egypt, Libya and Tunisia.

Balance of powers is an important part of the content of constitutions. Transitional phases, often characterized by confusion, tend to have a weak balance of powers, and on many occasions, the executive also legislates or the judiciary is prevented from acting as a counter-power. An example of the importance of the judiciary in the institutional balance of powers is the role that judges played throughout the transition in Egypt in challenging government decisions as an attempt to balance executive powers.

¹⁷³ Al-Ali, 2013 (where the statement is about Egypt; but it is applicable to other countries as well).

¹⁷⁴ The downside of the process is that tight deadlines were given.

4. *Measurements issues*

Future reports should assess the first post-uprising constitutions. Although in most ACTs, constitutions have only just been approved or have not yet been finalized, it is hoped that by the time the second Arab Governance Report is drafted, constitutions in Libya and Yemen will be ready. For Jordan and Morocco, the assessment will be made on the 2011 amended constitutions.

Sources of readily available indicators are various and range from international ones, such as the World Justice Project, the Global Integrity Report and the Bertelsmann Transformation Index, to regional ones, such as the Arab Democracy Index.¹⁷⁵ The International Institute for Democracy and Electoral Assistance (IDEA) elaborated a useful methodology that could be further developed and adapted to ACTs. However, there are weaknesses in the use of readily available indicators produced by global think tanks. One major gap is in the subcategory entitled “Constitution-building processes”. For instance, there is to date little information assessing any aspect of the drafting process. The following are some key issues that need to be addressed in future assessments:

(a) Constitution-building process:

- Is the constituent body elected?
- Is the constituent body inclusive? Are there representatives from the Government, the opposition, civil society and the private sector?

(b) Constitution content:

- What are the requirements for amendment procedures?
- How many terms in office is the executive entitled to?

(c) Public perception: how do citizens perceive their constitution and the drafting process? How do citizens perceive the role of their national Constitutional Court?

D. INSTITUTIONAL EFFECTIVENESS

1. *Conceptual relevance*

The institutional effectiveness pillar aims to assess a State’s capacity to ensure the functioning of the main political, judicial and administrative institutions. The topics tackled under this chapter are fundamental categories included in all indexes (Bertelsmann; Institutional Profile Database; Ibrahim Index of African Governance; Arab Democracy Index; African Governance Report; Governance Integrity Rating (GIR); and Varieties of Democracy (V-Dem)) even if not always under the same chapter. The decision to include all these topics under a single heading relies on the idea that State institutions are supposed to be the basis of good governance. These issues are also the first questions on ACT agendas. Identifying gaps and room for improvement in the institutional framework of a country, and assessing whether State institutions are correctly set up and properly functioning is a first step towards good governance.

2. *Lessons learned from other transitions*

In Latin America, in view of current developments in most countries of the third wave of democratization, the link between the emergence of populism and the strength of institutions has been analysed in the literature. As a general consideration, Navia and Walker (2008) state that “strong institutions and sound social and economic policies contributed powerfully to consolidating democracy in some countries of the region”. By looking at different countries in the region, the authors shows that, in countries where strong institutions were put in place, the transition to democracy was more successful (Brazil, Chile

¹⁷⁵ For a detailed review of the potential indicators, please see the annex to the full version of this study.

and Mexico) than in countries where less well-consolidated democratic institutions were established and where populist leaders often acceded to power.

3. Government effectiveness

The capacity of a State to carry out its responsibilities is often over-estimated by citizens who expect the demands of the uprisings to be translated into better policies. In the case of countries in transition, having functioning State institutions to serve the purposes of the revolution is generally an asset to achieve better governance results, although a very strong and bureaucratic State can also hamper progress towards good governance. Putnam (1993), Pzeworski and others (1995) and Evans (1997) highlighted the interaction between an effective bureaucracy and the provision of public goods on the one hand, and a vibrant civil society and State legitimacy on the other hand. Government effectiveness entails an ability to vertically integrate and horizontally coordinate policies and functions. It is commonly measured by the quality of some key 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 a Government's commitment to such policies.

Many third wave countries entered the transition phase with a legacy of weak State structures. The first test is usually provided by elections. Having a neutral, professional and independent central election body helps build trust in the process. Although anecdotal evidence suggests that poor quality government services and corruption are a significant governance concern in transition countries, there are remarkably few reliable estimates of the actual magnitude of leakages from the public sector. Moreover, just knowing the magnitude of leakages does not indicate how serious the problem is from an economic perspective, as efficiency costs may exceed the extent of direct losses. Poor quality government services, leakages and corruption raise the marginal tax rate of firms and the marginal cost of public services, and undo a Government's ability to correct externalities, thus discouraging business activity and leading to suboptimal development outcomes. Linz and Stepan (1996) and Carothers (2002) considered the presence of an effective State as a prerequisite for democratic consolidation. When democratization starts, State apparatuses often collapse along with the old regime, thereby making the transition itself even more arduous.

Amid the socioeconomic and political fragmentation that Arab regimes have had to deal with and have contributed to creating, rulers have often played one group against another, helped by patronage ties that they selectively maintain with some groups. The resulting web of interests leads to an equilibrium that can endure as long as groups themselves are subject to a power equilibrium, with no one gaining enough power to threaten the vital interests of State actors or rival groups. To escape this equilibrium, opposition leaders were tempted to mobilize constituencies across identity divides. The regimes, in turn, knew this and played up whatever religious, tribal or ethnic cards society could provide to stress the divides and make contending groups feel the need for a strong State that could save them from perennial anarchy and conflict. This divide-and-rule strategy has been enforced by regimes through powerful economic elites and State apparatuses, including the military and the judiciary, making government effectiveness inconsistent and not oriented to serve citizens. In turn, civil society and organized groups tried to remedy this ineffectiveness through informal organizations that address it through identity-based interests, making the Government's capacity to deliver even weaker.

In the Arab region, the situation is very heterogeneous. Some countries, such as Egypt, have relatively strong centralized and bureaucratic State apparatuses, whereas others have very weak public administrations, as in the case of Libya. It will therefore be interesting to measure the nexus State strength–good governance, which will highlight some best practices and lessons learned in terms of public administration.

4. Rule of law

The present study defines the rule of law as the foundation of how Governments are constrained by laws, as linked to the concept of justice. According to the definition given by the Secretary-General of the

United Nations, it is “a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated”.¹⁷⁶ The concept of the rule of law has the following two main components: the liberty dimension of the rule of law designed to protect individual rights and freedoms; and the security dimension designed to protect individuals from encroachments by others. Law enforcement is critical in both respects.

In many transitions, such as in Latin American countries, citizens were subject to high levels of public insecurity and crime that often thrived in corrupt or inefficient law enforcement institutions. The police, lower level courts and prosecutors offices were consistently ranked lowest by experts in many of these countries.

In most ACTs, the main characteristic of legal frameworks is their instability. Laws and constitutions have been discussed, amended, redrafted and repealed, and are therefore not yet in place. Consistency indicators are thus probably low, but this has to be put in the context of transition. In the region, the judiciary is generally considered as slow and inefficient, with a judge selection process characterized by nepotism, thus reinforcing the feeling that citizens are not equal before the law. The main gaps in judicial efficiency and independence need to be addressed in many ACTs where, although the judicial system is well developed, some dysfunctions are still threatening the impartiality of justice. In Morocco, judicial reform has been an issue since the 1990s. In Egypt, judges enjoy a good level of trust but several restrictions on the independence of the judiciary, such as the existence of a “parallel justice system”¹⁷⁷ resulting from the perpetuation of exceptional tribunals, are still in place. In Jordan, amendments made to the constitution in 2011 were generally seen as having reinforced the independence of justice.

5. Corruption

The level of corruption represents an important threat to a country’s competitiveness and the proper functioning of its institutions. It is even more critical during a transition process as it may favour some groups at the expense of others, to the point of undermining the trust of citizens.

By preferring clientelism and favouritism to competence, corruption also downgrades the general level of State performance and its institutions. Langseth (1999) states that there is a “high correlation between corruption and an absence of respect for human rights and between corruption and undemocratic practices” and a “strong negative relationship between the extent of corruption and economic performance”. At the firm level, the cost of paying bribes can be regarded as an additional tax that may distort the way businesses choose to operate.¹⁷⁸ Moreover, corruption increases uncertainty in a firm’s relations with institutions, its providers and its clients, often resulting in inefficient decisions. At the macro level, Ferraz and others (2012) provide evidence of the efficiency costs of corruption. They show that students in municipalities where corruption was detected in education have lower test scores and higher dropout and failure rates. Moreover, the relationship between corruption and the rule of law becomes crucial during a transition. If someone can bribe a police officer or judge instead of paying an official fine, the marginal cost of breaking the law is decreased from the official fine to the amount of the bribe. However, if the police officer extracts the same bribe regardless of whether the person has broken the law, the marginal cost of breaking the law falls to zero and the law ceases to have a deterring effect altogether, thereby hindering the transition itself.

Corruption also interacts with other crucial characteristics of a society, which renders analysis more complicated. For example, Padró i Miquel (2007) developed a framework to analyse political accountability

¹⁷⁶ S/2004/616*. Available from <http://www.unrol.org/files/2004%20report.pdf>.

¹⁷⁷ Auf, 2013.

¹⁷⁸ For example, research in Uganda suggests that bribes may have three times more negative impact on firms’ growth than taxes (Fisman and Svensson, 2007).

in ethnically divided societies. He found that corrupt leaders were more likely to be elected if their supporters fear even greater extraction from opposition groups. Banerjee and Pande (2009) suggest that voters with strong ethnic preferences may choose to trade off politician corruption against the ethnic identity of the politician. Bandiera and Levy (2011), taking advantage of the unique village governance structure in Indonesia, under which local elites control some villages whereas others are ruled democratically, find that ethnic diversity can undermine democratic reforms and meaningful participation, resulting in outcomes similar to those found in elite controlled autocracies.

Most third wave countries have legal instruments and institutions in place to fight corruption; although very often anti-corruption rules are not vigorously enforced for reasons ranging from lack of political will to lack of institutional capacity. Some countries have adopted a national corruption strategy, while others have established anti-corruption agencies in charge of both prevention and repression. Some have split these tasks between dedicated agencies and prosecution offices. The exposure of prosecution offices to political interference in corruption cases has been widespread, with discretionary appointment and dismissal of key prosecutors or discreditation of anti-corruption agencies and offices. As a result, many of these agencies in ACTs appear to shy away from high-profile cases and concentrate only on small cases or on generic awareness campaigns. However, successful anti-corruption agencies have been established in Bulgaria,¹⁷⁹ Croatia and Latvia, to name a few countries.

ACTs have high or very high corruption scores in different indexes, such as the Corruption Perception Index and the Global Integrity Report. In Jordan, ending corruption is one of the key demands of the opposition.¹⁸⁰ In Morocco, the measures taken by the Government to tackle the question of corruption are being criticized for combating only petty corruption and avoiding high-level political figures and cases. In Egypt, some improvements to the legal framework are underway given that the draft constitution, approved in December 2012, included the creation of an anti-corruption agency. A draft law on the prevention of conflicts of interest was being discussed during Mohamed Morsi's presidency, but has not been enforced or approved since, as stated on the Transparency International website.¹⁸¹ According to a Freedom House report on the Syrian Arab Republic, the level of petty corruption in the country is very high and citizens are used to "pay bribes and rely on *wasta* to obtain services, conduct business and gain access to government and civil service information".¹⁸² According to a U4 report,¹⁸³ Tunisian public administrations continue to face challenges such as bribery and nepotism, and municipal civil servants and the police are the two public administrations where corruption practices are most common. In Yemen, the question of private sector corruption "has remained largely intact"¹⁸⁴ even after the uprising. In Libya, "State resources are used to secure loyalty and ensure stability" since State institutions are still very weak and militias add to the problem of corruption in the country.¹⁸⁵

¹⁷⁹ According to the 2014 European Commission Anti-corruption Report (European Commission, 2014, p. 14), the Romanian National Anti-Corruption Directorate (DNA) has built a notable track record of non-partisan investigations and prosecutions into allegations of corruption at the highest levels. In the past seven years, about 90 per cent of its indictments were confirmed through final court decisions. Key to these results has been the structure of DNA that comprises prosecutors who lead investigations, judicial police and financial and information technology experts.

¹⁸⁰ Satloff and Schenker, 2013.

¹⁸¹ Farid, 2013. Available from <http://blog.transparency.org/2013/07/15/egypt-in-crisis-a-look-at-corruption-figures-for-the-last-two-years/>.

¹⁸² Ziadeh, 2011, p. 11. Available from www.freedomhouse.org/sites/default/files/inline_images/SYRIAFinal.pdf.

¹⁸³ U4 Anti-Corruption Resource Centre, 2012, p. 10. Available from www.google.com/url?sa=t&ret=j&q=&esrc=s&frm=1&source=web&cd=8&cad=rja&ved=0CFsQFjAH&url=http%3A%2F%2Fwww.u4.no%2Fpublications%2Fcorruption-trends-in-the-middle-east-and-north-africa-region-2007-2011%2Fdownloadasset%2F2748&ei=Ek9yUvCYHMfwhQe28oGICQ&usq=AFQjCNGwIPWbO9VJLDSojxvZ_GS1Rvd5-w&bvm=bv.55819444.d.ZG4.

¹⁸⁴ Hill and others, 2013, p. 5. Available from www.chathamhouse.org/sites/default/files/public/Research/Middle%20East/0913r_yemen_es.pdf.

¹⁸⁵ The Libyan Intelligence Group, 2013.

6. *Transparency*

The issue of corruption is closely linked to transparency, defined as the “duty to act visibly, predictably and understandably to promote participation and accountability”¹⁸⁶ for public officials, civil servants, managers and directors of companies and organizations and board trustees. Information must be of interest to citizens and disclosed in a timely manner.

Lack of transparency is a root cause of corruption. Although the causes of corruption depend on the country, general contributing factors are poorly conceived and managed policies, failing institutions, poverty, income disparities, inadequate civil servants’ remuneration and a lack of accountability and transparency.¹⁸⁷

Political agency literature characterizes political behaviour as a principal agent problem according to which voters are the principals who try to control the agents that they elect. More informed voters are better able to screen and influence agents (i.e. politicians, civil servants and service providers). The lack of accountability resulting from poor information and transparency also contributes to higher incidences of clientelism and ethnic-based preferences in transition settings.¹⁸⁸ Djankov and others (2010) examined the relationship between disclosure rules and several measures of government quality, including corruption, using financial and business disclosures of parliament members (MPs) in 175 countries. They found that high and upper-middle income countries required disclosures and made them publicly available more often than the rest of the world. They also showed that public disclosures, as opposed to disclosures by MPs to parliament, are associated with better government. For instance, voluntary disclosures available to the public increase a country’s government effectiveness score in the World Governance Indicators by 0.24 points. In sum, credible information can help citizens influence politicians’ behaviour even in countries characterized by high poverty incidences, weak institutions, clientelism and vote buying.

For this reason, transparency initiatives, including disclosure rules, mushroomed in many transition countries. Humphreys and Weinstein (2010) conducted a field experiment in Uganda to test whether greater transparency influenced voter response to information and politicians’ behaviour. They used scorecards produced by a local non-governmental organization that provided information on initiatives undertaken by members of the Ugandan parliament. Open data campaigns have recently been harnessing the creativity of a new generation of information and communications technology specialists and activists who are applying their expertise to maximize the impact of public data on civil society. For example, EduWeb, launched by a Kenyan entrepreneur, is an interactive site that allows parents to compare local school performance. The site is a tool for citizens to make informed choices about their children’s education and is beginning to affect policies in the Kenyan Ministry of Education. Ferraz and Finan (2008) analysed the case of Brazil, where the federal Government began to select municipalities at random to audit their expenditure of federally transferred funds, and compared the electoral outcomes of municipalities audited before the 2004 elections. Audit findings were disseminated through media sources and results showed that the re-election probability for incumbents who committed corruption violations in municipalities with pre-election audits was lower than that of incumbents where audit findings were released after elections. These effects were more pronounced in municipalities where local radio was present.

In the Arab region, transparency practices are generally not given much attention. According to a report by Global Integrity, data gathered a few months before the uprisings in Egypt showed a decline in government transparency and accountability practices, which was identified as one of the causes of the uprisings: “While there were many factors that contributed to the revolution, these data suggest that a lack of

¹⁸⁶ Transparency Accountability Initiative, 2014. Available from www.transparency-initiative.org/about/definitions.

¹⁸⁷ Langseth, 1999.

¹⁸⁸ Besley and others, 2007; Posner and others, 2010; Pande, 2011.

government transparency and accountability helped to exacerbate many of the country's long-standing governance deficiencies".¹⁸⁹

7. Measurement issues

In this section, the strength of the State is evaluated through a thorough review of policy quality, the effectiveness of its implementation and the decision-making practices used. Questions tackled include the following: is the State able to successfully implement policies; the quality of such policies; does the State have a vision and long-term strategy for the country; and is the decision-making process inclusive. Public administration will also be assessed through its capacity to collect statistical data and the quality of State bureaucracy.

There is limited hard data on the quality of government budget leakages and corruption compared with other development and governance indicators. Knowledge about leakages and government ineffectiveness is still very limited, with no data comparability across countries. Owing to the difficulty in measuring such phenomena, most corruption estimates have usually been based on perception surveys of corrupt activity. However, these estimates are often inaccurate if they are not targeted at the right population group, because of the inability of public opinion to estimate fraudulent quantities of input in public projects; heterogeneous impacts of people's educational and other characteristics; and the lack of information because of media censorship. Scholars have therefore increasingly focused on direct measures of leakages. Various empirical methods have been developed, including direct observation of corruption; specific surveys on bribe payments; comparisons of reported versus actual expenditures or input used in government projects; and inference-based estimates.

Regarding the rule of law, a first set of indicators is the clarity and consistency of legal frameworks. A key aspect of a transition process is designing a clear and consistent legal framework, through an inclusive and participative process, following rules guaranteeing oversight from each branch of power in a transparent and timely manner. Its content should be coherent and consistent and must guarantee fundamental rights. Ensuring that laws and rules are applied and followed is also an indicator of the quality of legal frameworks. A second set of indicators assesses the effectiveness of the judiciary. This refers to a set of characteristics linked to the quality of the judicial process, including the following: assessing the impartiality of the judiciary and whether its members are appointed through transparent processes; whether judicial decisions are fair and transparent and are properly enforced; whether the rights of citizens are fairly taken into account; and whether citizens have access to and trust the judiciary. A third set of indicators assesses the ability of the judiciary to check the legislative power through judicial review.

There are various available indicators, ranging from international ones, such as those of Transparency International, the World Justice Project, the Institutional Profile Database, the Global Integrity Report and the Bertelsmann Transformation Index, to regional ones, such as the Arab Democracy Index.¹⁹⁰

Within this broad pillar, some topics have a large number of indicators under existing indexes (such as Corruption), while others have fewer indicators. The present report therefore aims to develop a balanced set of indicators relevant to the following:

- (a) Government effectiveness:
 - (i) Increase in cost and implementation time of the 10 largest infrastructural projects nationwide from their design to their execution;
 - (ii) Percentage of civil servants reporting that connections are important to be hired in the public sector;

¹⁸⁹ Global Integrity, 2011.

¹⁹⁰ For a detailed review of the potential indicators, please see the annex to the full version of this study.

- (iii) Percentage of public officials reporting that government funds are mismanaged;
- (b) Accountability: public perception of citizens' ability to hold the State accountable;
- (c) Transparency:
 - (i) Percentage of government agencies that are regularly audited;
 - (ii) Citizens' capacity to access laws, policies, legal decisions;
 - (iii) Legal protection for whistle blowers;
- (d) Effectiveness of the legislature and the judiciary:
 - (i) Lack of technical resources;
 - (ii) Internal organization deficiencies;
 - (iii) Public perceptions: how citizens perceive their parliament and judiciary;
- (e) Other autonomous institutions such as central banks: indicators on credibility, transparency and accountability;
- (f) Corruption:
 - (i) Percentage of small and medium enterprises reporting that bribes are used frequently in public procurement contracts;
 - (ii) Percentage of small and medium enterprises reporting that bribes are used frequently in public services;
 - (iii) Unit cost variances of selected services and goods purchased by public administrations.

E. STATUS OF WOMEN

1. *Conceptual relevance*

The status of women in transitions has become a strategic concern. Given its multidimensionality, the present report, unlike most governance indexes, dedicates a chapter to this sensitive issue with the aim of launching a debate. Good governance cannot be achieved if half a country's population is potentially discriminated against. In the Arab region, discrimination against women affects many facets of women's social life (family law, penal codes, nationality laws and harassment); political life (participation as citizens, candidates and duty bearers) and economic life (access to employment, equal wages and access to public services, such as education and health).

2. *Lessons learned from other transitions*

Transitions constitute both an opportunity for women to improve their situation and a great challenge to their status. Firstly, transitions are a key moment for the definition of new frameworks that can be used to better protect women. Around the world, transitions to democracy have usually been linked to the establishment of a better role for women in society. In Latin America, for example, women organized themselves in different groups to voice their demands and defined their goal as working for democracy and legitimizing the participation of women in politics.

However, transitions also represent a critical period for women because of the new and specific challenges it presupposes. Conservative forces in society that feel particularly threatened by this new context see improvements in women's status as an additional negative change. Moreover, like men, women are affected by the need to acquire new skills to be actors of change in a transition; because they generally have less access to education, training and information, their role and impact on a transition can be hampered.

Previous transitions show that addressing women's issues can assist a transition. For example, using cross-country data in the timing of female suffrage, Miller (2008) showed that, within a year of women's suffrage in the United States of America, local public health spending increased on average by 35 per cent and child mortality fell by 8 to 15 per cent.

3. Analysis of Arab countries in transition

The Arab region witnessed a very high participation of women in the uprisings. Women are now facing several types of challenges given that each country has a different economic, historic and cultural context influencing the status of women in society. However, a few common trends can be identified.

The first notable concern is the proper implementation of international commitments taken by countries that affect all aspects of women's life. Although Jordan, Libya, Morocco, the Syrian Arab Republic, Tunisia and Yemen signed the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (with some countries having reservations clauses), some provisions of their new constitutions and laws might not comply with it. Morocco currently leads the region in women's rights reform.

The question of nationality law is an example of the contradiction between international and national laws in the Arab region. Women suffer discrimination when mothers are not able to pass their nationality to their children. This is one of the provisions of CEDAW.

Another example is that most Arab countries have no legislation in place to prevent violence against women,¹⁹¹ although this is also a CEDAW provision. The current Libyan penal code classifies sexual violence as a crime against a woman's honour.¹⁹² According to Ibnouf (2013), "the challenge is therefore not to make new commitments but to distil a more consistent framework from what already exists and to encourage action accordingly".

The question of honour crimes is also an illustration of the lack of protection available to women, since in most ACTs the law allows "full or partial excuse which could reduce the penalty or even totally exempt the murderer from punishment" in the case of honour killings.¹⁹³

In terms of political representation, women in the Arab region also seem to be more at risk since the transitions began. In 2012, a report from the Inter-Parliamentary Union shows that the Arab region is lagging behind in terms of the number of seats held by women in parliaments.¹⁹⁴

The economic empowerment of women in the region is also at risk. Given that transitions are marked by high rates of unemployment and increased poverty, Arab women are suffering the consequences.

4. Measurement issues

Sources of readily available indicators are various and may include Freedom House, Cingranelli-Richards Human Rights Data Project, the Institutional Profile Database, the Global Integrity Report and the Bertelsmann Transformation Index.¹⁹⁵

¹⁹¹ Ibnouf, 2013.

¹⁹² Human Rights Watch, 2013. Available from www.hrw.org/news/2013/05/26/libya-seize-chance-protect-women-s-rights.

¹⁹³ Ibnouf, 2013.

¹⁹⁴ Inter-Parliamentary Union, 2013. Available from <http://www.ipu.org/wmn-e/classif.htm>.

¹⁹⁵ For a review of the preliminary set of indicators, please refer to the relevant pillar and subcategories contained in the annex to the full version of this study.

However, many of the critical concerns faced by Arab women are not measured by existing indexes. Creating variables to measure the prominence of honour crimes; the specific question of Women Human Rights Defenders (including violence targeting female protestors; variables to assess the level of equality of the nationality laws; and indicators on freedom of movement for women) are relevant to better tailor the evaluation to the regional context.

F. HUMAN RIGHTS

1. *Conceptual relevance*

The relationship between human rights and good governance has been extensively discussed in the literature. Although there is no agreement on whether respect for human rights reinforces good governance or vice versa, the two issues are considered closely linked and are combined under the democratic governance concept. According to an OHCHR report, they are mutually reinforcing. The same report considers that human rights can be seen as “a set of performance standards against which [Governments and other social and political actors] can be held accountable”.¹⁹⁶

Human rights have been established as a separate pillar in the present report because it is a crucial indicator of what direction transitions are taking. Although other indexes tackle human rights under a separate chapter (the Ibrahim Index of African Governance; the Arab Democracy Index; and the African Governance Report), many others tackle the issue as part of another macrocategory.

Human rights are inherent to all human beings and are all interrelated, interdependent and indivisible. This index aims to include the three generations of human rights, although more emphasis will be put on the first, which essentially deals with liberty, and second, which essentially deals with equality.

2. *Lessons learned from other transitions*

The study of democratic transitions in other parts of the world results in two observations. Firstly, human rights violations are numerous in transitional States and secondly, human rights violations that take place in transitions can hint at how a country will perform in terms of governance in the future.

Examples of human rights violations in other countries in transition are numerous. In Central and Eastern Europe, the question of minority rights was at stake. The fall of the Soviet Union, which enforced an internationalist approach over ethnic and cultural identities, meant that the countries of Central and Eastern Europe had to redefine their citizens' identity and that of their countries. Indeed, according to a report entitled *Minorities in Transition in South, Central, and Eastern Europe*, “the rise of nationalism, interethnic tensions and ethnic-based political mobilization” was one characteristic of the transition period.¹⁹⁷

3. *Analysis of Arab countries in transition*

Human rights violations occurred during transition in the Arab region, but in some countries more than in others. The two main trends that can be identified are the lack of respect for minority rights and a widespread use of violence by security apparatuses in some ACTs.

In Egypt, respect for minority rights is an important issue. The growing population of Palestinian refugees in the Levant countries in transition suffers from difficulties in their access to health, education and work. In Libya, human rights abuses are difficult to investigate or punish. Moreover, in many ACTs, the media is partisan, thus encouraging rumours and speculation and amplifying already existing polarization in societies. An assessment conducted in 2013 by Reporters Without Borders put ACTs in the bottom half of

¹⁹⁶ OHCHR, 2007. Available from www.ohchr.org/Documents/Publications/GoodGovernance.pdf.

¹⁹⁷ International Centre for Democratic Transition, 2008.

its world ranking.¹⁹⁸ New regulatory bodies aiming at ensuring freedom of information and media proliferation were being established in Egypt and Libya. However, it is still too early to judge the real impact of the legal framework at the country level.

Key reforms in the field should include the following: abolishing emergency law and revising police laws that grant the police wide discretion, including the right to detain individuals, such as journalists and political activists, without charge; amending military justice codes to limit military offenses perpetrated by military officers and end civilian trials before military courts; reforming the legislative framework that governs freedom of expression, association and assembly, essential to creating a political space for political parties, civil society, activist groups and the media; amending penal codes' definition of torture so that it complies with international law; strengthening penalties for police abuse; decriminalizing and reforming freedom of speech laws (except for the acts that incite violence), which are currently restrictive and give police wide discretion to arrest; amending the laws on association to avoid hindrances to non-governmental organization registration and operations; and ensuring that any laws directly or indirectly affecting human rights are guided by the principles of specificity, necessity and proportionality.

4. *Measurement issues*

Sources of readily available indicators are various and range from international ones, such as Cingranelli-Richards Human Rights Data Project; OHCHR and the United Nations Children's Fund (UNICEF); the Press Freedom Index; the World Justice Project; the Institutional Profile Database; the Global Integrity Report; and the Bertelsmann Transformation Index, to regional ones, such as the Arab Democracy Index.

However, existing indexes lack a thorough review of the constitutional and legal frameworks that allow the development of indicators to measure whether a country's legislation provides protection for various human rights. For each right, there should be a check of its *de jure* existence in legal/constitutional frameworks and a *de facto* evaluation. The two should be kept separate; mixed indicators should be excluded for the sake of clarity and to allow the Government to identify whether it should work on reforming legislation or on implementing already existing legislation.

Social and economic rights are not assessed in most indexes, with the notable exception of the Social and Economic Rights Fulfilment Index. Therefore, efforts should focus on creating relevant indicators in this field.

G. POLITICAL TRANSFORMATION

1. *Conceptual relevance*

To capture ongoing reconfigurations of political orders and changes in State-society relations, several parameters have been adopted in the present report on the basis of widely held sociopolitical prerequisites. Governance practices in the course of post-authoritarian transition hinge on performance in the following main categories: security sector reform; justice and reconciliation; and participation. The first category is considered a vital prerequisite to democratic transformation, while the last two are constitutive of the process itself.

2. *Security sector reform*

The Organisation for Economic Co-operation and Development (OECD) perceives security sector reform (SSR) as "the transformation of the security system which includes all the actors, their roles, responsibilities and actions, so that it is managed and operated in a manner that is more consistent with

¹⁹⁸ Reporters Without Borders, 2014.

democratic norms and sound principles of good governance, and thus contributes to a well-functioning security framework”.¹⁹⁹

The following two pillars within SSR are most pertinent for countries undergoing political transformation:

- (a) Establishment of effective governance, oversight and accountability in the security system;
- (b) Improved delivery of security services.²⁰⁰

Experiences in Argentina, Chile, Ghana, Indonesia, Mali and Turkey tell cautionary tales of the perils and setbacks of transitions when the military is heavily involved. In Chile, for example, it took two decades following the transition for the military to stop interfering in civilian rule so the country could consolidate its democracy. In Turkey, military coups d'état stopped disrupting civilian rule only a decade ago. In Mali, following two decades of shaky transition, a military coup in 2011 ended that country's short-lived democratic experience.

South Africa undertook a complete security sector reform programme, set out in the White Papers of October 1994. Reforms encompassed the establishment of a professional identity for intelligence personnel, firmly anchored in democratic values, human rights and the strict observance of political neutrality. Indonesia initiated a new paradigm firmly embedded in a democratic system of governance, which entailed demilitarization and parliamentary oversight over the police and intelligence services. Consequently, the Indonesian security apparatuses are now under the scrutiny of two parliamentary committees. Similarly, in Chile, following the demise of General Augusto Pinochet, the Senate established the civilian National Intelligence Agency.

Resilient to change, internal security institutions were the primary protectors of the political order in most ACTs. National security forces were perceived to be loyal to ruling elites and sectarian or ethnic patronage networks, rather than to the State.²⁰¹ Civil liberties and human rights were neglected, while concentrated power structures fuelled distrust, often posing a major threat to human security.²⁰² In some countries, constitutionally ambiguous and unaccountable police States became synonymous with stagnant autocratic governance systems. The governance deficit in these countries became closely associated to the excesses of the over-mandated security sector and to negative governance and civic liberties indicators.

Over the past five years, this state of affairs appears to have worsened. A review of data provided by the Human Development Index, the Democracy Index and the Failed State Index, between 2005 and 2010, reveals steadily growing governance deficits, human rights abuses and limitations on freedom, despite favourable official and aggregate growth rates.

To attain the aforementioned security goals, national SSR processes in ACTs should develop and empower oversight and accountability mechanisms, either through internal controls within security services or within the three branches of Government. Civil society groups, the media, think tanks, research institutes and citizens have significant roles to play in this regard.²⁰³ The following actions are also extremely significant for the attainment of the two SSR pillars: retraining and capacity-building of security services, including improving police training, staff development and internal practices; reviewing police structure,

¹⁹⁹ OECD, 2007.

²⁰⁰ Ibid., p. 21.

²⁰¹ Sayigh, 2007, p. 22.

²⁰² Kodmani and Chartouni-Dubarry, 2009, p. 96.

²⁰³ Ibid., pp. 112-118.

strategic management, capacity and practices;²⁰⁴ and defining clear legal frameworks and mandates. . Furthermore, emphasizing the civilian nature of the police force, shifting from strong central administration to local administration and building a new identity based on a strong professional culture and meritocracy are extremely significant.

3. Justice and reconciliation

Successful adoption of democratic practices among third wave countries often hinged on striking a fine balance among competing imperatives for compensating victims, bringing perpetrators to justice and maintaining social cohesion. Effective formulas and implementation mechanisms for transitional justice²⁰⁵ were part of reforms aimed at bestowing legitimacy, not only on newly emergent regimes, but also on post-transition societies. Transitional justice has been key in maintaining legitimacy, social cohesion and restoring trust, both between citizens and the State and among citizens themselves. Legitimacy is crucial for determining the extent to which regimes may resort to coercion, as opposed to consent, of the populace in enforcing laws, policies and regulations. Furthermore, State strength has been linked to the ability of power-holders to establish vertical linkages between political institutions and society. Given that “in times of social upheavals and rapidly changing ideas, bases of legitimacy seldom last”,²⁰⁶ regimes in transition need to adequately address past mistakes and forge popularly accepted claims to govern. Criteria defining membership of the political community, or horizontal legitimacy, also carry vital implications for democratizing countries. If the various groups and communities within a country accept and tolerate each other as members of the nation, political order is more likely to be stable and regime legitimacy is less likely to be questioned. Reconciliation among conflicting groups through viable transitional justice mechanisms is a prerequisite for political stability and State strength. Moreover, transitional justice cannot take place without heavy involvement from civil society.

Where political transformation is associated with high levels of violence and civil strife, transitional justice emerges as a vital priority.²⁰⁷ The South African Truth and Reconciliation Commission was vital for establishing grounds for democratic institution legitimacy and the reconfiguration of power relations following the end of apartheid. Similarly, post-war Afghanistan, the Democratic Republic of the Congo and East Timor all established initiatives aimed at creating broad national cohesion and legitimacy for ruling regimes without compromising the rights of victims to retribution. At the other end of the spectrum, transitional justice mechanisms have also been adopted with less ambitious goals where there were no signs of major regime change or transition. The latter “applies when leaders and heads of State wish to reconcile with the population, restore some of their rights, and appease victims of past abuses so as to retain power and cement legitimacy”.²⁰⁸ In other words, transitional justice needs to be explored in context-specific terms to fully grasp its significance, goals and overall impact.

Countries in political transition have established various approaches and mechanisms for transitional justice. In some cases, transitional authorities adopted justice mechanisms aimed at achieving reconciliation and restoring victims’ rights through truth telling (South Africa and Guatemala). While these have been effective in cases where human rights violations affected broad segments of society, they have been criticized as overly lenient because of the absence of appropriate punishments. In other cases, judicial

²⁰⁴ Capacity-building should include women. Training curriculums should also educate on violence against women. For example, many Arab women never report incidences of rape, not only because they could face stigmatization, but also because they do not trust the police, who often discourage them from reporting crimes or even seek to excuse the perpetrators.

²⁰⁵ Transitional justice encompasses various judicial and non-judicial tools, such as truth and reconciliation commissions, local or international criminal tribunals, material or symbolic reparation programmes and vetting of the security sector and the judiciary.

²⁰⁶ Ohlson and Soderberg, 2002, p. 7.

²⁰⁷ Olsen and others, 2010.

²⁰⁸ ESCWA, 2013b.

mechanisms premised on holding perpetrators accountable were put into place through national and community-based courts (East Timor and Rwanda), the International Criminal Court (the former Yugoslavia) and hybrid tribunals (Cambodia and Sierra Leone). Reparations have emerged as a victim-centred mechanism for bringing justice to victims through material or symbolic compensation (Chile). Lastly, institutional reforms entailing the inclusion of civil servants linked to old regimes have often been a critical issue.

Transitional justice in ACTs has been a major point of contention, because of limited officially filed charges, the slow pace of criminal investigations and the low capacity of justice systems. Several countries have taken transitional justice measures, yet progress has been uneven to date. Morocco has been the pioneer in the region with the institution of the Equity and Reconciliation Commission in 2004, and many other ACTs have tried to follow suit. In Egypt and Tunisia, trials of former regime leaders took place. In Tunisia, initiatives also included the establishment of the following two investigative commissions: the Fact-Finding Commission on Corruption and Embezzlement and the Fact-Finding Commission on Abuses, to investigate human rights violations that occurred during the uprisings. In Bahrain, following the uprisings of 2011, an Independent Commission of Inquiry was established in a highly polarized environment.

4. Participation

Another crucial matter in transitional contexts is the question of participation. Reform from above does not usually work in tackling underlying political, economic and social challenges that can only be settled if the main groups in society believe and participate in the process. Both formal and informal participation should be studied in details to capture the level of inclusion of the various social spheres. The engagement of society as a whole in the transitional process, whether through informal means (ability of civil society organizations to organize and operate freely) or formal means (through elections and representation in parliaments) offers a glimpse of the future of transition in a country. The greater the level of inclusion and participation, the more accepted political decisions are, thus guaranteeing less violent and polarized societies.

However, while in some cases participatory activities and programmes can be used to strengthen solidarities and networks, in others solidarities and networks might exclude those who are outside them. Hence, participation should have broader citizenship construction connotations. Participation cannot be achieved in one leap, because it is an iterative and incremental process grounded in the conviction of the “right to have rights”.

Elections serve to structure competition for political power. Like the choice of executive-legislative institutions, the choice of electoral system is often the function of historical and cultural legacies, and may be the outcome of political negotiations during times of transition. Some countries changed their electoral systems intentionally or tried to change the system through popular referendums. Motivations to change systems derive from a desire to address questions of representation and governability that often pose a trade-off and, at moments of transition, feature as part of elite pacts and new constitutions, where key stakeholders and political agents support those institutional choices that have the greatest probability of maximising votes for them.²⁰⁹ Experiences from other transitions, such as Ghana, Mali, Peru and Venezuela, have shown that elites can profit from free elections and even use them to reinstate masked forms of authoritarianism. In many transitions, electoral participation was undermined by creating high barriers to entry in active and passive politics, as well as through false voter registration, vote buying and electoral intimidation. This

²⁰⁹ There are three main types of electoral systems: plurality, proportional and mixed. Plurality systems, also known as “first past the post” and single-member systems, award legislative seats to candidates who have won the largest percentage of votes in a winner takes all contest. Such a system is easy to understand for voters, but can lead to unfair representation, particularly in electoral districts with many candidates competing for a seat. Proportional systems award legislative seats to candidates as a proportion of the votes they receive, where multiple candidates compete and have a greater chance of winning. These systems are deemed more representative as they more accurately reflect different groups and underlying preferences within the electorate.

electoral malpractice has the general effect of reducing the quality of elected officials and the representation provided to the poor.²¹⁰

Citizen movements create new spaces of public debate and discussion. As Verba and Nie (1972) define it, “political participation refers to those activities by private citizens that are more or less directly aimed at influencing the selection of government personnel and/or the actions they take”. However, civil society can have the following two opposing effects on a transition process: it can be a force for pressuring the State to be more responsive to citizens and more equitable, or it can be a source of exclusion and reproduction of inequalities.²¹¹

Community participation has been particularly promoted in many transition countries in Africa and Asia, where communities have been involved in monitoring public services. For example, the quality of services are being monitored in Ugandan health centres, Mexican and Kenyan schools²¹² and, to a lesser extent, corruption is being controlled in local road building in Indonesia; in Uganda, the rate of absenteeism of health personnel has been drastically reduced. Alatas and others (2012) found that community involvement in the targeting of beneficiaries for the Indonesian national cash transfer programme improved targeting accuracy and community satisfaction. After a review of 100 participation enhancing projects worldwide, Gaventa and Barrett (2010) concluded that around three quarters of them produced positive results in terms of either development outcomes or democratic/accountability outcomes, in that they contributed to strengthening citizenship and participative practices, and created responsive and accountable State institutions, and more inclusive and cohesive societies.

As detailed in Khatib (2013), the Arab uprisings blurred the line between formal and informal political participation. “The Egyptian protests in *Tahrir* Square, for example, saw an almost seamless participation by established groups like political parties (such as *al-Wafd*), social movements (like the April 6 movement), unofficial political groups (like the Muslim Brotherhood), civil society organizations, trade union members and individuals not affiliated with any organized entity”.²¹³ The present study therefore uses a broad definition of political participation to include the involvement of all social actors in transitional processes.

In ACTs, the informal political participation of the masses, after decades of generalized passive attitudes towards politics, is an important transition characteristic. The massive mobilizations that spearheaded the Arab uprisings since late 2010 are often hailed as signs of civil society vitality. Youth activism has, in many cases, created a new generation of social movements that builds on horizontal networks and lacks a clear hierarchical structure. These movements’ eventual failure in securing representation in the political system has been interpreted as indicative of their limited effectiveness once regimes were toppled. In the course of transition, legal acts regulating civil society activism, in particular non-governmental organizations’ access to donor funding, has emerged as a controversial issue. These two trends have signalled to activists working in civil society that Governments of countries undergoing transition are keen to heavily regulate and even restrict hard won spaces for activism. While some segments of civil society have definitely scored wins in the post-authoritarian years, such as the establishment of the

²¹⁰ Baland and Robinson (2008) show that the introduction of the secret ballot in Chile reduced the electoral power of the landed elite who used to control the workers’ vote. Indeed, the right-wing bias in elections in areas with greater land inequality was reduced after the introduction of a secret ballot.

²¹¹ Baiocchi and others, 2011.

²¹² Björkman and Svensson (2010) found that informing Ugandan citizens of the dismal state of local health services and holding meetings between citizens and health workers to agree on “action plans” significantly reduced absenteeism, increased utilization and improved health. In Kenya, school committees in local communities were given money to hire additional teachers on short-term contracts, who performed much better than regular teachers appointed by the Ministry of Education (Duflo and others, 2012b). Gertler and others (2012) studied the impact of the Mexican parental empowerment (AGE) programme, a government programme that finances parent associations and allows them to participate in the management of primary school grants. The authors found that the programme reduced grade repetition. However, it had no effect in extremely poor communities.

²¹³ Alhamad, 2013.

Egyptian workers' independent federal union, other groups have faced higher barriers to their continued activism. In Tunisia, new non-governmental organization formations, together with the revived role of trade unions, turned civil society into an active player throughout the transition. The national dialogue that took place in the last quarter of 2013 exemplified how to formally include civil society in the decision-making process. The main trade union of the country, the Tunisian General Labour Union (UGTT), called for a dialogue between all forces to solve the crisis with the aim of presenting a unanimously agreed road map, which successfully led to the dismissal of the Government and the adoption of the constitution. In Libya and Yemen, civil society has increasingly played an important awareness-raising role.²¹⁴

Although civil society can play a crucial role in tearing down authoritarian regimes to pave the way for democracy, a transition focused around a politically viable and inclusive process is needed. Therefore, apart from trade unions and non-governmental organizations, the other crucial stakeholders are political parties. Despite a widespread distrust towards parties,²¹⁵ seen as an instrument in the hands of autocrats during authoritarian rule,²¹⁶ and the uncertain legal framework for political organization and fundraising, their numbers increased at the beginning of the transition in ACTs (Egypt, Libya and Tunisia). Since the first elections and by 2013, about 110 political parties in Tunisia and 60 in Egypt have registered.²¹⁷ In Libya, over 140 parties registered to take part in the country's first legislative elections. Many of those parties existed only on paper or mirrored one another with vague and weak platforms, small hardcore elites and strong individual leaders. The resulting highly fragmented landscape has not allowed real coalition-building so far in many ACTs. Political parties remain too reliant on small groups of wealthy donors that use them for their own benefit rather than to realize voter interests. They seem unable to develop a broad-based fundraising network that would allow all supporters to have their interests represented. Moreover, the recent rise in tensions between Sunnis and Shia in the Middle East, with the Iraqi and Syrian conflicts acting as catalyzing factors, has contributed to a sectarianization of the political party landscape, aggravated by government policies of exclusion that have little to do with confessional issues.

Hopefully, however, winning parties will be quickly put to the test as the Arab public begins to judge them based on their ability to deliver, especially on the socioeconomic front, rather than just on confession or ideology. The swift disaffection towards the older and more structured parties together with some experience accumulated following the last round of elections has provided a breeding space for other parties and movements to emerge as potential contenders in Egypt and Tunisia. These dynamics seem to be supported by the latest polls conducted by Zogby Research Services in 2013.²¹⁸

5. Measurement issues

For the SSR category, the present report reviewed over thirty potential indicators for detailed assessments of security sector reform. Building on security sector reform indices in Central and Eastern

²¹⁴ In Libya and Tunisia, forming a non-governmental organization is a relatively simple task, funding by donors such as the European Union, the United States of America and the United Nations. Despite concerns over their sustainability, many of these organizations have been the only channel for empowering young people and involving them in the political process.

²¹⁵ In Libya, for instance, a 2012 poll by Oxford Research International showed that people had more trust in international organizations, such as the European Union and United Nations, than in new political parties.

²¹⁶ Blaydes (2006) indicated that, in Egypt, twice as many illiterates than literates voted in the 2005 parliamentary and presidential elections, reflecting greater vote-buying among the poor and less educated. This and other studies provide evidence that, while education can play a role in improving governance, participation may be affected by other key variables.

²¹⁷ A fundamental question that should be addressed at the outset of a transition is what should be given priority: constitution or elections. In the case of Egypt and Tunisia, elections were chosen first, while in the cases of Libya and Yemen, constitutional issues were tackled first. Where elections took place, new political parties gave a meagre performance, resulting in a fragmented landscape of tens of parties with no impact on politics. In many cases, they were simply not ready to compete in elections.

²¹⁸ Zogby Research Services, 2013a; 2013b.

Europe (such as the Security Sector Index), the following are possible variables that could be considered in the next phase:

- (a) Negative practices from State to civilians;
- (b) Degree of militarization;
- (c) Oversight and public scrutiny;
- (d) Security sector reform (budget, audits, etc.);
- (e) Personnel in military institutions;
- (f) Public trust in the army.

Data to assess the performance of ACTs across these six areas can be partially gathered from published indices, such as those of Transparency International, Gallup Polls, the Institutional Profile Database, Cingranelli-Richards, the Global Integrity Report, the Bertelsmann Transformation Index and the Arab Democracy Index.²¹⁹

As a crucial component of democratic transformation, the present report adopts indicators to adequately assess the quality of participatory practices and their relative strength and effectiveness with regard to establishing vertical legitimacy and sustaining horizontal ties. The following are the preliminary categories from which to extract indicators:

- (a) Electoral process and pluralism;
- (b) Legislative inclusiveness;
- (c) Political participation;
- (d) Civil society strength (density of civil society organizations in the population);
- (e) Social cohesion;
- (f) Public perception;
- (g) Electronic participation surveys and information and communication statistics of the International Telecommunication Union.

There is a significant lack of systematized data on the justice and reconciliation aspects of political transformation. The Bertelsmann Transformation Index is a notable exception, with its nuanced analysis of power relations and attention to formal institutional arrangements, as well as realities on the ground. The Index can be useful in capturing reconciliation trends because it includes an indicator focused on the extent to which political leadership can bring about reconciliation between victims and perpetrators of past injustices. This indicator is useful for institutional reforms geared towards lustration and specific mechanisms established to achieve transitional justice. To complement this indicator, the present report integrates data based on desktop research using variables that capture issues such as the degree to which assets are recovered, given that uprisings have been associated with allegations of corruption by long-established regimes.

Electoral process and pluralism have been the focus of many databases. Other potential indicators may specifically want to measure the following: establishment of an impartial mechanism for reviewing election-related breaches and complaints and election observation systems (both national and international) according to international standards.

Public opinion surveys are useful for assessing the degree of social cohesion (or social capital) among the citizenry, public perceptions of the political system and the degree of popular approval for a regime. Types of proxy indicators for social capital generally come under the following two levels: group (sense of

²¹⁹ For a review of the potential variables, please see the annex to the full version of this report.

belonging to a community or social group with which to share identity, values and relationships) or individual (skills and networks that enable an individual to overcome imperfect information problems and make contracts with others), for both of its components – bridging (between-groups) and bonding (within-groups) social capital –, with the former being more conducive to fostering economic development.²²⁰ Indicators that could be included in a survey could be membership in local associations or crime rates (structural social capital), indicators of adherence to norms of solidarity and trust (cognitive social capital) and indicators of collective action (outcome measure of social capital). The methodology adopted by CIVICUS to create a Civil Society Index could also be attempted to be replicated in ACTs where the index is missing.

H. VIOLENCE AND INSTABILITY

1. *Justification*

Democratization is an inherently destabilizing process that often exacerbates already existing structural weaknesses, resulting in escalating cycles of political violence and sometimes armed conflict. Recent studies empirically link political transitions to increased propensity for involvement in armed conflicts. Quantitative research showed that intra-State conflicts were more likely to occur during transition from autocracy, where the cost of violent dissent is often prohibitively high, to democracy, which guarantees non-violent avenues of expressing grievances.²²¹ Regimes that have fallen short of installing a fully-fledged democratic system (i.e. hybrid or semi-democratic regimes) and those that have long consolidated as hybrid regimes are more conflict prone in the long term. In addition, intra-State violence, in which groups contest the authority of the central power, opens space for the outbreak of wars. In the light of these patterns, one of the anomalies of democratization is how to adopt a more inclusive political order while sustaining the State as an integral and maintaining its capacities in the Weberian ideal formulation.²²²

2. *Lessons learned from other transitions*

Transitions are often characterized by different types of violence. Many third wave countries that experienced a violent transition process (especially Central American countries) are now experiencing even more acute violence deriving from criminal activity. The impact of violence on transition is not only measurable in terms of foregone economic development and human and physical capital, but also through the institutional and political lock-in effect it creates. In addition, after the end of a conflict, a society takes more than 10 years on average to return to the pre-conflict level of human rights observance.²²³ Without broader and deeper governance transformation, this vicious circle will keep becoming more difficult to escape following each round of violence, as each successive event further weakens social capital and State institutions. This inevitably ends up affecting the outcome of a transition process and increases the probability of its reversal.

Governance is increasingly being seen as an instrument to prevent and address conflict. The risk of conflict relapse in countries previously affected by conflict, but that have improved their governance performance, drops rapidly in just a few years following the last conflict occurrence, as opposed to countries with poor governance where the process takes much longer.²²⁴ In figure 17, this phenomenon can be clearly observed in the upper right, the lower left and the lower right plots that depict the role of bureaucratic efficiency, the quality of economic policies and the overall governance index, respectively.²²⁵ Hence,

²²⁰ Putnam, 1995.

²²¹ Chege, 1995; Mansfield and Snyder, 2007; Young, 1999.

²²² Ohlson and Soderber, 2002.

²²³ Hoeffler and others, 2010.

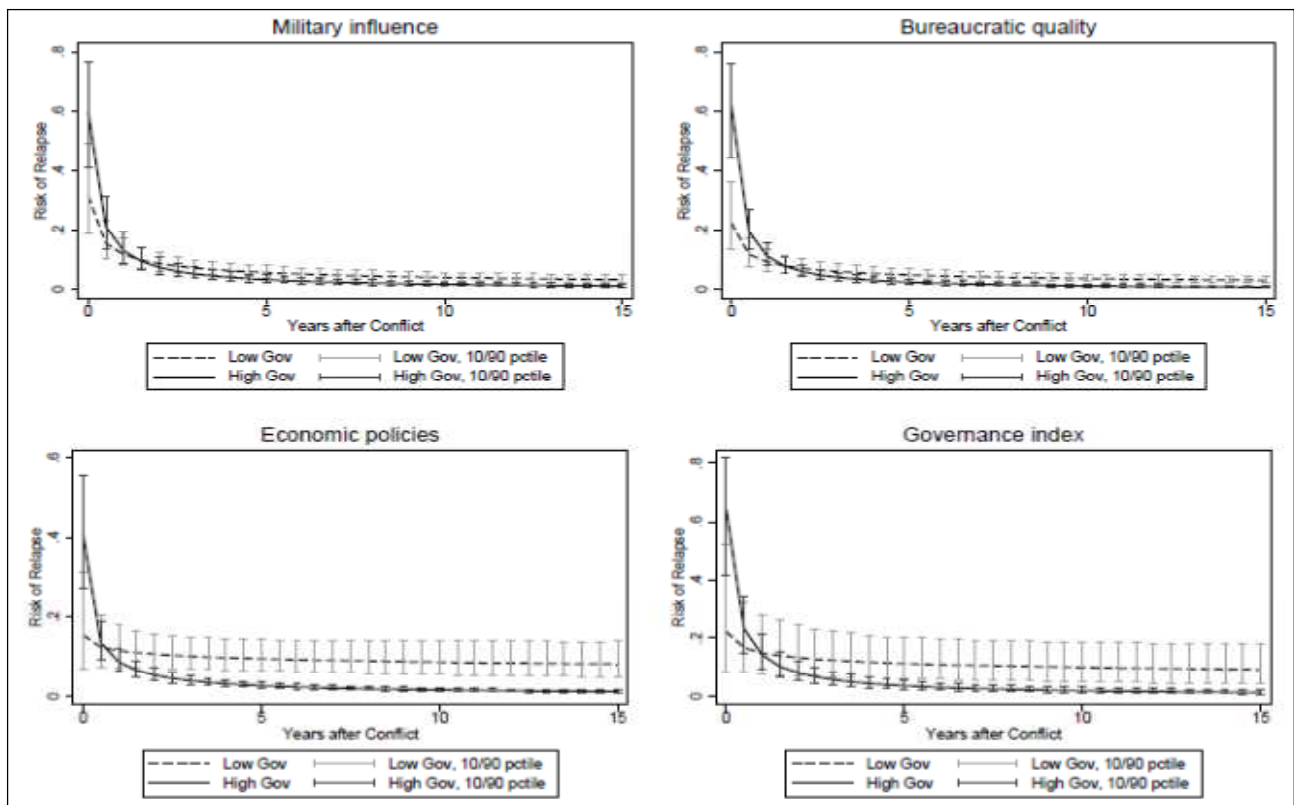
²²⁴ ESCWA, 2011; Hegre and others, 2012.

²²⁵ According to Collier and Rohner (2008), in a democracy, the risk of conflict is negatively correlated to GDP per capita.

improving governance in its different aspects not only increases success during transition, but also reduces the onset and recurrence of conflict.

As democratization spreads to developing regions where modern-State formation did not historically result in the establishment of strong States, political change was associated with violence and turbulence. Many countries in transition clearly made gains in democratic practices, yet they generally lacked the capacity to monopolize the use of force, withstand external threats and maintain basic order.²²⁶ The capacity of public institutions remains limited despite many attempts to strengthen the civil service, reform management systems and increase financial transparency. Governance continues to be hampered, not just by the prevalence of patrimonial ties, but also by the ability of power centres, communities and non-State actors to contest the modern State's authority, its borders and its sovereignty.

Figure 17. Governance and risk of conflict



Source: ESCWA, 2011; and Hegre and others, 2012a.

3. Analysis of Arab countries in transition

At issue within the Arab region is the effect of internal and externally driven challenges on a country's ability to exercise control over its territories. The presence of armed groups, forcibly displaced populations or violent mobilizations are major risks that may jeopardize a smooth transition to democracy. Factors such as foreign invasion and occupation, communal tensions and conflict-driven displacement from neighbouring countries, and autocratic neighbours are intervening variables that can affect democratic prospects on the ground.

Violence and instability in ACTs tend to be driven by internal and external dynamics that may pose threats to national sovereignty if governance systems remain as deficient as they continue to be. Ongoing

²²⁶ Norris, 2010.

political transformation did not coincide with internationally recognized secessionist claims by minority groups seeking to achieve statehood. At this stage, democratization has been most affected by the impact of violence on countries' most basic capacities, including the following: "protecting the safety and security of citizens through maintaining sovereignty against external threat, exercising a monopoly over the use of military force, and establishing social order".²²⁷

Internally driven instability in the course of ongoing political transformation has cast doubts over the feasibility of democratic change and its long-term sustainability in the Arab region. Conflict-afflicted transitions in Iraq, Libya and the Syrian Arab Republic and Yemen have raised questions about the long-term durability of modern nation States dating back to the end of the First World War. Interactions between various sources of violence and the challenges to transition that they pose is exemplified by Libya, the Syrian Arab Republic and Yemen, which now face different types of violence arising from rebel areas, the presence of terrorists groups, grievances by civilian populations in areas where clashes between opposing factions have taken place and the frustration derived from unheeded popular protests for change.²²⁸ In these contexts, democratic transformations have coincided with the difficulties of bridging identity divides. This challenge is even greater where such cleavages fall along sectarian, tribal or regional lines, with unequal access to natural resources acting as a further hindrance. Hence, the regional challenge will be to guide a peaceful transition in some countries and to prevent the deterioration of the transition in others.

4. *Measurement issues*

The failure of modern nation States to perform their traditional functions in post-colonial contexts gave rise to an expanding body of literature focused on quantitative assessments of potential risks to political stability. The following are some key variables adopted to capture the extent of violence and instability:

- (a) Intra-State organized violence and conflicts;
- (b) Population displacement;
- (c) Violent demonstrations.

The role of armed non-State actors in destabilizing countries in transitional contexts can be analysed through a detailed look at databases developed by international organizations and academic researchers. Intra-State organized violence and conflict can also be assessed using several indicators. Several data sources can be utilized to assess external sources of insecurity that could undermine democratic prospects. However, most nation-based indicators have relied on a variety of country-level features without tackling any of the effects that countries have on each other. In terms of violence affecting a country, this pillar includes population displacement – both refugees and internally displaced people. Finally, there is a lack of data sources on violent demonstrations. Only the Global Peace Index provides information on the likelihood of violent demonstrations within a country. However, it is difficult to retrieve disaggregated data. The role of armed non-State actors in destabilizing States in transitional contexts can be captured through a detailed look at databases developed by international organizations and academic researchers.²²⁹

I. ECONOMIC GOVERNANCE

1. *Conceptual relevance*

Considering the current situation in ACTs and the importance of economic governance in previous waves of transition, the present report proposes the inclusion of a specific pillar for economic governance. Its objective is the measurement of the comprehensiveness, suitability and effectiveness of government

²²⁷ Ibid.

²²⁸ Gurr (1970) argues that conflicts arise when groups experience feelings of relative deprivation and frustration in terms of anticipated economic and social gains.

²²⁹ For a review of the potential variables and sources, please see the annex to the full version of this study.

actions to create a stable economic environment that encourages the development of the private sector and attains inclusive growth.

Some areas related to the economic dimension of governance are covered in the institutional effectiveness pillar. Prevention and regulation of monopolies; and regulation of markets that ensure market-based access to credit and avoid implicit or explicit subsidies in favour of activities and sectors favoured by elites are critical in general but even more during transition. However, these elements are not the only requirements to encourage economic activity, achieve growth under a stable economic environment and promote equal opportunities for all sectors of society. These outcomes should be upheld by an appropriate mix of policies that support good economic decisions and stimulate the development of the private sector. A specific pillar on Economic Management in the Arab Governance Indicators would bring these factors to the forefront.

2. Lessons learned from other transitions

Most of the recent literature that examines the role of economic management in a transitional context focuses on the experience of Central and Eastern European countries and Former Soviet Republics at the start of the 1990s. These countries underwent an extreme type of economic transition when their economic system of collective ownership of the means of production shifted to a capitalist structure. Unlike those countries, ACTs do not need to create markets where none existed or develop a productive private sector from scratch. However, there are still some lessons to be learned from their experience.

Political and economic transitions in this group of countries had negative, sometimes powerful, short-term effects in the early stages of reform and their positive outcomes materialized only in the medium-term. The initial stages were characterized by severe macroeconomic imbalances, including soaring fiscal deficits as economic production fell, trade deficits, inflation and unemployment. Their experiences showed that the major short-term concerns of fiscal policy in a transitional context are the improvement of the budget situation, inflation stabilization and the overhaul of the tax system and subsidy policy. In the medium term, as noted by Kolodko (1999) and Gevorkyan (2011), fiscal policy should reassume its essential role in capital formation through spending programmes on infrastructure, education, innovation, health care and redistribution of income. The facilitation of private sector activities and policies to promote their development was also a key element in previous transitions. This includes the redeployment of resources to the most productive uses through effective industrial and competition policies, facilitation of market entry and exit and promotion of structural transformation. Other important elements are the development of the financial sector, including a functioning capital market, and the creation of attractive conditions for foreign direct investment. One of the most crucial aspects of past transitions is how political and economic management enabled a competitive environment²³⁰ instead of an increasingly captured economy.²³¹

3. Analysis of Arab countries in transition

As identified by Amin and others (2012) and previously discussed in the present report, the catalysts of the recent political movements in ACTs included failure to generate inclusive growth; lack of quality employment opportunities, especially for young people; and growing inequality. These factors have both political and economic causes and consequences. The economic dimension of this problem in ACTs arises

²³⁰ Amin and others, 2012.

²³¹ Bruhn (2008) studied a reform that simplified business entry regulations across municipalities in Mexico to estimate the economic effects of such economic reforms. The results show that simplified regulation leads to increased efficiency. She found that the reform increased the number of registered businesses, which was accounted for by former wage earners opening businesses. Average wage employment also increased, while competition from new entrants decreased the income of incumbent businesses. Conducting a similar study on the reform of business entry regulation in Mexico, Kaplan and others (2011) compared eligible industries to ineligible industries in municipalities that implemented the reforms. They found that the programme generated 5 per cent more formal firms per month in eligible industries compared to ineligible industries.

from inefficiencies in public sector activities and a private sector with insufficient opportunities for development. Some authors have argued that the reforms undertaken in the 1990s did not go far enough²³² owing to the rise of “networks of privilege” and “crony capitalists” with myopic short-term interests as the central reason for low economic growth.²³³ Stories of favouritism abound in ACTs where political cronies control large chunks of the productive sector.²³⁴ In recent studies, Chekir and Diwan (2013) and Rijkers and others (2014) found that the privileges enjoyed by connected firms in Egypt and Tunisia are significantly higher than those enjoyed using a cross-country comparison, leading to market entry barriers in selectively protected economic sectors and a large misallocation of capital towards less efficient firms, which, combined with low competition, has led to lower competitiveness and lower-than-potential economic growth.

As Angel-Urdinola and others (2012) describe, informal employment represents a high proportion of total jobs in all ACTs, the highest in the world, especially among young people. Rigidities in labour markets and a mismatch between educational supply and business needs hinder employment in formal jobs. Workers in the informal economy are generally less protected than their counterparts in the formal sector and they are the hardest hit in times of economic turbulence.

In Tunisia, but potentially also in other ACTs, expropriated companies and confiscated property belonging to the former ruling families are a central issue. At the time of writing, from 118 expropriated companies, more than 100 were still managed by the State and irregularities were noted in their management, despite the formation of a holding company that brings together all expropriated companies and their assets.

4. *Measurement issues*

The measurement of economic governance is not straightforward. Outcome variables such as growth, employment and fiscal balance are not adequate indicators since they only have an indirect link to economic governance. Indicators should include direct measures of how efficient policies are in reaching their objectives and their effects in the promotion of economic development.

This pillar can be divided into the following three main categories.

(a) Economic management: analysing the efficiency and efficacy of the instruments applied by policymakers and their results in generating stability and supporting growth. Governance-related aspects in fiscal policy, public debt management, monetary and exchange rate policy, trade policy, actions to counterbalance external shocks and labour policy could be considered here;

(b) Investment climate: evaluating the conditions set up by Governments to promote and facilitate private sector activities. Some of the aspects that could be included are the extension of competitive markets, the investment and business climate, the degree of bureaucracy and regulations to carry out basic business transactions with the authorities (such as starting a business or obtaining an import permit), the situation of the financial sector and foreign investment;

(c) Resource management: a fundamental role of public policy is the redistribution of income and the creation of conditions that allow all sectors of society to benefit from economic development. This can cover gaps between different segments of the population, between rural and urban sectors and between current and future generations. Specifically, the topics covered in this category would include governance issues in the rural sector and natural resource management.

²³² Noland and Pack, 2007.

²³³ Heydeman, 2004; Sadowski, 1991; Owen, 2004; Henry and Springborg, 2010.

²³⁴ Tlemcani, 1999; Alley, 2010; Beaugé, 2011; Haddad, 2012.

These indicators do not attempt to support one economic system over another. For instance, the assessment of competitive markets in the category “development of the private sector” does not carry the implication that fully liberalized markets will be assigned the highest scores. Instead, this element only measures the effectiveness and support of the mechanisms of market entry and exit and competition oversight under existing rules and the type of economic policy followed by the Government. As another example, the indicators do not consider the presence of State-owned enterprises or financial institutions as a positive or negative development; however, they do evaluate, both here and in the institutional effectiveness pillar, whether these entities follow appropriate standards of accountability and transparency and conduct their business efficiently following applicable market rules.

In the absence of a consistent series of economic governance-related measures, proxy measures, such as the level and spread between real lending and deposit interest rates, would measure the implicit rate of subsidization to the investors and a cost to savers, and the relative effectiveness of the credit market in allocating financial resources. The smaller the ratio of credit to the private sector and the larger the interest rate spread, the less efficient the market in allocating resources, thus generating implicit transfer of income to investors from savers inconsistent with market forces. The present study also looks into proposed potential indicators that are not readily available, such as the following:

- (a) Percentage of expenditure complying with multi-year budget planning;
- (b) Percentage of PEFA (public expenditure and financial accountability)/PER (public expenditure review) recommendations implemented from the last assessment;
- (c) Breaches of international investment treaties.

J. PROVISION OF PUBLIC GOODS AND SERVICES

1. *Conceptual relevance*

The provision of public goods corresponds to the demand side of a social contract, with taxation on the supply side. Public goods are therefore crucial in transitions as they may give incentives for people to adhere to a social contract given a certain taxation level. For developing countries, well targeted social protection programmes, such as safety nets, universal access to primary education and primary health care, are of the utmost importance to protect the poor and build their resilience to external shocks by enhancing their human capital.

Measuring service delivery provides a more objective impact evaluation of government programmes and policies in the field, informs public opinion about the quality of some critical services, promotes accountability in service delivery and helps build societal consensus for policy and programme reform. Contextualizing such measurements in terms of ACTs would help understand if and by how much service delivery is falling short. Subnational comparisons can also be particularly useful here as service delivery usually varies greatly between urban and rural areas, as well as across regions or provinces, as the cases of Egypt and Tunisia clearly show.

2. *Lessons learned from other transitions*

Available data from other transitions suggest a strong negative relationship between income levels and the extent of leakages and ineffectiveness. However, the causality could go in either direction. Even among countries with similar income levels, or within countries, there is still a marked amount of heterogeneity in corruption levels. For example, a study in Uganda estimated a leakage rate of 87 per cent in education block grants and a study in Indonesia showed that leaked expenditures in a road project averaged 24 per cent of the total cost of the road. Similarly, in a cross-country study conducted by Chaudhury and others (2006), absenteeism rates for health workers ranged from 25 per cent in Peru to 40 per cent in India, while for

primary school teachers it ranged from 11 per cent in Peru to 27 per cent in Uganda.²³⁵ Duflo and others (2012a) show that implementing monitoring mechanisms on teachers' attendance seems to work. Muralidharan and Sundaraman (2009) found evidence supporting the hypothesis that wage incentives for teachers based on student performance improved educational outcomes. However, other than a few examples in education and health, it is difficult to find evidence of how incentives can change the performance of bureaucracies.

3. Analysis of Arab countries in transition

This is one of the most controversial debates currently taking place in ACTs, given that their recent past was characterized by a heavy social protection system.²³⁶ The problem is compounded by the fact that, in the early transition phase, when political systems keep some semi-authoritarian facets, these hybrid regimes may easily show populist characteristics based on unaffordable social policy programmes.

Governance reforms therefore depend on an intertwined net of interacting factors, such as State capacity, attitudes towards inter-institutional cooperation, links between formal and informal institutions, the strength of civil society and local communities, and the media. In this sense, reform programmes need to work in parallel at the following two levels: strengthening social accountability systems to hold service providers to account; and enhancing inter-institutional cooperation between ministries, offices and agencies.

4. Measurement issues

Existing sources do not pay much attention to indicators of public service delivery. However, as the present report has shown, some ad hoc indicators that measure governance performance in key areas of service delivery and social policy could help monitor and measure trends in public service delivery.

When developing additional variables that could help thoroughly assess both de jure and de facto, the following five dimensions of service delivery need to be taken into consideration: human resources, resource management, inputs, information and provider entry.²³⁷ Critical information in this respect could be provided by administrative data (on inputs and supplies, operational and unit costs, outputs and organizational arrangements) collected from service providers, such as hospitals and schools.²³⁸ Customer polls and scorecards could also be very useful in capturing the overall satisfaction of service users.²³⁹ However, a comprehensive overview of key social policy sectors can be provided by sector-level quantitative service delivery surveys (QSDS) and public expenditure tracking surveys (PETS). Administrative data and sector-level assessment are very rare and are often of low quality in most ACTs.

The following are some additional variables:

(a) The degree of infrastructure and social policy dispersion among different institutions, and the existence of an integrated sector policy;

²³⁵ Kremer and others (2005) found that teacher absenteeism was higher in poorer areas of a country. Suryadarma and Yamauchi (2013) found that, in Indonesia, only 69 per cent on average of anti-poverty funds reach the intended beneficiaries. They also found that districts with higher education levels and a greater number of female village heads received a greater proportion of funds and targeted these funds more accurately to the poorest households. Their evidence therefore suggests that local characteristics can influence the level of leakage and government effectiveness.

²³⁶ Haggard and Kaufman, 2008.

²³⁷ Fiszbein and others, 2011.

²³⁸ Owing to the scarcity of such data at the service provider level, some of the data could be collected by the administrative level immediately above.

²³⁹ One of the first scorecard programmes was carried out by a local non-governmental organization in Bangalore, India. It helped identify significant weaknesses in the city's services and became a powerful advocacy tool for reform (Paul, 2002; Amin and others, 2008). Scorecards can be aimed at individuals or communities. The former are usually used in urban areas and the latter in rural areas.

- (b) The average annual expenditure per kilometre of main road and railway compared to the region's benchmark;
- (c) The average cost of a cubic metre of cement and asphalt concrete used in public infrastructure compared to the region's benchmark;
- (d) The capital budget execution rate;
- (e) The percentage of roads complying with safety standards;
- (f) Transport, education and health user satisfaction;
- (g) Health performance could be measured by comparing infant mortality and immunization rates to overall public health expenditure;
- (h) Average waiting times of patients in key health areas, such as for X-rays, specialist visits, blood tests or surgery;
- (i) Drug stock-out rates;
- (j) Comparison of drug prices through the global database maintained by Health Action International;
- (k) Education performance could be measured by comparing primary and secondary completion rates to overall public education expenditure;
- (l) Another way to measure education performance could be by comparing results in standard tests, such as TMISS (Trends in International Mathematics and Science Study) or PISA (Program for International Student Assessment), to overall public education expenditure;
- (m) The ratio of teacher and health worker absenteeism;
- (n) The percentage of satisfied customers as per education and health customer surveys;
- (o) The sum of inclusion and exclusion errors in social assistance;
- (p) The percentage of recommendations from education and health assessments (PETS/QSDS) implemented from the last assessment.

II. METHODOLOGICAL CONSIDERATIONS

A. CHALLENGES OF MEASURING GOVERNANCE

Governance measurement has become a major topic in the wider literature on governance.²⁴⁰ Rotberg and others (2013) identify over a hundred such index projects and databases that have been developed independently from one another, particularly over the last two decades.

There are various critiques of existing governance indicators and indexes. The Commission on the Measurement of Economic Performance and Social Progress, chaired by Joseph Stiglitz, analysed the limits of GDP measurement and the use of alternative measures of well-being, including composite indexes.²⁴¹ One major critique of national governance indexes is that they could be inherently flawed because they tend to be too simple in relation to the complexity of what they want to measure. The developers of the World Governance Assessment (WGA), for instance, argue that projects that rank countries in a single index may "stigmatize" countries on the basis of perceptions of external experts.²⁴² Other critics point specifically to the inability of a country-wide index to capture the sizable variations in governance that often exist at

²⁴⁰ Andrews and others, 2010a; Oman and Arndt, 2010; Rothstein and Teorell, 2012; Davis and others, 2012; Hallerberg and Kayser, 2013.

²⁴¹ Stiglitz and others, 2009.

²⁴² Hyden and others, 2003, p. 4.

subnational levels.²⁴³ Some scholars raised concerns about the production of “indicators without theory”,²⁴⁴ while other critics highlighted the issue of “actionability” (i.e., how diagnosing poor public management, weak service provision or low levels of accountability could help fix these deficiencies).²⁴⁵

Part of the debate has focused on whether governance should be conceptualized and measured in terms of inputs, process or outcomes²⁴⁶ and objective data or perceptions.²⁴⁷ Other critics highlight the failure of existing measures of governance to separate the effect of government action from that of broader development factors²⁴⁸, such as poverty.²⁴⁹ A number of studies argue that governance indexes should be made broader by including more components and should be better designed in terms of methods of aggregation and weighting.²⁵⁰ A closely related critique notes the lack of transparency in the presentation of governance indicators characterizing some measurement projects.²⁵¹

In summary, the use of governance indicators entails the following three main methodological challenges: conceptualization and operationalization (identification of key attributes that are reflected in the related indicators and definition of homogeneous categories); measurement and variable selection (minimization of measurement errors, selection of coding rules and choice of indicators); and aggregation (weighting, choice of aggregation rule such as addition or multiplication and level of aggregation). Unfortunately, as detailed below, many existing sources of indicators do not provide detailed information about how they address these challenges.

B. EVALUATION OF EXISTING GOVERNANCE INDICATORS

The following are some of the principal governance assessment sources: external assessment sources, which constitute the vast majority of governance indicators currently in circulation (e.g. Transparency International, Freedom House, the World Bank, the World Economic Forum and The Economist); peer assessments (e.g. some of the regional platforms currently in use, such as the African Peer Review Mechanism); and country-led assessments that are promoted by some development agencies such as UNDP (for comprehensive assessments) and the World Bank (for exercises such as Public Expenditure and Finance Accountability, and Expenditure Tracking) but this is conditional upon a country’s explicit request.²⁵² In the second and, even more, in the third case, political commitment, institutional capacity (of both government and statistical institutions), engagement by civil society, multi-stakeholder consultative mechanisms and resource availability are of essence.

A large body of governance indicators has emerged in the past two decades. Some of them attempt to quantify governance in general (for instance, the World Governance Indicators and the Ibrahim Index of African Governance), while others measure a particular component of governance (for example, the Corruption Perceptions Index, the Political Constraints Index and the Open Budget Index). Many were

²⁴³ Harttgen and Klasen, 2012; Gingerich, 2013.

²⁴⁴ Andrews, 2008.

²⁴⁵ Williams, 2011.

²⁴⁶ McFerson, 2009.

²⁴⁷ Rotberg and West, 2004; Kaufmann and Kraay, 2008.

²⁴⁸ Andrews and others, 2010a.

²⁴⁹ Kaufmann and Kraay (2008, p. 10), for instance, criticize the Ibrahim Index of African Governance as an “extreme example” of mixing governance and development together, which “risks making the links from governance to development tautological”.

²⁵⁰ Hoyland and others, 2012; Mitra 2013.

²⁵¹ Arndt and Oman 2006; Thomas, 2009.

²⁵² Examples of country-led democratic assessments conducted with the help of UNDP are those of Bulgaria, Indonesia, Malawi, Mongolia, the Philippines and Zambia.

created to assess other concepts indirectly related to governance; these measurements can frequently be broken down into base variables and the information relevant for the assessment of governance can be extracted (i.e., the Bertelsmann Transformation Index, the Cingranelli-Richards Human Rights Database, the Environmental Performance Index, the Global Competitiveness Index and the Rural Sector Performance Score).

Most of these indicators take a broad definition suitable for any country and then apply the measurement to all countries that have enough available data. However, a few of them deliberately focus on a subgroup of countries; for example, the Country Policy and Institutional Assessment covers countries eligible for the International Development Association of the World Bank, while the Transition Indicator Scores are published by the European Bank for Reconstruction and Development for the transition economies in Central and Eastern Europe, and Central Asia. As with most existing indicators, the present report studies governance at the country and regional levels. However, there have been interesting and useful attempts to analyse this subject at the transnational or subnational levels.²⁵³

The primary sources of data can be of the following types: desk studies (cost-effective and well-suited to examine the *de jure* aspects of governance); expert assessments (cost-effective but perception-based and focused on the *de facto* aspects);²⁵⁴ opinion surveys (costly but reflecting perceptions and experiences in key *de facto* aspects of governance relatively more faithfully than other types);²⁵⁵ and business surveys (usually administered to a small number of businesses, hence cost effective and focusing on *de facto* aspects). The added value of these assessments is that they go beyond what administrative data merely state about a very specific issue and capture less tangible aspects and complex interlinkages in the governance field.²⁵⁶ Clearly, combining different types of assessments helps get a more comprehensive picture of the *de facto* and *de jure* situation. To ensure coordination among various surveys, Governments of ACTs, perhaps helped by donors and development agencies, should avoid undertaking piecemeal ad hoc surveys and should develop a regular programme of periodical surveys, supported by adequate resource allocation and capacity-building for national statistics offices, in order to allow the latter to exploit economies of scale and become more respondent to the data needs of Governments.

Existing indicators differ in terms of conceptual definitions, sources of data, geographic and time coverage, methods of aggregation and weighting, and type of output variable produced.²⁵⁷ Some indicators

²⁵³ See, for instance, the Doing Business project of the World Bank Group. Available from www.doingbusiness.org.

²⁵⁴ Expert assessments are probably the most common source of governance indicators given their advantages, such as being low cost; including intangible issues and complex relations among various indirectly interrelated aspects; and being focused. However, there exists the possibility that experts (but also public opinion surveys) measure a specific governance issue rather than an objective evaluation of a situation. In doing that, experts (or opinion surveys) might be misled by perceptions of macroeconomic trends or a general underlying sentiment towards a country (the so-called “halo effect”). While expert assessments have positive and negative characteristics, it is very difficult to renounce this type of assessment. Even financial rating agencies rely on expert assessments.

²⁵⁵ In many transition countries, for example in Francophone Africa and Latin America, survey questionnaires on governance issues have been annexed to regular household surveys conducted by national statistics offices, thereby offering clear advantages such as cost savings, greater size and quality of samples, better quality data collection and analysis and standardized data.

²⁵⁶ For these reasons, the risk of measurement errors is high with these types of assessments. Moreover, in some contexts, there may be clear divergences between the results of expert assessments and opinion surveys. This was the case in post-communist countries in transition where opinion surveys were typically more critical towards democratic governance outcomes than expert assessments used by Freedom House and Polity IV. Divergences have also been noted in the measurement of civil liberties (Norris, 2010). In such cases, the literature tends to follow expert assessments since governance issues are typically complex by nature. Moreover, in formerly autocratic States and hybrid regimes, information is not completely free and people’s might not be completely honest when answering politically-sensitive questions. However, expert opinions tend to be elitarian and urban-based and hence risk disregarding the experience of the poor, women and marginalized groups in many areas.

²⁵⁷ For a comprehensive evaluation of the advantages and disadvantages of these indicators, see OECD, 2007 and UNDP, 2012a.

have clear and sound methodologies while others suffer from methodological shortfalls, such as the following: lack of clarity in defining what is to be measured; lack of transparency; heavy burden on government institutions; misuse of indicators deriving from lack of conceptual understanding of what they aim to measure; and high aggregation of the polity system of reference (usually at the central or federal State level). For example, Freedom House has been criticized for an overly ideological standing; lack of transparency in coding rules,²⁵⁸ and conceptual confusion.²⁵⁹ Moreover, this index, as well as many others, aggregates categories that are not necessarily homogeneous. One of the two key indices produced by Freedom House, the Political Rights Index, combines varied aspects, such as corruption, absence of violent crime and the right to buy and sell land; it is thus often used (or misused) as an aggregate index of democracy.

A complete definition and review of the main governance indicators is included in tables 4 and 5 below. Table 5 includes the main methodological advantages and disadvantages of the indicators as a preliminary evaluation for their potential inclusion in the governance indicator framework proposed in the present report.

Following a broad review of the literature, some key lessons have been drawn as follows:

- Do not reinvent the wheel when data are already available from other sources;
- Use a broad set of indicators and sources to miss as little information as possible;²⁶⁰
- Use selected indicators not only of a legal (de jure) nature but that also look at the de facto situation;
- Collect data through different methods so as to combine their complementary strengths;
- Do not exclude information of a more qualitative nature;
- Use country-led assessments and monitoring mechanisms to the maximum extent possible, based on local capacity;
- Constantly review and improve methodology and sources.

Based on these lessons, the box below provides some guidance questions that may help assess the need for new indicators.

Screening questions for indicator selection

- (a) What is the data meant to measure? Is it conceptually clear?
- (b) Does the indicator reflect a country's priorities in terms of missing data?
- (c) Is the indicator needed to capture a key aspect of a country's governance situation or can it be replaced by an already existing indicator or proxy?

²⁵⁸ Munck and Verkuilen, 2002.

²⁵⁹ For instance, the "political rights" category includes questions related to corruption, political asylum and distribution of State enterprise profits. Moreover, the subcategories of "functioning of Government" under political rights and "rule of law" under civil rights are considered somewhat unusual components as they do not seem to be organic to the widely shared definition that derives from the Universal Declaration of Human Rights, nor are they included in other similar indicators of such rights, such as Cingranelli-Richards' indicators.

²⁶⁰ However, it should be noted that there is a trade-off between aggregation and loss in conceptual precision.

Screening questions for indicator selection (*continued*)

- (d) Is the indicator based on facts or perceptions?
- (e) Is the indicator narrowly defined in terms of steps that can be taken to improve its score?
- (f) Does the indicator capture a critical dimension of governance?
- (g) Is the indicator measuring what it intends to measure?
- (h) How is the data going to be collected? By whom?
- (i) How much does it cost? Is the required budget going to be available for regular data collection in the medium term?
- (j) Can relevant data be taken from administrative data routinely collected by public administrations?
- (k) If a survey is going to be used, is it representative of the population concerned?
- (l) How often is the data going to be collected?
- (m) Are questions easy to understand by respondents?
- (n) Is comparison over time methodologically possible? Has the methodology changed?
- (o) Is comparison across countries methodologically possible?
- (p) Is there a balanced mix of perception-based and fact-based indicators in the overall dataset?

Source: ESCWA.

C. GOVERNANCE INDICATORS FOR ARAB COUNTRIES IN TRANSITION: DETAILED DESCRIPTION OF THE PROPOSED METHODOLOGY

A series of indicators that reflect the conceptual discussion set forth in this report are being developed for the purpose of the Arab Governance Report programme. This section presents, in detail, the options followed in the construction of AGIs to tackle methodological challenges.

1. *Systematization and level of aggregation*

AGIs systematize the concept of democratic governance into several macrolevel pillars that encompass its multiple dimensions. Each pillar is further analysed at the mesolevel and takes its shape through a partition in various categories that incorporate the different aspects that should be taken into account when studying that pillar. At the next level, the components are further separated into subcategories with a more detailed view of each element. Lastly, at the microlevel, each subcategory is assigned an extensive list of individual variables obtained from external sources or constructed specifically for AGIs. This approach results in a modular structure that makes the use and analysis of its different levels a flexible tool suitable for different purposes.

To strike a balance in the appropriate aggregation level mentioned above, the proposed AGIs will primarily be aggregated at the subcategory and category levels. Firstly, the individual variables are standardized and aggregated following the procedure described later in this section to obtain indicators for each of the subcategories. These are then combined to give a score for each category. No further aggregation will be attempted at the pillar or the global governance levels. The reason behind this choice is that, even if they all are different dimensions of a common pillar, the categories include disparate concepts that cannot be combined in a straightforward manner. Much more can be gained by giving them separate scores and then studying both their individual behaviour and the correlation among them. At the subcategory level, the concepts have much more in common since they all measure a narrower aspect of governance and can thus be combined into a single score. Each subcategory is populated with several potential

variables, a mixture of indicators from external sources and other variables whose construction is proposed specifically for AGIs.

2. Data sources and selection of variables

AGIs will take advantage of the wealth of governance-related data available in the literature. As seen in tables 4 and 5, there are many data sources that cover a variety of subjects relevant to governance in a transitional context. The AGI process will thoroughly review all these data sources and distribute the information to the different pillars as appropriate.

Once a variable is selected and fed into the aggregation methodology, it is very difficult to isolate its effect and judge its pertinence. For this reason, it is particularly important to thoroughly review the characteristics of each data source and the information contained in each variable before deciding to incorporate it in AGIs. Each variable must comply with the following seven criteria before being considered as a governance indicator:

- (a) Include only variables that contain relevant information;
- (b) Confirm the methodological soundness of the information;
- (c) Avoid overrepresentation of a single data source;
- (d) Limit the number of variables on the same specific topic;
- (e) Avoid sources with strong ideological bias;
- (f) Consider sources with a good coverage of ACTs;
- (g) Include only updated information.

The information available in the literature is not sufficient to cover the concept of governance in its entirety. This is either because it does not isolate information on governance (such as many outcome or development variables), because it is constructed following a conceptualization that does not comply with that of the present report, or because the available data is outdated or does not cover the countries of interest. AGIs propose the construction of new variables to complement this information, which could be calculated from a variety of existing databases, by conducting desktop research (for instance, the explicit inclusion of rights for minority groups in a constitution), or by collecting new expert assessments (for example, concerning the spillover effect from neighbouring conflicts and how they are managed by authorities). When constructing these variables, the criteria described above should also be followed, when applicable.

The purpose of future editions of the Arab Governance Report is to create additional modules to collect selected indicators that capture specific governance issues, which may be particularly relevant for ACTs and that are not currently available – these are preliminary indicators, highlighted in red in the annex to the original study. They are intended to depict the state of governance in ACTs, although their use and scope fall in the context of the methodological notes included in the present study. Therefore, it should be clear that the primary purpose of these indicators is not to rate Governments but rather to identify a broad view of the key governance challenges affecting ACTs; to monitor regularly their future trends; to showcase good governance practices; to improve the capacities of Governments, national research institutions, think tanks and civil society organizations; to identify specific areas for Government and civil society to work on operationalization; to bring governance reform agendas to the regional level; and exchange best practices and lessons learned.

3. Statistical aggregation

The aggregation of several variables into a single composite indicator essentially requires standardization and weighting. Standardization transforms variables into common units so that they can be compared and combined. There are many ways to do this, but the following three can be considered for AGIs in particular: min-max transformation; distance from a fixed value; and z-scores. In the min-max transformation, each observation is transformed to a deviation from the minimum value in the sample and

divided by the range of the observations in the sample. It has the advantage of transforming any variable into a 0-1 scale and is applicable to most types of variables. However, it does not consider the actual mean and dispersion of the sample and would thus produce a series of variables with the same range but with different means and dispersions that cannot be aggregated directly. The second procedure, deviation from a fixed value, works by transforming each observation into relative distance from a chosen value by subtracting from each observation and then dividing by that value. It transforms all observations into the same unit (relative deviations or, in other words, a percentage) but, as in the previous case, it does not consider that the transformed variables would end up with different means and standard deviations. In addition, the choice of the fixed value is not straightforward (it could be the best point in the sample, or a “goal” for each variable, or the average of the best performing countries according to a particular criterion, to name some examples) and this has a potentially significant effect on the outcome of the aggregation. The third method is the use of z-scores, where each observation is expressed as a deviation from the population mean and a ratio to the standard deviation from the population. Since the population mean and standard deviation are usually not available, they are replaced by their sample counterparts. The outcome is a variable without a specific range but with a mean of 0 and a standard deviation equal to 1. Variables with these characteristics can then be aggregated through linear transformations. A possible caveat with this method is that it requires the variables to be continuous (although they can be in an interval or ratio scale); it can also be affected to a greater scale by the presence of outliers in the sample (since these would affect the calculation of the sample mean and standard deviation). After contrasting the advantages and disadvantages of each method, the present study proposes the use of the z-scores method of standardization for AGIs.

Standardization by z-scores requires the mean and standard deviations from the sample. It is not advisable to calculate them only from the countries of interest for AGIs (ACTs) since the sample is small and, because these countries come from the same region and have common characteristics, they would only be biased approximations of the population statistics. The mean and standard deviation is therefore calculated over a benchmark of historically successful transition countries with a similar level of development (the choice of benchmark is described comprehensively below). To increase the robustness of these estimators to outliers,²⁶¹ trimmed versions should be used, where 10 per cent of the “extreme” values are not considered i.e., the mean and the standard deviation are calculated with the observations from the fifth percentile to the ninety-fifth percentile.

Even though the use of z-scores does not require the assumption of normality, they do assume that the data, as a minimum, is defined in a continuous scale and that the distribution is unimodal. This may not be the case, however. For example, many indicators available in the literature, even if they are defined over a continuous interval, are only reported on a discrete scale. Other indicators, particularly expert assessments, are in fact ordinal variables. It is also likely that there will be count data as well as indicator (dummy) variables. A general approach encompassing all types of data cannot be defined beforehand, since the best way to proceed will depend on the specific variable in question. Nonetheless, these data issues have to be taken into account and dealt with when constructing the governance indicators.

The next step is the selection of weights for each of the variables included in each subcomponent. Assigning weights is equivalent to deciding the relative importance of each variable in the final indicator, so this step should not be neglected. One possibility is to combine the information using data-determined weights, particularly through factor analysis. However, these methods require large samples and impose questionable assumptions on the underlying distribution of data. Another possibility is to treat this as a latent variable problem in which the unobserved variable (governance) can be approached through a set of correlated observed variables. This model can then be estimated through classical methods (for example, by way of an unobserved components model) or through Bayesian methods (for instance, by using a data augmentation technique generated via a Gibbs sampler). It should be noted that these types of solutions

²⁶¹ For instance, inflation rates might be particularly high in some countries.

might also impose strong assumptions on the data (for example, that the co-movement between two variables can be fully explained by the latent factor i.e., governance in this case) and additionally they can quickly become “black boxes” that produce estimates that are difficult to interpret, explain and relate to the underlying variables. However, they are an important family of methods that should be considered when choosing the optimal way to extract information about governance from a group of related variables. Another possibility is to determine the weighting scheme through an optimization algorithm so that the resulting governance indicator best explains a variable of interest. Nevertheless, this approach would seriously put the validity of the governance indicator in question and would create problems if the indicator were subsequently used in a statistical study between governance and, for example, development, since it would not be possible to differentiate between the two effects. Moreover, this procedure cannot be applied straightforwardly when there are numerous highly correlated variables, as is likely the case in this situation. A final possibility is to assign the weights exogenously, either through a panel of experts or another decision.

Data-driven methodologies require large samples, even for an aggregation at the subcategory level, and impose significant assumptions on data. The present report’s sample of ACTs plus the benchmark cannot support any of these methods. Moreover, it is not advisable to extend the sample to include a larger set of countries since the concept of governance is calibrated and the variables carefully selected with the specific objective of measuring governance in the context of countries in transition. For example, the variables that measure security sector reform would not apply to a larger set of countries. Moreover, some sources of data that are not included because they do not comply with the criteria listed in the previous section would become relevant if the entire spectrum of countries in the world is considered. For this reason, it was decided to maintain the focus on countries in transition even if this obstructed the use of any data-driven method of aggregation. The regression (or other optimization) method to determine weights is also excluded because of the same small sample problem mentioned above, plus the complications that this method brings in terms of multi-collinearity and the “arbitrary” selection of a variable of interest.

This leaves the choice of an exogenous weighting scheme. Assigning different, and rather arbitrary, weights to each variable based on the “trustworthiness” of each source, or any other criterion, is a questionable procedure that should be avoided. However, a definition of weights by a panel of experts (i.e., the relative importance of the different variables is decided by regional experts, based on their judgment about the most important and pressing issues related to governance in ACTs) could help to calibrate the aggregation of indicators and lead to interesting results. The practical application of this method requires an extensive discussion on the state of governance in ACTs, a careful selection of experts for each country and a meticulous creation of the measurement questionnaire. This direction is kept as a potential scheme for the construction of AGIs. Since expert assessments are also one possible way to obtain information when no other data sources are available, a measurement instrument could be designed to simultaneously obtain these assessments and the exogenous weights.

A last option is the development of AGIs relying on equal weighting, which is a special case of exogenous weights. This scheme carries the implicit assumption that every variable is equally important for the concept being measured. Given the constraints that obstruct data-driven selections of weights or the procurement of weights based on expert judgement, equal weighting remains a viable option. However, with equal weighting the selection of variables becomes of paramount importance, as does only performing the aggregation to a moderate level.²⁶² As mentioned in the previous section, these two aspects will be carefully taken into consideration during the development of AGIs.

A final area of concern is the presence of missing values in the database. Other indicators in the literature sometimes impute them through a nearest neighbour procedure, a regression on correlated variables or other methods. This is particularly important when the weights are determined through data-driven

²⁶² The Corruption Perceptions Index, after running various statistical tests, confirmed the validity of equal weighting. However, the test showed that standard errors of indicators resulting from a limited number of sources (five or less) were remarkably higher than standard errors resulting from six or more sources.

methods, since missing values are equivalent to excluding a country from the estimation. Although these procedures are relatively easy to apply, their use remains a questionable practice and one that will be avoided in AGIs. Firstly, it is not clear if there is a value added from using information inside the subcategory being aggregated to do the imputation (for example, through imputation by average or by nearest neighbour). Secondly, it is even less apparent that there is a gain from bringing in external variables (possibly from other subcategories) to estimate the missing values since this may introduce a bias in the sample and could also increase its variability. To avoid these dangers, and given that AGIs will use an aggregation by exogenous weights, the missing values were not imputed. The aggregated indicator is calculated as an average of the standardized scores for the available variables. This carries the implicit assumption that each of the variables that integrate the subcategory is one realization of the common factor, whose best estimator is the mean of the observed variables.

4. Selecting a benchmark

The aim of AGIs is to examine the situation of Arab countries undergoing political transition. Restricting the number of countries allows the study to focus on the specific aspects of governance that they share and that currently matter the most (as opposed to covering a vaguer definition of governance for a larger group of countries). They also offer a detailed coverage of the individual challenges countries face as part of their transition process. However, the selection of such a small sample of countries is accompanied by several statistical difficulties. Firstly, since the properties of most statistical procedures are a direct function of the sample size, limiting the number of countries effectively excludes the use of many traditional methodologies of data aggregation (principal components analysis, unobserved component model, etc.). Even the simplest method of aggregation, an unweighted average, requires the standardization of all variables through min-max normalization, z-scores or similar transformations. However, such transformations lack statistical robustness to outliers, create errors in data measurement and small changes in the data, particularly when the sample size is small. Secondly, any statistical information derived from such a small set of countries lacks context, thus limiting the analysis. From the resulting indicators, it would not be possible to infer how well or how badly countries are performing; instead, it would only be possible to compare countries in the sample. These reasons call for expanding the sample through a “benchmark” group of countries.

There are several ways to define a benchmark. The present study describes two, along with their advantages and disadvantages. One possibility is to choose a similar set of countries, either because they are undergoing a parallel transition process or because they are in a comparable situation according to a certain criterion (for example, level of income per capita, stage of development or the quality of democratic institutions). In this case, the definition of the benchmark is straightforward: it simply requires listing all the countries that meet the required criterion; for example, all middle-income countries (according to the World Bank definition of income per capita in terms of purchasing power parity, to name one option) or all countries that are in a certain range of a political rights indicator. This is a simple solution that requires minimal intervention by researchers; however, it can lead to an oversimplistic benchmark (countries that are similar according to the chosen criterion but that vary widely according to other equally important aspects). Moreover, the selection criterion becomes a crucial element in this case and requires extensive justification. Lastly, one type of inference that would be impossible when selecting this type of benchmark is how well the transition is progressing: since the benchmark takes, by definition, only comparable countries, it cannot give information about advances made towards an optimal outcome of transition.

This leads to the other possibility, which is to find an “ideal” group of countries that could be used as points of reference or examples of historically successful transition processes. The resulting scores would then give an indication of how close or how far ACTs are in relation to countries that went through parallel transitions and that have, so far, emerged from them with positive results. Even if every democratization process is different, they all share common elements and comparable goals, so it would be viable to use this option to define the direction and destination that new countries in transition could take. It is clear that the election of those ideal cases is a critical step that should be carefully considered.

In economic or development terms, ACTs are distributed along the entire spectrum of world countries, excepting both the higher and lower ends. In political terms, they are concentrated at a lower stage of democratic development. Most of the challenges that these countries are currently facing are of a political and institutional nature, which should be reflected when determining a benchmark. As a result, AGIs use a combination of factors to select a benchmark. Other transition countries that are in similar stages of development and that have reached a level of progress in political areas allowing them to be seen as consolidated democracies (i.e. ideal cases of successful democratic transitions) are considered. In this manner, ACTs are compared with countries that, under comparable economic and developmental constraints, have successfully transitioned into stable democracies. The following steps describe in detail how a benchmark is obtained:

(a) Start with an exhaustive list of recent political transitions, beginning with the complete inventory included in the report entitled *How Freedom is Won: From Civic Resistance to Durable Democracy*,²⁶³ and including all transitions from 1980 onwards for a total of 65 countries.²⁶⁴ The present report also includes precise dates of when the transitions took place;²⁶⁵

(b) Discard countries with a population of less than one million in 2012 (data obtained from UNDP International Human Development Indicators). These countries usually operate under different constraints than larger countries and, because of their size, are particularly susceptible to external conditions and shocks that hinder the isolation of any internal transition process or domestically generated governance outcome. In other words, they do not operate in a comparable situation;

(c) Consider only countries in a not too different state of development. To achieve this, the present report includes only those countries classified as having high, medium or low human development in 2012, according to the *Human Development Report*,²⁶⁶ thereby excluding those listed in the “very high” human development category;

(d) Take only those countries that have achieved a stable, consolidated democracy as part of the transition process. For this, the variable “polity” in 2012 from the Polity IV Project is used.²⁶⁷ This report considers that a country is democratic if it reaches a score of 6 or more in this variable; a country is a consolidated democracy if its score is 6 or more from the year following transition to the present. If a country did not become democratic immediately after transition or if there was a relapse later on, it was included only if the three most recent national elections (after the relapse, if applicable) were carried out under democratic conditions (score 6 or more). In this sense, the benchmark is restricted to “ideal” successful transition cases;

(e) Given the possible variability between sources, the final step consists of a verification of democratic status. Only countries that meet the following two additional criteria are included: a score of 6 or higher in 2012 for the variable “free and fair elections” from the Bertelsmann Transformation Index and an average score higher than 2 in the variables “freedom of elections” and “electoral processes” from the 2012 edition of Institutional Profiles Database.

This process is summarized in tables 6 and 7, and the final list of countries is set out in table 8. The final benchmark includes a total of 27 countries, distributed in the following way: 6 from Central and Eastern Europe, 2 from the former Soviet Union, 11 from Latin America, 3 from South East Asia and 5 from

²⁶³ Freedom House, 2005.

²⁶⁴ The following four additional countries, even if they are not included in the Freedom House report, have gone through similar transition processes: Honduras (1980), Georgia (1991), Ukraine (1991) and Turkmenistan (1991).

²⁶⁵ When the data is given as a range (for example, 1990-1991 for Albania), the last year in the interval is taken as the transition year.

²⁶⁶ UNDP, 2013b.

²⁶⁷ Polity IV, 2013.

Sub-Saharan Africa. In terms of the period of transition, in 11 it happened between 1980 and 1989, in 13 in the 1990s and in the remaining 5 in 2000 or after. On average, the benchmark has a score of 0.669 in the 2012 Human Development Index, which would place it in the group of middle human development; the average score in the Polity variable is 8.15, indicating the level of a well-established democracy.²⁶⁸

Although the process described above yields the main benchmark that will be used in AGIs, an additional definition is proposed in the present report. Given the importance of the political and institutional factors over other considerations when studying the evolution of governance in transition, it is proposed to omit other factors and delete the third step from the process described above. This would translate into the introduction of 12 additional countries in the benchmark,²⁶⁹ all of them in the category of very high development in the Human Development Index (because this quartile was discarded before, as the original benchmark only considered countries with a similar level of development). As shown in table 9, these supplementary countries in transition have very high scores in the three political indicators. As a result, the expanded benchmark of 39 countries has an average score in the Human Development Index of 0.722 (which would place it in the high human development quartile) and an average score in the Polity variable of 8.47. It would be interesting to compare the resulting governance indicator constructed through each of the two benchmarks. This could shed light on the influence of economic and development factors on the broader definition of governance. For example, if the inclusion of the additional countries has no effect on the governance indicators, this would support the notion that economic development and governance have little effect on one another. However, if in the second benchmark the 12 additional countries all end up located at the top of the indicators of governance, this would suggest that economic development might have a positive influence on governance and democratic development.

5. *Presentation of results*

As mentioned previously, the proposed governance indicator will only be aggregated up to the subcategory and category levels. This means that each country will receive a quantitative score for each subcategory and category included in the concept of governance, but not for the pillars or for the “overall” level of governance. The dashboard idea proposed by Stanig and Kayser (2013) is used to present the results. This means that all the scores for one country are summarized in a profile organized according to the structure of the concept presented in the present report (i.e. pillars, categories and subcategories).

This has several advantages. Firstly, it presents a panorama for a country’s scores in a compact form that can easily be used to identify strong and weak areas. The dashboard highlights bottlenecks and governance issues that require attention. It also permits the identification of co-movements: areas of governance that support each other and yield a positive score or that undermine each other with a resulting negative score. For example, it would be interesting to compare the results of the category “accountability and transparency” (of the “institutional effectiveness” pillar) with the category “civil society strength” (of the “democratic transformation” pillar) to appraise if a strong, independent and active civil society contributes to ameliorating the accountability of the different government levels. The dashboard also shows the score for the category “efficiency of tax administration” (of the “institutional effectiveness” pillar) and evaluates its correlation with the category “economic management” (of the “economic governance” pillar).

Lastly, the dashboard approach accentuates the scores in the different areas of governance for one country and avoids comparing countries or presenting a ranking. AGIs proposed here are quantitative

²⁶⁸ This last average excludes Bosnia and Herzegovina, a country that had a value of -66 in 2012, indicating a case of foreign intervention. This is explained by the presence of the international protectorate, put in place following the Dayton Agreement. In spite of this score, it was decided to include this country in the benchmark as its electoral processes have been free and fair following the implementation of this agreement, which is confirmed by the scores in the Bertelsmann Transformation Index and the Institutional Profiles Database (see table 6).

²⁶⁹ Argentina, Chile, Croatia, the Czech Republic, Estonia, Hungary, the Republic of Korea, Latvia, Lithuania, Poland, Slovakia and Slovenia. These can be considered as “ideal” cases in the economic/development dimension, as they are all very highly developed according to the index (see table 7).

measures and, as such, can always produce a ranking (it suffices to see the results presented in the annex to the present report). However, such rankings are of limited usefulness so it is preferable to highlight the complete evaluation of governance scores for each country.

If country rankings are not used, how can the data be presented so that the results can be interpreted? A single number, without a context or a point of reference, cannot convey much information about a country's performance in each of the categories and subcategories of governance. Indexes that rank countries in particular may obscure this imprecision because assigning ranks may suggest to users that small differences in scores are more meaningful than they actually are. Thus, one approach is simply not to rank. Five alternatives can be proposed. Firstly, the range of values in the indicators can be used as points of reference. In this option, the minimum and maximum possible values are identified and the score of a country is placed in reference to this range. This has the advantage of avoiding any type of comparison between countries and only comparing the performance of a country with respect to the scale of possible values. However, this does not take into account the actual observations for the variables and, as such, may give a false representation of the score of a country. For example, consider a country that receives a score of 7 in an indicator whose range goes from 0 to 10; using the full range as a point of reference would imply that the country has a positive performance, above the mid-point. However, now suppose that the scores of all countries are concentrated between 7 and 10; using the full scale would not take into account the relative performance. This option would give the misleading impression that a country has achieved a good score in this indicator while, in reality, it lies among the worst performers (at the bottom of the relative range).

The second alternative considers the minimum and maximum observed values to construct the points of reference. This has the advantage of avoiding problems like the one described in the previous paragraph. However, it still provides only limited information. If the minimum and maximum values are extreme observations, countries will have abnormally negative or positive performances that in no way reflect reality, thus biasing the results.

The third alternative is to use the spectrum in the benchmark as reference. This would relate the score of a country to the performance of the whole sample of countries in the benchmark, which are countries with similar levels of development that have successfully navigated through a recent process of political transition. This has the advantage of giving a context to the results in a transparent and reasonable manner, which considers only actual cases of countries that similarly underwent transition. However, this option has the disadvantage of still implying a comparison and a relative placement that, in some cases, may not be preferred.

A fourth option is to use a target as the point of reference. This is the option chosen for the Millennium Development Goals. In this case, instead of comparing scores with theoretical or observed ranges for the indicators, they are compared with a goal; a cut-off point that would indicate good performance for each indicator. This has the strong advantage of avoiding any kind of intercountry comparison and using ranges that may place countries under a positive or negative light. Instead, it would only indicate the placement and progress of the country with respect to the goals of democratic governance. The disadvantage is that the target for each variable should be defined, which poses its own challenges.

Another alternative is to assign grouped scores or ranks, rather than reporting single figures for each country. The *Freedom in the World* report, for instance, assigns only one of three overall values (free, partially free and not free). This approach, however, implies that some information was lost in the grouping process.

For the illustration reported in the annex to the present report, the third alternative proposed above is used. However, the final decision on the presentation of the results will depend on future discussions with AGI stakeholders. The annex to the present study provides some clarifying examples of how all this could work.

TABLE 4. LIST OF VARIOUS DEMOCRACY, GOVERNANCE AND HUMAN RIGHTS ASSESSMENT PROJECTS

Source	Thematic coverage	Geographic coverage	Time coverage	Updating schedule	Stakeholder participation	Cost	De jure/ de facto	Source of information
Arab Democracy Index (Arab Reform Initiative)	Political system	Arab region (6 ACTs)	2008-2010	Biannual			Both	Data and surveys
Arab Opinion Index (Arab Centre for Research and Policy Studies)	Public perceptions	Arab region (5 ACTs)	2011	Unknown			De facto	Surveys
Bertelsmann Transformation Index (Bertelsmann Stiftung)	Political and economic transition	Non-liberal and transition countries (7 ACTs)	2003-2012	Biannual			Both	Experts' assessments
Cingranelli-Richards Human Rights Dataset (CIRI Human Rights Data Project)	Human rights	World (7 ACTs)	1981-2011	Annual			Both	Reports from Amnesty International and the United States Department of State
Corruption Perceptions Index (Transparency International)	Corruption	World (7 ACTs)	1998-2013	Annual			De facto	Experts' assessments and surveys
Country Policy and Institutional Assessments (World Bank)	Policy and Institutional framework	Mainly low income countries (1 ACT)	2005-2012	Annual			Both	Data and experts' assessments
Database of Political Institutions (World Bank)	Political system and elections	World (7 ACTs)	1975-2012	Annual			Both	Experts' assessments and secondary sources
Democracy Index (Economist Intelligence Unit)	Political system	World (7 ACTs)	2006-2012	Biannual			Both	Experts' assessments and public opinion surveys
Ease of Doing Business (World Bank and International Finance Corporation)	Business environment	World (7 ACTs)	2004-2014	Annual			Both	Experts' surveys
Enterprise Surveys (World Bank and International Finance Corporation)	Business environment	World (5 ACTs)	Since 2002, different years	Irregular, different year for each country			De facto	Surveys
Failed State Index (Fund for Peace)	State vulnerability	World (7 ACTs)	2005-2013	Annual			De facto	Experts' assessments
Freedom in the World (Freedom House)	Political rights	World (7 ACTs)	1972-2014	Annual			Both	Expert assessments based on news articles, academic analyses, reports from non-governmental organizations and individual professional contacts

TABLE 4 (*continued*)

Source	Thematic coverage	Geographic coverage	Time coverage	Updating schedule	Stakeholder participation	Cost	De jure/ de facto	Source of information
Government Defence Anti-Corruption Index (Transparency International UK)	Corruption	World (7 ACTs)	2013	Unknown			Both	Experts' assessments based on government documents, websites and legislation; academic sources; news media articles; and interviews with government officials or other experts
Gallup World Poll (Gallup)	Public perceptions	World (4 ACTs)	2005-2013	Generally annual, but not for all countries			De facto	Opinion surveys
Global Competitiveness Index (World Economic Forum)	Productive use of resources	World (6 ACTs)	2004-2014	Annual			Both	Data and experts' surveys
Global Integrity Report (Global Integrity)	Quality of laws and their implementation	World (4 ACTs)	2004-2011	Annual, but different years for each country			Both	Data and experts' surveys
Global Peace Index (Institute for Economics and Peace)	Peace, security and stability	World (7 ACTs)	2006-2013	Annual			N/A	Data from the Economist Intelligence Unit
Ibrahim Index of African Governance	Institutional and development	Africa (4 ACTs)	2007-2013	Annual			Both	Data and experts' surveys
Index of Economic Freedom (Heritage Foundation)	Liberal economic principles	World (7 ACTs)	1996-2014	Annual			Both	Data and press articles
Institutional Profiles Database (French Development Agency and <i>Centre d'études prospectives et d'informations internationales</i> - CEPII)	Institutional characteristics	World (7 ACTs)	2001, 2006, 2009, 2012	Every three years			Both	Experts' assessments
Institutions and Elections Project (Binghamton University)	Political system and elections	World (7 ACTs)	1972-2005	Collection of data done only once			De jure	Data and experts' survey
Political Terror Scale (PTS)	Domestic security	World (7 ACTs)	1976-2012	Annual			De facto	Reports from Amnesty International and the United States Department of State

TABLE 4 (*continued*)

Source	Thematic coverage	Geographic coverage	Time coverage	Updating schedule	Stakeholder participation	Cost	De jure/ de facto	Source of information
Polity IV (Political Instability Task Force, Societal-Systems Research Inc. and Centre for Systemic Peace)	Political system	World (7 ACTs)	1800-2012	Annual			Both	Data, experts' assessments
Risk Briefing (Economist Intelligence Unit)	Risk to business profitability	World (7 ACTs)	2002-2013	Quarter			Both	Experts' assessments
Rule of Law Index (World Justice Project)	Justice system	World (4 ACTs)	2011-2013	Annual			Both	Experts' assessments and public opinion surveys
Social and Economic Rights Fulfilment Index	Social and Economic	World (6 ACTs)	2000-2010	Annual			De facto	Indicators compiled from officially recognized international sources
Transition Report (European Bank for Reconstruction and Development)	Economic transition	Countries in transition (4 ACTs)	1994-2012	Annual			Both	Experts' assessments
Urban Governance Index (UN-Habitat)	Governance (general)	24 cities including 3 in ACTs	Pilot in 2004	Only done once			Both	Experts' assessments
World Governance Indicators (World Bank)	Governance (general)	World (7 ACTs)	1996-2012	Annual			Both	Indicators compiled from officially recognized international sources

Source: ESCWA.

Note: The name of the publisher is included between parentheses after each source.

TABLE 5. METHODOLOGICAL STRENGTHS AND WEAKNESSES OF VARIOUS DEMOCRACY, GOVERNANCE AND HUMAN RIGHTS ASSESSMENTS

Source	Thematic coverage	Short description	Strengths	Weaknesses
Arab Democracy Index (Arab Reform Initiative)	Political system	<p>This index ranks Arab countries according to performance of political institutions; and the extent to which the rule of law is upheld and social, political and human rights are respected.</p> <p>It also includes public perceptions of government performance. It relies on different sources of information, but predominantly on expert assessments.</p>	<ul style="list-style-type: none"> • Uniquely incorporates region-specific variables shaping political processes in ACTs; • Primary sources used, including administrative decisions and legal codes; • Secondary data based on expert assessments and surveys. 	<ul style="list-style-type: none"> • Methodology for data collection is not consistent across countries and years; • Scales used tend to differ depending on the variable; • Sampling techniques for surveys are not published, thus undermining reliability; • Data available only for two waves (2008 and 2010); • Only Arab countries are covered, which complicates the comparison to a benchmark.
Arab Opinion Index (Arab Centre for Research and Policy Studies)	Public perceptions	It is based on surveys drawn from a random, representative sample of the population of Arab countries, with the objective of assessing public perceptions, attitudes and beliefs on a range of economic, political and social issues pertinent to the region.	<ul style="list-style-type: none"> • Large scale survey conducted in 12 Arab countries, thereby allowing for cross-country comparisons; • Clear sampling mechanism employed; • Clearly designed questionnaire allowing for triangulation of findings; • Data is available at the regional and country-specific levels. 	<ul style="list-style-type: none"> • Various scales used depending on question; • Questionnaire is long, which raises questions of self-selection bias and/or compensation effects.
Bertelsmann Transformation Index (Bertelsmann Stiftung)	Political and economic transition	It studies the progress made by transition countries towards democracy and an equitable market economy. It includes three dimensions: democracy, market economy and management/political leadership.	<ul style="list-style-type: none"> • Wide geographical coverage, including all ACTs; • Bi-annual updates; • Clear description of the variables and scoring scale; • Specific emphasis on transitional issues and unique governance challenges for developing countries. 	<ul style="list-style-type: none"> • It is only coded in a discrete scale; • Some questions bundle more than one concept together and they cannot be disaggregated; • Liberal bias.

TABLE 5 (continued)

Source	Thematic coverage	Short description	Strengths	Weaknesses
Cingranelli-Richards Human Right Dataset (CIRI Human Rights Data Project)	Human rights	It provides a standard-based measure of human rights' violations. It incorporates a comprehensive assessment of political and civic rights.	<ul style="list-style-type: none"> • Specific human rights practices that can be analysed separately; • Wide geographical coverage. 	<ul style="list-style-type: none"> • Precision could be questionable owing to difficulty in adopting uniform criteria for scores; • Reliability is questionable because information related to which scores are compiled is not disseminated; • Measures refer to government practices more than overall human rights conditions; • No quantitative continuous data is available.
Corruption Perceptions Index (Transparency International)	Corruption	It is based on experts' opinions on country-level corruption.	<ul style="list-style-type: none"> • Regular updates; • Wide geographical coverage; • Clear methodology including margin of errors; • Reliant on 13 different sources that reduce standard errors. 	<ul style="list-style-type: none"> • Experts' opinions are not totally reliable because it is difficult to isolate corruption from wider governance issues; • Potential problems of comparability over time owing to methodological/survey changes; • Disaggregated data (by type of respondent) not available.
Country Policy and Institutional Assessments (World Bank)	Policy and institutional framework	It gauges how policies and institutional characteristics contribute to foster poverty reduction, sustainable growth and the effective use of development assistance.	<ul style="list-style-type: none"> • Annual updates; • Coverage of a wide range of policy and institutional aspects; • Special emphasis on issues of relevance for developing countries. 	<ul style="list-style-type: none"> • Limited geographical coverage: it only covers one ACT; • Data published only on a discrete scale over a small range; • The main objective of the assessment is to allocate development aid and as such it has limited applicability for this pillar.
Database of Political Institutions (World Bank)	Political system and elections	This database provides indicators on various aspects of political systems, including characteristics of legislative branch, cabinet performance, elections and political ideology.	<ul style="list-style-type: none"> • Unlike other databases that focus exclusively on institutional traits, it incorporates ideological values; • Wide geographical coverage; • Comprehensive data based on clearly defined variables; • Annual updates. 	<ul style="list-style-type: none"> • Different scales are used to measure variables; • Relies on secondary sources (Europa World Online, Political Handbook of the World, Inter-Parliamentary Union, and International Foundation for Electoral Systems (IFES) Election Guide).

TABLE 5 (continued)

Source	Thematic coverage	Short description	Strengths	Weaknesses
Democracy Index (Economist Intelligence Unit)	Political system	It measures democracy along five dimensions: electoral process and pluralism, civil liberties, functioning of government, political participation and political culture.	<ul style="list-style-type: none"> • Regular updates; • Wide coverage; • Data available at the disaggregated level; • Widens the underlying concepts of democracy; • Allows for empirically based comparison of political systems across countries and over time. 	<ul style="list-style-type: none"> • Large quantity of missing data imputed; • Lack of transparency in the scoring; • Lack of reliability owing to the difficulty in adopting comparable criteria for each score; • Discretion score thresholds to identify four types of regimes.
Ease of Doing Business (World Bank and International Finance Corporation)	Business environment	It incorporates measures on regulations directly affecting business performance, according to 10 subindices.	<ul style="list-style-type: none"> • Wide geographical coverage, including all ACTs; • Annual updates; • Very good coverage of many aspects of relevance for the development of the private sector, some not available elsewhere. 	<ul style="list-style-type: none"> • Concerns of comparability since the information is based on hypothetical cases that are not equally relevant everywhere; • Unclear how to code some of the variables with no information for some countries because of lack of applicability; • Targeted at businesses and as such it is only relevant for one category of the pillar; • Biased towards de jure factors while ignoring the reality faced by businesses; • Several methodological issues; for example, aggregation is based on rankings thereby losing information on the gaps in the country ranking.
Enterprise Surveys (World Bank and International Finance Corporation)	Business environment	It covers a wide range of business environment topics, including access to finance, competition, corruption, crime, gender, infrastructure and performance.	<ul style="list-style-type: none"> • Clear methodology and sampling techniques applied. 	<ul style="list-style-type: none"> • Limited geographical coverage, does not cover all ACTs; • Only sporadically updated; • Not available for all countries for the same year; • Many of the questions are formulated in a way that does not allow comparison between countries; • It is targeted to businesses and as such it is only relevant for one category of the pillar.

TABLE 5 (continued)

Source	Thematic coverage	Short description	Strengths	Weaknesses
Failed State Index (Fund for Peace)	State vulnerability	It measures State vulnerability to collapse or conflict from three sources: social, economic and political.	<ul style="list-style-type: none"> • Wide geographical coverage, including all ACTs; • Annual updates; • Available on a continuous scale over a 1-10 range. 	<ul style="list-style-type: none"> • Many concepts are packed together in each source of vulnerability and cannot be disaggregated; • Only of limited relevance for this pillar.
Freedom in the World (Freedom House)	Political rights and civil liberties	Annual evaluation of progress and decline of political rights and civil liberties across the world. Data is derived from analytical reports and numerical ratings.	<ul style="list-style-type: none"> • Annual updates; • Wide geographic coverage; • Long standing series since 1972, enabling comparative research; • Rankings based on multiple layers of analysis and evaluation by in-house and by independent experts; • Grounded in basic standards of political rights and civil liberties, derived from relevant portions of the Universal Declaration of Human Rights; • Widely used by policymakers, international organizations and media sources. 	<ul style="list-style-type: none"> • Uses a liberal concept of democracy that risks penalizing other types of democracy, such as social democracies; • Only composite indices are published, with no disaggregated data available; • Size of measurement errors not published; • A combined index of the two very different dimensions is methodologically partly unclear and questionable; • Numerical benchmark to classify countries as free, partially free and non-free is arbitrary; • Some indicators appear to be irrelevant conceptually such as “free enterprise”, “lack of corruption”, “equality and independence in work and family life”; • Grading criteria are not clear; • Discretionary adjustments based on violence and other criteria are not clear.
Government Defence Anti-Corruption Index (Transparency International UK)	Corruption	This index measures the degree of corruption risk and vulnerability in government defence establishments according to expert independent assessments.	<ul style="list-style-type: none"> • Index facilitates monitoring corruption in this specific sector, but across all its multiple dimensions • Results are verified through a peer review process 	<ul style="list-style-type: none"> • Analysis made at the country and regional levels; • Ordinal scale (A-F) based on potentially subjective experts’ assessments; • Room for bias since Governments review the assessments prior to publication.

TABLE 5 (*continued*)

Source	Thematic coverage	Short description	Strengths	Weaknesses
Gallup World Poll (Gallup)	Public perceptions	Through a questionnaire applied to a representative sample of the adult population, it measures beliefs and perceptions of citizens on many aspects of daily life, including law and order, food and shelter, institutions, infrastructure, good jobs and well-being.	<ul style="list-style-type: none"> • Wide geographical coverage, including all ACTs; • Frequent updates; • Clear methodology and sampling procedures applied; • Presents another important source of information (other than hard statistics and expert opinions). 	<ul style="list-style-type: none"> • Even if updated frequently, the data is not always available for all countries for the same year; • Only most recent observation available free of cost, very expensive database; • As all public perception instruments, it can be affected by “herd” or “bad news” effects; • Some of the questions are formulated in an unclear or ambiguous way; • Many concepts are packed together and cannot be disaggregated.
Global Competitiveness Index (World Economic Forum)	Productive use of resources	It measures how institutions, policies and factors contribute to the efficient use of available resources to reach high levels of prosperity for citizens.	<ul style="list-style-type: none"> • Annual updates; • Clear description of the variables and the scoring scale; • Results reported on a continuous scale over a 1-7 range; • Wide range of topics covered and variables reported individually; • Takes into account different levels of development in the ranking. 	<ul style="list-style-type: none"> • Even if it has wide geographical coverage, does not cover all ACTs; • Bias towards liberal economics in relation to the most efficient use of resources; • Aggregation of different indicators, some of which are broad and do not clearly reflect specific governance issues; • Some of the variables relevant for this pillar (social sustainability and environmental sustainability adjusted) are included in an adjusted version of the index and these variables are not available.
Global Integrity Report (Global Integrity)	Quality of laws and their implementation	It assesses the existence, effectiveness and citizen access to key governance and anti-corruption mechanisms through more than 300 actionable indicators	<ul style="list-style-type: none"> • Covers many institutional aspects and the gap between de jure and de facto measures not available elsewhere; • Clearly defined and measured variables including margins of errors; • Published on a continuous scale; • Scoring is subject to peer review processes. 	<ul style="list-style-type: none"> • Limited geographical coverage, does not cover all ACTs; • Not available for all countries for the same year; • Infrequently updated up to 2011 then the report went on hiatus; • Precision is dependent on expert assessment and research teams.

TABLE 5 (continued)

Source	Thematic coverage	Short description	Strengths	Weaknesses
Global Peace Index (Institute for Economics & Peace)	Peace, security and stability	It measures levels of national peacefulness across the world. It is composed of 22 indicators, ranging from the number of violent demonstrations to the number of casualties from internal conflict and the number of terrorist attacks.	<ul style="list-style-type: none"> • Wide geographical coverage; • Annual updates; • The data is compiled from a wide range of respected sources, including United Nations organizations; • Index used by many international organizations, Governments and non-governmental organizations. 	<ul style="list-style-type: none"> • Difficult to disaggregate; • Recent index that does not allow the study of trends over long time series.
Ibrahim Index of African Governance	Political, institutional and development	This index ranks African countries according to performance of political institutions; and the extent to which the rule of law is upheld and economic, social, political and human rights are respected. It relies on different sources of information, including expert assessments and administrative data.	<ul style="list-style-type: none"> • Region-focused; • Annual updates; • Coverage of a wide range of governance aspects; • Special emphasis on issues of relevance for developing countries. 	<ul style="list-style-type: none"> • Includes many concepts bundled together; • Use of min-max method that is sensitive to outliers in the data thereby skewing the distribution.
Index of Economic Freedom (Heritage Foundation)	Liberal economic principles	It measures 10 dimensions, including right of property ownership; freedom of movement for labour, capital and goods; and absence of coercion/constraint of economic liberty beyond the extent necessary for citizens to protect and maintain liberty itself.	<ul style="list-style-type: none"> • Wide geographical coverage, including all ACTs; • Annual updates; • Available on a continuous scale. 	<ul style="list-style-type: none"> • Includes many concepts bundled together in each of the “freedoms” and it cannot be disaggregated; • Mixes together underlying institutions with policy outcomes and is not available on a yearly basis; • Biased towards liberal economics through small Governments and free markets; • Many aspects from this pillar are missing.
Institutional Profiles Database (French Development Agency and CEPIL)	Institutional characteristics	It tries to capture the nexus between institutions, long-term economic growth and development. It is structured around nine functions: political institutions; security; law and order; control of violence; public administrations; free operation of markets; coordination of stakeholders, strategic vision and innovation; security of transactions and contracts; market regulations and social dialogue; openness; and social cohesion and social mobility.	<ul style="list-style-type: none"> • Covers a wide range of topics in a very disaggregated form; • Includes information that is not available elsewhere; • Wide geographical coverage. 	<ul style="list-style-type: none"> • Does not cover all ACTs; • Updated only every three years; • Variables are only coded in a discrete 0-4 scale and the sense is not always the same; • Might be subject to perception bias.

TABLE 5 (continued)

Source	Thematic coverage	Short description	Strengths	Weaknesses
Institutions and Elections Project (Binghamton University)	Political system and elections	This database provides an overview of political institutions, constitutional and practical arrangements in Governments, and every national election for all internationally recognized States, over the period 1972-2005. It draws on two sets of data: the first covers an extensive array of domestic political institutions and power structures, while the second focuses on national elections.	<ul style="list-style-type: none"> Detailed variables on domestic political systems; Information on political structure, including characteristics of legislatures, executives, courts, central banks and the relative powers of institutions; Broad geographical coverage; Allows comparisons and evaluations between States. 	<ul style="list-style-type: none"> Data is derived from a combination of primary and academic secondary sources, as well as media materials; Quality of data used varies in terms of rigor and accuracy; Database stops in 2005.
Political Terror Scale (PTS)	Domestic security	It measures the levels of political violence and terror that a country experiences in a particular year based on a 1-5-level "terror scale". Terror is defined as the "violation of physical integrity rights". It measures the rate of State-sanctioned killings, torture, disappearances and political imprisonment.	<ul style="list-style-type: none"> Annual update; Wide geographical coverage; Years 1976-2010; Standardized scale allows for cross-nation and temporal comparisons. 	<ul style="list-style-type: none"> No primary data used; Coded from potentially contested country reports on human rights issued by Amnesty International and the United States Department of State; Libya and the Syrian Arab Republic are not covered; Difficult to disaggregate.
Polity IV (Political Instability Task Force, Societal-Systems Research Inc. and Centre for Systemic Peace)	Political system	It measures democracies along two dimensions: democracy and autocracy based on electoral and power concentration criteria.	<ul style="list-style-type: none"> Regular updates; Wide geographical coverage; Data available at disaggregated level; Transparent coding and aggregation methodology; Fine-grained scale. 	<ul style="list-style-type: none"> Particularly high weight on the constraints on the executive without distinguishing among democratic and autocratic causes; Questions on correctness of elections and power of elective offices are missing; Political freedoms and violence are not included; Prevalence of the "constraints on the executive" criteria; Countries tend towards the extremes of the scale because of the scorings.

TABLE 5 (continued)

Source	Thematic coverage	Short description	Strengths	Weaknesses
Risk Briefing (Economist Intelligence Unit)	Risk to business profitability	It incorporates present conditions and expectations for the short-term on 10 separate risk criteria: security, political stability, government effectiveness, legal and regulatory environment, macroeconomy, foreign trade and payments issues, labour markets, financial issues, tax policy and local infrastructure.	<ul style="list-style-type: none"> • Wide geographical coverage, including all ACTs; • Quarterly updated; • Innovative approach combining current situations plus expectations for the near future. 	<ul style="list-style-type: none"> • It bundles many concepts in each risk category and no disaggregated information is available; • Since its main purpose is the assessment of risks for business profitability, its relevance for the measurement of governance is limited.
Rule of Law Index (World Justice Project)	Justice system	This index covers 48 variables divided into 9 dimensions: limited government power, absence of corruption, order and security, fundamental rights, open government, regulatory enforcement, civil justice, criminal justice and informal justice.	<ul style="list-style-type: none"> • Clear conceptual definition developed in consultation with academics, practitioners and other contributors; • Based almost entirely on new data collected specifically for this database through local experts' assessments and surveys to the general public; • Incorporates de jure and de facto dimensions; • Measurement tools pre-tested and verified; • Scores on a continuous 0-1 scale. 	<ul style="list-style-type: none"> • It combines different dimensions that are not strictly related to rule of law, such as government powers, corruption, order and security and fundamental rights.
Transition Report (European Bank for Reconstruction and Development)	Economic transition	It measures progress towards reforms according to several economic and institutional sectors.	<ul style="list-style-type: none"> • Annual updates • Specific emphasis on transitional issues • Detailed coverage of the different sectors of the economy • Includes variables that are not available elsewhere 	<ul style="list-style-type: none"> • Limited geographical coverage, only has information for four ACTs; • The strength of concentrating on transitional issues can also be a weakness since it misses information on other aspects of relevance for this pillar; • Variables coded over a discrete, unorthodox scale.
Urban Governance Index (UN-Habitat)	Governance (comprehensive)	It measures governance along selected key dimensions (effectiveness, equity, participation and accountability) in urban areas.	<ul style="list-style-type: none"> • Comprehensive measure of governance • Local ownership 	<ul style="list-style-type: none"> • Irregular updates; • Limited geographical coverage; • Geographic concentration; • Only at a pilot stage at present.

TABLE 5 (*continued*)

Source	Thematic coverage	Short description	Strengths	Weaknesses
World Governance Indicators (World Bank)	Governance (comprehensive)	It measures governance along six dimensions: corruption, voice and accountability, government effectiveness, regulatory quality, the rule of law, and political stability and absence of violence.	<ul style="list-style-type: none"> • Comprehensive measure of governance; • Wide geographical coverage, including all ACTs; • Annual updates; • Clear methodology with data-dependent weights and confidence intervals; • Results reported on a continuous, normalized scale; • No single composite index. 	<ul style="list-style-type: none"> • Bias towards a liberal concept of governance that risks to penalize other types of governance systems such as social democracies; • Many of the indicators underlying each source's ratings are not published; • Hidden biases (low weight given to household surveys relative to the weights of expert assessments and firm surveys); • Lack of comparability over time and space: only a few countries ratings are based on a common set of sources; • Some indicators do not seem to be conceptually relevant in some of the dimensions while other appear to be relevant for other dimensions resulting in high correlation among the six components; • Reliant exclusively on perception-based sources.

Source: ESCWA.

Note: The name of the publisher is included between parentheses after each source.

TABLE 6. CLASSIFICATION OF ARAB COUNTRIES IN TRANSITION, 2012

	GDP per capita ^a		Human Development Index ^b		Polity ^c		BTI ^d	IPD ^e
	Value	Classification	Score	Classification	Score	Classification	Score	Score
Egypt	6723.6	LMI	0.662	MHD	-88	Transition	3	2.0
Jordan	6147.7	UMI	0.700	MHD	-3	Closed anocracy	4	2.0
Libya	11936.5	UMI	0.769	HHD	-77	Interregnum or anarchy	1	3.0
Morocco	5191.6	LMI	0.591	MHD	-4	Closed anocracy	3	2.5
Syria Arab Republic	5435.6	LMI	0.648	MHD	-7	Autocracy	2	1.0
Tunisia	9794.6	UMI	0.712	HHD	-88	Transition	3	2.5
Yemen	2488.9	LMI	0.458	LHD	3	Open anocracy	5	-
Average	6816.9		0.649				3	2.2

^a Gross domestic product (GDP) per capita in current international purchasing power parity (PPP) United States dollars in 2012. Source: World Bank's World Development Indicators, except Libya obtained from the IMF World Economic Outlook database, October 2013 edition. Classifications: low income (LI), lower middle income (LMI), upper middle income (UMI), and high income (HI). This classification, however, is based on gross national income (GNI) per capita calculated using the World Bank's Atlas method and may not correspond exactly to neither GNI nor GDP per capita in international (PPP) United States dollars.

^b Human Development Index in 2012. Source: UNDP, 2013b. Classifications: low human development (LHD), middle human development (MHD), high human development (HHD) and very high human development (VHHD); each segment is equivalent to a quartile of the entire sample of world countries.

^c Score in the variable Polity in 2012. Source: Polity IV Project, Political Regime Characteristics and Transitions, 1800-2012. Classifications: autocracy (score -10 to -6), closed anocracy (-5 to 0), open anocracy (1 to 5), and democracy (6 to 10), with the special scores -66 for cases of foreign interruption, -77 for cases of interregnum or anarchy, and -88 for cases of transition. The average for this variable was not calculated due to the high incidence of special cases (taking only the four countries with standard scores would yield an average of -2.75).

^d Score in the variable "2.1 Free and fair elections" of the Bertelsmann Transformation Index in 2012. Source: Bertelsmann Stiftung. This variable takes values from 1 to 10, with higher scores indicating a better result.

^e Average score of the two variables "A1000 Freedom of elections" and "A1001 Electoral processes" of the Institutional Profiles Database in 2012. Source: French Development Agency and CEPII. These variables take values from 0 to 4, with higher scores indicating a better result; this source is not available for Yemen.

TABLE 7. METHODOLOGY FOR THE SELECTION OF THE BENCHMARK

Step	Criteria	Number of countries
1. Starting point	All transitions since 1980 listed in Freedom House, 2005 plus four additional cases	65
2. Only large countries	Only countries with a population of more than one million in 2012	63
3. Similar stage of development	Only countries in high, medium or low levels of human development in 2012, according to the UNDP Human Development Index	50
4. Successful transitions to consolidated democracies	Score of six or more, starting on the year following transition or last three national elections under democratic conditions	29
5. Verification and selection of final benchmark	Score of six or higher in 2012 for "free and fair elections" from the Bertelsmann Transformation Index and an average score higher than 2 in the variables "freedom of elections" and "electoral processes" from the 2012 edition of the <i>Agence Française de Développement</i> , entitled "Institutional profiles database"	27

Source: ESCWA.

TABLE 8. COUNTRIES INCLUDED IN THE FINAL BENCHMARK AND THEIR SCORES, 2012

Country	Region	GDP per capita		Human Development Index		Polity		BTI	IPD
		Value	Classification	Score	Classification	Score	Classification	Score	Score
Benin	SSA	1582.8	LI	0.436	LHD	7	Democracy	9	3.5
Bolivia	LAC	5276.5	LMI	0.675	MHD	7	Democracy	9	3.0
Bosnia and Herzegovina	CEE	9235.1	UMI	0.735	HHD	-66	Foreign intervention	8	4.0
Brazil	LAC	11908.9	UMI	0.730	HHD	8	Democracy	10	3.0
Bulgaria	CEE	15932.6	UMI	0.782	HHD	9	Democracy	9	3.0
El Salvador	LAC	7106.3	LMI	0.680	MHD	8	Democracy	8	2.5
Georgia	FSR	5901.5	LMI	0.745	HHD	6	Democracy	8	3.0
Ghana	SSA	2047.2	LMI	0.558	MHD	8	Democracy	8	3.5
Guatemala	LAC	5102.2	LMI	0.581	MHD	8	Democracy	7	3.5
Honduras	LAC	4243.2	LMI	0.632	MHD	7	Democracy	7	2.5
Indonesia	SEA	4955.9	LMI	0.629	MHD	8	Democracy	9	3.5
Macedonia	CEE	11654.2	UMI	0.740	HHD	9	Democracy	8	-
Malawi	SSA	901.8	LI	0.418	LHD	6	Democracy	6	-
Mexico	LAC	16731.1	UMI	0.775	HHD	8	Democracy	8	3.0
Moldova	FSR	4181.7	LMI	0.660	MHD	8	Democracy	7	-
Mongolia	SEA	5462.2	LMI	0.675	MHD	10	Democracy	6	3.0
Nicaragua	LAC	4072.0	LMI	0.599	MHD	9	Democracy	6	2.5
Panama	LAC	16615.3	UMI	0.780	HHD	9	Democracy	9	3.5
Paraguay	LAC	6137.6	LMI	0.669	MHD	8	Democracy	8	2.5
Peru	LAC	10931.9	UMI	0.741	HHD	9	Democracy	9	3.5
Philippines	SEA	4410.3	LMI	0.654	MHD	8	Democracy	7	3.0
Romania	CEE	16517.7	UMI	0.786	HHD	9	Democracy	9	2.5
Senegal	SSA	1944.0	LMI	0.470	LHD	7	Democracy	7	3.5
Serbia	CEE	11544.3	UMI	0.769	HHD	8	Democracy	9	4.0
South Africa	SSA	11440.4	UMI	0.629	MHD	9	Democracy	8	4.0
Turkey	CEE	18348.5	UMI	0.722	HHD	9	Democracy	8	3.5
Uruguay	LAC	16036.7	HI	0.792	HHD	10	Democracy	10	4.0
Average		8526.7		0.669		8.2		8.0	3.2

Abbreviations: CEE, Central and Eastern Europe; FSR, Former Soviet Union; LAC, Latin America and the Caribbean; SEA, South East Asia; SSA, Sub-Saharan Africa.

Notes: For the sources and definitions of the data, see notes in table 5. Classification abbreviations are listed under table 6. The average excludes the special case of Bosnia and Herzegovina.

TABLE 9. COUNTRIES ADDED TO THE ALTERNATIVE BENCHMARK AND THEIR SCORES, 2012

Country	Region	GDP per capita		Human Development Index		Polity		BTI	IPD
		Value	Classification	Score	Classification	Score	Classification	Score	Score
Argentina	LAC	17917.4	UMI	0.811	VHHD	8	Democracy	9	3.5
Chile	LAC	22352.1	HI	0.819	VHHD	10	Democracy	10	4.0
Croatia	CEE	20532.0	HI	0.805	VHHD	9	Democracy	9	4.0
Czech Republic	CEE	26590.2	HI	0.873	VHHD	8	Democracy	10	4.0
Estonia	FSR	23064.8	HI	0.846	VHHD	9	Democracy	9	4.0

TABLE 9 (continued)

Country	Region	GDP per capita		Human Development Index		Polity		BTI	IPD
		Value	Classification	Score	Classification	Score	Classification	Score	Score
Hungary	CEE	22118.6	UMI	0.831	VHHD	10	Democracy	9	4.0
Republic of Korea	SEA	30800.5	HI	0.909	VHHD	8	Democracy	10	3.5
Latvia	FSR	20968.6	HI	0.814	VHHD	8	Democracy	9	4.0
Lithuania	FSR	23399.0	HI	0.818	VHHD	10	Democracy	10	4.0
Poland	CEE	22162.2	HI	0.821	VHHD	10	Democracy	10	4.0
Slovakia	CEE	25300.5	HI	0.840	VHHD	10	Democracy	10	4.0
Slovenia	CEE	27474.8	HI	0.892	VHHD	10	Democracy	10	4.0
Average		23556.7		0.840		9.2		9.6	3.9

Notes: For the sources and definitions of the data, see notes in table 5. Regional abbreviations are listed under table 8 and classification abbreviations under table 6. As in table 5, the source of GDP per capita is the World Bank's World Development Indicators, with the exception of Argentina, whose data are obtained from the International Monetary Fund's World Economic Outlook database, October 2013 edition.

PART THREE: REGIONAL DIMENSION

GOVERNANCE THROUGH THE INTERNATIONAL AND REGIONAL LENSES

A. ROLE OF THE INTERNATIONAL COMMUNITY IN PROMOTING DEMOCRATIZATION AND GOVERNANCE REFORMS

Although democratization is primarily a slow endogenous process, external factors can play a significant role in it. Since the 1970s, many Western Governments have tried to include democratization programmes in their official development assistance strategies. Scandinavian countries have also tried to strengthen aid conditionality in terms of respect for human rights. In the aftermath of the Cold War, diplomatic and economic pressure from the European Union was crucial in guiding the transition of the Eastern European countries, while diplomatic and economic pressure from Western countries was considered significant in the democratic transitions of some countries and potentially a hindrance in others.²⁷⁰ Japan has historically been less vocal in this area.

While earlier democratic support revolved around electoral assistance, by the late 1990s, development agencies had concentrated their activities in this field on the following three main areas: electoral assistance, the rule of law and anti-corruption programmes; support for political parties; and media and civil society. However, scholars have increasingly argued that early phases of democratization can pose special dangers that are explicated in nationalism, illiberal policies and political polarization.²⁷¹ In post-conflict settings, for example, outside pressure for early elections resulted in the full legitimization of existing elites (often responsible for the conflict) without giving time and space for new groups to emerge. At this stage, many donors have increasingly started to acknowledge that democratization, human rights and governance issues have too often been dealt with separately from one another and from a broader development agenda.

Following the terrorist attack in New York on 11 September 2001, the United States Government merged development goals with governance and democratization reforms in its foreign policy, as it realized that poor and undemocratic countries could constitute a serious threat to the national security of the United States and its allies. Many authors including Huntington and Zakaria have made the case that United States policy should focus on a broad governance agenda first, while delaying democracy until higher levels of governance and income are achieved. This so-called authoritarian transition has already been followed in countries such as Chile, the Republic of Korea, Singapore and Taiwan, and is often recommended for United States policy in the Middle East.²⁷² According to Carothers (2007), such an approach is likely to fail in the Middle East as many authoritarian Governments there are characterized by corruption, incompetence or self-serving approaches. The only point that scholars, Western diplomats, the United Nation and civil society organizations seem to agree upon is that the Arab uprisings have been a too important historical opportunity that cannot be wasted, although today's reality seems to show that it has already been wasted in some respects.

The overall performance in assisting Governments in building State capacity and achieving better governance outcomes has been mixed at best. Indeed, many authors agree that, all else equal, foreign Governments and development agencies cannot do much to reform political institutions inside another country simply through aid.²⁷³ The present report's interpretation of why this has been the case is structural

²⁷⁰ Rakner and others, 2007, p. 10.

²⁷¹ Snyder and Mansfield, 2007.

²⁷² Fukuyama and McFaul, 2007.

²⁷³ Knack, 2004; Djankov and others, 2008; Mansfield and Snyder, 2007; and Carothers, 2007. Finkel and others (2008), however, shows that within the overall basket of democracy and governance assistance, support in some sectors, such as civil society, media development and elections assistance are found to have a significant positive effect. Other authors show that conditional aid may work when the recipient country has limited bargaining power (Gibson and others, 2005).

and is related, among other things, to the way that development agencies and donors are organized and operate. In particular, disappointing results often arise from the fact that the leadership of donors/development agencies is rarely able to achieve consensus between stakeholders who hold different views on the role of Government in the economy; and incentives for their staff emphasize disbursement and short-term (often superficial) success rather than capacity-building and institutional sustainability that typically reap benefits only in the long term.

More fundamentally, the idea that development assistance may help solve the problem of poor governance and hence of poverty lies in the incorrect understanding of the situation in ACTs and elsewhere. Without endogenous demand for better governance, the same governance-related problems mean that foreign aid is ineffective when it is a source of rentierism that strengthens selected elites or keeps reproducing a paternalistic concept of institutions that serve to appease people's demands in the short term.

Even in the global debate, governance issues have not been formally and solidly established. A measurable goal on governance to be included in the Millennium Development Goals was quickly discarded because of strong reservations towards including areas that were seen to fall under national Governments and therefore not fit for a formal global debate.²⁷⁴ Many developing countries (or rather their elites) invoke the shield of sovereignty in such discussions. The challenge for the international community is to deprive such Governments of the usual excuses used to avoid governance-related commitments. In this debate, the role of the g7+ (the group of fragile and conflict-affected States) in pushing for a governance based agenda is worth pursuing. International initiatives have also proliferated over the last decade and the current debate on the post-2015 development goals points at a partial reversion of this trend.

While the international community has increasingly realized that the goals of security, human rights, governance and democracy promotion are closely linked, it should also realize that transition processes take longer than donors' time horizons in reporting their programme results. Unless political and economic ties between the West, for example, and a given country are strong, pressure instruments such as embargoes do not produce much effect and sometimes serve only to isolate the civilian population and reinforce the power (and even the popular support) of autocratic regimes.²⁷⁵ Sanctions against autocratic regimes that did not respect human rights or rigged elections amounted to over 70 per cent of all sanctions implemented by the Western world over the period 1990-2010, which witnessed an acceleration in their utilization and increasingly targeted particular individuals or groups ("smart" approach).²⁷⁶ These sanctions seem not to have been applied consistently and have produced mixed results, and appear to have produced results only where targeted countries were already politically or economically vulnerable, thereby creating a higher chance of success to a somehow limited cost to the sanction sender.²⁷⁷ If South Africa was pressed to reform and abandon the Apartheid system also as a result of sanctions implemented by many Western countries, it is also true that such sanctions hit poor and marginalized groups in particular. Paradoxically, Marinov (2005) shows that international sanctions are more effective at bringing down democratic leaders than autocratic ones.

To complicate the matter, when it comes to the Arab region, the most assertive promoters of a governance-based reform agenda are the United States and the European Union, which are not popular with some new elites and the public because they are seen to have been too supportive of former elites.

²⁷⁴ UNDP, 2012b. However, discussions and initiatives on the post-2015 development goals provide a good opportunity to investigate governance-related options further.

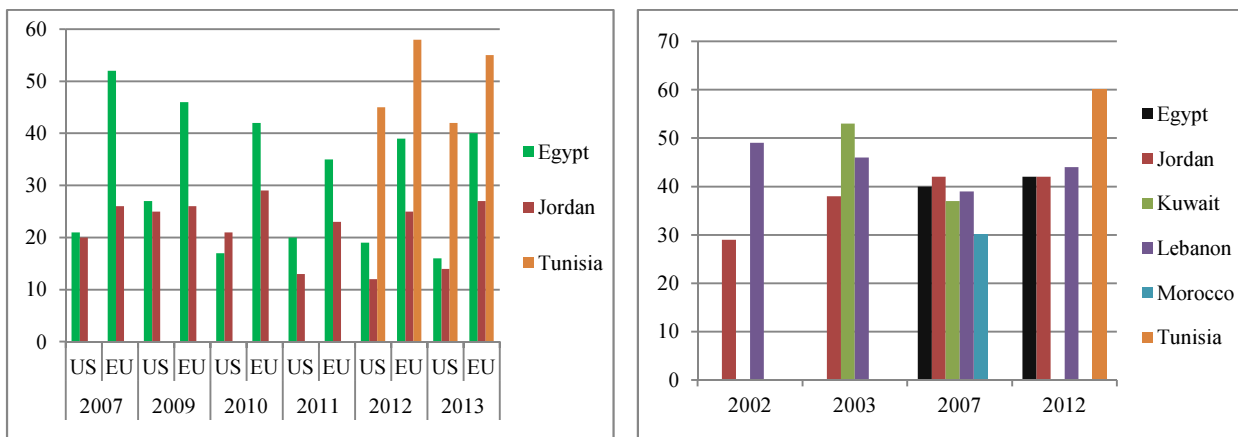
²⁷⁵ External pressure towards democratization seems to have worked in the case of the Philippines, the Republic of Korea and South Africa, which all previously had strong political and economic ties with some of the most prominent Western powers.

²⁷⁶ Von Soest and Wahman, 2013a and b.

²⁷⁷ More specifically, "authoritarian States are more likely to be sanctioned if they face strong internal protests, have many organizational ties with the sanctioner, a low level of economic development, high inflation or high dependence on aid from the sanction sender" (Von Soest and Wahman, 2013b, p. 5).

For instance, according to Zogby (2013b) on the results of a September 2013 poll, the vast majority of Egyptians did not give favourable ratings to the United States and the European Union (94 per cent and 86 per cent, respectively). In the July 2013 survey, 62 per cent of the respondents said that the United States had little or no understanding of Egypt, and only around 4 per cent agreed that Egyptian people benefited from the past United States official development assistance. However, it is interesting to note that when Arab people are asked their opinion about the United States democracy, the answers are clearly more positive.

Figure 18. Arab positive opinions about the European Union and the United States (left) and the United States idea of democracy (right)
(Percentage)



Source: Pew Research Center. Available from www.pewresearch.org/topics/middle-east-and-north-africa/.

Note: The exact questions asked are the following: “Do you have a favourable or unfavourable view of the United States?”; “do you have a favourable or unfavourable view of the European Union?”; and “do you like or dislike American ideas of democracy?”.

In the Arab region, the main support has come from the European Union (first with the Barcelona Process/Euro-Mediterranean Partnership that started in the mid-1990s, which then shifted to bilateral negotiations under the umbrella of the European Neighbourhood Policy (ENP) in the 2000s) and has mainly focused on civil society and democratization with limited results, because apparently it has been more concerned with its internal stability and security rather than sincere democratic promotion.²⁷⁸ The European Union cooperation strategy with the Arab region became even more confused with the launching of the multilateral Union for the Mediterranean (UfM) which tried to side-line political issues and focused primarily on development projects, epitomized by having President Mubarak as co-chair of the initiative. Shortly afterwards, UfM merged with ENP, recovering the bilateral dimensions of the latter, which has been under review since 2010 with the commitment of the European Commissioner for Enlargement and European Neighbourhood Policy to bring the political reform dimension back into the programme.²⁷⁹

Today, the European Union has placed a stronger focus on national dialogues in ACTs, supported by the creation of a mediation support team as a foreign policy instrument. It has used its limited democracy and human rights funds to support dialogue forums and has given priority to governance-enhancing programmes, such as the Democratic Governance Facility, the Comprehensive Institution Building Programme and the European Neighbourhood and Partnership Instrument, although the programmes and their management appear quite confusing. However, this emphasis on mediation and national dialogue risks

²⁷⁸ Youngs, 2006; Alcaro and Haubrich-Seco, 2011.

²⁷⁹ See the speech of European Commissioner Füle for a lucid analysis on the European Union’s past cooperation strategy with the Arab region and on new directions for their response to the Arab uprisings (Füle, 2011).

becoming an end in itself, separated from the transition process unless pressure on structural political reform is constantly in place.²⁸⁰

New courses of foreign aid action in the field of democratic governance are therefore needed. A message must be sent to both Arab leaders and the public that democracy assistance should no longer be half-hearted and ad hoc or only subject to paramount security-related concerns, but part of an institutionalized, structured, multilateral and long-term effort whereby both security and human rights concerns delimit the perimeter for action. In this vein, the funding of a multilateral reform endowment on a scale comparable to the pledges of the Deauville Partnership with ACTs that provides clear incentives to implement necessary reforms could be an option. Unfortunately, the Deauville Partnership quickly revealed itself as a container of great promises that have not been realized.²⁸¹ Receiving aid could be conditional upon meeting a series of explicit, measurable benchmarks on democratization, such as respect for fundamental human rights, as contained in the United Nations conventions, and based on a more solid and systematic monitoring by United Nations bodies, such as OHCHR,²⁸² following negotiations with interested countries. Moreover, donors need to build systematic relations that go beyond political leaders and reach out to wider segments of the Arab civil society. To this end, greater efforts towards systematic involvement of local non-governmental organizations and intellectuals in democracy programme implementation are needed, rather than just through international non-governmental organizations. In summary, the primary aim of aid supporting democratization should be to create room for collective action.

Linking traditional development projects to governance may also be helpful. For instance, aid in support of infrastructure, education and health could set some clear, measurable and binding benchmarks from a governance perspective. Some of these ideas have been floated in the recent past with the United States and the European Union but have never been seriously discussed. It is true that foreign aid is almost never so sizable as to make a difference in terms of sources of rent and government budget, but it can definitively send a signal to a country's elite and citizens about what the international community (or at least part of it) sees as obstacles to the democratic transformation of a country.

Major conferences (G8, G20, donors' conferences and European Union partnership agreements) related to the Arab transition should also be held in ACTs on a rotational basis. If these types of conferences were to take place in ACTs, this would help attract the attention of the Arab media and public to a far greater extent.

Moreover, new trade and socioeconomic cooperation agreements between Western democracies and ACTs should be based on more binding democracy-related clauses that offer sizeable incentives, such as asymmetric trade and cooperation agreements that clearly favour ACTs. An option put forward by the European Union is the adoption of deep and comprehensive free trade agreements (DCFTAs). However, implementing DCFTAs entails the harmonization of trade standards and practices in line with European Union law, which would be a heavy price to pay, with slim chances of European Union membership. Rather than DCFTAs, premised on the remote motive of enlargement, the European Union ought to seriously consider liberalizing its markets, particularly in the realm of agriculture, without demanding compliance with the highly regulated features of the single market. Another option is the adoption of worker and student mobility and skill portability programmes in the Mediterranean, similar to those implemented with Georgia and Moldova, provided that Governments steadily embark on a reform path according to the so-called "more for more" slogan (i.e. offering more benefits in return for more reforms). In the same vein, strengthening student exchange programmes such as Erasmus Mundus between the European Union and ACTs could also be a useful instrument; however, the practical implementation of such instruments seems difficult.

²⁸⁰ Youngs, 2014.

²⁸¹ ESCWA, 2013a.

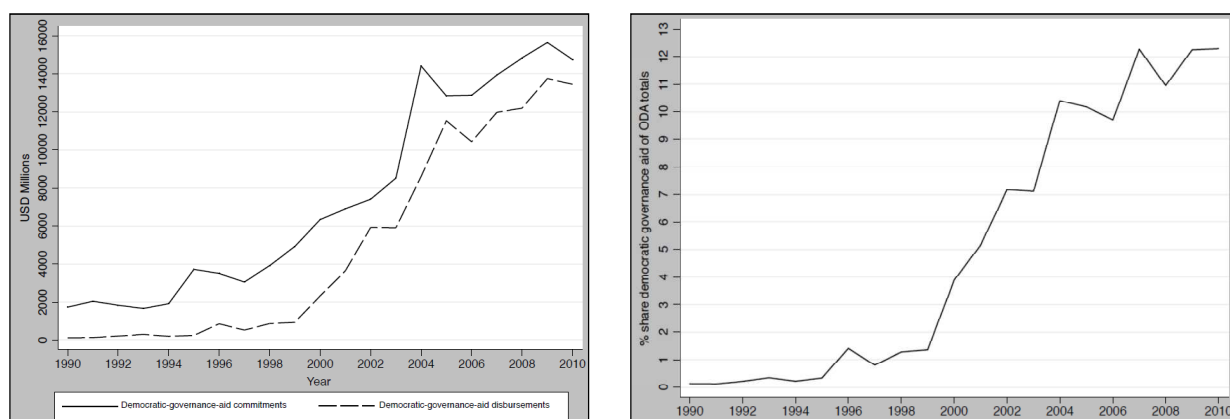
²⁸² The endowment could be funded with contributions from the European Union, Japan, Norway, Qatar, Turkey and the United States, as well as international financial institutions. Benchmarks could include constitutional reform, security sector reform, military non-interference in civilian affairs, judicial independence and ensuring press freedom and fundamental rights.

Although political liberalization and economic liberalization need not necessarily be linked, they are in the minds of the public in many developing countries where structural adjustment programmes took place. Many Western donors have confused the two, resulting in many people in developing countries experiencing economic hardship as a side effect of the democratization process. This entanglement has led to a drop in popular support for democratization programmes, thus highlighting the following important policy lesson: whenever possible, democratization programmes should support economic policies that enjoy wide popularity, at least in the beginning, such as extensive social safety nets, affordable housing and land reform benefiting small farmers. Donors and international financial institutions must make concessions for unorthodox economic policies from a technocratic point of view, to build popular support or at least to buy time for reformers until stability is reached. Foreign support in ACTs, still characterized by State capture and sclerotic patronage networks, should aim to spur the emergence of a middle class rather than promote economic ties that might increase growth but to the exclusive advantage of the elites. In such contexts, donors should refrain from budget support and old fashioned official development assistance, and promote financing for small and medium enterprises, business environment reforms and community-based infrastructure projects, among other things.

Another area where the international community can be helpful in supporting transition processes is through the adoption and systematic use of governance indicators as benchmarks of their analyses and programmes. To date, think tanks have been the main providers of such indices and, among international organizations, the World Bank has provided an important contribution, although it has tried to stay away from more politically sensitive indicators. However, the United Nations has not been involved in this area since the attempt by UNDP to create a Political Freedom Index in 1992, which was quickly scrapped.

Comparing the annual budgets of some of the main organizations that produce governance indices shows that Freedom House spends 500,000 to 600,000 United States dollars (\$), on average, while Polity spends \$100,000 to \$150,000. These figures pale in comparison to the amount spent annually by donors that advocate governance programmes (figure 19).²⁸³ A more systematic and fine-grained use of governance assessments and underlying indicators would assist in monitoring and evaluating the impact of these programmes.

Figure 19. Trends in democratic governance aid, in value and as a share of total aid, 1990-2010



Source: Cornell, 2012 based on OECD statistics for 2012.

Note: Constant 2010 prices.

A new partnership should be developed where key stakeholders, such as the European Union, Turkey and the United States, try to establish a common governance-based support platform for ACTs, characterized by a common regional strategy but adapted to country specificities. With the prospect of a ‘Marshall Plan

²⁸³ According to the OECD database, Iraq and Palestine are the two Arab countries included in the top 10 receivers of governance-related aid for the period 1990-2010. The top donors are the United States of America, the World Bank and the European Union (both multilaterally as an institution and bilaterally from its countries).

for the Arab World' swiftly fading away, the experience of the European Bank for Reconstruction and Development in the transition context could be the most practical technical vehicle through which the limited financial resources allocated by the United States and the European Union could be bundled and channelled along with technical assistance, while limiting often confusing bilateral programmes.²⁸⁴ Regarding electoral, human rights, security sector reform and democratization issues, another option would be to extend ACT membership in the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe and other European regional initiatives, so as to involve ACTs systematically and organically in discussions in this field. In exchange for their committed participation in these forums, the above-mentioned incentives could be developed according to the principle of 'more for more'.

On their part, ACTs should refrain from hindering the activities of international non-governmental organizations within their national territories, citing political interference in domestic issues, for the following two reasons: many non-governmental organizations are sincerely involved in democratization programmes rather than partisan politics; and even if some of them focus on partisan politics, the impact is so limited that government fears in this respect reflect insecurity and fragility rather than a real threat to overall political stability. An open and frank discussion between key donors and ACT Governments is needed to tackle this point so as to favour the promotion of human rights and fundamental freedoms.

B. REGIONAL DIMENSION OF MONITORING GOVERNANCE TRENDS

1. *Lessons learned from other transitions*

Over two and a half centuries ago, Immanuel Kant maintained that a number of reasons for democracy can be found outside a country's boundaries. In 1991, Samuel Huntington contested the notion that countries are isolated entities, secluded from external dynamics.²⁸⁵ Gleditsch and Ward (2006) also make the argument that "international context and external shocks generally provide better indicators of the prospects for transition than do the attributes of individual States". Similarly, Gasiorowski (1995) and Brinks and Coppedge (2006) conclude that countries have a tendency to alter their governance system to match the average degree of democracy or non-democracy found among their adjacent neighbours. In other words, these scholars "found strong support for a pattern of diffusion in which countries tend to become more like their immediate geographic neighbours over time".²⁸⁶

Transitions in Central and Eastern European countries after 1989 were driven by the fall of the former Soviet Union and unwavering European Union support, through programmes such as PHARE (Poland and Hungary Assistance for Reconstructing the Economy). Here again the European Union and the Copenhagen European Council outlined political, economic and administrative criteria for accession, which included stable democratic institutions, effective protection of human rights, the rule of law, a functioning market economy capable of withstanding competitive pressures and the acceptance of European Union laws. The former socialist countries of Eastern Europe underwent a formidably fast transition process because of this single pull factor. The development of strong democratic and market institutions in the Baltic States in less than two decades clearly illustrates the importance of proximity to a democratic regional block and the virtuous effect of its membership for the transition process.

In parallel to the formation of the European Union, Western European countries partnered with the United States to establish a framework to enhance regional security and human rights under OSCE, which became very active in promoting human rights, elections and democratization in conflict zones. At the heart of this framework is the recognition that security depends primarily on respect for human rights and

²⁸⁴ See ESCWA, 2013a for more detail on this point.

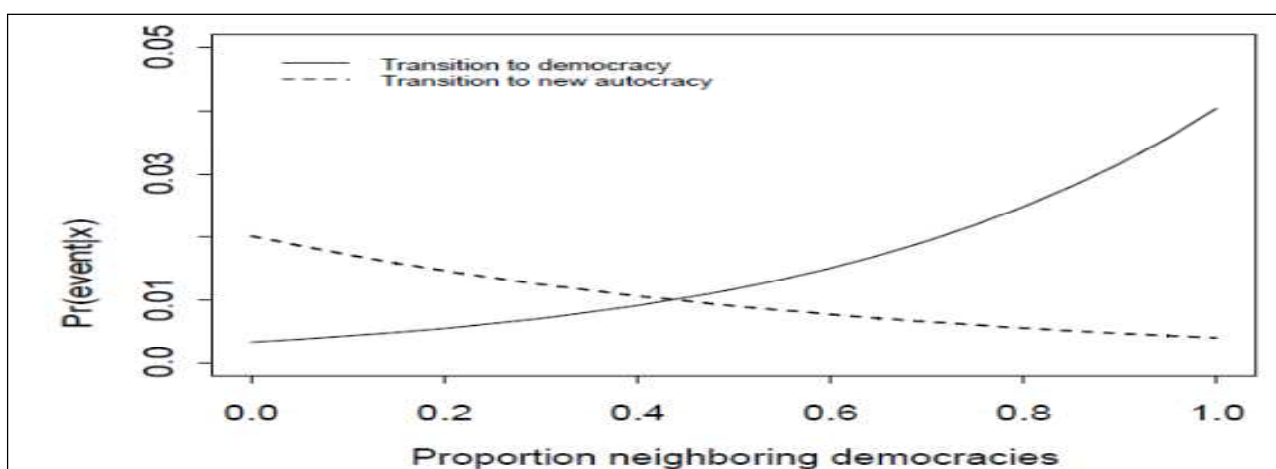
²⁸⁵ See Beck, 1963 and Huntington, 1991.

²⁸⁶ Brinks and Coppedge, 2006, pp. 463, 464. The study established and ran a model on the role of diffusion as a determinant of the magnitude and direction of regime change, utilizing a world database for the period 1972-1996.

adherence to democratic principles, as well as on international relations. In other regions, the Association of Southeast Asian Nations (ASEAN) and the African Union seem to be moving in a similar direction.

In contrast, the Colour Revolutions were unable to take the same democratic transformation trajectory as Southern, Central and Eastern Europe. Their remoteness from the centre of Europe, the re-emergence of Russian influence over Commonwealth of Independent States (CIS) countries and an uncondusive international environment (mainly the return of great power politics in a multipolar world) manifested themselves into turbulent and shaky transitions.²⁸⁷ Berg-Schlosser concludes that “only major shocks there [in CIS and Central Asian countries] or incremental democratic changes leading to a change in foreign policies of ‘big neighbours’ could lead to more favourable conditions for further democratization in this region”.²⁸⁸ Indeed, Gleditsch and Choung (2004) provided econometric evidence of the link between those two variables. Based on their model, transition to democracy becomes more likely than transition to autocracy when more than 40 per cent of neighbours are democracies, all else being equal.

Figure 20. Marginal predicted effects of neighbouring democracies on transition probabilities



Source: Gleditsch and Choung, 2004.

The recent popular unrest and demonstrations in the Arab region gave rise to a debate among academics and observers on the potential spread of an Arab democratic wave. Thus, differentiating between locally induced change and transmission through external spillover effects should be examined from the standpoint of the occurrence of democratic transition in the region.

Moreover, it is important to assess the factors that were previously enumerated as neighbourhood effects, given their strong influence on governance trajectories. None of the existing governance indicators have taken into account this crucial international effect, although research has proved such a link. Most nation-based indicators have relied on a variety of country-level features without tackling any of the effects countries have on one another.

The regional dimension of governance assessments has been clearly emphasized in other regions in transition. Since 1999, the UNDP Asia-Pacific human development reports have highlighted regional governance challenges related to human rights, decentralization and corruption. The 2008 report developed corruption indicators for that region. The 2004 regional report for Latin America developed indices of democratic development and public opinion surveys on democracy in the region. The 2004 *Arab Human Development Report* is the only study that tackles such issues in the Arab region.

²⁸⁷ Berg-Schlosser, 2008, pp. 29, 42-43.

²⁸⁸ Ibid., p. 43.

C. ARAB REGIONAL DIMENSION

The Arab region faces specific challenges that result from its colonial and post-colonial history. It is often described as an unfavourable environment for democratic transition, given the inextricable web of instability and underlying conflicts, and the geopolitical interests of both global and regional actors whose primary concerns are not geared towards the democratization process of ACTs. Unlike in Europe for example, there is no gravitational pull towards democracy in the Arab region.

Political transformation towards participatory, accountable and transparent governance systems continues to be marred by the following neighbourhood effects:

- (a) The Arab-Israeli conflict;
- (b) Communally driven tensions;
- (c) Conflict-driven displacement;
- (d) Arms spending;
- (e) Terrorism and arms smuggling;
- (f) Power politics and regional polarization;
- (g) Chronic regional integration/cooperation deficit;
- (h) Autocratic neighbourhood;
- (i) Rise of non-State armed actors.

The present report makes the argument, which is very much consistent with the latest literature in this field, that any endeavour to investigate the development or advancement of governance systems in the Arab region cannot be undertaken without a thorough examination of the neighbourhood effect.

Similar to the transformation trajectory of the Colour Revolutions, great power politics, the foreign policies of big neighbours and a lack of democratic neighbours have had, and will continue to have, an impact on the political transformation process in the Arab region. In addition, global security and economic interests are firmly embedded in the region.

Gleditsch also mentions ethnic kin communities that have mobilized and financed insurgencies.²⁸⁹ The Syrian conflict has exacerbated ethno-sectarian tensions at the regional level, whereby the Levant is increasingly undergoing a trend of “Iraqization” – defined as the massive movements of people to regions that are ethnically or confessionally homogeneous. In Yemen, Al-Qaeda, sabotage of critical infrastructure by local tribes, increasing armed tribal presence in major cities, Huthi territorial gains in the North and increasing violence in the South over the issue of separation are just some of the challenges facing the Yemeni political transformation. Some of these challenges have invited foreign intervention.

It could also be argued that Israeli-Palestinian unsolved disputes do not bode well for the development of democratic governance trajectories in these countries and their neighbours. The waves of Palestinian refugees – to whom are now added the waves of Syrian refugees – caused instability and political tension in Jordan and Lebanon. According to the records of the United Nations Relief and Works Agency (UNRWA), registered Palestinian refugees totalled 5.3 million in 2013, of whom 40 per cent were in Jordan, 24 per cent in the Gaza Strip, 17 per cent in the West Bank, 10 per cent in Syria and 9 per cent in Lebanon.²⁹⁰ Palestinian refugees in these host countries remain a sensitive and unaddressed issue with serious governance implications.

Conflicts affect neighbours at peace, which suffer from disruptions to trade and severances of supply lines. Conflict-driven displacement as a result of the Syrian war is straining host countries to the breaking point, mainly Lebanon and Jordan. Iraq and Turkey are also hosting a sizeable population of displaced persons.

²⁸⁹ Gleditsch, 2007, p. 299.

²⁹⁰ Statistics available from www.pcbs.gov.ps/site/512/default.aspx?tabID=512&lang=en&ItemID=821&mid=3171&version=Staging.

Finally, ACTs and their neighbours suffer from the involvement of foreign jihadists and numerous non-State actors in the Syrian conflict. Extremist ideologies have resorted to terrorism to change the political system by force. Another aspect of the neighbourhood effect is the easy flow of arms within the neighbourhood, from one country to another across porous international borders.

D. ESTABLISHING A REGIONAL PLATFORM FOR A DEMOCRATIC GOVERNANCE AGENDA

As stated above, neighbours can have either positive or negative effects on a country's democratization outcomes. The snowballing effect has been a critical part of the third wave, according to which democratization processes have had a regional scale where transitions have started in one country and propagated to other countries in the region. For this reason, regional organizations such as the African Union, the Organization of American States (OAS) and the New Partnership for Development have acted as democratization catalysts in their respective regions.

The Arab uprisings have offered a new opportunity to establish a regional platform for advancing democratic governance in ACTs. Despite the continued tensions in the region and the absence of regime change in many countries, the establishment of a regional platform for governance reform and monitoring would provide a basis for bringing governance assessment methods to the region, and mapping and monitoring trends in governance across different dimensions. Such a platform would also promote best practice in the use of governance indicators and contribute to the overall improvement of governance in the region.

1. *Other regional platforms*

A regional integration process has been taking place with varying degrees of success since the middle of the twentieth century. The general pattern is for a dual development of integration to take place, where one set of institutions are established for the regulation of economic integration and another for political and legal integration. To date, the development of economic integration has been stronger and more successful, while political and legal integration has proven more problematic.

There are various institutions at the regional level that either explicitly monitor governance or can form the basis for governance monitoring. The development of a platform for the Arab region can draw on the best practices of other regions.

(a) *Europe and the Organisation for Economic Co-operation and Development*

During the early years of the European Union, the founding countries of Belgium, France, Germany, Italy, Luxembourg and the Netherlands initially sought economic integration. As the Union evolved, it increasingly covered political and legal dimensions that revolved around democracy, good governance and human rights. The Copenhagen Criteria for European Union enlargement, for example, include a wide range of governance dimensions relating to democracy and human rights and require regular reporting on progress. The Fundamental Rights Agency of the European Union produces a wide range of social scientific research and reporting on dimensions of governance relating to human dignity. Its main themes include the following: access to justice; asylum, migration and borders; data protection and privacy; gender; hate crimes; lesbians, gays, bisexuals and transgender persons; people with disabilities; racism and related intolerances; rights of the child; and the Roma. In parallel to these developments, the Council of Europe has sought to fortify institutions for democracy, human rights and the rule of law, and now includes various monitoring bodies.²⁹¹

²⁹¹ For more information on these topics, see the websites of the European Union: http://europa.eu/index_en.htm; the European Commission: http://ec.europa.eu/index_en.htm; the European Union Agency for Fundamental Rights: <http://fra.europa.eu/en>; and the Council of Europe: <http://www.coe.int/en/>.

Each of these bodies uses a variety of different monitoring tools, including State party reporting and shadow reporting, and a formal process of feedback and dialogue with States,²⁹² similar to those used by the United Nations treaty bodies. The monitoring process is complemented with rich data resources, mainly available through EUROSTAT.²⁹³ Among developed countries in general, the most widely known and used peer review assessments are those of OECD.

(b) *Inter-American System*

The Inter-American System, established in 1948, is rooted in the Organization of American States (OAS), which has a wide range of bodies that are responsible for monitoring and addressing different issues relating to governance, including democracy, human rights, public security and development. These include various committees of the OAS Permanent Council and autonomous bodies, such as the Inter-American Court of Human Rights, the Inter-American Commission of Human Rights, the Inter-American Children's Institute and the Inter-American Commission of Women. OAS has a number of mechanisms that have evaluation and monitoring functions on issues such as violence against women, corruption and drug abuse.²⁹⁴ The United Nations Economic Commission for Latin America and the Caribbean provides a wealth of economic and development data on the region that, along with the data and reports produced by OAS, can form the basis for governance monitoring. A new project carried out by the Latin American Faculty of Social Sciences in Mexico has measured and analysed human rights in the region since 1990, providing many different time series measures of human rights.²⁹⁵ A recent interesting initiative is the Latin American Transparency Participation and Accountability Initiative implemented by a regional network of civil society organizations (CSOs) and supreme audit institutions (SAIs) from 13 Arab countries. This initiative has established a regional community of practice that focuses on the role of SAIs as critical agents of a government accountability system from which civil society can benefit and advocate for more transparent and effective government services and functions. This initiative is the result of earlier CSO-led initiatives at the national level in Argentina, Colombia and Paraguay, where SAIs had started consulting with CSOs in preparation of their audit plans and used the media to disseminate the findings of their audit reports.²⁹⁶ These experiences have inspired other countries in the region, such as Chile and Costa Rica, to implement capacity-building initiatives towards more SAI independence, transparency, participation and accountability. SAIs and CSOs can benefit from one another and together press for better governance systems.

(c) *African System*

The African regional system is rooted in the African Union and, like the Inter-American System, has a number of institutions for monitoring different aspects of governance. The key institutions are the African Court on Human and People's Rights; the Peace and Security Council; the Economic, Social and Cultural Council; financial institutions; and the Advisory Board on Corruption. More importantly, however, the New Partnership for Africa's Development (NEPAD) was established through an agreement between Algeria, Egypt, Nigeria, Senegal and South Africa in 2001 and aims to eradicate poverty, promote sustainable growth and development and empower women.

²⁹² See, for example, the work undertaken as part of the Framework Convention for the Protection of National Minorities. Available from www.coe.int/t/dghl/monitoring/minorities/2_Monitoring/Monitoring_Intro_en.asp.

²⁹³ See <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>.

²⁹⁴ For more information on these topics, see www.oas.org/en/.

²⁹⁵ See <http://dydh.flacso.edu.mx/index.php/la-eficacia-de-los-derechos-humanos-en-las-democracias-latinoamericanas-1990-2010>. Part of this work is supported by the Human Rights Atlas project at the University of Essex funded by the Economic and Social Research Council (www.humanrightsatlas.org).

²⁹⁶ ACIJ, 2011; Cornejo and others, 2013.

The key institution for governance monitoring created by NEPAD is the African Peer Review Mechanism (APRM), which is an innovative, comprehensive, participatory, voluntary and self-monitoring mechanism acceded to by African Union member States to ensure that their policies and practices conform to a set of agreed political and economic governance values, standards and codes, within the scope of political stability and regional integration. Under APRM, African member States evaluate their peers with the overall aim of collectively raising the governance standards bar.²⁹⁷ Its thematic issues are democracy and good political governance, economic governance and management, corporate governance and socioeconomic development. These themes are used to organize annual progress reports from participating States, which include events data, survey data and socioeconomic and administrative statistics that map the different degrees of progress. The data are complemented with narrative and legal analysis. There are 31 member States at present, 14 of which were peer reviewed by 2012.²⁹⁸ Despite its cost,²⁹⁹ there is growing evidence of capacity-building, peer learning, knowledge exchange and peer networking by both Governments and civil society organizations under APRM.³⁰⁰

Other governance review mechanisms are also in place in Africa, such as the African Governance Report and the Ibrahim Index of African Governance. The former is conducted by the Economic Commission for Africa and is based on three research instruments – desk-based research, national expert panels and opinion-based surveys – that assess governance along the following seven dimensions: political representation; institutional effectiveness and accountability; executive effectiveness; human rights and the rule of law; civil society and the media; economic management; and corruption control. The latter is based primarily on expert assessments and quantitative data along the following four categories: safety and the rule of law; participation and human rights; sustainable economic opportunity; and human development.

2. Proposal for the Arab region

Of all the regional systems considered here, the APRM mechanism seems to be the model that could be used to design a regional platform for ACTs. Egypt already took part in the establishment of NEPAD and APRM, so there is a good precedent for establishing something similar for ACTs. The real value of APRM lies in its self-assessment and peer review elements, where States use an agreed set of themes, objectives, criteria and, where possible, indicators for monitoring governance. The process is locally owned and managed, which provides it with a greater degree of political legitimacy. The establishment of an Arab platform would require the support of ACTs and other countries, as well as technical assistance by institutions with relevant expertise.

The League of Arab States or a subsidiary office could assist in establishing this platform to deal with ACT transitions, covering States involved in the Arab uprisings, other Arab countries and observer States that could offer external legitimacy to the platform.

The League is large and established enough to provide a good foundation for a new mechanism.³⁰¹ Working in partnership with ESCWA and other stakeholders, such as think tanks and CSOs, it can develop an inclusive platform to reach consensus on a monitoring mechanism, a framework for assessment and an agreed minimum set of governance indicators that measure legal commitments, governance institutions and themes that are broadly analogous to those used in APRM. Including democracy in those themes would be a bold move.

²⁹⁷ Examples of countries supported by APRM include Ghana, Kenya, Rwanda, and South Africa.

²⁹⁸ See <http://www.nepad.org/system/files/APRM.pdf>.

²⁹⁹ APRM is estimated to cost \$1-3 million per country assessment (UNDP, 2012a).

³⁰⁰ Gruzid, 2011.

³⁰¹ The League of Arab States has already created the Arab Human Rights Committee and the Arab Legal Network.

The platform could include a subset of Arab countries to undertake the work, selected through a rotating membership on a rolling basis. Indicators used should be broadly comparative and receive general support from all member States to build legitimacy for the platform. The agreed set of indicators should apply to all countries to build opportunities for peer review. Beyond the political challenges of setting up such a body, there are significant capacity challenges with respect to the collection and analysis of indicators.

With regard to the regional monitoring of governance indicators, conducting regular governance assessments has the following advantages: governance concepts and reforms are driven by context-specific factors that, in the case of transition processes, assume a particularly regional dimension; using smaller subsets of countries, such as ACTs, allows for a deeper analysis that global surveys fail to achieve; such assessments adhere more to governance principles by creating a platform for national dialogue, thus helping build local and regional capacity; governance data remain scant and a regional platform would help collect more reliable data to be shared publicly.

A critical question is whether this kind of regional mechanism should be voluntary or binding. The success of a voluntary mechanism is affected by the lack of any formal enforceability measures and would exclusively depend on the level of commitment of member States. However, as APRM has shown, a voluntary arrangement that member States consider as legitimate represents the best institutional arrangement offered by the international community for engaging in regional democratization processes.

E. WAY FORWARD

Monitoring governance trends in ACTs is a crucial new challenge. Ensuring that governance-related concepts reflect their operational definitions is an iterative process, involving adjustments over time as new datasets are proposed to fix structural weaknesses.³⁰² Relevant national and regional institutions should aim to set up an intellectual and data infrastructure aiming to kick off such an iterative process.

Such a process could be more or less ambitious depending on many endogenous and exogenous variables within the Arab region. Hence, a modular approach is of strategic essence and could range from establishing region-wide communities of practice on key governance-related areas up to comprehensive democratic governance assessments. Learning from the experiences of other regions, the following activities could serve to kick off governance-based regional networks that could promote the following, among other things: practical studies of how citizens' participation mechanisms have been implemented; support for the implementation of pilot experiences of participatory and accountability mechanisms; development of guidelines for independence and participatory mechanisms and practices of SAIs; and identification and support for champions of the transparency, participation and accountability agenda in the region.

When it comes to implementing comprehensive democratic governance assessments, by considering the lessons learned of those conducted across the world, one can see that they are commonly characterized by reliance on the support of an in-country research team. However, there are some significant differences with regard to methodology, with some assessments relying on international advisory boards for direction, while others involve government representatives and parties of the country being assessed. In other cases, the researchers carrying out an assessment are also in charge of the overall direction of the programme. While everybody seems to agree on the need for national involvement, some assessments are led by Governments while others are led by civil society. This dualism should not be mutually exclusive but the presence of both parties should be seen as mutually reinforcing, whenever possible. Assessments differ in the extent to which they rely on a pre-established methodology, and, while some assessments take a flexible but pre-established methodology as a starting point (e.g. the International Institute for Democracy and Electoral Assistance), others are more open-ended. Moreover, the vast majority of assessments entail a formal process of consultation with stakeholders that feeds into the assessment itself before the release of

³⁰² Ongoing discussions on the best way to calculate the Human Development Index offer one such example (see Alkire, 2010 and UNDP, 2011).

the results. However, the real issue is that many assessments in other countries in transition have failed to become firmly institutionalized and are not conducted periodically at reasonably short intervals (around every two to three years). In this respect, the example offered by the national Millennium Development Goals monitoring processes is useful.

Past experiences show that a broad consensus between national, regional and key international stakeholders becomes crucial before embarking upon region-wide initiatives such as the one proposed above. From a methodological perspective, establishing a regional group of prominent experts on governance reform to support the work of ACTs in this area is very important. The expert group should advise on the overall methodology and assessments contained in the report. Selected experts should come from a wide variety of backgrounds (public authorities, law enforcement, the judiciary, prevention services, the private sector, civil society, international organisations, research centres, etc.). They should act in their personal capacity and should not represent the institutions they come from. The group should meet regularly (every six months on average) to review key issues at the regional and national levels.

It would also be helpful to set up a network of national research correspondents to complement the work of the expert group, by collecting and processing relevant information from each member State. The team of correspondents would consist of national experts on different areas of governance from research institutions and CSOs. It should compile lists of experts that could assist in developing specific indicators that are not readily available from international sources and review those available. The teams should be in continuous contact with other teams in the region and exchange lessons learned on methodology and coding issues, among other things. The national team of experts, from different institutional backgrounds (non-governmental organizations, academia and think tanks), should be in charge of the implementation of the whole national governance assessment, including data collection and analysis.

The national team could be supervised and guided by a national steering committee. The committee should take responsibility for the key components of the project at the national level, including planning, fundraising and oversight. It should comprise representatives from relevant ministries and public institutions, as well as representatives from academia and CSOs, of clear professionalism and reputation in the governance field. To ensure a fully unbiased approach, the regional group of experts should oversee the main deliverables of the national team and issue an opinion on the fairness of the correspondents' input.

Two workshops should also be organized for national authorities (anti-corruption agencies, prosecution services, ministries, etc.), researchers, non-governmental organizations, journalists and business representatives. The first workshop would focus on methodology, while the second (once the national teams are established) on the validation of datasets and findings of country reports. The workshops are intended to review country reports and obtain country-specific illustrative good and bad practices on governance related issues in member States. Experts should also be given the opportunity to review early drafts and provide comments, to be carefully considered in the preparation of country reports.

The aim of the next reports should be to evaluate existing indicators. A comprehensive inventory of such indicators is being compiled, as per the data sources reported in the annex to the full version of the present study. The inventory is designed to provide elements of analysis supplementing the qualitative assessment at the core of each report. At least in the short term, there might be a fundamental difficulty in relying primarily on indicators and statistical data for analysing governance and transition issues, and most importantly for building actionable, tailor-made policy recommendations. Nevertheless, indicators (established and new) that are directly relevant to reform efforts supported by robust data and qualitative analysis can be collected to examine the situation in each ACT and identify areas for closer analysis in country-specific assessments. These data can be used for scene setting (i.e. an introduction to country profiles); serve as a starting/complementary point for further research on particular matters/sectors at the national or regional levels; and could help identify flaws or lack of coherence in the different sources of analysis.

Future reports should be based on a number of sources, including detailed questionnaires for opinion surveys, expert country analyses and data from other sources, such as national public authorities, statistical offices, research carried out by academic institutions, independent experts, think tanks CSOs.

Once produced and validated, data should be provisionally published for comments from the public. However, given the potential methodological shortfalls and the overarching purpose of triggering continuous discussion in this sphere, data should be provisional by nature and open to regular amendment. To that end, following the analysis of the data, it is important to establish an open and transparent system for dissemination and discussion. This might include a blog where the public can comment on methodology, scores and overall analysis. As the Wikipedia experience shows, civic-minded and educated people could greatly enrich the discussion.

Annex

APPLICATION OF THE PROPOSED METHODOLOGY

The present annex provides examples of how the subcategories of Arab governance indicators (AGIs) could be calculated, from the initial selection of preliminary variables to the presentation of aggregated results. The objective is to illustrate the rather abstract description of the methodology included in the present report with concrete, although preliminary, examples. The first example on the subcategory “Economic management” will be presented in full detail, including the selection of variables, their standardization, aggregation into a composite indicator and presentation of results, according to each of the two benchmarks proposed above. The other two examples, concerning the subcategories “Judicial effectiveness” and “Education” will be presented more succinctly since the process is equivalent to that of the first example.

I. CONSTRUCTION OF THE INDICATOR FOR THE CATEGORY “ECONOMIC MANAGEMENT”

This example will present the calculation of the indicator for the subcategory “fiscal policy and debt management” from the category “economic management” of the pillar “economic governance”. However, it must be noted that the variables and the final indicator are presented only for illustration purposes and do not represent a final indicator for AGIs.

After an exhaustive review of the available data in external sources, six disaggregated variables were assigned to this subcategory; the list of variables is presented in table A.1. Of the six candidate series from external sources, the two from the World Bank’s Country Policy and Institutional Assessments were excluded because they do not have a good coverage of ACTs. In fact, of the seven countries of interest, they only cover Yemen. Besides these variables from external sources, four additional variables are proposed because they cover other aspects of this subject that are not sufficiently represented by the existing series. The first one, “multi-year fiscal planning”, presents an evaluation of the planning process of government finances and whether the sources of revenue and the destination of expenditure are programmed over several years according to the development plan or other country priorities. Even if this is a very important aspect of economic governance, it will be excluded from this example because its construction requires extensive desktop research for the countries in the benchmark; however, it is kept as a potential variable to be included in the full calculation of AGIs. The second variable creates an estimator of efficient subsidy policy by subtracting the prevalence of fuel subsidies to those applied to food and other commodities. It has been recognized that fuel subsidies are inefficient in terms of their high cost and their limited impact on the sectors of society with lower income. In the absence of targeted subsidies, food and other basic commodity subsidies are preferred since they more effectively reach the needy. The raw data to calculate this variable is obtained from the Institutional Profiles Database, although future versions of the indicator will consider more direct information about subsidy policy. The third variable measures the weight of current expenditure (in particular, compensation of employees) of the total government expenditure; even if the public sector is a significant employer in many countries, a large wage bill can translate into less resources for capital and other “productive” expenditures. Lastly, the fourth variable evaluates the change in public debt stock over the last three years. Even if an increase in public debt is not a negative factor (it depends on government financing strategy and current market conditions), a contemporaneously large increase in debt for a country with respect to the rest of the benchmark would indicate that this country is relying excessively on debt as opposed to other financing mechanisms, which may trigger concerns in terms of its debt management strategy. The subcategory ends up with seven variables, highlighted in table A.1. Even if one of the sources is repeated, it was decided to keep both variables since they provide measures of relevance on different areas (GCI1 assesses the efficiency of public expenditure while GCI2 measures the impact of the existing tax policy to promote investments). The final column in the table shows that only one of the proposed variables is included in the World Bank’s World Governance Indicators, implying that AGIs have the value added of more information for this subcategory with respect to these widely used indicators.

Following the selection and review of AGIs, the next stage is their aggregation into a composite indicator. This example will be constructed around an equal weighting scheme; however, the final aggregation methodology of AGIs might depend on the outcome from a potential expert assessment:

(a) *Standardization*

The seven variables selected previously must be standardized prior to aggregation. The first step is to apply a transformation to the variables, when this is necessary, so that they all have the same sense. The idea is to end up with a set of variables with a homogeneous sense, where a higher score means a better performance. This is the case for all of them except the last two: both a larger share of compensation of employees in total expenditure and a bigger relative increase in public debt stock are considered negative outcomes, so these variables have to be inverted. To accomplish this, each value is simply subtracted from the maximum observation in the benchmark for that variable. The rest of the series already have the desired sense, so this preliminary transformation is not required. Next, the 10 per cent-trimmed mean and standard deviation for each variable over the entire benchmark are calculated and are used to calculate the z-scores. These scores are constructed so that they are centred at 0 and their standard deviation is equal to 1 (this holds only approximately since, instead of the simple mean and standard deviation, their trimmed counterparts are used; however, since the trimming is symmetric, this does not have a strong effect on the result). The resulting score is presented in the first column for each variable in table A.2. The second column of each variable is not a requirement and is only included to give an idea of how the country performs compared to the spectrum of values taken by the 27 countries in the benchmark. A value of I means that the country lies in the first quintile, or in the top 20 per cent of all countries in the benchmark; a value of II means that the country falls in the second quintile, or between the 20 per cent and 40 per cent best; and so forth until the value V, which refers to the last quintile or the bottom 20 per cent in the sample. For example, Jordan has a good relative performance in first three variables, scoring either in the best 20 per cent of the countries or in the second quintile (between the 20 per cent and 40 per cent top countries of the benchmark). However, it has a worse performance relative to the benchmark for the other four variables of this subcategory.

(b) *Aggregation*

Since the method of equal weighting was selected for this illustration, to obtain the aggregate indicator for the subcategory it is required to only calculate the simple average of the standardized scores of the seven variables that are available. In a subsequent stage, the subcategories could be further aggregated into an average for the category “economic policy”, so they must also be standardized. The procedure described above is replicated to obtain the “standardized average” shown in the last section of table A.2. This is the result that will be employed in the analysis. As before, the performance of each country in relation to the benchmark, expressed in terms of quintiles, is included in the last column.

The description for each subcategory is also presented in figure A.1. It shows the placement of the seven ACTs compared to the countries in the benchmark. The standardized scores for the 27 countries in the benchmark plus the 7 ACTs lie between a minimum of -2.01 and a maximum of 2.30. The borders of the quintiles are also included. From this figure it is possible to deduct, for example, the relatively positive performance of Tunisia in terms of fiscal policy and debt management, in relation to the transition countries in the benchmark, since it is positioned just on the border between the second and third quintiles. Egypt, Jordan and the Syrian Arab Republic have a similar performance in this area, but perform relatively poorly in terms of other transition countries (quintile IV and V).

As seen in the procedure followed above, the benchmark is required in the standardization step to invert the sense of the variables (when this is necessary) and to obtain the (trimmed) sample means and standard deviations required for z-scores. The benchmark is also useful to position the seven ACTs in context with respect to other similar countries that have successfully passed through a process of political

transition.³⁰³ An alternative benchmark selected using only political considerations was proposed that translates into the 27 countries in the original set plus 12 additional countries with a very high level of human development according to the Human Development Index. The results of the aggregation using this second benchmark are presented in table A.3 and figure A.2.

A comparison between the two tables shows little movement. The cells highlighted in yellow indicate a downward shift in quintiles when the extra countries are added to the benchmark; this particularly occurs in the variable DR2, concerning the efficiency of subsidies, indicating that these ACTs score comparatively low when the highest developed transition countries are included. However, the recent global crisis severely affected some countries in Central and Eastern Europe which, since they were already in a fragile fiscal position, incurred significant amounts of debt. As a consequence they perform poorly in indicator DR4 and push all ACTs upwards, and two even place themselves in a higher quintile. In spite of these movements, as evidenced by a comparison between figures A.1 and A.2, there is generally little change in the aggregate: Morocco and the Syrian Arab Republic move backwards slightly, while the rest practically do not change their relative position. This presents evidence that, in terms of fiscal and debt policies, there is not a strong correlation between high economic development and efficient management of this type of economic policy, because the introduction of 12 countries with a very high level of human development does not shift the relative position of the other countries. In other words, these additional countries are distributed across the entire spectrum of performance in fiscal and debt policies, suggesting that both variables are only weakly correlated.³⁰⁴ If, for example, the inclusion of these countries had pushed down the rest of the countries in the original benchmark in terms of their relative position, this would have been an indication of a positive correlation between development and management of fiscal and debt policies.

The final indicator for the subcategory “fiscal policy and debt management” is included at the end of tables A.2 and A.3 for the two benchmarks. It can now be used in a comparison with other subcategories of AGIs or further aggregated into an indicator for the category “economic management”.

TABLE A.1. POTENTIAL VARIABLES FOR THE SUBCATEGORY
“FISCAL POLICY AND DEBT MANAGEMENT”

Code	Variable name	Source	Definition	Last update	WGI 2013 ^a
FS-BTI1	Fiscal and debt policies	Bertelsmann Transformation Index	Score on the item “to what extent do the government’s fiscal and debt policies support macroeconomic stability?”	2012	-
FS-CPA1	Fiscal policy	Country Policy and Institutional Assessments	Score on the item “fiscal policy”	2012	-
FS-IPD1	National sovereign wealth fund	Institutional Profiles Database	Score on the item “importance of the national sovereign wealth fund in the economy”	2012	-
FS-GCI1	Efficiency of public spending	Global Competitiveness Index	Score on the item “in your country, how efficiently does the government spend public revenue?”	2013	-
FS-GCI2	Impact of taxation on investment	Global Competitiveness Index	Score on the item “in your country, to what extent do taxes reduce the incentive to invest?”	2013	RQ

³⁰³ However, as mentioned before, the objective of the benchmark is not to evaluate or to rank the performance of ACTs, but only to provide a point of reference with respect to historical cases of countries with similar characteristics that manoeuvred successfully through a process of political transition.

³⁰⁴ In fact, the 12 extra countries are distributed across the quintiles in the following manner: one in quintile V, three in quintile IV, three in quintile III, two in quintile II and three in quintile I.

TABLE A.1 (continued)

Code	Variable name	Source	Definition	Last update	WGI 2013 ^a
FS-CPA2	Debt policy	Country Policy and Institutional Assessments	Score on the item “fiscal policy”	2012	-
FS-DR1	Multi-year fiscal planning	Own calculations	Indicator variable that takes the value of one if the fiscal planning is made on a multi-year basis	2012	-
FS-DR2	Efficient subsidy distribution	Own calculations based on data from Institutional Profiles Database	Difference between the variables “subsidies: commodities” and “subsidies: petrol at the pumps”	2012	-
FS-DR3	Compensation of employees in total expenditure	Own calculations based on data from World Development Indicators	Compensation of employees as a percentage of total expenditure	2011 ^b	-
FS-DR4	Increase in public debt stock	Own calculations based on data from World Economic Outlook Database	Increase in general government debt stock, average of the last three years (2010-12) minus average of the three previous years (2007-09)	2012	-

^a The variable is included in one of the World Bank’s World Governance Indicators in their 2013 update: V&A (voice and accountability), GE (government effectiveness), PS (political stability and absence of violence), RQ (regulatory quality), RL (rule of law), and CC (control of corruption).

^b This value is calculated from the most recent available data from the source, which corresponds to 2011 for 95 per cent of the countries; however, for the remaining 5 per cent the data may be more recent or older.

TABLE A.2. STANDARDIZED SCORES OF THE VARIABLES INCLUDED IN THE SUBCATEGORY “FISCAL POLICY AND DEBT MANAGEMENT”, ORIGINAL BENCHMARK

	FS-BTI1		FS-IPD1		FS-GCI1		FS-GCI2		FS-DR2		FS-DR3		FS-DR4		Fiscal policy and debt	
	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std average	Quintile
Egypt	-0.83	IV	-0.50	II	-1.23	V	0.11	III	0.07	II	0.33	II	0.11	III	-0.53	IV
Jordan	0.23	I	-0.50	II	1.44	I	-0.38	IV	-0.91	IV	-1.67	V	-0.51	IV	-0.63	IV
Morocco	-0.83	IV	1.67	I	1.04	I	0.52	II	-0.91	IV	-1.00	V	-0.33	IV	0.06	III
Syria	-0.83	IV	-0.50	II	..	..	..	..	0.07	II	..	..	..	..	-0.81	V
Tunisia	-0.83	IV	-0.50	II	1.07	I	0.48	II	0.07	II	-0.36	IV	0.66	II	0.18	II
Yemen	-1.89	V	..	..	-1.51	V	-0.79	IV	..	..	..	..	0.03	III	-2.01	V

Source: Own calculations.

Note: Two dots (..) indicate a missing value.

**Figure A.1. Placement of ACTs in the spectrum of the benchmark for the subcategory
“fiscal policy and debt management”, original benchmark**

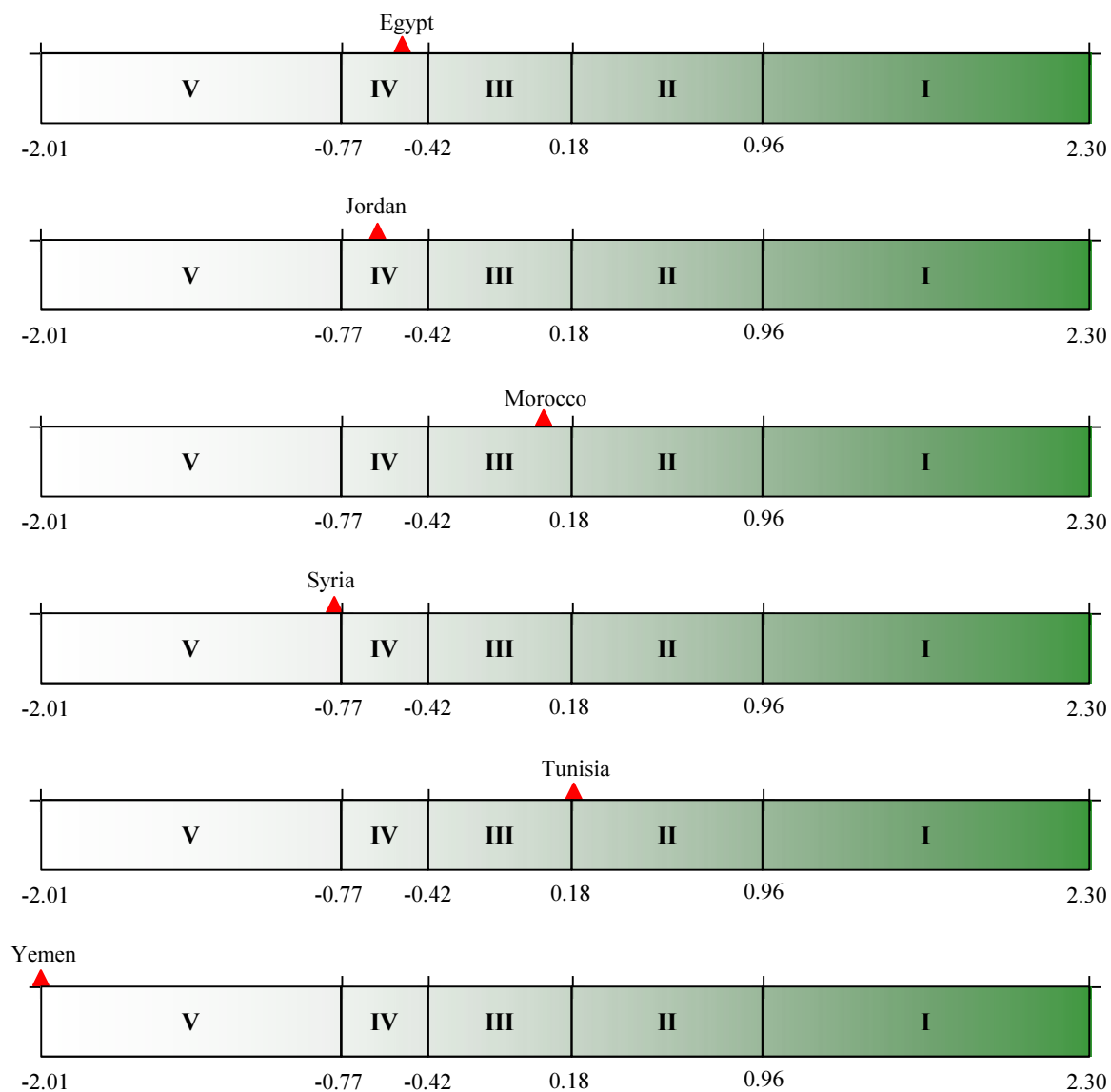


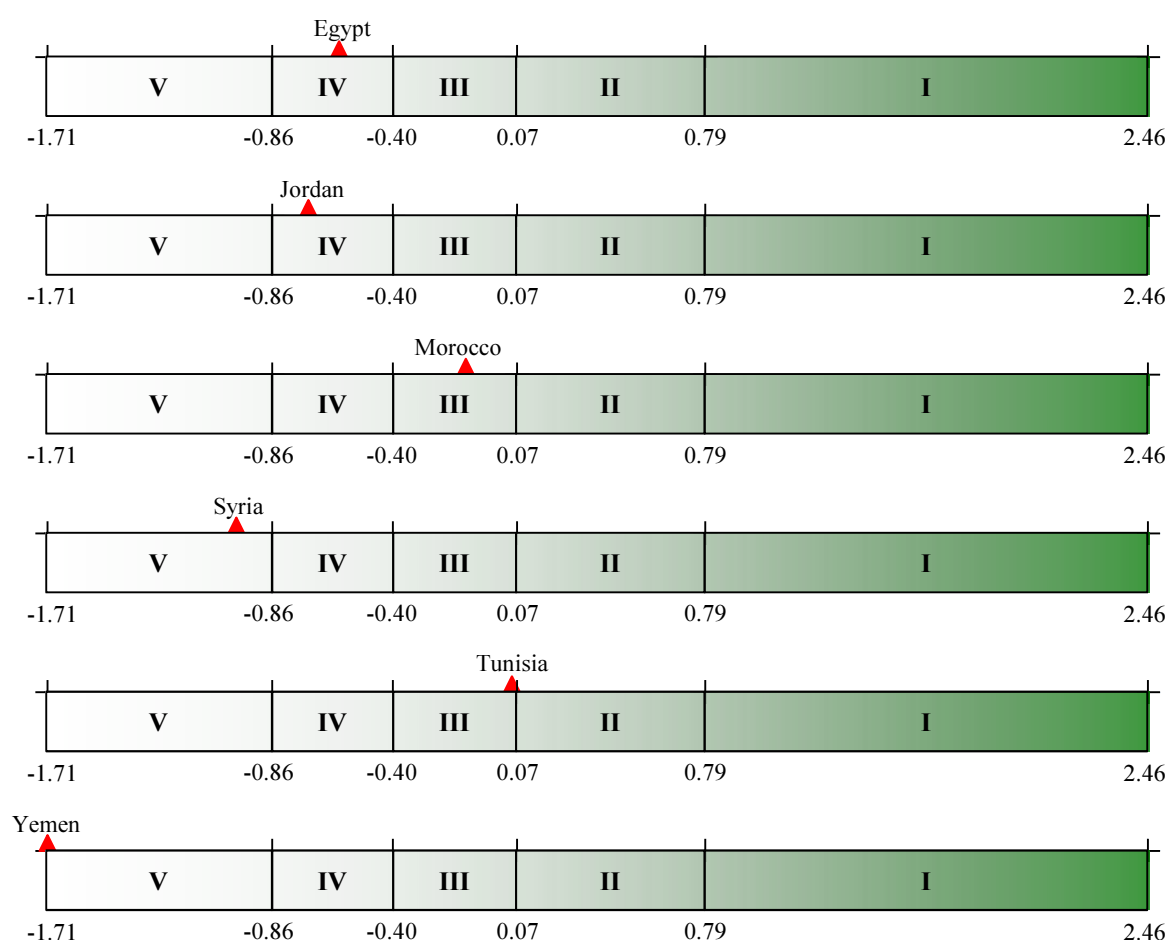
TABLE A.3. STANDARDIZED SCORES OF THE VARIABLES INCLUDED IN THE SUBCATEGORY
“FISCAL POLICY AND DEBT MANAGEMENT”, EXPANDED BENCHMARK

	FS-BTI1		FS-IPD1		FS-GCI1		FS-GCI2		FS-DR2		FS-DR3		FS-DR4		Fiscal policy and debt	
	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	average	Quintile
Egypt	-0.90	IV	-0.54	II	-1.26	V	0.24	III	-0.18	II	-0.01	III	0.36	II	-0.60	IV
Jordan	0.09	II	-0.54	II	1.50	I	-0.21	III	-1.35	V	-2.02	V	-0.20	IV	-0.72	IV
Morocco	-0.90	IV	1.51	I	1.08	I	0.62	II	-1.35	V	-1.34	V	-0.04	III	-0.12	III
Syria	-0.90	IV	-0.54	II	..	..	..	..	-0.18	II	..	..	..	..	-0.99	V
Tunisia	-0.90	IV	-0.54	II	1.11	I	0.58	II	-0.18	II	-0.70	IV	0.87	II	0.05	III
Yemen	-1.89	V	..	..	-1.55	V	-0.59	IV	..	..	..	..	0.29	III	-1.71	V

Source: Own calculations.

Note: Two dots (..) indicate a missing value. Cells highlighted in yellow and green indicate, respectively, a downward and an upward move in quintiles with respect to the original benchmark.

Figure A.2. Placement of the Arab countries in transition in the spectrum of the benchmark for the subcategory “fiscal policy and debt management”, expanded benchmark



II. CONSTRUCTION OF THE INDICATOR FOR THE SUBCATEGORY “JUDICIAL EFFECTIVENESS”

We now present the results for the indicator for the subcategory “Judicial effectiveness” of the category “Rule of law” belonging to the broad pillar “Institutional effectiveness”. As mentioned previously, the complete details of the calculation of the indicator will not be presented here since they emulate the process described above for the subcategory “Economic management”.

Table A.4 presents the twelve potential variables for this indicator. However, not all of them comply with the selection criteria described before. In particular, the Global Integrity Report will not be included because the most recent update dates from 2011 and this only for one of the ACTs; the rest were updates in 2010 or are not considered in this data source. Furthermore, this database is actually on hiatus and may not be updated at all in the future, at least under the current configuration. The variable “Effectiveness of insolvency law” from the Institutional Profiles Database was also excluded because it overlaps with variable JE-EDB2 from the Ease of Doing Business survey provided by the World Bank and the International Finance Corporation; the latter was preferred since it is available on a continuous scale, which provides more information than the ordinal scale of the former. Finally, the variable from the Economist Intelligence Unit was not considered since it is very broad and comprises information that is not relevant for this subcategory.

The final selection then includes nine variables, covering different aspects of efficiency, impartiality and timeliness of the judicial system in general, and related to civil, criminal and trade/commercial justice in particular. These variables are highlighted in table A.4. The final score for this subcategory was calculated by following the standardization and aggregation steps explained above. The results are summarized in table A.5 and figure A.3. Jordan has a very positive result, even in relation to the 27 countries in the benchmark; this is based on high scores on civil and crime justice, as well as the ability of the private sector to challenge government regulations. This country is closely followed by Tunisia, which also has a high score in this indicator. Yemen and Libya do not perform as well and are placed in the last quintile of the distribution of countries in the benchmark.

TABLE A.4. POTENTIAL VARIABLES FOR THE SUBCATEGORY “JUDICIAL EFFECTIVENESS”
OF THE CATEGORY RULE OF LAW (PILLAR INSTITUTIONAL EFFECTIVENESS)

Code	Variable name	Source	Definition	Last update	WGI 2013 ^a
JE-GIR1	Fair appointment of judges	Global Integrity Report	Score on the item “Are judges appointed fairly?”	2011 ^b	-
JE-IDP1	Enforcement of judicial decisions	Institutional Profiles Database	Score on the item “Degree of enforcement of judicial decisions”	2012	RL
JE-IDP2	Timeliness of judicial decisions	Institutional Profiles Database	Score on the item “Timeliness of judicial decisions”	2012	RL
JE-ROL1	Civil justice	Rule of Law Index	Score on the category “Civil justice”	2014	RL
JE-ROL2	Criminal justice	Rule of Law Index	Score on the category “Criminal justice”	2014	RL
JE-IDP3	Trade justice	Institutional Profiles Database	Score on the item “Trade justice”, comprising four subquestions about the timeliness and impartiality in matters of commercial law	2012	-
JE-EDB1	Enforcing contracts	Ease of Doing Business	Average of the standardized scores on the three items included in the category “Enforcing contracts”	2014	-
JE-EDB2	Resolving insolvency	Ease of Doing Business	Recovery rate (percentage)	2014	-

TABLE A.4 (*continued*)

Code	Variable name	Source	Definition	Last update	WGI 2013 ^a
JE-GCI1	Efficiency of legal framework in settling disputes	Global Competitiveness Index	Score on the item “How efficient is the legal framework for private businesses in settling disputes?”	2013	-
JE-GCI2	Efficiency of legal framework in challenging regulations	Global Competitiveness Index	Score on the item “How easy is it for private businesses to challenge government actions and/or regulations through the legal system?”	2013	RL
JE-IPD4	Effectiveness of insolvency law	Institutional Profiles Database	Score on the item “Is insolvency legislation efficient?”	2012	-
JE-EIU1	Legal and regulatory risk	Economist Intelligence Unit	Score on the item “Legal and regulatory risk”	2013	-

^a The variable is included in one of the World Bank’s World Governance Indicators in their 2013 update: V&A (voice and accountability), GE (government effectiveness), PS (political stability and absence of violence), RQ (regulatory quality), RL (rule of law), and CC (control of corruption).

^b Even if the most recent update of this source is for 2011, it only included some countries. The most recent available data for ACTs are from 2010 for Egypt; 2011 for Jordan; 2010 for Morocco; and 2010 for Yemen. Libya, the Syrian Arab Republic and Tunisia are not available in this source.

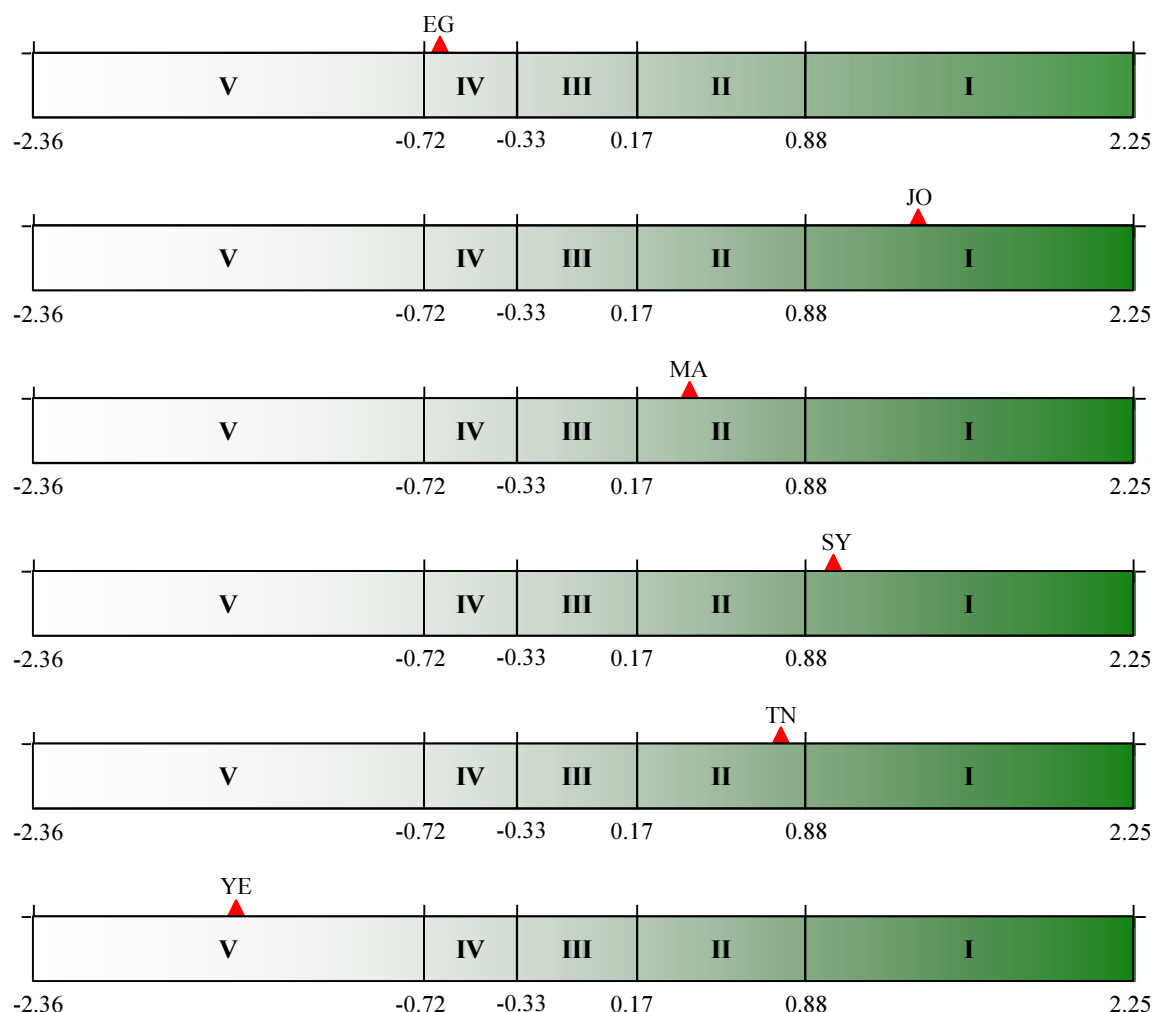
TABLE A.5. STANDARDIZED SCORES OF THE VARIABLES INCLUDED IN THE SUBCATEGORY
“JUDICIAL EFFECTIVENESS”

	JE-IPD1		JE-IPD2		JE-ROL1		JE-ROL2		JE-IPD3		JE-EDB1		JE-EDB2		JE-GCI1		JE-GCI2		Judicial effectiveness	
	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std average	Quintile
Egypt	1.00	I	-0.87	III	-1.29	V	0.00	III	0.18	II	-1.06	V	-1.34	V	-0.40	IV	-0.21	III	-0.65	IV
Jordan	1.00	I	-0.87	III	1.65	I	1.97	I	-0.33	III	-0.05	IV	-0.19	III	1.94	I	2.41	I	1.35	I
Libya	-0.33	II	-0.87	III	..	..	..	..	-1.85	V	-0.43	IV	-3.22	V	-1.05	IV	-0.90	V	-1.90	V
Morocco	-1.66	V	0.87	I	0.12	III	-0.79	IV	1.20	I	0.39	II	1.05	I	0.58	II	0.28	III	0.39	II
Tunisia	-0.33	II	-0.87	III	0.63	II	0.53	II	-0.33	III	0.49	II	2.59	I	1.02	I	0.50	II	0.77	II
Yemen	..	..	..	..	..	..	..	..	..	..	0.44	II	-0.50	IV	-2.48	V	-1.40	V	-1.51	V

Source: own calculations based on various databases.

Note: Two dots (..) indicate a missing value.

Figure A.3. Placement of the Arab countries in transition in the spectrum of the benchmark for the subcategory “Judicial effectiveness”



III. CONSTRUCTION OF THE INDICATOR FOR THE SUBCATEGORY “EDUCATION”

The final example of the construction of an aggregate indicator for the AGIs refers to the subcategory “Education” of the category “Social policy” belonging to the pillar “Provision of public goods and services”. A total of eleven disaggregated variables from existing indices were identified for this subcategory. Only three of them are included in the World Governance Indicators, in particular in the index for Government Effectiveness. After a thorough review of these potential variables according to the selection criteria listed previously, three of them were dropped from the indicator. The first one, concerning the Quality of the education system according to the Global Competitiveness Index, was eliminated because it specifically refers to an education system in relation to its contribution to a competitive economy, potentially introducing a bias in favour of this type of economic model to the detriment of others. Another variable from the Enterprise Surveys published by the World Bank and the International Finance Corporation was not included because it is produced in a way that does not allow comparisons among countries, but only between different business constraints for the same country. A third variable from the Country Policy and Institutional Assessment, though relevant, was dropped because it is available for only two ACTs. The remaining variables cover different aspects of the education system: policy, quality of service, territorial coverage, gender equality, links with the labour market and public satisfaction. However, information about the

efficiency of the system was missing, so a new variable was purposely constructed to bridge this gap: the average score for an international exam (in this case, TIMSS applied at the eighth grade) as a ratio of the expenditure on education per student at the secondary level. This variable gives an idea of how efficient the resources channelled to education are, in terms of generating better results in standard, internationally-applied tests. This final list of nine variables is highlighted in table A.6.

After standardizing these individual variables and aggregating them according to the method described above, a final score for the subcategory “Education” was obtained; this is presented in table A.7 and figure A.4. The positive result of Jordan must be noted; the country is among the best performers in the benchmark. This is explained by across-the-board high scores in the individual variables, including the indicator on expenditure efficiency, with the sole exceptions of gender equality in education and public satisfaction with the education system. Tunisia and the Syrian Arab Republic also exhibit relatively positive performance (in the second quintile of the distribution of the countries in the benchmark). The rest of the countries have an education system with some shortcomings that penalize their final indicator in this subcategory. For example, even if the territorial coverage of education is guaranteed in Egypt, sources identify lagging aspects, like quality of education, education policy and gender parity; this in turn is reflected in a generalized public dissatisfaction with the service.

TABLE A.6. POTENTIAL VARIABLES FOR THE SUBCATEGORY “EDUCATION” OF THE CATEGORY SOCIAL POLICY (PILLAR PROVISION OF PUBLIC GOODS AND SERVICES)

Code	Variable name	Source	Definition	Last update	WGI 2013 ^a
ED-GCI1	Quality of the education system	Global Competitiveness Index	Score on the item “How well does the educational system in your country meet the needs of a competitive economy?”	2013	-
ED-IPD1	Quality of public services: education	Institutional Profiles Database	Average score on the items “Quality of public services: primary/secondary education in urban areas”, “Quality of public services: primary/ secondary education in rural areas” and “Quality of public services: tertiary education”	2012	-
ED-BTI1	Education policy	Bertelsmann Transformation Index	Score on the item “To what extent are there solid institutions for basic, secondary and tertiary education, as well as for research and development?”	2012	-
ED-GWP1	Satisfaction with the education system	Gallup World Poll	Percentage of surveyed individuals satisfied with the educational system or the schools	2013	GE
ED-GCI2	Quality of primary education	Global Competitiveness Index	Score on the item “How would you assess the quality of primary schools?”	2013	GE
ED-GCI3	Quality of math and science education	Global Competitiveness Index	Score on the item “How would you assess the quality of math and science education in schools?”	2013	-
ED-GEN1	Female enrolment in tertiary education	GenderStats	Ratio of female to male enrolment in tertiary education	2011 ^b	-
ED-IPD2	Education system and the labour market	Institutional Profiles Database	Score on the item “Adaptation of the higher education system to business needs”	2012	-
ED-IPD3	Coverage of services: education	Institutional Profiles Database	Score on the item “Territorial coverage of public services: public schools”	2012	GE

TABLE A.6 (*continued*)

Code	Variable name	Source	Definition	Last update	WGI 2013 ^a
ED-ES1	Inadequately educated workforce as business constraint	Enterprise Surveys	Percentage of firms identifying an inadequately educated workforce as a major business constraints	2013	-
ED-CPA1	Building human resources	Country Policy and Institutional Assessments	Score on the item “Building human resources”	2012	-
ED-DR1	Efficiency of expenditure in education	Own calculations based on data from World Bank and TIMSS	Ratio of the average TIMSS score in eighth grade to the expenditure per student of secondary education	2011 ^c	-

^a The variable is included in one of the World Bank’s World Governance Indicators in their 2013 update: V&A (voice and accountability), GE (government effectiveness), PS (political stability and absence of violence), RQ (regulatory quality), RL (rule of law) and CC (control of corruption).

^b This value is calculated from the most recent available data from the source: 2011 for 65 per cent of countries, 2010 for 23 per cent and 2009 or before for the remainder.

^c This value is calculated from the most recent available data from the source. TIMSS scores are available for 2011, while expenditures per student in secondary education are available for 2009 or after for 87 per cent of cases.

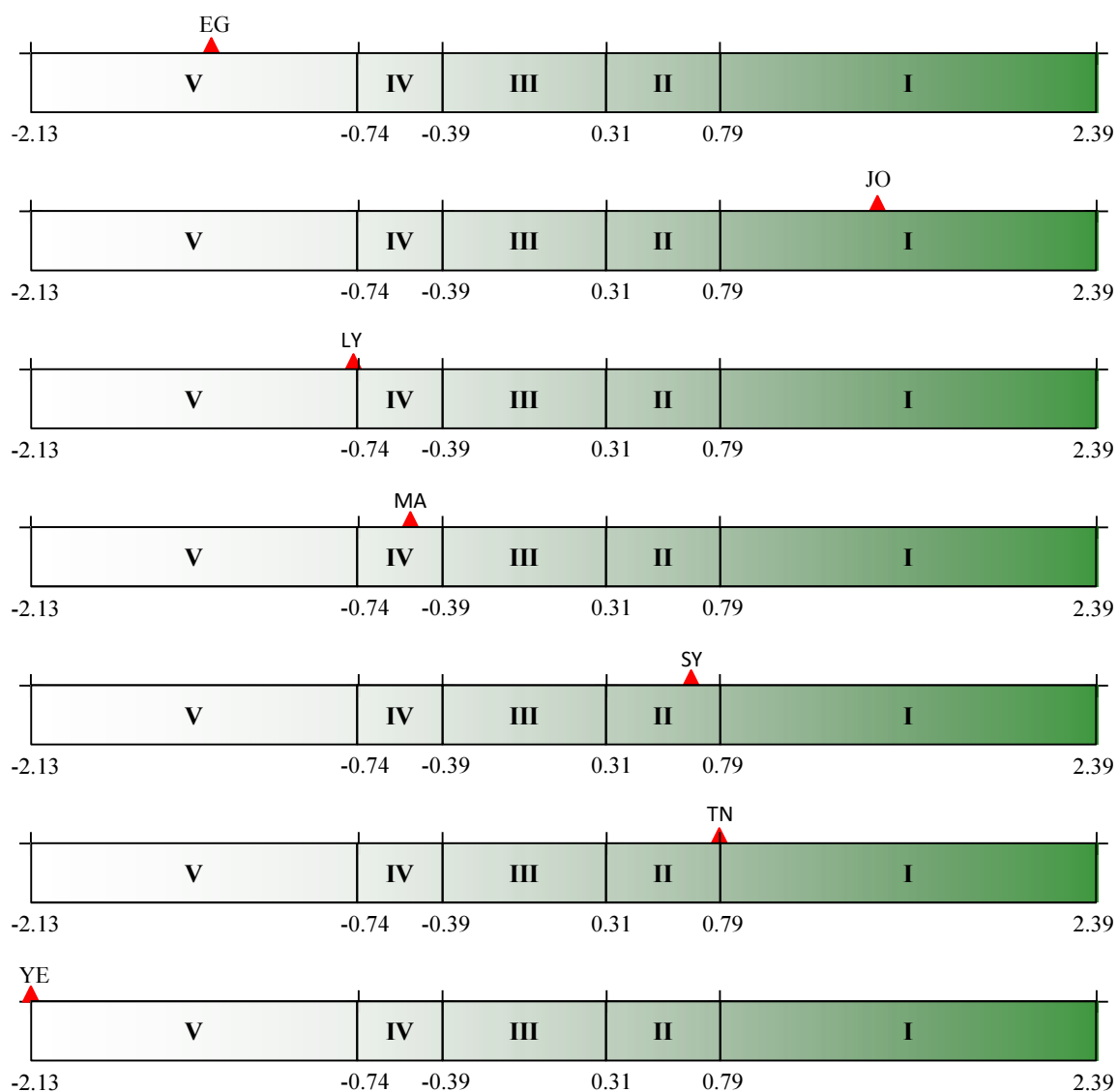
TABLE A.7. STANDARDIZED SCORES OF THE VARIABLES INCLUDED
IN THE SUBCATEGORY “EDUCATION”

	ED-IPD1		ED-BTI1		ED-GWP1		ED-GCI2		ED-GCI3		ED-GEN1		ED-IPD2		ED-IPD3		ED-DR1		Education	
	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std score	Quintile	Std average	Quintile
Egypt	-1.36	V	-0.68	IV	-1.38	V	-1.78	V	-1.53	V	-0.62	IV	0.40	II	0.33	I	..	..	-1.37	V
Jordan	1.30	I	0.27	II	0.22	III	2.10	I	1.50	I	0.35	III	1.40	I	0.33	I	0.26	I	1.46	I
Libya	-0.03	II	1.22	I	-1.92	V	-1.07	IV	-0.87	IV	..	..	0.40	II	-1.00	IV	..	..	-0.76	V
Morocco	-0.03	II	-0.21	III	-1.31	V	-0.38	IV	1.02	I	-0.66	IV	-0.61	III	0.33	I	-1.06	V	-0.52	IV
Syria	1.74	I	-0.21	III	-1.16	V	..	..	..	..	..	..	1.40	I	0.33	I	0.21	II	0.67	II
Tunisia	1.74	I	-0.21	III	-1.08	V	0.98	I	1.46	I	1.45	I	1.40	I	-1.00	IV	-0.62	IV	0.79	II
Yemen	..	..	0.74	II	-1.77	V	-1.75	V	-1.42	V	-2.22	V	..	..	..	..	..	..	-2.13	V

Source: ESCWA calculations based on various databases.

Note: Two dots (..) indicate a missing value.

Figure A.4. Placement of the Arab countries in transition in the spectrum of the benchmark for the subcategory “Education”



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Following the uprisings, a wave of political transition spread through the Arab region. A large body of research has focused on the complex blend of socioeconomic and political factors that sparked this transformation. Transitions can take different trajectories based on country-specific political dynamics that depend on historical, cultural, geopolitical and socioeconomic characteristics and might also lead to a period of protracted instability if governance reforms are not implemented.

The present study contributes to the elucidation of the concept of democratic governance, which does not translate as less State but rather as more effective State policies and institutions. This entails the construction of country-specific indicators. The study also attempts to place democratic governance in the context of Arab countries in transition and analyses the challenges of the transformative process that these countries have begun. Emphasis is placed on the methodological issues facing the construction of indicators and indices, as well as their many potential uses. The objective is to initiate debate on governance and its role in steering the transition process.