



Liberating human capabilities: governance, human development and the Arab world

Previous chapters have discussed key aspects of building and using human capabilities. This chapter turns to important ways of liberating human capabilities by enhancing governance, broadly defined. It begins by reviewing the standard definition and characteristics of good governance as elaborated by UNDP and other international organizations and interprets that definition in the Arab context in order to identify needed reforms. In doing so, the chapter looks at questions of political participation, legislative representation and civil-society action as expressions of popular will, and at the state of judicial reform as an aspect of accountability. It next attempts to assess widely perceived deficits in popular freedoms and in the quality of Arab governance institutions by comparing these attributes with those of other regions using measurements based on the HDI and other internationally compiled data sets and indicators. Finally, the chapter proposes some key institutional reforms necessary to strengthen popular voice and freedoms and the accountability of states.

As the world emerges from the rapid and, at times turbulent, political developments of the twentieth century, the concept of good or democratic governance is approaching the status of a universal human aspiration and preoccupation. Democratic governance is now part of the United Nations consensus. The United Nations Millennium Declaration states that governments "... will spare no effort to promote democracy and strengthen the rule of law, as well as respect for all internationally recognized human rights and fundamental freedoms, including the right to development." Whether a nation succeeds or fails in its efforts to promote human development, or whether it even attempts to do so, is closely related to the character and quality of its governance.

DEFINITIONS AND CHARACTERISTICS

WHAT DOES GOVERNANCE MEAN?

What is meant by the concept of governance? And what is good governance? From a human-development perspective, good governance promotes, supports and sustains human well-being, based on expanding human capabilities, choices, opportunities and freedoms (economic and social as well as political), especially for the currently poorest and most marginalized members of society.

In this context, governance can be seen as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. Good governance is, among other things, participatory, transparent and accountable. It is also effective and equitable and it promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources.

Discussions of governance typically encompass state institutions and their operations but also include those of the private sector and civil-society organizations. Here, the state is defined to include political and public-sector institutions. The private sector covers private enterprises (manufacturing, trade, banking, co-operatives and so on) and the informal sector in the marketplace. Civil society, lying between the individual and the state, comprises groups

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Characteristics of good governance according to UNDP

Participation. All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech as well as on capacities to participate constructively.

Rule of law. Legal frameworks should be fair and enforced impartially, particularly the laws on human rights.

Transparency. Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.

Responsiveness. Institutions and processes try to serve all stakeholders. Consensus orientation. Good governance mediates between differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures.

Equity. All men and women have opportunities to improve or maintain their well-being.

Effectiveness and efficiency. Processes and institutions produce results that meet needs while making the best use of resources.

Accountability. Decision-makers in government, the private sector and civil-society organizations are accountable to the public as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to the organization.

Strategic vision. Leaders and the public have a broad and long-term perspective on good governance and human development, with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

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(organized or unorganized) and individuals interacting socially, politically and economically and regulated by formal and informal rules and laws. Civil-society organizations (CSOs) are the host of associations around which society voluntarily organizes. They include trade unions; non-governmental organizations (NGOs); gender, language, cultural and religious groups; charities; business associations; social and sports clubs; cooperatives and community-development organizations; environmental groups; professional associations; academic and policy institutions; and media outlets. Political parties are also included although they straddle civil society and the state if they are represented in parliament.

THE CONTENT OF SYSTEMS OF GOVERNANCE

Types of governance vary greatly, but non-repressive (democratic) governance is currently taken to have certain essential characteristics, i.e., strong societal institutions, interacting in a well-articulated fashion through a solid network of regulation, checks and balances and accountability. The effectiveness of regulation is guaranteed by the transparency of governance, which in turn, facilitates accountability and ensures the primacy of respect for the public good.

Thus, good governance is defined as a set of societal institutions that fully represent the people, interlinked by a solid network of institutional regulation and accountability (with ultimate accountability to the people), whose purpose is to achieve the welfare of all members of society.

These core characteristics represent an ideal that no society has fully realized. Even if the ideal cannot be perfectly achieved, however, it is desirable that individual societies aim, through broad-based consensus-building, to define which of the core features are most important to them—for example, what is the appropriate balance between the state and the market, between authority and liberty, or how desirable progress is best achieved under different socio-cultural and economic conditions.

Finally, good governance regimes (those fully representative of the people at large and effectively accountable to them) strive to ensure the interests of all the people, i.e., by eradicating poverty and deprivation. They thus support people's aspirations towards pride and dignity and help to build human development and a high level of human welfare.

TERMINOLOGY AND MEANINGS

This chapter Arabizes the English term "governance" by using the Arabic word Al-hokm. This choice is discussed in box 7.2. It stands in contrast to a number of attempts at Arabization, such as "system of state management", that seek to avoid the political sensitivity surrounding the question of governance in many developing countries by using words or expressions that relegate the concept to the less controversial area of management. These efforts to avoid the political aspects of governance when discussing the question sometimes reflect fear of the expected or imagined consequences of dealing directly with the subject. However, restricting discussion of governance in this way does not serve the long-term interests of developing countries, many of which still face tremendous challenges in building good governance or in achieving the levels of human development that only good governance, including its political aspects, can ensure.

Poverty, in the broad sense used in this Report—deprivation of human capabilities—is the antithesis of human development. By contrast, good governance is fundamentally about liberating human capabilities. As Kofi Annan, the UN Secretary-General said, "Good governance is perhaps the single most important factor in eradicating poverty and promoting development". The institutions of governance in the three domains (state, civil society and the private sector) must be designed to contribute to sustainable human development by establishing the political, legal, economic and social circumstances for liberating human capabilities in order to promote human welfare through, i.e., poverty reduction, job creation, environmental protection and the advancement of women.

In line with this concept of liberation, today's consensus is that the most effective way to eradicate poverty, i.e., to build human development, is to empower the poor to lift themselves out of poverty. However, the poor have no capital except their labour power and creative capabilities, which poverty suppresses. Empowering the poor, therefore, requires the state, the guardian of the interests of all citizens, to adopt policies and programmes that equip them with a range of capabilities and that give them a say in all decisions affecting them. As noted in chapter 6, building human capabilities—through education, training and health care—is critical for overcoming human poverty while financial capital is essential to give material expression to people's capabilities. That the state has the ultimate responsibility for empowering the poor does not mean that the state assumes the role of direct provider of economic goods and services. This approach has failed. The requirement is that the state guarantee the provision of different forms of capital to the poor through distributive measures; in fact, distributive justice is an essential element of the societal structure in all mature market economies.

In addition to government, civil society can be a critical social force for empowering the poor, provided that constraints on forming civil-society institutions and on their activities

are lifted and that the sector's capacity to contribute effectively to poverty eradication is developed and strengthened.

BOX 7.2

Governance terminology in the Arabic language

The derivation of words relating to governance in the Arabic language is fascinating and instructive in that it embodies essentially all the elements of modern good governance.

Nearly all the names of modern governance institutions are derived from one three-letter root (ح ك م) which corresponds to "govern". "Govern", in turn, means "to judge" between people.

The same root, with minor phonetic modification, leads to our preferred Arabization of "governance" (Al-hokm الحُكْم). It also signifies "deep knowledge of the law and its interpretation", which determines criteria for judgement. Another phonetic modification results in "justice" as well as "wisdom", which pave the way for ethical considerations in judgement (mercy and public welfare,

above justice?).

Another simple derivation from the root yields "court"—not so in English or French, for example.

Yet another simple derivation produces "government", which in the original Arabic usage literally means "lifting injustice"—a meaning that governments, especially in repressive regimes, would be well advised to contemplate.

Finally, a "ruler" is a "person appointed to judge among people". The other side of appointment is, naturally, the possibility of dismissal, which implies accountability of the ruler. "Tyranny" is another simple derivation from the root, and since justice is a supreme value in this (linguistic) governance system, tyranny must be grounds for dismissal.

BOX 7.3

Imam Ali bin abi Taleb: on governance

- He who has appointed himself an Imam of the people must begin by teaching himself before teaching others, his teaching of others must be first by setting an example rather than with words, for he who begins by teaching and educating himself is more worthy of respect than he who teaches and educates others.
- Your concern with developing the land should be greater than your concern with collecting taxes, for the latter can only be obtained by developing; whereas he who seeks revenue without development destroys the country and the people.
- Seek the company of the learned and the wise in search of solving the problems of your country and the righteousness of your people.
- No good can come in keeping silent as to government or in speaking out of ignorance.
- The righteous are men of virtue, whose logic is straightforward, whose

dress is unostentatious, whose path is modest, whose actions are many and who are undeterred by difficulties.

- Choose the best among your people to administer justice among them. Choose someone who does not easily give up, who is unruffled by enmities, someone who will not persist in wrongdoing, who will not hesitate to pursue right once he knows it, someone whose heart knows no greed, who will not be satisfied with a minimum of explanation without seeking the maximum of understanding, who will be the most steadfast when doubt is cast, who will be the least impatient in correcting the opponent, the most patient in pursuing the truth, the most stern in meting out judgment; someone who is unaffected by flattery and not swayed by temptation and these are but few.

Source: Nahj El Balagha, interpreted by Imam Mohammad Abdou, Part I, Dar El Balagha, second edition, Beirut, 1985.

GOVERNANCE IN THE ARAB REGION: THE VOICE OF THE PEOPLE

Political participation is less advanced in the Arab world than in other developing regions.

Recent years have seen changes in how some Arab governments function. Political systems have begun to open up in ways that have seemed to herald a significant revival or introduction of democratic practices. These encouraging steps have taken various forms, whether through increased political participation and alteration of power within the governance institutions or through an increasingly active civil society working to enlarge the public space and defend basic freedoms. Reforms introduced in the 1980s and 1990s in countries from Morocco (box 7.4) to Bahrain (box 7.5)

BOX 7.4

Political alternation in Morocco

In 1996, a set of amendments was introduced into the Moroccan constitution taking the Kingdom further towards a "constitutional, democratic and social" monarchy. The constitution acknowledges the fundamental objective of continuity and the conception of Moroccan society as consisting of social groups with differing interests where parties and unions represent social interests and parliamentary institutions play a conciliatory role between the different interests. Successive changes have widened the different social groups' representation and strengthened parliament as the centre of control and ini-

tiative.

The government, a government of "Consensual Alternation" as it is called, reflects a large political coalition composed of seven parties; with the majority coming from the traditional opposition of the last twenty years.

The political representation of the Moroccan people has increased from 1.3 parliamentarians per 100,000 inhabitants in 1997 to 2.2 after the 1998 elections.

The creation of the second chamber increased the number of members of parliament from 333 to 595.

Source: country report prepared for the AHDR.

BOX 7.5

The National Action Charter of the Kingdom of Bahrain

Bahrain's new National Action Charter, approved by a 98.4 per cent majority in a national referendum, is a major step towards democracy in the State. The Charter establishes the new fundamentals of society. Among the key guarantees are:

- Personal freedoms and equality. Personal freedoms are guaranteed. Equality among citizens and justice and equality of opportunities are the fundamentals of society. It is the state's responsibility to guarantee these fundamentals to all citizens without discrimination.

- Freedom of belief. The state guarantees unrestricted freedom of belief. The state safeguards places of worship and guarantees freedom to perform religious rituals in keeping with the current customs of the country.
- Freedom of expression and publica-

tion. Every citizen has the right to express his/her opinion through speech, writing, or any other method of expressing opinion or personal creativity. By virtue of this principle, the freedom of scientific research, the freedom of expression and the freedom of the media, and publication are guaranteed within the limits set by the law.

- Activities of civil society. So that society may benefit from all civilian potential and activities, the state guarantees the freedom to form civil, scientific, cultural, and professional associations as well as labour unions, on a national basis, for legitimate purposes, and through proper means, within the conditions set by the law. No individual is to be coerced to join a society or a labour union or forced to maintain membership thereof.

Source: country report prepared for the AHDR.

have permitted more participation, elections have been organized more frequently, several human rights conventions have been ratified, more freedom has been offered to the press, freedom of association has gained some ground and the tight grip on civil society has been relaxed.

On closer observation, however, the picture is more complex. The process remains heavily regulated and partial; it has not been opened up to all citizens. Persisting inequities in the region—reflecting poverty, illiteracy, the urban/ rural divide and gender inequality—continue to exclude many from public discourse. As a result, the process of political liberalization has by-passed too many people. For example, in one country that has an elected national assembly, women are denied the right to hold office. In other countries, despite the legal equality of women and men in terms of political rights, women are greatly underrepresented in all political organizations. The proportion of women in Arab parliaments is low. According to UNDP (HDR, 2000) women occupy 3.5 per cent of all seats in parliaments of Arab countries compared to 4.2 per cent in East Asia (excluding China), 11.0 per cent in sub-Saharan Africa, 12.7 per cent in South-East Asia and the Pacific, 12.9 per cent in Latin American and Caribbean countries and 21.2 per cent in East Asia (including China).

POLITICAL PARTICIPATION

Political participation is less advanced in the Arab world than in other developing regions. In many countries in Latin America, East and South-East Asia, and sub-Saharan Africa, freedom of association is less restricted, governments change through the ballot box and people's groups have been encouraged to express themselves in various ways. Meanwhile, mass mobilization-type regimes still exist in a number of Arab countries, freedom of association is restricted in other cases, levels of political participation are uneven, and the transfer of power through the ballot box is not a common phenomenon in the Arab world.

Nevertheless, Arab countries have made progress. Citizens in two Gulf countries, Kuwait and Qatar, elect their representatives

in national assemblies while citizens in two other Gulf countries, Bahrain and Oman, have been promised this right in the near future. There is a larger degree of freedom of expression and association in other Arab countries than was the case two decades ago. The mobilization type of political system is now limited to four Arab countries.

Although equality of political rights is ensured for all citizens in the constitutions of all Arab countries that recognize such rights, with no distinction as to race, ethnic origin, religion or language, some minorities claim that they are under-represented in the elected institutions of their countries. Where political participation is catered to constitutionally, changing official policies or incumbents in line with the will of the people is sometimes constrained by declarations of states of emergency. This limits the exercise of civil and political rights in some Arab countries and restricts freedom of expression¹ (Arab Organization of Human Rights, 2000:9).

Practical constraints of these kinds have had adverse effects on people's perceptions and actions, reflected in low turnout rates during national and local elections and in an aversion to participating in the activities of political parties. Voting rates in elections have been under 50 per cent in three countries that allow competitive legislative elections (Egypt, Jordan and Lebanon). In two other countries (Morocco and Yemen), the trend has been downward in recent elections. More recently, Egypt did, however, achieve a breakthrough when, for the first time, elections were conducted under the supervision of the judiciary, a move that restored some measure of public confidence in the electoral process. Disputes between governments and the opposition about fundamental arrangements for political participation, especially laws organizing parties and elections, have contributed to these generally low turnout rates. Electoral laws in Jordan and Lebanon were criticized by opposition parties and led the latter to boycott elections in the two countries.

CIVIL ASSOCIATIONS

Recent decades have witnessed a revival and

renewal of Arab civil associations in terms of goals and objectives, modes of action, and financing. These positive changes reflect many associations' new approaches to their mission—involving less emphasis on traditional forms of assistance and more on mobilizing citizens in favour of important causes and proposing solutions for dealing with them. A case in point is that of civil associations seeking to promote the status of Arab women. However, Arab civil associations face many difficulties. These include external, mainly bureaucratic and state constraints; but they also include problems inherent in the organizations themselves, such as lack of internal democracy, dwindling voluntary work, the absence of a social base, and financial dependence on overseas partners.

Unlike other developing regions, the Arab world has an ancient civil tradition, based mainly on the waqf system. Since the end of the nineteenth century, this has taken the form of cultural associations and charities whose main activities were education and the provision of health care, together with social, religious and some political matters. These groupings, which were frustrated and even eliminated by some authoritarian states in the 1950s and 1960s, have revived their activities in recent years, more or less encouraged by public authorities needing their assistance in times of difficulty.

Civil-society actors encounter several external constraints in playing their role effectively. Bureaucratic constraints in the form of control of civic associations by public authorities present serious problems. The attitudes of Arab public authorities range from opposition to manipulation to freedom under surveillance. This explains why the question of the laws governing them has become an important rallying point for Arab civil associations. Although many active associations do not approach public authorities with confrontation in mind, the latter are not yet open to associations' positions on issues such as delegation, consultation and decentralization. Authorities are sometimes uncomfortable with the wide social bases established by large civil organizations, which can be mobilized by political parties outside government for their own goals.

Arab civil associations face many difficulties. These include external, mainly bureaucratic and state constraints; but they also include problems inherent in the organizations themselves.

¹ States of emergency existed, de jure or de facto, in seven Arab countries in 2000.

Arab NGOs have not yet found the institutional techniques for settling differences of opinion over issues.

As already noted, Arab civic associations can also suffer from a number of dysfunctional internal characteristics. Some lack internal democracy, reflected in limited rotation of leadership, weak participation of women and youth in leading positions, and personalization of power and its concentration in the hands of a single individual, usually the historical head or founder of the association. As a result, leadership changes take place in an atmosphere of conflict that often leads to splits. Another internal constraint is a lack of transparency in decision-making and the fact that the rare internal debates often take place in a climate of tension since Arab NGOs have not yet found the institutional techniques for settling differences of opinion over issues. At the administrative level, some Arab NGOs find it difficult to respect clear-cut rules of management and accountability. These shortcomings have contributed to the problems many Arab NGOs encounter in financing their activities.

Civil associations active in social assistance tend to be more successful than others in maintaining financial independence because they enjoy relative credibility and legitimacy in society. Their missions are clear and their social impact is palpable because they satisfy immediate and sensitive needs of the population. Those that have a religious background can also obtain donations from the private sector in the form of zakat or sadaqa, as outlined in chapter 6. They can also achieve a degree of self-financing by providing certain services for a fee. Finally, their activities accord with traditional Arab, Muslim and Christian norms of civic action, which associate such action with welfare and charity work.

This is not the case with other, more advocacy-oriented types of civil-society organizations, whose functions are novel and often not well appreciated in society at large. That some of these organizations play what appears to be a more or less direct political role can provoke mistrust among private-sector donors, putting such organizations at odds with society as well as with public authorities and often leading them to resort to foreign and international financing. This in turn has serious negative effects. It deepens the hostility of the public authorities, which see their control of the associations diminishing; it also widens the com-

munication gap between them and domestic society, to which they are not committed by voluntary work or financial contributions.

On the whole, however, the connection between Arab civil societies and what is currently known as international civil society is a desirable trend for developing countries (including Arab countries) facing the challenges of globalization. Global coalitions on issues such as poverty, women's empowerment, environment and debt have been effective in bringing about more constructive international attitudes and policies in these areas, also to the benefit of Arab countries. There has been an increase at the pan-Arab level in coordination, solidarity and communication among civil-society organizations on global issues, mainly in the establishment of networks and unified platforms at large international conferences. Even so, such common efforts face difficulties, owing partly to the heterogeneous nature of Arab civil associations and partly because of the mistrust of Arab public authorities.

MEASURING GOOD GOVERNANCE: FREEDOM AND THE INSTITUTIONAL CONSTITUENTS OF WELFARE

A broad understanding of some of the instrumental freedoms identified by Sen (1999) and discussed in chapter 1 would suggest that such freedoms have to do with the types of institutions available in a given society. A generally accepted definition of institutions is that they "are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence, they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change" (North, 1990:3-5). According to this understanding, institutions include any form of constraint that human beings devise to shape human interaction. These constraints could be formal (such as explicit rules devised by human beings) or informal (such as generally accepted conventions, codes or customs). Institutions affect the performance of the economy by their effect on

the cost of production and exchange. Therefore, institutions affect the welfare of individuals in a given society directly and indirectly through what Sen (1999) has termed "transparency guarantees". This understanding of the role of institutions underpins the following discussion of the quality of governance institutions in the Arab world and its impact on the well-being of Arab citizens.

QUALITY OF INSTITUTIONS IN ARAB COUNTRIES

In a recent set of papers, Kaufmann et al. (1999a and b) report a method of constructing aggregate governance indicators based on a compilation of a large data set from 13 specialized agencies that monitor various aspects of institutions of governance covering 155 to 173 countries all over the world.² Defining governance as "the traditions and institutions by which authority in a country is exercised", the three major aspects of governance are identified. They are: (a) the process by which governments are selected, monitored and replaced; (b) the capacity of the government to effectively formulate and implement sound policies; and (c) the respect of citizens and the state for the institutions that govern economic and social interaction. A total of 31 indicators are organized in six clusters corresponding to these three major aspects of governance. The governance process has two clusters called "voice and accountability" and "political instability and violence"; government capacity has two clusters called "government effectiveness" and "regulatory burden"; and respect for the rule of law has two clusters called "rule of law" and "graft".

With respect to governance processes, the "voice and accountability" cluster includes a number of indicators measuring various aspects of the political process, civil liberties, political rights and independence of the media. It thus measures the extent to which the citizens of a country are able to participate in the se-

lection of governments and monitor, and hold accountable, those in authority. The "political instability and violence" cluster combines several indicators that measure perceptions of the likelihood of destabilization and overthrow of government by unconstitutional or violent means.

With respect to government capacity, the "government effectiveness" cluster combines indicators that measure the quality of public service, the quality of bureaucracy, the competence of civil servants, the independence of the civil service from political pressures and the credibility of the government's commitment to policies. All these indicators are based on perceptions. The "regulatory burden" cluster includes variables that measure the extent of government's imposed distortions as embodied in various policies.

With respect to citizen assent, the "rule of law" cluster includes indicators that measure the extent to which citizens have confidence in the rules devised by society and the extent to which they abide by such rules. The indicators include perceptions on the incidence of crime, the effectiveness and predictability of the judiciary and the enforceability of contracts. The cluster on "graft" measures perceptions of corruption in the sense of the exercise of public power for private gain.

Figure 7.1 shows the results of an econometric model that organizes the data on governance institutions from various sources.³ It shows that Arab countries as a group fall below the world average on all indicators (the zero point on the scale) except that of the rule of law, where they only marginally exceed the average. Subdividing Arab countries on the basis of the UNDP HDI classification of high, medium and low human development, table 7.1 shows that the high human-development group of Arab countries enjoys above-average quality of institutions for all indicators except "voice and accountability". All the above-average indicators, however, are less than one standard deviation above the mean. The

Arab countries as a group fall below the world average on all indicators (of institutional quality) except that of the rule of law.

² The sources used are: Business Environment Risk Intelligence; Wall Street Journal; Standard and Poor's; European Bank for Reconstruction and Development; Economist Intelligence Unit; Freedom House; Gallup International; World Economic Forum; Heritage Foundation; Political Economic Risk Consultancy; Political Risk Services; Institute of Management Development; and the World Bank.

³ The data from the various sources is reoriented so that higher values correspond to better outcomes (e.g., stronger rule of law and less corruption). Moreover, each indicator is re-scaled so that it is on a scale from zero to one. Using an econometric model to organize the data from the various sources and with an appropriate choice of measurement units, a standardization procedure is followed. In this, the estimate of the distribution of each governance indicator has a mean of zero (denoting the world average) and a standard deviation of one and ranges from about -2.5 to about 2.5, with higher values corresponding to better outcomes (Kaufmann et al., 1999a and b).

At the level of individual countries on "Voice and Accountability", Jordan does the best among Arab countries, with a score of 0.153, followed by Kuwait.

"voice and accountability" cluster, which incorporates political freedom, is about 0.6 standard deviation below the mean of the world distribution. Both the medium and low HDI groups of countries are below the mean with respect to all indicators of quality of institutions.

Table 7-1 gives the results of computing the averages for the six identified clusters for Arab countries into a composite index, shown in the table's last column. The table shows the positive relationship between high, medium and low human-development scores as measured by the HDI and institutional quality.

At the level of individual countries on "Voice and Accountability", Jordan does the best among Arab countries, with a score of 0.153, followed by Kuwait, whose score equals the mean of the world distribution. All other 19 Arab countries covered fall below the mean.

"Political stability"--in itself an indicator open to many interpretations since it may reward governments that are stable for the wrong reasons, e.g., by being oppressive--shows an interesting pattern, with 8 out of 17 Arab countries covered having above-average scores. Qatar tops the list with an indicator of 1.383, followed by Oman (0.912), United Arab Emirates (0.825), Kuwait (0.684), Tunisia (0.661), Saudi Arabia (0.239), Morocco (0.090) and Syrian Arab Republic (0.083). All other countries have indicators below the mean, with the lowest score being 2.42 standard deviations below mean quality.

In terms of "government effectiveness", 8 Arab countries out of 20 scored above the mean. They are led by Oman with an indicator of 0.9, followed by Tunisia (0.633), Jordan (0.630) and Qatar (0.480). The remaining four are Morocco (0.267), Bahrain (0.235), Lebanon (0.174) and United Arab Emirates (0.138). All other Arab countries fall below the mean, with the lowest score being 1.883 standard deviations below the mean.

With respect to the "regulatory burden" variable, 9 out of 17 Arab countries covered have above-average indicators. The best performer is Bahrain, with a score of 0.752, followed by Tunisia (0.429), Jordan (0.417), Qatar (0.327), Oman (0.305), United Arab Emirates (0.296), Morocco (0.216), Egypt (0.118) and Lebanon (0.102). The worst-performing Arab countries are between 1.173 and 3.142 standard deviations below the mean.

In terms of the "rule of law", 11 Arab countries do better than the average. Qatar scores highest, with an indicator of 1.269 followed by Oman (1.077), Kuwait (0.907), United Arab Emirates (0.767), Jordan (0.708), Morocco (0.678), Bahrain (0.665), Tunisia (0.648), Saudi Arabia (0.494), Lebanon (0.262) and Egypt (0.128). The worst-performing Arab countries in this category are between 1.103 and 1.844 standard deviation below the mean; the remainder fall below the mean but by less than one standard deviation.

Lastly, judging the quality of institutions by looking at "graft", the data indicate that 7 Arab countries out of 17 have above-average scores, led by Kuwait with an indicator of 0.619, followed by Qatar (0.570), Oman (0.484), Lebanon (0.397), Jordan (0.139), Morocco (0.125) and Tunisia (0.020). The low cut-off point for the Arab countries is 1.265 standard deviations below the mean; again, the remainder have indicators below the mean but by less than one standard deviation.

GOVERNANCE AND WELFARE IN ARAB COUNTRIES IN A WORLD CONTEXT

This section provides the results of applying to Arab countries a composite welfare indicator that combines freedom, institutional and HDI values, and comparing it with world averages. The information shown in figure 7.2 was ob-

Figure 7-1
Quality of institutions in Arab countries by level of HDI

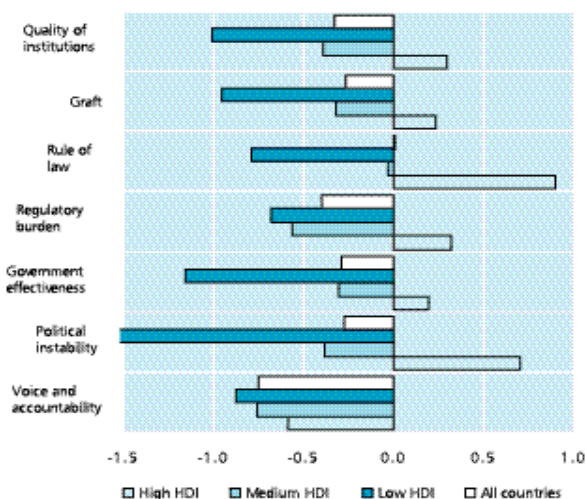


TABLE 7.1

Quality of institutions in the Arab countries: standardized indicators

| HDI Country Group | Voice and accountability | Political instability | Government effectiveness | Regulatory burden | Rule of law | Graft | Quality of institutions |
|-------------------|--------------------------|-----------------------|--------------------------|-------------------|-------------|--------|-------------------------|
| High HDI | -0.589 | 0.704 | 0.198 | 0.321 | 0.902 | 0.237 | 0.296 |
| Medium HDI | -0.761 | -0.385 | -0.305 | -0.561 | -0.032 | -0.317 | -0.394 |
| Low HDI | -0.872 | -1.602 | -1.159 | -0.680 | -0.787 | -0.953 | -1.009 |
| All | -0.749 | -0.272 | -0.287 | -0.400 | 0.006 | -0.262 | -0.329 |

tained by using data for all countries for which all six institutional (governance) indicators plus HDI rankings were available. This yielded a sample of 147 countries, of which 17 are Arab countries. Without loss in generality and consistent with the established practice of the HDI, countries can be classified on the basis of the Borda rule as falling into the following categories: high human welfare (HHW) for countries with an aggregate composite score in excess of 0.8 of the maximum; medium human welfare (MHW) for countries with an aggregate score between 0.8 and 0.5 of the maximum; and low human welfare (LHW) for countries with an aggregate score of less than 0.5 of the maximum score.

On the basis described above, no Arab country enjoys high human welfare. Seven Arab countries, representing only 8.9 per cent of the population of the sample of 17, enjoy medium human welfare. The remaining 10 Arab countries, accounting for 91.1 per cent of the sample population, have low human welfare compared to the only 19.3 per cent who suffer from low human development as calculated by the HDI.

By the yardstick used in this section, the four Arab countries included in the HDI high human development category slip to the medium-human-welfare category, and only three of the 12 Arab countries that belonged to the medium HDI group retain their medium status. As noted above, on this broader basis for assessing welfare, less than 10 per cent of the population of the Arab sample can be considered as falling into the medium category. If development is understood as "a process of expanding the real freedoms that people enjoy", then the challenge of human development, calculated to include variables associated with various forms of instrumental freedom, remains a real one for over 90 per cent of the population of Arab

countries for which data are available.

MAJOR CIVIC AND POLITICAL RIGHTS AND FREEDOMS

Finally, another proxy indicator of the importance attached to various aspects of freedom is countries' records with respect to international treaties enshrining them. Table 7.2 shows that a number of Arab countries have yet to adopt some of the most important international instruments drawn up to safeguard human rights and freedoms. The gaps in the record of some Arab countries, including some that score relatively well on the HDI, are fairly clear from the table. (The table refers to ratifications rather than signatures because it is ratification, not signature, that in principle, although not always in practice, commits a country to implementation.)

GOVERNANCE REFORM: TOWARDS GOOD GOVERNANCE IN ARAB COUNTRIES

The preceding sections have indicated the need to improve key aspects of governance systems of Arab countries if they are to achieve higher levels of human development. While country circumstances and priorities will con-

...the challenge of human development, calculated to include variables associated with various forms of instrumental freedom, remains a real one for over 90 per cent of the population of Arab countries.

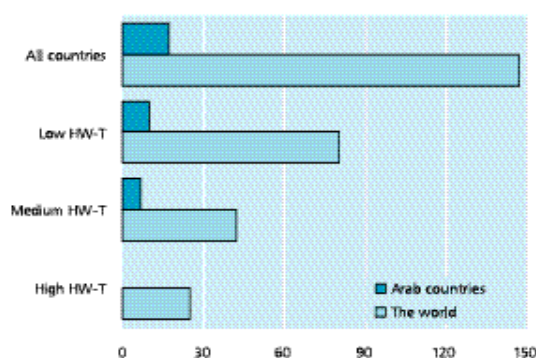
Figure 7-2
Human Well-Being in the World:
Overall Borda Rule Ranking (HWB-T)

TABLE 7.2

Status of ratifications by Arab countries of the principal international human rights treaties

| State | International Covenant on Civil and Political Rights | International Covenant on Economic, Social and Cultural Rights | The Convention on the Elimination of All Forms of Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment | The International Convention on the Elimination of All Forms of Racial Discrimination | The Convention on the Elimination of All Forms of Discrimination against Women | The Convention on the Rights of the Child |
|------------------------|--|--|---|---|--|---|
| Algeria | 12 Sept. 1989 | 12 Sept. 1989 | 12 Sept. 1989 | 14 Feb. 1972 | 22 May 1996 | 16 Apr. 1993 |
| Bahrain | | | 06 Mar. 1998 | 27 Mar. 1990 | | 13 Feb. 1992 |
| Comoros | | | 22 Sept. 2000 | 22 Sept. 2000 | 31 Oct. 1994 | 22 Jun. 1993 |
| Djibouti | | | | | 02 Dec. 1998 | 06 Dec. 1990 |
| Egypt | 14 Jan. 1982 | 14 Jan. 1982 | 25 Jun. 1986 | 01 May 1967 | 18 Sept. 1981 | 06 Jul. 1990 |
| Iraq | 25 Jan. 1971 | 25 Jan. 1971 | | 14 Jan. 1970 | 13 Aug. 1986 | 15 Jun. 1994 |
| Jordan | 28 May 1975 | 28 May 1975 | 13 Nov. 1991 | 30 May 1974 | 01 Jul. 1992 | 24 May 1991 |
| Kuwait | 21 May 1996 | 21 May 1996 | 21 Mar. 1996 | 13 Oct. 1968 | 02 Sept. 1994 | 21 Oct. 1991 |
| Lebanon | 03 Nov. 1972 | 03 Nov. 1972 | 05 Oct. 2000 | 12 Nov. 1971 | 21 Apr. 1997 | 14 May 1991 |
| Libyan Arab Jamahiriya | 15 May 1970 | 15 May 1970 | 16 May 1989 | 03 Jul. 1968 | 16 May 1989 | 15 Apr. 1993 |
| Mauritania | | | | 13 Dec. 1988 | | 16 May 1991 |
| Morocco | 03 May 1979 | 03 May 1979 | 21 Jun. 1993 | 18 Dec. 1970 | 21 Jun. 1993 | 21 Jun. 1993 |
| Oman | | | | | | 09 Dec. 1996 |
| Qatar | | | 11 Jan. 2000 | 22 Jul. 1976 | | 03 Apr. 1995 |
| Saudi Arabia | | | 23 Sept. 1997 | 23 Sept. 1997 | 07 Sept. 2000 | 26 Jan. 1996 |
| Somalia | 24 Jan. 1990 | 24 Jan. 1990 | 24 Jan. 1990 | 26 Aug. 1975 | | |
| Sudan | 18 Mar. 1976 | 18 Mar. 1986 | 04 Jun. 1986 | 21 Mar. 1977 | | 03 Aug. 1990 |
| Syrian Arab Republic | 21 Apr. 1969 | 21 Apr. 1969 | | 21 Apr. 1969 | | 15 Jul. 1993 |
| Tunisia | 18 Mar. 1969 | 18 Mar. 1969 | 23 Sept. 1988 | 13 Jan. 1967 | 20 Sept. 1985 | 30 Jan. 1992 |
| United Arab Emirates | | | | 20 Jun. 1974 | | 03 Jan. 1997 |
| Yemen | 09 Feb. 1987 | 09 Feb. 1987 | 05 Nov. 1991 | 18 Oct. 1972 | 30 May 1984 | 01 May 1991 |
| Total | 13 | 13 | 15 | 19 | 13 | 20 |

In the Arab world, the keys to institutional reform lie in improving political representation, civil-service capacity and the rule of law.

dition what specific actions are appropriate in individual instances, what follows represents a broad set of areas and principles for reform designed to improve the enabling environment for human development. It must be stressed, however, that institutional and governance reform is complex and difficult. It involves understanding and addressing an exceptionally broad range of challenges, and it cannot be achieved simply by changing laws and regulations. Without the strong and sustained commitment of leaderships and the free assent of peoples, it will not deliver its benefits.

The twin pillars of governance reform are a competent state and an active civil society. Thus the reform agenda can be conceptualized as requiring:

- (a) reform of the essence of governance: i.e. state institutions; and
- (b) activating the voice of the people.

*REFORMING THE ESSENCE OF GOVERNANCE:
STATE INSTITUTIONS*

State institutions are the essential guarantors of fair, transparent and responsive public service. In the Arab world, the keys to institutional reform lie in improving political representation, civil-service capacity and the rule of law.

Representation and legislation

There can be no real prospects for reforming the system of governance, or for truly liberating human capabilities, in the absence of comprehensive political representation in effective legislatures based on free, honest, efficient and regular elections. If the people's preferences are to be properly expressed and their interests properly protected, governance must become truly representative and fully accountable.

The institution of representative legislative power is the basic link between the gover-

Fulfilling the promise of development: a focus on people and responsive governance

We entered the twentieth century calling for the eradication of poverty, ignorance and disease; and we left it still striving to combat poverty, ignorance and disease. More than ever today, as we enter the twenty-first century, we remain unprepared to face the rapid and dramatic pace of global change. Thus the gap is widening between the daily reality we see on the one hand, and our dreams of where and who we wanted to be by the end of the century on the other, exemplified by the gap between the Arab world and the advanced world.

What happened? Why do we find ourselves losing our way along the developmental path so many years after our region has achieved independence in all but one case: Palestine? Over the course of time, many regimes have assumed power under the banner of eliminating underdevelopment and surmounting obstacles to progress. Those regimes promulgated deeply encouraging developmental strategies, promising to better the quality of life in the Arab world.

There are many reasons for our faltering pace, not least the drastic regional and national changes that have occurred in our region since independence. These changes have had adverse repercussions on the political and socio-economic trends of our society and pushed us to an era of confusion in which our priorities were misarranged and our vision for the future lacked clarity. Thus, the nature of the age contributed to aborting development plans and their capacity for effectiveness.

Intellectual fashion has also contributed.

For example, the pivotal and fundamental concepts associated with the "human development" school of development thinking were all too often relegated to the sidelines of the development process and considered as outcomes rather than drivers of progress. Instead, expanding material resources was considered to be the goal of development. Accordingly, efforts were channelled into economic development out of a belief that it was the primary tool of renaissance, divorced from critical linkages with social development with its multiple ramifications, and delinked from human development, which has the capacity to become the engine of the development process and the driver of its success. Although many of our countries did much to support human-resources development, especially in education, policies remained conservative, programmes inflexible, and content disconnected from the needs of development.

As people's ways of life and expectations have diversified, formerly fashionable prescriptions for development are no longer sufficient for reaching desired human-welfare goals. In addition, Arab societies understand that the prerequisites for real progress have reached a level that transcends purely physical needs and relate to other types of needs and hopes, such as those for a "modern" state whose characteristics include respect for the role of the citizen as a person endowed with freedom, dignity and rights.

The essence of the modern state, which we have failed to establish to date, is what has come to be termed "good governance". A

modern state is a state governed by the rule of law, and in which all citizens are equal before the law; it is a state where social coexistence prevails because it ensures equal opportunities to all citizens, providing them with options and enhancing their scope of knowledge.

It is no longer possible to delay the establishment of the pluralistic, democratic state in our Arab world because we need the benefits that such a state provides--good governance, marked by transparency, accountability and participation at the grass-roots level in the march of the nation. The democratic state is the guarantor of the protection and extension of human rights, and it is the form of government that best supports the flourishing of civil society and related institutions--key elements in a democracy. The democratic state encourages participation and serves as the catalyst for society's awareness, aspirations and hopes. It is the form of government that activates the role of women as recognized partners in the development process and seeks to ensure that no segment of society is marginalized by working to provide opportunity, empowerment and equality to all citizens. And it is the form of government that is best able to establish the kind of flexible and dynamic educational system that is essential for building, developing and empowering the individual of the new Arab age.

People now recognize that it is no longer satisfactory simply to be given fish to eat; they expect to be taught how to fish for themselves.

Leila Sharaf. Good Governance

nance regime and the people. In parliamentary (liberal) regimes, this link takes the form of freely elected representative legislatures that establish and refine the legal rules that govern different societal actors and, in particular, regulate control of government, or the executive power that is usually headed by the political party that obtained the confidence of the majority in the elections. This process of regulation is best guaranteed not only by the honesty and regularity of elections, as already noted, but also by the presence in legislatures of a free and effective party or parties of opposition to the party in charge of government.

Institutions that provide for a solid electoral system that permits the peaceful rotation of power, together with a legislature that transparently reflects the will of the people, are the best guarantors of the interests of the people—including the protection of fundamental

human rights, freedoms and dignity and, in particular, ensuring respect for the International Bill of Human Rights, especially those elements embodied in binding covenants and conventions.

Public administration and services

The government is the executive mechanism that administers or manages the affairs of society (including implementation of laws passed by the legislature and decisions handed down by the judiciary). Ideally, the executive is composed of a permanent civil service of administrators and technicians. Its leadership, however, is often political, representing the people as a result of regular elections, which provide for accountability and legitimacy. Between general elections, the government is accountable to the representatives of the people, including the opposition to the political

It is no longer possible to delay the establishment of the pluralistic, democratic state in our Arab world.

The autonomy and effectiveness of legal and judicial institutions are basic conditions for good governance.

party in government, through the legislature.

Governments—elected leaderships and permanent civil servants—need to perform their functions as providers of public services and enforcers of contracts in an effective, efficient and transparent manner. This calls for competent and well-functioning public administrations, which many Arab countries lack. Reforming public administration is thus a central and urgent task for these countries; it lies at the core of the wider agenda of institutional reform. The goals of reform include raising productivity and efficiency in public services and administration and establishing merit as the basis for appointment, promotion and termination of civil servants. There is also a need to reform the system of remuneration for civil servants by establishing a transparent salary structure, satisfactory wages and proper incentives. Finally, Arab countries have traditionally had higher proportions of public employees in the working population than other regions; reducing the numbers of these employees has now become a necessity. However, where reductions take place, it will be important to provide satisfactory compensatory measures such as end-of-service payments, re-employment and training schemes, and credit

and public works programmes to help cushion the shock of redundancy.

Public administration and services need to be financed by tax revenues. Both to pay for services and reduce budget deficits, public-administration reform needs to include tax reform that promotes both equity and efficiency—including the efficiency of tax collection from the wealthy. Meanwhile, public expenditure must be rationalized and pruned of extravagance at the expense of taxpayers.

Finally, and especially in economies committed to private-sector-led growth, governments have a critical role to play in guaranteeing market competition. This calls for an appropriate degree of regulation and measures to avoid monopolies through freedom of access to information and markets. Arab countries, like other countries, developed and developing, need to be constantly alert to regulatory reform designed to promote regulation that is effective but not onerous, with the objective of enhancing the efficiency of markets and the consequential benefits in terms of innovation, higher productive capacity and people-friendly market institutions.

The rule of law and the judiciary

Legal-system reform in Arab countries needs to focus on ensuring that the law and associated administrative procedures guarantee citizens' rights and are compatible with fundamental human rights, particularly the rights to freedom of expression and freedom of association for all, under the aegis of a truly independent judiciary that impartially enforces the rule of law. Where legal systems are weak or function inappropriately, reform is essential because the rule of law, embodied in legal and judicial institutions, is the foundation on which all other societal and governance institutions are built, including fair and honest political representation and effective and responsive public administration. (The very close linguistic link in Arabic between governance and the judiciary is relevant in this context.) The autonomy and effectiveness of legal and judicial institutions are basic conditions for good governance. Where these features are lacking, reform must be undertaken to ensure them. Legislatures and executives have the right and duty to propose and pass or

BOX 7.7

The Beirut Declaration for Justice

The provisions of the 1999 Beirut Declaration for Justice, adopted at the First Arab Conference on Justice, provide a substantial platform for action. For example:

Safeguards for the judiciary

- Arab countries should include the United Nations Basic Principles on the Independence of the Judiciary in Arab constitutions and laws, with penalties for interference in the work of the judiciary.
- States should guarantee independent budgets for the judiciary as a single item of the state budget.
- Judicial proceedings should be free from executive intervention.
- Judges should have the normal immunity associated with their jobs.

Election and appointment of judges

- The position of judge should be open, without discrimination, to all who meet the requirements of the profession. The higher councils of concerned judicial bodies should appoint judges.

Qualifications, training and preparation of judges

- States should try, through specialized centres, to provide judges with effective legal training to prepare them for their responsibilities. The judiciary should supervise these legal study and training courses.

Safeguards for the rights of defence and a fair trial

- Every defendant should be guaranteed an attorney of his or her choice. Where a defendant cannot afford the costs of an attorney, the judicial authority should appoint one to serve as counsel for the defence.
- Trials, civil or criminal, should be held within a reasonable time to secure a fair hearing and should be conducted with modern technical means to ensure efficiency and the accuracy of records.

Women judges

- No discrimination between qualified men and women should be permitted in the appointment of judges.
- Arab countries should pool experiences in supporting gender equality under the law in the practice of judicial work.

reject laws, but their intervention in the affairs of the judiciary needs to be confined to participation in selecting those who will occupy important posts, based on a past record of professional excellence and impartial administration of justice (box 7.7).

LIBERATING CAPABILITIES THROUGH VOICE AND PARTICIPATION

The second key area for governance reform listed earlier was that of activating the voice of the people. Reforms directed to this goal need first to secure core freedoms for all the people, in particular freedom of expression and freedom of association. Without these freedoms, authentic voice is suppressed and opportunities for creative citizen participation in governance at all levels are frustrated. Once these freedoms are in place, governance reform designed to enhance voice and participation in Arab countries can move productively forward in three critical areas: strengthening institutions of local governance; liberating civil-society organizations; and fostering free and responsible media. (Initiatives in these latter two could combine to promote informative and independent mass-media institutions that are both non-profit and non-governmental.)

Promoting local governance

True local governance involves far more than the mere decentralization of central-government control mechanisms, which is referred to in some Arab countries as local administration. Local governance is essential for good governance as a whole and for the wider goal of human development because it provides opportunities for more effective participation by the people, particularly the poor, in combating poverty broadly defined, notably through efficient, pro-poor provision of basic services such as education and health care. Effective local governance also complements good governance at the centre by fostering well-functioning local societal institutions and good relations among them. Vibrant local governance is especially important in larger countries. Small geographical size and population in principle enhance the potential for effective popular participation, but in larger countries, the possibility exists of neglecting the periph-

eries because of the centre's domination of society as a whole—a besetting defect of governance in developing countries. Finally, in democratic systems that encourage local governance, its institutions can catalyse effective participation at this level and also nurture individuals and groups capable of participating in governance at the centre.

REINVIGORATING CIVIL ACTION

There are two fundamental reform priorities with respect to dynamizing civil society in Arab countries. First, legal and administrative obstacles hampering the establishment and effective functioning of civil-society institutions need to be removed. Second, civil associations themselves need to be transformed into a widespread popular movement, undertaking sustainable collective action.

The obstacles hampering the development of Arab civil associations can be considered temporary and susceptible to redress through reforms that would enhance their performance and their contribution to building human development.

The first reform consists of reducing the burden of domination by the state. It should end the system of "authorization" of civil-soci-

The obstacles hampering the development of Arab civil associations can be considered temporary and susceptible to redress through reforms.

BOX 7.8

New forms of citizenship: the example of women's associations

New issue-oriented social groupings have arisen in Arab countries, aimed at raising the awareness of citizens and mobilizing them on behalf of various causes, such as protecting the environment, monitoring the interests of consumers, safeguarding heritage, combating administrative corruption and other campaigns.

Some of those groupings have concerns relating to political matters such as human rights and democracy. Consequently, they become privileged areas for experimenting with new forms of citizenship; they may have achieved a measure of success in their endeavours. These groups, for example, were highly influential in making human rights an established theme in Arab political debate.

The role of women's associations in questioning the inequality of the sexes and in promoting the status of Arab women is also noteworthy. Arab women have always played an important role in the civic sector although that role may

not be sufficiently recognized and even though they may rarely assume leading posts. In recent decades, some women's organizations have not hesitated to raise the problem of the status of women or to underline certain sensitive, and sometimes taboo, subjects concerning women.

In Lebanon, for instance, a group was set up in favour of a civil law option for marital status, calling for the establishment of civil marriage in that multi-confessional country. Similarly, in Egypt, women's associations have indirectly contributed to the recent reform of the personal-status law that facilitates women initiating divorce (khol'). Even if that reform was decided by the political powers, women's associations paved the way for the breakthrough by mobilizing public opinion earlier at international conferences, particularly at the International Conference on Population and Development held in Cairo in 1994.

Any society is only as free as its media.

ety organizations and introduce a system of "declaration", whereby the founders of associations would be required only to inform the public authorities about the intent and purposes of their association, its official address, its financial resources, and other practical matters. Basic state regulation would be maintained through the regular operation of the legal and judicial system—a necessary protection against, e.g., financial malpractice.

This reform would have a number of benefits. It would accord with the wishes of Arab civil society while removing the bias of administrative intervention and helping to end the client-like relationship that links a number of Arab civil associations to governments, which has given the former a quasi-public status. It might also encourage Arab civil associations to turn to their own supporters to provide the human and financial resources they lack and to develop a solid social base that would help to both democratize and regulate them without government interference. It would be of special importance to include in this reform revisions of laws and procedures with respect to the establishment and activities of civil-society organizations that would encourage youth and women to set up associations and play an effective role in their governance.

The second reform has to do with financing. It will be important to expand domestic financing of Arab civil-society organizations and thus to break the pattern of dependence on foreign (or public authority) resources. At the same time, it will be critical to ensure the financial and administrative accountability of

civil associations—perhaps by setting up independent NGOs at the national and pan-Arab levels to monitor and curb all forms of corruption and abuse.

Towards free and socially responsible mass media

Any society is only as free as its media. A few Arab countries have made important strides in promoting freedom of expression with respect to press coverage although state control over broadcast media that reach large segments of society, including the illiterate, remains widespread. In its Press Freedom Survey 2001, Freedom House reported that its ratings system for assessing press and other media independence showed that not a single Arab country had genuinely free media. Only three states, had media rated as partly free with the best of them being Kuwait; those in other Arab countries were rated as "not free".

It must be an important objective of institutional and governance reform for all Arab countries to work towards free mass media. At the same time, every country needs safeguards against abuse of rights. What is needed is a system of checks and balances that ensures that the media and society cooperate to preserve people's rights, including protecting individuals and institutions from irresponsible journalism or unfair media attacks. Effective libel laws, peer pressure from media competitors to ensure that professional ethics are upheld, and active civil-society scrutiny of media activities are essential accompaniments to freedom of expression. Reform should include a balanced package of legal, professional and social measures to improve both the freedom and the responsible quality of Arab media as an essential ingredient of furthering good governance in the region.

GOOD GOVERNANCE AND SOCIETAL INCENTIVES

At various points, this Report has touched on the importance of establishing proper incentives for human development, whether in modernizing education and health, in creating competent, people-oriented public services, in mobilizing the private sector as a partner in social and economic development or, more gen-

BOX 7.9

Slowly but steadily: recent advances towards gender equality in the Arab world

Dialogue between women's rights activists, policy-makers, and enlightened religious leaders in the Arab region has recently led to small, but significant, steps towards greater gender equality in a number of countries. Both Jordan and Egypt made important amendments to the Family, Penal and Civil Status Laws in 2001. In Jordan, as of December 2001, the legal age of marriage was raised from 15 for women and 16 for men to 18 for both sexes. Legislative amendments to Article 340 of the Penal Code now stipulate that perpetrators of so called "honor crimes" are no longer exempt from the death penalty, a crucial first step by the

Government in recognizing honor crimes as a capital offense. In terms of Family Law, Jordanian women—for the first time—have legal recourse for divorce, subject to certain monetary compensation. Similarly, in Egypt, amendment Number 1 of 2001 to the Family Law challenges men's unilateral right to divorce for the first time in recent history. Known as "el-Khile" and based on a progressive interpretation of a religious Hadith, Egyptian women can now request, and be granted, a divorce, subject to forgoing certain financial rights in their marriage contract—rights to personal alimony (mutaa), dowry (mahr) and delayed payment (moakhar).

erally, in mobilizing people to use their productive talents and energies to the fullest extent. The norms, practices and behaviours that a society rewards or sanctions substantially influence the nature and extent of its citizens' contributions to it, together with wider levels of human well-being. These social incentive systems can be both formal and informal, explicit and tacit. In their explicit form they can include public declarations, prescriptions, value statements, economic and educational doctrines and laws. In their tacit form, they consist of signals, messages and directions communicated to people pervasively and continuously through the behaviour of dominant social groups and through the pursuit and reward of socially acceptable behaviours and activities. The extent to which social values and behaviours are shaped and directed by people's perceptions about social contribution and recognition bears directly on whether, in practice, policies designed to promote good governance achieve their objectives or are undermined.

The phenomenon is contextual, often subjective and related to levels of human capabilities. How far an individual is influenced by the subtext of a society's incentive structure varies by country (including, for example, country-specific factors such as the extent to which the education system is an effective force for change) and by other variables such as the strength or weakness of an individual's capabilities and social position. Measuring the impact of social incentives on individual behaviour poses considerable methodological challenges beyond the scope of this discussion, but some broad perceptions about the Arab system of societal incentives are held widely enough to be worth some brief comments.

In essence, these perceptions suggest that structural, social and economic factors deriving from the rentier character of some economies and the role of oil revenues in both oil and non-oil exporting economies have created at least four major dichotomies or conflicts in the system of societal incentives in Arab countries (box 7.11). These conflicts, which are closely linked to building and using human capabilities, affect a number of Arab societies in varying degrees and are presented in box 7.11 as tensions between perceived and

ideal poles of value. On this basis, some social incentives in Arab countries are perceived as reinforcing the ideal or positive side of this tension, but many point society towards its negative aspects.

As a critical adjunct to formal and explicit policies directed at establishing good governance, Arab countries will need to re-examine and re-balance the tacit component of societal incentive structures so as to strengthen rather than undermine the fundamental values of human development. To the extent that dominant groups that pursue power, position and material affluence are seen as laudable and successful models, Arab citizens will have little encouragement to pursue such individual and societal values as freedom, a solid work ethic, the pursuit of knowledge and cooperative action—values on which the future of the Arab world will increasingly depend. The deepening of real democracy and the accompanying shift in power structures will help to bring about desirable change. However, change is

Arab countries will need to re-examine and re-balance the tacit component of societal incentive structures so as to strengthen rather than undermine the fundamental values of human development.

BOX 7.10

On diversity

In the course of many peoples' pursuit of independence, the concept of nationalism was an expression of their hopes for both freedom and progress. Nationalism served the cause of liberation from colonialism, which was only possible by appealing under its banner to the broad population without regard to religion and ethnic origin. The citizen, regardless of his or her beliefs or race, was the basis of, and driving force behind, the progress of nationalism. Many countries have recognized the importance of diversity and have opened their doors to creativity and social cohesion.

This direction is worth nurturing and cultivating until people reach their goals of progress within the framework of ethnic and ideological pluralism in order to strengthen creative movements and increase the variety and diversity of ideas.

There is no alternative to this effort until societies take pluralism to heart. Departure from this path will only lead to its opposite where nationalism becomes a secondary equation and people are judged by their ideologies and ethnicity, which will lead to polarized societies where discrimination, in all its forms, is widespread. This can only obstruct intellectual growth and lead to isolation. In this environment, participation in the growth and progress

of the nation and the reaping of its rewards is transformed from a guaranteed right to an uncertain privilege. In addition, leadership and rule become the right of one ethnicity over another, and democracy loses its meaning as it becomes a means of control and exclusion. Moreover, culture is sacrificed to the demands and aims of autocracy instead of being the vessel of diverse opinions and ideas.

Regardless of strength, no such nation can withstand the negative impacts of globalization. Any state that has not strengthened its national base through pluralism and diversity, and which has created internal conflicts while facing external pressures, will face a difficult existence.

The pattern of globalization that we are witnessing today is fast accelerating and it is necessary to hold fast to these ideas to prevent current trends from placing divisive pressures on society instead of acting as drivers of equitable progress and human development.

Rather than being a call to discrimination, religious sectarianism and cultural elitism, nationalism, in this contemporary sense, becomes a force for human cooperation and integration.

Clovis Maksoud

BOX 7.11

Conflicting societal incentives

| Perceived (-) | Ideal (+) |
|------------------------|--------------------|
| Authoritarianism | Freedom |
| Privilege and position | Work |
| Material possessions | Knowledge |
| Individualism | Collaboration |

also one of the primary tasks of leadership at all levels of society, which must model the behaviours expected of the people under systems of good governance. Modelling these values will also help to liberate the human capabilities on which both sustainable growth and lasting advances in human development depend.