



**Economic and Social Commission for Western Asia (ESCWA)**

Thirty-first session  
Cairo, 16-18 December 2023

Item 5 of the provisional agenda



## **The governance challenge of the Arab region**

### **Summary**

The United Nations Economic and Social Commission for Western Asia (ESCWA) has developed a new global Development Challenges Index (DCI) that measures shortfalls from desirable achievements in three areas: quality of basic human development as represented in the three traditional components of the Human Development Index (HDI); environmental sustainability; and governance.

The present document compares the performance of the Arab region on the DCI with that of other regions. It zooms in on the governance deficit that the region is facing in both democratic governance and government effectiveness. The document also provides an overview of next steps in terms of the work of ESCWA and policy recommendations for ensuring strong institutions and good governance in the region.

The Commission is invited to review the contents of the present document and make comments thereon.

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## Introduction

1. The Economic and Social Commission for Western Asia (ESCWA) has proposed a comprehensive measure for development, the Development Challenges Index (DCI), which assesses three global subindices: (a) the quality-adjusted human development challenge subindex, which builds on the Human Development Index (HDI) and factors in quality by measuring healthy life, quality-adjusted education and inequality-adjusted income; (b) the environmental sustainability subindex, which includes the dimensions of climate change and energy efficiency as well as environmental health; and (c) the governance subindex with its two dimensions of democratic governance and effective governance. The DCI serves as a tool not only to track developmental challenges but also to help policymakers in assessing their national policies.

2. Governance and core human development achievements measured in the quality-adjusted HDI are mutually reinforcing. Good governance can facilitate core human development achievements, while these achievements can bolster State capacity. A strong and capable State is able to provide important services that are critical to human development, such as adequate health care, infrastructure, education, environmental protection, disease control and research, and support for entrepreneurship. Likewise, human development can contribute to the fiscal health of the State, providing the revenues needed to deliver on these objectives. Countries that have low and very low levels of quality-adjusted human development challenges have more consistent governance performance owing to the presence of strong and reliable institutions.

3. The DCI includes quality-adjusted human development as one of three subindices. It builds on the aspects of: (a) healthy life, which can be measured using the indicator of healthy life expectancy at birth; and (b) quality-adjusted education, which is obtained by taking the simple average of the normalized mean years of schooling and expected years of schooling; and (c) inequality-adjusted income measured by adjusting the HDI income index for the quality of income distribution using the Atkinson inequality measure.<sup>1</sup>

4. The second subindex of the DCI is environmental sustainability. It emphasizes two fundamental dimensions: (a) climate change and energy efficiency measured using CO<sub>2</sub> emissions and material footprint per capita; and (b) environmental health, which is assessed by the freedom from environmental hazards that pose serious threats to human life and the health measures of air quality, sanitation and drinking water, heavy metals and waste management.<sup>2</sup>

5. The DCI emphasizes two fundamental aspects of good governance: (a) the democratic governance principles of rule of law and access to justice, measured using the indicators of transparent laws with predictable enforcement and access to justice; institutional accountability measured using the indicators of executive oversight, judicial accountability and rigorous and impartial public administration; and participation measured using the indicators of civil society organization (CSO) consultation and CSO participatory environment; and (b) the effectiveness of Governments in producing high-quality deliverables and policies, such as high quality infrastructure, public goods and services.<sup>3</sup>

6. The table summarizes the three pillars of the DCI and their components.

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<sup>1</sup> See [E/ESCWA/CL6.GCP/2021/TP.11](#).

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

### Framework for the three sets of challenges to development in the DCI

Challenge index	Dimension	Subdimension	Indicator
Quality-adjusted human development challenge index	Health challenge index		Healthy life expectancy at birth, years
	Education challenge index		Expected years of schooling
			Mean years of schooling
			Harmonized test scores (discount factor)
	Income challenge index		Gross national income (GNI) per capita
			HDI inequality in income (discount factor)
Environmental sustainability challenge index	Climate change and energy efficiency challenge index	Climate change	Carbon dioxide emissions per capita
			Material footprint per capita
		Energy efficiency	Energy intensity per unit of gross domestic product (GDP)
	Environmental health challenge index	Air quality	PM 2.5 (particulate matter) exposure
			Household solid fuels
			Ozone exposure
		Sanitation and drinking water	Unsafe sanitation
			Unsafe drinking water
		Heavy metals	Lead exposure
	Waste management	Controlled solid waste	
	Governance challenge index	Democratic governance challenge index	Rule of law and access to justice
Access to justice			
Institutional accountability			Executive oversight
			Judicial accountability
			Rigorous and impartial public administration
Participation			Consultation with civil society organizations
			Civil society participatory environment
Government effectiveness challenge index			Government effectiveness (quality of infrastructure and public service delivery)

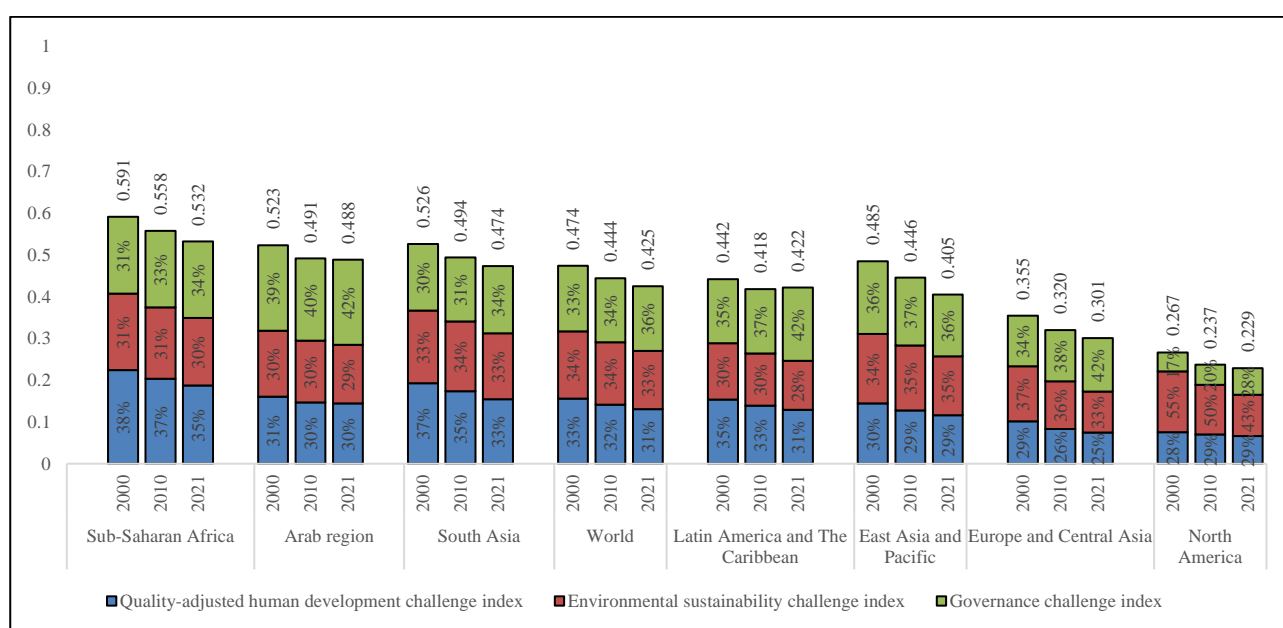
Source: ESCWA.

7. The next section will analyse DCI results for the Arab region<sup>4</sup> over the period 2000-2021, focusing on its performance on the governance subindex. It will also highlight some of the major challenges faced in the region hindering the attainment of good governance and strong institutions and the achievement of development and preventing conflict. The conclusion will provide recommendations for tackling those challenges and the next steps for the work of ESCWA in that regard.

## I. Main results

8. The DCI shows that the Arab region is the second most challenged region globally. A large gap separates the Arab region and the sub-Saharan Africa and South Asia from their nearest neighbours, Latin America and the Caribbean and East Asia and the Pacific. Results reflect the significant shortfalls of the Arab region in the governance dimension as represented by a relatively higher level (figure 2) and rising share of the governance challenge in the DCI.

**Figure 1. DCI regional scores and shares of the three challenges for 2000, 2010 and 2021**



Source: ESCWA calculations.

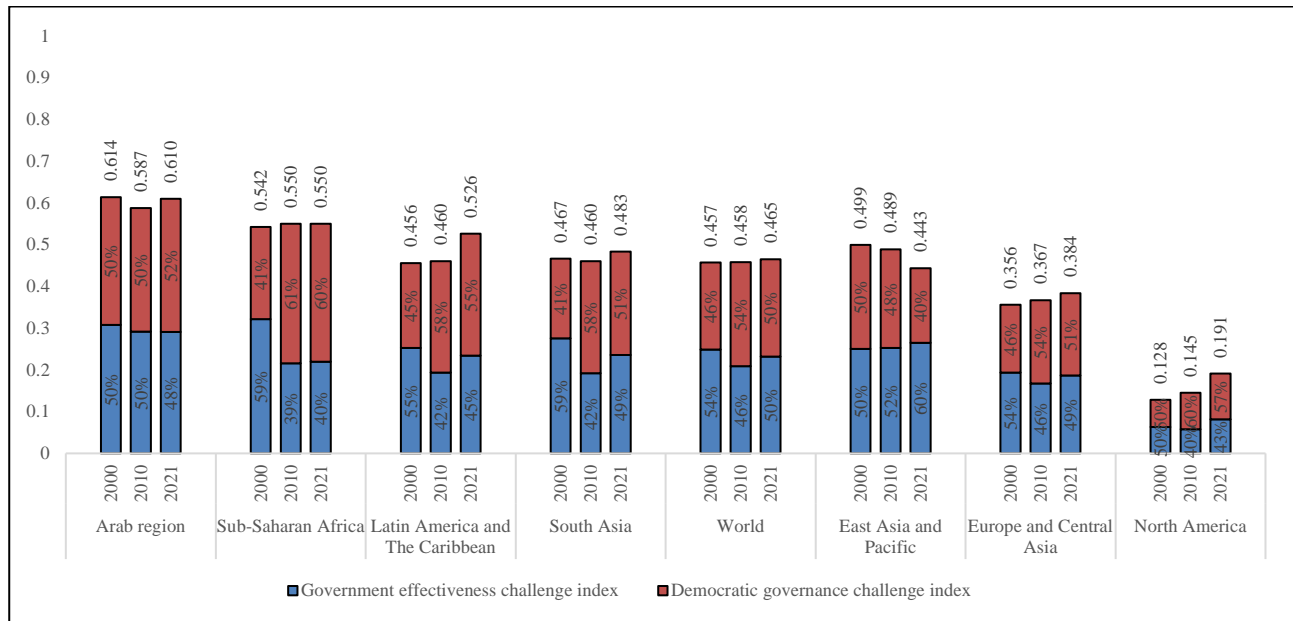
9. In the quality-adjusted human development challenge subindex, the Arab region seems particularly challenged in education, with the latter having a share of nearly 47 per cent of the overall quality-adjusted human development (Q-HD) challenge. Over time, the region has witnessed a significant reduction in its Q-HD challenge, moving from the high to the medium challenge category but remaining higher than the world average. It should be noted however that the highest challenge reduction took place between 2000 and 2010, while the post-2010 period shows a very minor change. This shows the impact of conflict in hampering human development improvements in the region. The effect of conflict is also reflected by the increase in the number of people living in countries with high and very high levels of human development challenges between the years 2010 and 2021.

10. As for the environmental sustainability subindex, the Arab region performs better than the world average and has undergone good reductions over the past two decades. Except for North America and Europe and Central Asia, all regions including the Arab region face higher environmental health challenges compared with

<sup>4</sup> 19 out of 22 Arab countries are included in this study: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates and Yemen.

their climate change and energy efficiency challenges. However, among the Arab subregional groups, most of the oil-rich high-income Arab countries made noticeable improvements in terms of environmental health, similar to European and North American countries, and are now facing greater climate change and energy efficiency challenges than environmental health challenges.

**Figure 2. Governance challenge index: regional scores and dimension shares for 2000, 2010 and 2021**



Source: ESCWA calculations.

11. A closer look at the governance challenge subindex of the DCI reveals that the Arab region is the most challenged among all regions on the democratic governance challenge dimension. Government effectiveness has a higher share in challenges than democratic governance for all world regions, with the exception of East Asia and the Pacific where the democratic governance's share is higher. Moreover, none of the 19 Arab countries included in this study has a low or very low governance challenge: 10 have "very high" challenges; five have "high challenges"; and the remaining four have "medium" challenges.

12. Looking at country-level results, most of the Arab oil-rich countries have a higher democratic governance challenge compared with the government effectiveness challenge, as opposed to most of the other countries in which the effectiveness challenge is higher. This shows, consistent with recent literature, how oil wealth can be, in some cases, a double-edged sword in allowing countries to meet their populations' basic needs while hindering the development of effective and impartial institutions.<sup>5</sup>

13. Since 2011, violence in the Arab region has been escalating and several Arab countries have been embroiled in domestic and cross-border conflicts. These countries are the most challenged in terms of governance, registering very high and increasing challenges in all four components of the governance challenge subindex (rule of law and access to justice, institutional accountability, participation and government effectiveness).

14. In addition, the subindex shows how governance systems and human rights are strongly associated with conflict worldwide. Countries with weak governance and human rights protection mechanisms are at increased risk of conflict, which, along with the growing socioeconomic challenges, poses a serious risk for the region's

<sup>5</sup> Ibrahim Elbadawi and Hoda Selim, eds., *Understanding and Avoiding the Oil Curse in Resource-rich Arab Economies* (Cambridge University Press, Cambridge, 2016).

prospects and puts it at risk of further conflict in the near future. Likewise, good governance and institutional effectiveness are also strongly associated with improved human development achievements.

15. Democratic governance and institutional effectiveness are both critical means for enhancing human development, and they also embody desirable end goals. They are needed for better service delivery that enhances well-being and are also important instruments for agency. In the absence of effective institutions, neither well-being nor agency can be ensured or sustained. Protecting human rights, including freedom of expression, and creating a democratic space and opportunities for participation can only be ensured through both components, i.e. democratic governance and governance effectiveness, and not just one. Democratic governance can also boost efficiency and effectiveness through a peace dividend.<sup>6</sup> In general, countries with better-quality democratic governance practices are expected to deliver better-quality public services.<sup>7</sup>

16. The governance challenge subindex addresses government effectiveness in terms of institutional and infrastructural effectiveness in delivering public services and the quality of public and civil services. It also assesses effectiveness in terms of the quality of policy formulation and implementation, the credibility of the Government's commitment to such policies, and the degree of its independence from political pressures. Government effectiveness, voice and accountability, political stability and absence of violence/terrorism, regulatory quality, rule of law and control of corruption make up the six composite dimensions of the World Bank's World Governance Indicators (WGI).<sup>8</sup>

17. Public sector performance is fundamentally about Governments being able to deliver on their policy commitments for the benefit of their citizens. Public administrators are expected to serve citizens in a transparent and accountable way, leading to building citizens' trust in State institutions.<sup>9</sup> However, several challenges hamper public sector performance in the region.

18. Public sector employees in the Arab region account for 25 per cent of total employment and public sector salaries represent 32 per cent of total government spending, higher on average than in any other region in the world.<sup>10</sup> Yet government performance outcomes have remained below those of other regions according to the Worldwide Governance Indicators. In fact over, the last decade, the region's performance across several dimensions of governance has deteriorated. Poor governance and public sector performance have real consequences for the lives of citizens and have impacted how they view their State. In the latest Arab Barometer survey, 58.7 per cent of respondents stated that they were either "dissatisfied" or "completely dissatisfied" with their Government's performance. The major point that should be addressed is how public institutions are expected to have senior civil servants that have both the right skills and institutional support to deploy them effectively.<sup>11</sup>

19. According to the World Bank, inter-agency collaboration is another problem that the public sector faces.<sup>12</sup> Policy and programme coordination has gotten increasingly difficult as duties of Governments have

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<sup>6</sup> Miguel Angelo Vilela Rodrigues, "Democratic vs. efficiency: how to achieve balance in times of financial crisis", *Revista de Administração Pública*, vol. 51, No. 1 (Jan./Feb. 2017), pp. 88-104.

<sup>7</sup> ESCWA, *World Development Challenges Report* (2022).

<sup>8</sup> The DCI relies on the World Bank Worldwide Governance Index regarding governance effectiveness. Available at <http://info.worldbank.org/governance/wgi/Home/Documents>.

<sup>9</sup> World Bank Group and European Commission, *Indicators of CITIZEN-CENTRIC Public Service Delivery* (2018).

<sup>10</sup> See Izzah Malik and Jens Kristensen, "In MENA, civil service performance matters more than ever", 13 January 2022.

<sup>11</sup> Daniel Gerson, "Leadership for a high performing civil service: Towards senior civil service systems in OECD countries", *OECD Working Papers on Public Governance*, No. 40 (Paris, OECD Publishing).

<sup>12</sup> World Bank, *Improving Public Sector Performance through Innovation and Inter-agency Coordination* (n.d.). Available at <https://documents1.worldbank.org/curated/en/833041539871513644/pdf/131020-WP-P163620-WorldBankGlobalReport-PUBLIC.pdf>.

increased in volume and complexity over the last decades. Ministries, departments and agencies (MDAs) have grown in size and mission to meet the needs of an expanding population that expects more and better services. Coordination inside MDAs has gotten increasingly difficult as bureaucracies have grown, since more actors and a wider range of interests have to be brought into the decision-making process. Larger bureaucracies result in increased separation between citizens and those who are meant to serve them. Subnational governments are compelled to address vertical and horizontal coordination mechanisms, between levels and between sectors, as they play a vital role in reacting to crises such as COVID-19.<sup>13</sup>

20. The lack of performance-oriented administration, as in the example of the Iraqi public sector,<sup>14</sup> is a challenge. There is a need to develop a performance measurement system including sets of indicators that are applicable in ministries and public agencies. Organizational performance measurement, as a concept and a technique, has been drawing increasing attention of Governments. However, performance measurement is based on data and requires data collection strategies, and this remains a challenge for many Arab countries.

21. Inclusive development is another challenge. Inclusion guarantees equal access to economic and social services and socioeconomic opportunities, political representation and participation for the benefit of citizens without exclusion or favouritism. Lack of inclusiveness arises from, among other factors, inefficiencies in public sector activities and a private sector with insufficient opportunities for development.<sup>15</sup> In the Arab region, the lack of accountability increases corruption and contributes to the rise of “networks of privilege” and “crony capitalists” with myopic short-term interests, in addition to the limited job opportunities being created.<sup>16</sup>

22. Compared to other regions of the world, the Arab region struggles with information availability. According to the International Budget Partnership’s *Open Budget Survey 2017*, and as noted by Seligmann and Bteddini on the World Bank blogs,<sup>17</sup> the region scores lowest in terms of budget openness and accountability. Most countries limit possibilities for effective supervision through accountability authorities such as parliaments and supreme audit institutions, and restrict options for public participation in the budget process. All of this results in a lack of accountability and ineffective service delivery.

## II. Conclusion and moving forward

23. The regional governance deficit is creating a striking underperformance of most Arab Governments. Many States struggle in an environment wholly uncongenial to democracy and good governance. The region needs a vision that tackles its institutional, political and economic challenges and proposes innovative solutions. In this regard, it is crucial to work on both aspects of good governance. Institutions need to be strengthened and democratic governance principles implemented.<sup>18</sup> Based on the challenges addressed above, namely the need for highly skilled senior civil servants, weak inter-agency coordination among different sectors at the central and local level, the lack of performance measurement and management practices, the insufficient opportunities for development as well as the lack of transparency in information disclosure especially at the budget level raise numerous concerns and challenges for the role that public sector institutions should play. The question to be addressed is how to develop strong capable State institutions committed to developing policy formulation and developing effective and efficient public service, and also which areas of public service reform should be prioritized as key enablers for government effectiveness.

<sup>13</sup> See [https://publicadministration.un.org/Portals/1/CEPA%201022\\_input%20UNU-IAS.pdf](https://publicadministration.un.org/Portals/1/CEPA%201022_input%20UNU-IAS.pdf).

<sup>14</sup> Wassim Harb, *Development of Public Sector Performance in the Arab Region within the perspective of the Rule of Law and Good Governance (The Iraqi Experience) (2013-2014)*, pp. 46-48.

<sup>15</sup> E/ESCWA/CL2.GPID/2020/1, p. 3.

<sup>16</sup> E/ESCWA/CL6.GCP/2021/1, p. 82.

<sup>17</sup> See <https://blogs.worldbank.org/arabvoices/fiscal-transparency-arab-world-where-money-going>.

<sup>18</sup> ESCWA, *World Development Challenges Report* (2022).



24. Needs to be addressed include reinforcing leadership and professional expertise, investing more in the public sector workforce to bring competences and values in line with the challenges ahead<sup>19</sup> and focusing on knowledge transfer.<sup>20</sup> Therefore, reforming the core civil service so that it performs better for citizens and businesses alike is more crucial than ever.

25. Measuring effectiveness based on information is another point that needs to be addressed. Performance results increase accountability and move the focus away from inputs towards measurable results. The use of performance reporting in public institutions is supposed to generate a sharper focus on results and provide more and better information on government goals and priorities, and on how different programmes contribute to these goals. This in turn will generate greater emphasis on planning and acts as a signalling device that provides key actors with details on what is working and what is not. This whole approach will at the same time improve transparency by providing more and better information to parliaments and to the public and has the potential to improve public management and efficiency.<sup>21</sup>

26. Policy coherence should be increased so that public institutions play the needed crucial role in the achievement of all Sustainable Development Goals (SDGs) and targets. Actions and decisions need to be adjusted across ministries to achieve consistent policy outputs involving all relevant considerations and actors.<sup>22</sup> More pragmatic improvements in national and local governance capabilities are needed.<sup>23</sup>

27. Good economic governance is another cornerstone for inclusive development. More accountable and more transparent public institutions not only reduce opportunities for corruption in the public and private sectors and the misallocation of resources in the long term, but can also contribute more generally to inclusive development, for instance by spurring job creation. The results of the surveys discussed in the ESCWA paper on “The strength of competition policy and regulation in the Arab region – Application of OECD indicators to selected Arab countries in 2015” show that the region is exerting efforts to develop competition regimes and that some countries are adopting better policies contributing towards building a sustainable and fair competition culture.

28. Fiscal transparency, coupled with citizen engagement, is the key to help deliver on the promise of better development results.<sup>24</sup> The Arab region is the lowest scoring on budget transparency and accountability. In addition to the lack of publicly available budget documents, most countries provide little avenue for effective oversight by accountability institutions such as parliaments and supreme audit institutions, and limited opportunity for public engagement in the budget process. Illicit financial flows and trade misinvoicing pose severe structural, socioeconomic, governance and security complications for Arab economies. They constitute substantial leakages to domestic revenues that could otherwise have been harnessed to create the fiscal space to sustainably finance development.<sup>25</sup>

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<sup>19</sup> See <https://publicadministration.un.org/Portals/1/CEPA%20contribution%20to%202022%20HLPF.pdf>.

<sup>20</sup> Giulio de Tommaso and Rohullah Osmani, “Rebuilding State institutions, post-conflict: reform experiences from Afghanistan and Somalia”, 18 August 2016. Available at <https://saisreview.sais.jhu.edu/rebuilding-state-institutions-post-conflict/>.

<sup>21</sup> See Teresa Curristine, Zsuzsanna Lonti and Isabelle Joumard, “Improving public sector efficiency: challenges and opportunities”, *OECD Journal on Budgeting*, vol. 7, No. 1 (2007). Available at <https://www.oecd.org/gov/budgeting/43412680.pdf>.

<sup>22</sup> See [https://publicadministration.un.org/Portals/1/VVerbruggen\\_Webinar1Policycoherencetoolkit.pdf](https://publicadministration.un.org/Portals/1/VVerbruggen_Webinar1Policycoherencetoolkit.pdf).

<sup>23</sup> United Nations, Department of Economic and social affairs, *Principles of Effective Governance for Sustainable Development*.

<sup>24</sup> Renaud Seligmann and Lida Bteddini, “Fiscal transparency in the Arab World: where is the money going?”, 11 April 2018. Available at <https://blogs.worldbank.org/arabvoices/fiscal-transparency-arab-world-where-money-going>.

<sup>25</sup> E/ESCWA/EDID/2018/TP.1, p. 5.

29. Public-private partnerships (PPPs) can help improve expertise and capacity in critical sectors such as transport and renewable energy. A sound business environment requires the provision of the needed infrastructure by the public sector. The rule of law and the protection of property rights and contractual rights are key requirements for PPPs to be successful. Private sector participants should be confident that they contract as equal parties with the State under the law. Clear, predictable and transparent rules for dispute resolution should be in place to resolve disagreements between public and private parties. In addition, civil servants should have the necessary skills and knowledge to structure transactions and manage contracts. It is recognized that the skills required for PPPs are different from those traditionally found in the public service.<sup>26</sup> The public sector should be capable of attracting and showing its commitment to PPPs by providing skilled counterparts, updating organizational structures and upholding the rule of law.

30. More efforts should be incorporated into a national e-government plan to introduce real changes in how services and information are produced and delivered, such as enhancing online transactions and the inclusion of e-consultation and e-decision making, which allow vital and secure two-way interaction between the Government and people. Information and communications technologies (ICTs) play a pivotal role for better interaction and communication between the Government and the public. Better use of ICTs and emerging technologies, such as the use of extended reality technologies, with more reliance on data in the governance process, will facilitate citizens' access to information and services and thus encourage their participation in decision-making and delivery of citizen-centric services. As some Arab countries are still not fully exploiting digital technologies and ICTs for improving their administrative systems, capacity-building programmes and infrastructure development should thus be strengthened.

31. When it comes to public service reform, focus should be on institutional competencies and transparency. Institutions should have sufficient expertise, resources and tools to deal adequately with the mandates under their authority. In addition, the principle of collaboration should be enhanced and embedded in public institutions. Independent oversight bodies acting according to strict professional considerations should be established. As argued in the Fourth Arab Governance Report of ESCWA,<sup>27</sup> good governance practices should be implemented based on inclusive and accountable policies ensuring equality, inclusion and social justice to prevent violent conflict. Provisional and fragmented approaches to reforms can offer fast yet temporary solutions but cannot achieve sustainable social peace and political stability. Moreover, local and national governance structures need to be established that are able to dampen the impact of various types of shocks such as pandemics, violence and socioeconomic difficulties and achieve sustainable reconciliation and peace in the region.<sup>28</sup>

32. In its efforts to support Arab countries in reducing their development challenges, especially in terms of governance and institutions, ESCWA will produce an online development challenges toolkit with regular updates to the DCI. It will also organize regional trainings on the DCI and will help interested member States to produce nationally tailored development challenges indices and assessment reports.

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<sup>26</sup> See Organization for Economic Co-operation and Development (OECD), *Public Private Partnership in the Middle East and North Africa: A Handbook for Policymakers* (n.d.). Available at [https://www.oecd.org/mena/competitiveness/PPP%20Handbook\\_EN\\_with\\_covers.pdf](https://www.oecd.org/mena/competitiveness/PPP%20Handbook_EN_with_covers.pdf).

<sup>27</sup> [E/ESCWA/CL6.GCP/2021/1](#).

<sup>28</sup> [E/ESCWA/CL6.GCP/2020/TP.6](#).