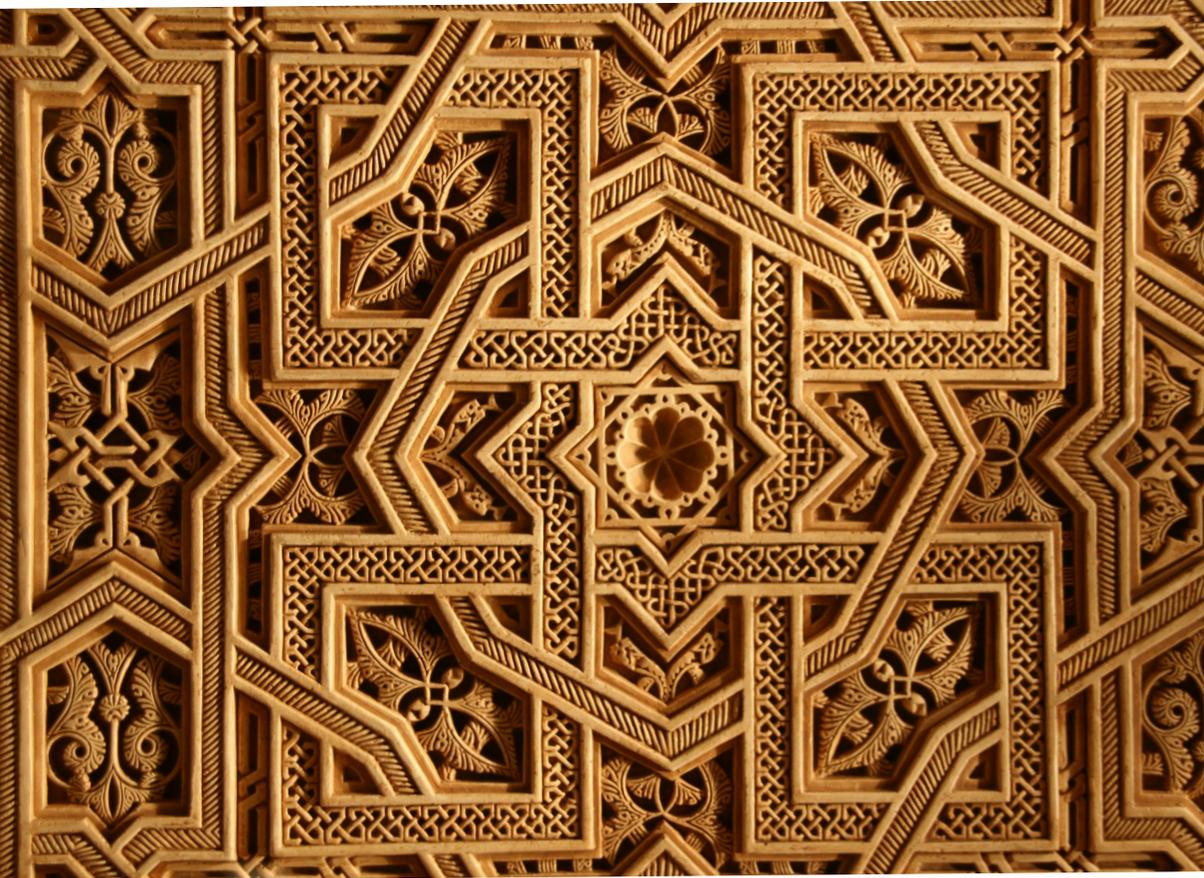




Progress in Public Management in the Middle East and North Africa

CASE STUDIES ON POLICY
REFORM



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CASE STUDIES ON POLICY REFORM



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Foreword

The MENA-OECD Initiative supports public sector reform in the Middle East and North African (MENA) region. Since its inception in 2003/4, there has been continuous policy action in MENA countries to improve and enhance institutions for good governance. This report offers a perspective on the progress made over the last five years. Its content reflects the initiative's approach: presenting country case studies in key areas of reform (listed in Annex A), and outlining common characteristics as well as specific circumstances. The case study methodology intends to offer policy makers a narrative that brings alive the dynamic process of reform. What emerges is a realistic, nuanced assessment of opportunities, challenges and institutional frameworks for public sector reform in the MENA region so far.

This progress report is the fruit of a partnership among the MENA governments and the OECD Secretariat to summarise this rich experience and good practice and identify the main challenges involved in implementing these reforms. It was put together by the working groups that form part of the MENA-OECD Governance Programme. These groups have been monitoring the progress of public governance reform in MENA countries and are also a mechanism for sharing knowledge and exchanging policy options.

This first progress report attempts to avoid superficial generalisations. It forms a very useful and solid foundation on which the next phase of the MENA-OECD project can build. This next phase will see the countries of the region striving not only to respond to the increasing aspirations of their young and dynamic populations for prosperity, voice and opportunity, but also to enhance the resilience of their national economies in the wake of the global economic and social crises of 2008/09. The report is also crucial in identifying where political aspirations, institutional capacities, and economic and social realities need to be aligned more effectively in the next phase of the initiative.

A number of key public governance issues are at stake: How to ensure fiscal sustainability in response to growing demands and limited resources? What are the best ways to ensure integrity in a scenario of increased interface between the public and the private sector? How to make better use of government's regulatory capacities in order to build more efficient, transparent and fair markets? How can governments take full advantage of the opportunities offered by new technologies? These questions cannot be addressed through a piecemeal approach; they require a whole-of-government response

that makes use of the linkages and interdependencies among the different aspects of public governance. This will maximise governments' abilities to anticipate future challenges and to respond effectively to emerging societal needs.

This report is a first step in disseminating the rich reform experience emerging from the MENA region, and will be a useful tool for policy makers in search of good practice and effective policy instruments for implementing their own national programmes of reform.

Preface

Effective governments delivering sound public policies and high quality public services are pre-conditions for stronger, fairer and cleaner economies. This first report on the progress of governance reform in the Middle East and North Africa (MENA) shows that governments in this region have embarked on an ambitious modernisation process of their public institutions, paving the way for development and sustainable economic growth. The OECD has played a significant role in facilitating these reforms, through the MENA-OECD Initiative established in 2005.

More than 40 experiences of recent public sector innovations and reforms are analysed in the report: these include experiences in enhancing the economic environment and in strengthening opportunities for citizens. In disseminating these valuable experiences, we hope to offer useful tools for policy makers in search of good practice and effective policy instruments.

The reforms have had a very positive impact, but more needs to be done. For example, the public sector will have to shape new rules for the private sector. It will need to create a more balanced regulatory framework that keeps abreast of public responsibility and private interest, that prevents excesses and manages risks adequately, but that does not inhibit entrepreneurship and innovation.

Calls for government transparency and accountability have also increased, stemming from perceptions that governments were largely inadequate in mitigating or even preventing the financial crisis. The scale of government intervention and spending induced by the crisis has only reinforced these calls for integrity to be placed at the heart of the good governance agenda worldwide.

MENA countries have achieved impressive results in recent years in reinforcing institutions, modernising legal frameworks and building capacities for improved integrity. The process of dialogue and networking promoted by the MENA-OECD Initiative has actively shared practices and exchanged policy tools. We will continue reinforcing this approach – we all have much more to gain from fairer and cleaner economies.

Growth will not be sustainable if it does not reduce inequality – including inequality in women’s role in the economy. This is a universal challenge, valid for the MENA region and for OECD countries alike. In our collaboration with

the MENA region we support the efforts of several countries to improve women's access to public services and to provide them with employment opportunities. As the main employer of women in the region, the public sector can make a difference to women's promotion and empowerment. This report contains success stories in all these areas (such as in the rule of law, regulatory policies, integrity and transparency, and gender policies). Together they build a consistent view of current reform trends by MENA governments.

In November 2009, ministers from the MENA region and OECD countries met in Morocco where they approved the Marrakesh Declaration on Governance and Investment. This declaration sets the conditions for better employment prospects and opportunities for future generations. The MENA-OECD Initiative is an innovative partnership for sharing expertise, knowledge and experiences in implementing this declaration. The OECD will continue to support MENA countries in their governance reform agenda.



Angel Gurría
The Secretary-General of the OECD

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Table of Contents

Abbreviations and Acronyms	14
Executive Summary	17
Chapter 1. Overall Strategies for Public Governance Reform in the MENA Region	29
1.1. Introduction	30
1.2. Drivers for governance reform in the MENA region	31
1.3. The four pillars of governance reform in the MENA	35
1.4. Assigning roles and responsibilities for reform	45
1.5. Implementation strategies for public governance reform	49
1.6. Defining the elements of the action plan	52
1.7. Conclusions	55
Notes	55
Bibliography	55
Chapter 2. Public Employment and Reform of Human Resources Management in MENA Countries	57
2.1. Introduction	58
2.2. Public employment issues in MENA countries	58
2.3. Bahrain case study: The competency-based model	62
2.4. Egypt case study: Capacity management	68
2.5. Morocco case study: Restructuring civil service positions	73
2.6. Tunisia case study: A consultative process	83
2.7. Conclusions	89
Notes	90
Bibliography	91
Chapter 3. Public Finance Management Trends in the MENA Region ..	93
3.1. Introduction	94
3.2. Dominant reform themes in financial governance	94
3.3. Common constraints	99
3.4. Country case studies	99
3.5. Jordan: Removing fuel subsidies	100
3.6. Morocco: A many faceted approach to budget reform	104

3.7. Tunisia: Shifting to dynamic debt management	111
3.8. Egypt: Building capacity for financial governance reform	115
3.9. Conclusions	118
Bibliography	119
Chapter 4. Enhancing Integrity in Public Administration	121
4.1. Introduction.	122
4.2. Jordan case study	124
4.3. Morocco	131
4.4. The Republic of Yemen	136
4.5. Conclusions	141
Notes	143
Bibliography	143
Chapter 5. Ensuring High Quality Regulation	145
5.1. Introduction.	146
5.2. Jordan	147
5.3. Palestinian National Authority	152
5.4. Tunisia	156
5.5. Conclusions	160
Bibliography	164
Chapter 6. Cutting the Red Tape: Simplifying Administrative Procedures in the MENA	165
6.1. Introduction.	166
6.2. What is administrative simplification?	167
6.3. Bahrain	168
6.4. Lebanon	172
6.5. Tunisia	178
6.6. Conclusions	182
Bibliography	185
Chapter 7. Achievements in E-Government	187
7.1. Introduction.	188
7.2. Bahrain	189
7.3. Dubai and the United Arab Emirates	191
7.4. Egypt.	195
7.5. Jordan	199
7.6. Morocco	201
7.7. Conclusions	205
Notes	207
Bibliography	207

Chapter 8. Ensuring the Efficient Use of Public-private Partnerships in MENA Countries	209
8.1. Introduction	210
8.2. Overview of the use of PPPs in MENA countries	212
8.3. Jordan	221
8.4. Tunisia	225
8.5. Conclusions	229
Notes	232
Bibliography	232
Chapter 9. Addressing Gender in Public Management	233
9.1. Introduction	234
9.2. Overview	236
9.3. Egypt case study: Making budgets sensitive to gender	239
9.4. Morocco case study: Mainstreaming gender in public policies and institutions	243
9.5. Tunisia case study: Promoting gender equality through the legal framework	256
9.6. Conclusions	258
Notes	261
Bibliography	263
Chapter 10. The Challenges of Water Governance in MENA Countries ..	265
10.1. Introduction	266
10.2. Water governance in MENA countries: Common challenges despite local differences	267
10.3. Egypt: Regulatory frameworks and PPPs	277
10.4. Morocco: River basin organisation and citizens' participation in water management	282
10.5. The Palestinian Water Authority: Legal developments and challenges	287
10.6. Tunisia: Private sector participation and gender in water policy	289
10.7. Conclusions	296
Notes	299
Bibliography	299
Conclusion: Where Next for the MENA-OECD Governance Programme? Lessons from the Review of MENA Public Governance Reform	301
Annex A. Details of Case Studies Contained in this Report	305

Tables

1.1. Real GDP growth (%) in the MENA and developing countries as a whole, 1996-2008	32
1.2. Labour force growth (%) in the MENA and developing countries as a whole, 1996-2007	32
1.3. Real GDP growth per labour force growth (%) in the MENA and developing countries as a whole, 1996-2007	32
1.4. Accessions of MENA countries to global bodies and conventions, 1981 to 2009.	37
2.1. HR characteristics in the Bahraini administration	64
2.2. HR characteristics of the Egyptian administration	69
2.3. HR characteristics in the Moroccan administration	74
2.4. The category-corps-grade structure before the reform	77
2.5. HR characteristics of the Tunisian administration	83
3.1. Fiscal framework and estimates of net expenditures in a multi-annual perspective	95
3.2. Real income impact of fuel subsidies, Jordan	102
3.3. Example of an MTEF for education programmes	105
3.4. Example 1: Public debt data published with risk-weighting	113
3.5. Example 2: Public debt data published with risk-weighting	114
4.1. UNCAC ratification by the MENA countries	122
8.1. PPPs in the MENA region, 1990-2007	215
9.1. CEDAW signatories: The MENA region compared to OECD countries	239
9.2. Practical measures to build gender capacity within the Egyptian public sector	242
9.3. Integration of gender into ministerial work programmes in Morocco	247
9.4. Examples of sex-disaggregated indicators introduced by Morocco into budget planning and analysis	254
9.5. Measures for reconciling professional with personal life in the public sector, Tunisia	257
10.1. Governance gaps at the horizontal level	269
10.2. Governance gaps at the vertical level	269
10.3. Public, private and mixed models for managing water systems ...	273
10.4. Regulation of water resources in the MENA: Some examples	275
10.5. Institutional framework of the water sector in Morocco	282
10.6. Key challenges in the water and sanitation sector in Tunisia	293

Figures

1.1. Total investment commitments to infrastructure projects with private participation, by region, 1990-2008	41
2.1. Government employment in the four case study countries, 2008 . .	61
2.2. The main elements of HRM reform strategies in the MENA region	63
2.3. Morocco's revised position structure	78
4.1. UNCAC ratification trend, MENA countries 2004-09	123
6.1. Reform trend in MENA countries, <i>Doing Business</i> 2005-10	166
6.2. Tunisia's competitiveness.	179
8.1. Private participation in infrastructure in developing countries	214
8.2. Organisations involved in decisions over PPP contracts, Jordan	222
9.1. MENA countries' reasons for developing gender policies in the public sector	234
9.2. Measures to address gender imbalances in the public sector workforce in MENA countries	235
9.3. MENA countries' reasons for introducing gender-responsive budgeting	235
9.4. Institutions involved in introducing gender analysis in regulatory quality frameworks in MENA countries	236
9.5. Women in ministerial positions per region in 2005 (as % of total)	238
9.6. Women in ministerial positions in 15 MENA countries, 2005 (as % of total)	238
9.7. Women in decision-making positions in the Moroccan public sector, 2001-02 and 2006 (%)	250
9.8. Success factors for mainstreaming gender policies in the public sector in MENA countries	259
10.1. Key institutions in the water and sanitation private sector, Greater Cairo, 2008.	278
10.2. Sanitation in Morocco	287

Abbreviations and Acronyms

BEC	Bureau d'État Civil (Morocco)
BIC	Bahrain Investors' Centre
BOO	Build-own-operate
BOOT	Build-own-operate-transfer
BOT	Build-operate-transfer
BROT	Build-rehabilitate-operate-transfer
CAOA	Central Agency for Organisation and Administration (Egypt)
CAWTAR	Center of Arab Women Training and Research
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CERQ	Regional Centre for Expertise on Regulatory Quality (Tunisia)
COCA	Central Organisation for Control and Auditing (Republic of Yemen)
CSB	Civil Service Bureau (Bahrain and Lebanon)
DGGREE	General Directorate of Rural Works and Water Resources (Tunisia)
EGP	Egyptian pounds (currency)
EOU	Equal Opportunity Unit (Egypt)
EPC	Executive Privatisation Commission (Jordan)
ERRADA	Egyptian Regulatory Reform and Development Activity
EWRA	Egyptian Water Regulatory Agency
FAO	United Nations Food and Agricultural Organization
GCC	Gulf Co-operation Council
GfD	Governance for Development Initiative
GoJ	Government of Jordan
GoM	Government of Morocco
GRB	Gender-responsive budgeting
HRM	Human resources management
HTB	High Tender Board (Republic of Yemen)
IBRD	International Bank for Reconstruction and Development
ICPC	Central Authority for Corruption Prevention (Morocco)
ICT	Information and communications technology
IMF	International Monetary Fund
ISO	International Organization for Standardization

IWRM	Integrated water resource management
JLS	Joint Learning studies
KACE	King Abdullah II Centre for Excellence (Jordan)
MAD	Morocco dirhams (currency)
m³/d	Cubic metres per day
MDG	Millennium development goal
MENA	Middle East and North Africa
MHUNC	Ministry of Housing, Utilities and New Communities (Egypt)
MMSP	Ministry of Public Sector Modernisation (Morocco)
MoF	Ministry of Finance
MoL	Ministry of Labour
MoPSD	Ministry of Public Sector Development (Jordan)
MSAD	Ministry of State for Administrative Development (Egypt)
MTEF	Medium-term expenditure framework
NCW	National Council for Women
NGO	Non-government organisation
NIHD	National Initiative for Human Development (Morocco)
NRA	National Reform Agenda (Republic of Yemen)
OMSAR	Office of the Minister of State for Administrative Reform (Lebanon)
ONAS	National Sanitation Bureau (<i>Office National de l'Assainissement</i>), Tunisia
ONEP	National Office of Potable Water (Morocco)
ORMVA	Irrigation Development and Management Agencies (Morocco)
OSS	One-stop shop
PFI	Private finance initiative
PFTI	Public Finance Training Institute (Egypt)
PNA	Palestinian National Authority
PPI	Private participation in infrastructure
PPP	Public-private partnership
PRSP	Public Sector Reform Programme (Jordan)
PWA	Palestinian Water Authority
RICS	Remote Information and Communication System
SBO	MENA Senior Budget Officials Network
SNACC	Supreme Authority for Combating Corruption (Republic of Yemen)
SONEDE	National Company for Water Development and Distribution (<i>Société Nationale d'Exploitation et de Distribution des Eaux</i>), Tunisia
TND	Tunisian dinars
UAE	United Arab Emirates
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Program

UNIFEM	United Nations Development Fund for Women
USAID	United States Agency for International Development
VFM	Value for money
WGIII	Working Group III on Financial Governance
WTO	World Trade Organization

Executive Summary

The driving forces of reform

Over the past five years the MENA region has made a strong commitment to the reform of public governance. What have been the driving forces behind these reforms? Many MENA governments cite the need to attract investment and support economic growth as their primary motivation, based on growing recognition that weak public governance can pose a major barrier to private sector growth. Dissatisfaction with the comparatively weak growth performance of the region compared to other developing regions has also fuelled this response. Other governments have cited the need to combat corruption and state-building objectives as primary drivers for their comprehensive governance reform programme. The growing use of international rankings and greater collaboration with international conventions (such as World Trade Organisation membership) have also highlighted areas of governance needing attention, motivating and assisting governments to take action on a broad front.

This report reviews achievements in implementing public governance reforms in nine areas: human resource management, public finance, integrity, regulation and law drafting, administrative simplification, e-government, public-private partnerships, gender, and water resource management. Each area of reform is treated through a discussion of overall strategies and country case studies (listed in Annex A) profiling achievements in the first decade of the 21st century, and particularly the past five years.

Chapter 1 examines the overall strategies used by MENA governments to pursue reform, drawing on the rich experience contained in the nine chapters that follow. This review finds that two governmental poles have typically led these reform programmes across the region. Overall leadership has come from the prime ministers' offices, with technical support from two specialised units attached to the prime ministry: ministries of public sector reform (a common feature of regional governments) and civil service bureaus. Despite tackling a broad agenda with very limited personnel and few if any operations outside the capital, these units have played key strategic, co-ordination and monitoring roles. Finance ministries have also played a key role in reform implementation. As a major line agency with countrywide operations and day-to-day involvement with other central government agencies, ministries of finance have a strategic

overview of government, both horizontally and vertically. Supported by generally strong management teams and greater operational flexibility than other line ministries, they have become centres for experimentation and innovation, even in non-financial areas such as outsourcing, public-private partnerships, e-government and personnel management.

While reform strategies have naturally varied across countries in the region, they generally emphasise four pillars of public governance: policy-making capacities, public finance, human resource management and the rule of law. In reforms to each of these areas, governments have taken different approaches with differing results. Although it is impossible to generalise about such a diverse region, one overall impression from the case studies is that the most effective approaches have included consultation with internal and external stakeholders, experimentation to test innovations followed by a gradual, decentralised approach to implementation. These have tended to outperform top-down, centralised and non-participatory approaches. Value-based methods, such as developing codes of conduct, have also helped, when combined with stakeholder consultation and participation in implementation. Sustained leadership and determination in the face of the inevitable barriers have also been key to success in the MENA, as in other regions.

Thematic issues

Improving the management of human resources in the public sector

Chapter 2 describes how the countries of the MENA region are moving from traditional personnel management systems that were weakly professionalised and routine-driven towards integrated human resources management strategies using performance-based tools. To support this change, most of the MENA countries have also revised their civil service legal framework in the past few years or are in the process of doing so. The public administration is still seen as the employer of first and last resort, particularly in countries struggling to find jobs for young market entrants. At the same time, MENA governments favour private sector growth and are thus shaping new HRM rules to favour private sector job creation so as to reduce reliance on the government as the major employer.

Reform efforts are mainly driven by a desire to build more sustainable and responsive public workforce policies by: i) increasing government capacity for strategic HR management and workforce planning, anticipating labour force changes and ensuring that capacities remain in place; ii) strengthening performance-oriented policies and processes to reflect individualised HR practices and to move away from regulation-based procedures; and iii) increasing

the flexibility of HRM processes and frameworks. To illustrate these efforts, four cases studies are presented in Chapter 2.

In **Bahrain**, business process transformation, new outputs and fluctuating demand are constantly changing the skills and competencies required by public sector staff. This is why a competency-based model has been adopted. It aims to enhance organisational performance by matching competencies to agency needs, to strengthen workforce planning arrangements and to make the public workforce more responsive. In **Egypt**, significant improvements to capacity management have been accomplished by progressively delegating the HR decision-making process to ministries and local administrations, restructuring job classifications, creating new capacity-building institutions, and adjusting tools to improve workforce planning, including a staff database. In **Morocco**, the government has built an integrated workforce planning system in order to reprofile the public workforce based on a new job classification, systematic updating of post descriptions within each ministry, and aligning capacity with technological change and new civil service missions. In **Tunisia**, an innovative approach has put consultation with employees and other stakeholders at the centre of the reform process, leading to more rapid progress on fundamental civil service reforms and reflecting best practice from OECD countries on managing change.

Improving the management of public finances

Sustainable public finance is a major governance challenge for MENA and OECD countries alike. Many countries are launching reforms in financial governance. Chapter 3 notes that there are two interrelated and ambitious reform strands in public finance for most countries in the MENA region: i) adopting a medium-term expenditure framework (MTEF) and a programme structure for the expenditures budget; and ii) using a performance budgeting framework for designing and carrying out improvements in service delivery and targeting. The chapter presents a global view of these reforms, and focuses on four case studies to show how reform initiatives have progressed from plan to realisation.

The new regional Public Finance Training Institute (PFTI) in **Egypt** is mobilising regional and international technical resources to support MENA countries modernising their financial governance systems. Implementing such changes is very demanding on civil servants, who have to ensure continuity while putting in place and fine-tuning new structures, methods and concepts. The PFTI combines national and regional perspectives to deal with key constraints to financial management initiatives region-wide, such as the scarcity of adequately trained personnel and the need to expand capacity at all levels.

Eliminating oil and food subsidies in **Jordan** between 2004 and 2008 enabled the country to address the great fiscal pressure imposed by continuous increases in subsidised distribution programmes. This approach gradually phased out almost all petroleum product subsidies and a proportion of food subsidies by 2008. To mitigate the effects of eliminating subsidies, compensatory measures were designed to increase salaries for all government employees, ensure direct cash payment to non-government workers or pensioners with low incomes, increase the payment to the beneficiaries of the National Aid Fund and hold the price of bread constant.

Morocco is well advanced on its ambitious and comprehensive budget reform. Its objective has been to put in place a complete set of financial governance institutions and practices in keeping with the highest international standards. The overriding theme is performance budgeting and management to increase the quality of services and lower their costs. This reform involves a transition to a programmatic medium-term expenditure framework (MTEF), giving ministries more autonomy in managing budgetary allocations, modernising expenditure controls (emphasising *ex post* over *ex ante* controls to give increased flexibility to managers and more accountability for specific and controllable results), and a budgetary information system.

Switching to a dynamic debt management system has enabled **Tunisia** to ensure fiscal sustainability. Tunisia's external debt had reached 38.9% of debt in 2003. This prompted the country to identify ways to reduce and manage the ensuing risks and costs. The reformed management system enables the government to avoid uncertainties and to maintain the rigorous expenditure control which has become the country's hallmark. Based in part on this achievement, the Davos Forum's *World Report on Competitiveness* ranked Tunisia second in the Arab world and Africa based on its good management of public expenditure. The key elements put in place by this reform are: i) a complete data bank providing transparent information on all aspects of public debt which are relevant to risks and opportunities (interest rates, scheduling, lenders, currencies); and ii) the creation within the Ministry of Finance of the General Directorate for Public Debt Management and Financial Co-operation, which became the central focus for all debt management responsibilities.

Fostering integrity in the public sector

Fighting corruption in the public sector has become a frontline issue in MENA countries over the past five years. One driving factor has been a shift in the mindset of governments from admitting the existence of corruption to recognising that corruption hinders economic and social development, distorts markets and competition and undermines the legitimacy and

credibility of governments. A second driver has been the United Nations Convention Against Corruption (UNCAC), ratified between 2004 and 2009 by a large number of countries in the MENA region. The ratification of this international binding agreement has pushed MENA countries to adopt anti-corruption and integrity measures. These mainly focus on reforming the legislative and institutional framework and reinforcing a culture of integrity in the civil service, as described in Chapter 4.

Jordan is considered a pioneer country in governance reforms in the MENA region. In 2006, under the auspices of the Ministry of Public Sector Development (MoPSD) and the Civil Service Bureau (CSB), Jordan issued a code of conduct and ethics in the civil service and launched a campaign against *wasta* (favouritism). The code aims to enhance integrity in the civil service and closes loopholes in the Civil Service law on accepting gifts and conflict of interest.

The **Moroccan** government established a Central Agency for Corruption Prevention (ICPC) in 2007. The plenary assembly of the ICPC is composed of representatives of line ministries, professional associations, and members appointed by the Prime Minister to represent civil society, academia, corruption prevention NGOs and the Ombudsman Bureau. The ICPC's main objectives are to propose strategic directions for a corruption prevention policy, build a database on all information related to corruption, inform the judiciary of corruption cases and organise corruption awareness campaigns. In 2007 Morocco also adopted a new transparent procurement system which outlines the conditions and terms for awarding government contracts and rules governing their management and control.

In 2006 **Yemen** developed a comprehensive governmental National Reform Agenda (NRA), with the collaboration of its international development partners. The NRA's central anti-corruption and integrity component pledges the Government of Yemen to reform the legislative framework to make it more effective in preventing corruption. The government started its reform by adopting an anti-corruption law which clearly defines corruption, creates an anti-corruption agency, protects "whistle-blowers" and prohibits former public servants from benefitting personally from their previous posts. Yemen has also adopted a law on financial disclosure that requires all senior public officials, including the president, to complete financial statements.

Ensuring high quality regulation

MENA countries have improved legislative drafting capacities in recognition of their role in improving regulation. Given the volume of current regulatory activity, committed political and institutional will are needed to improve the quality of regulation in general, and legislative drafting capacity in particular.

The four case studies presented in Chapter 5 explore the legislative drafting process, identify guidelines to ensure technical and procedural consistency in drafting, and outline training activities and programmes for legislative drafters.

In 2007, **Egypt** launched the Egyptian Regulatory Reform and Development Activity (ERRADA). This initiative has now completed its first stage, which involved a decentralised effort by a dozen ministries, guided by an inter-sectoral advisory council, to compile an exhaustive inventory of all legislation that affects Egyptian businesses. This initiative, now permanently housed within the Ministry of Trade and Industry, is also reviewing the inventory in conjunction with government and private sector stakeholders. This process demonstrates the value of an open approach to reviewing legislation and has paved the way for impact assessment on regulations affecting economic activity in Egypt.

Jordan's National Agenda (2005-15) identified justice and legislation, political development and inclusion, and infrastructure enhancement as its strategic themes. In 2009, an inter-ministerial steering committee was created to implement the National Agenda in the context of the current economic trends affecting the nation. Two legal databases were developed to provide legislative drafting support, one by the government (the National Information Technology Centre, in co-operation with the Legislation and Opinion Bureau, the office of the Prime Minister, the Ministry of Justice, the Parliament, the Judicial Institute and the National Library) and the other by the private sector (the Adaleh Centre for Legal Information).

The **Palestinian National Authority** has implemented several interrelated measures to enhance legislative drafting capacity. Since the establishment of the authority in 1994 and the subsequent coming into operation of its legislature, the Palestine Legislative Council, there have been significant changes in the structure of its executive. These developments have led to the creation of several new bodies to support the drafting process. In 2007, the Council of Ministers established the higher National Committee on the Legislative Plan to develop a systematic plan for preparing government legislation. In addition, to enhance standards and encourage consistency in drafting legislation, the Birzeit University Institute of Law, under agreement with the Ministry of Justice, has developed a three-month diploma programme on legislative drafting.

In 1996, **Tunisia** adopted a plan to upgrade its administration. This plan, initially implemented under the 9th Development Plan (1997-2001), reorganised primary and subordinate legislation; modernised the working procedures of the state administration, including a programme of computerisation; and realigned the relationship between the government and the citizen. Structural adjustment, begun in the late 1980s, is currently being carried forward within the

11th National Development Plan (2007-11), which includes a commitment to improve the business environment by modernising laws and regulations, revising and simplifying their content, and training legal specialists in ministries.

Overcoming barriers to administrative simplification

Excessive administrative burdens increase transaction costs in the market, impede the competitiveness of firms, limit initiative and encourage an informal economy. Overcoming such problems requires policies to improve the regulatory framework, streamline administrative procedures and reduce paperwork. The most basic objective of such programmes is to reduce red tape and its heavy burden on citizens, businesses and public administration. Chapter 6 describes recent administrative simplification experiences in Bahrain, Lebanon and Tunisia.

In recent years **Bahrain** has become impressively modernised. This has involved administrative simplification as a way to “create an environment highly conducive to entrepreneurship and innovation”. This modernisation has proceeded quickly driven by high-level political support, the creation of a Civil Service Bureau, co-ordination by several institutions and the development of tools for information and communications technology (ICT). The country also developed the Bahrain Investors’ Centre in 2003 as a one-stop shop that makes the process of registration more efficient and transparent for companies. The Ministry of Municipalities has also set up the Municipal One-Stop Shop as a single point for building permit requests for commercial centres and offices. The Bahraini e-Government Authority has launched a central website portal – Bahrain.bh – to provide a single reference point for information on Bahrain.

In **Lebanon**, the government has also been eager to promote administrative simplification. The process began in 2000 by putting together a team of experts to design specific reform proposals, provide training, prepare guidelines and establish links between officials across government. The use of e-government has been maintained throughout the 2000s in order to modernise public administration. Both e-government and administrative simplification can benefit from being combined strategically. To support the e-government strategy, a new Administrative Simplification Unit was created in the Office of the Minister of State for Administrative Reform (OMSAR), which promotes reform and builds capacity. In co-operation with Libanpost, for example, it has established an express mail service that facilitates the exchange of official documents between citizens and the public administration. This case highlights the importance of high-level support and a user-friendly approach.

The **Tunisia** case study describes a re-engineering process, the National Strategy for Administrative Development (2007-11), through which administrative simplification is driven by the Prime Ministry. The goal is to improve transparency and limit discretion where there can be opportunities for corruption. Monitoring mechanisms, such as the Citizen Supervisor (established in 1993), have helped to improve service delivery. To facilitate economic activities, a reform to eliminate 90% of traditional licenses and permits was initiated in 2004. Furthermore, commitment to the ISO 9001 quality management mechanism has driven the government to improve administrative procedures – the ISO system requires more transparent, accountable and efficient mechanisms.

Achievements in e-government

The use of information and communication technologies to assist in governmental activities is common in the MENA region. Concerted efforts to apply these technologies systematically to public services and for improving governance practices have become widespread over the past five years. The region therefore offers a very broad range of experience in this area. Countries like Egypt, Morocco and Jordan are primarily concerned with basic implementation – largely in the context of improved administration – while countries like Bahrain and Dubai are applying e-government good practice quite widely to expand services to citizens and to foster inward investment and growth. Chapter 7 concentrates on these recent efforts, focusing on five countries (Bahrain, Dubai, Egypt, Jordan and Morocco) that illustrate a range of practices in a variety of contexts. In **Bahrain**, trained intermediaries help the public to accept and use new e-government services. Initially pioneered by the telecommunications authority to assist clients with electronic bill payment, these intermediaries are qualified, sympathetic and enthusiastic young officials who guide citizens in the hands-on use of many different functions.

The company-registration scheme run by **Dubai's** Economic Development Agency demonstrates the potential, and the challenges, of large-scale horizontal co-ordination. The private sector stands to benefit significantly from the automatic co-ordination of the dozen agencies involved in registering a new company.

Egypt began e-government with back-office and decision support systems for government, dating back to the late 1980s. It has extended the technology to citizen services like the national births, deaths and marriages registry. The importance of high-level sponsorship for such major implementation is imperative and the Egyptian Cabinet of Ministers, through its in-house Information and Decision Support Centre, has led the application of state-of-the-art practice.

Jordan created a new Ministry of Information and Communications Technology (MoICT) in 2002 to guide ICT policies, regulation and operation and serve as a “single point of contact” for all stakeholders in Jordan’s ICT sector. It also launched a new regulator for the sector. E-government services cover both citizen services and government operations. The Ministry of Education website is an example of active government engagement with citizens. For example, it offers e-mail notifications of school schedules and administration and encourages citizen participation, as well as allowing online payments.

In **Morocco**, significant advances have been made by the national e-government initiative. A new five-year plan will bring e-government into the context of broader ICT industry support, including a push to make Morocco an attractive location for ICT off-shoring activities and providing new support for research and development

Ensuring the efficient use of public-private partnerships in MENA countries

Public-private partnerships represent a real opportunity for the countries of the MENA region, which often have high infrastructure requirements but low quality public service performance. Through two case studies, **Tunisia** and **Jordan**, Chapter 8 shows how governments in the region are implementing ambitious PPP policies to resolve some of these issues. The case studies focus on public decision-making, adaptation of PPP legal frameworks and strategies to strengthen administrative capacities for PPP contract design, negotiation and implementation. These two cases demonstrate that PPPs can accelerate improvements to public infrastructure, which is fundamental for economic growth and better citizen access, service efficiency and service quality.

Three PPP contracts have already been launched in **Jordan**. These include the Assamra water treatment plant, the Queen Alia Airport in Amman and a contract for processing medical and industrial waste in the Amman area. The Assamra project is a BOT-type contract (build, operate and transfer) concluded in 2002 with a planned private investment of some USD 169 million and a mandate to provide water treatment services and supply water for irrigation. The logic of forming consortia to bid on PPP projects requires that the group assemble all the competencies necessary to fulfil the contract, which may involve complex partnering arrangements.

The **Tunisia** case study explores PPP contract examples like the concessions awarded for the airports of Enfidha and Monastir and for water treatment in El Al and El Attar (II). These examples combine the BOT model for new infrastructure with the BROT (build, rehabilitate, operate and transfer) model for existing

infrastructure. The latter model permits the operator to repair and make use of existing infrastructure while also expanding the facility, reducing the need for financing, making leverage ratios more attractive to funders, and potentially reducing construction costs. This model may be particularly appropriate during the present financial crisis, which is impeding project financing.

Introducing gender approaches to public management

Within the broader reform framework, several MENA countries have analysed their institutions and processes from a gender perspective and have started to address gender imbalances in decision-making. This involves considering the different needs of men and women in setting policies and spending patterns, and implementing mechanisms to ensure equal treatment in public institutions and before the law. The case studies selected in Chapter 9, **Egypt**, **Morocco** and **Tunisia**, show how some countries are using consolidated strategies and whole-of-government approaches to make governance more gender-sensitive. Egypt and Morocco have both developed interesting strategies for promoting gender equality in the public sector, while Tunisia offers a noteworthy approach to enhancing women's status in society.

Egypt launched a comprehensive gender approach in 2000 following the formation of the National Council for Women (NCW) by presidential decree. Reporting to the President of the Republic, the NCW provides the high-level leadership needed to advance a complex and cross-cutting issue like gender. NCW has launched initiatives to mainstream gender in the national budget, to incorporate gender more fully in public policy, and to strengthen the gender dimension in the Social and Economic Development Plan. The NCW has also prepared two five-year plans, one aimed at the central level (2002-07) and the other at the governorate level (2008-12), and has spearheaded several institutional changes to implement these plans. It recommended establishing Equal Opportunity Units in each ministry to mainstream women's concerns and to track and combat workplace discrimination against women. In 2001, NCW also established an ombudsman's office, to which citizens can bring discrimination complaints. The NCW has provided training in gender participatory planning for 22 line ministries and 179 (of the 232) regional governments at district level.

The **Moroccan** experience shows that the basic elements in this process are consistent leadership, a clear strategy driven down through the government at ministry level and translated into specific action plans, and the engagement of key external stakeholders. The Moroccan government has invested in solid research that provides a strong evidence base for reform; in training

programmes targeted to specific audiences within government and civil society to disseminate gender tools and practices; and in gender-specific staff units to oversee these programmes and promote inter-ministerial co-operation. Other measures that bring attention to gender concerns include gender budgeting, which identifies areas where revenues or expenditures may need to be restructured in order to promote gender equality. This has gained further impetus from Morocco's recognition of the link between gender budgeting and achieving the Millennium Development Goals (particularly MDG 3 on the promotion of gender equality and the empowerment of women, and MDG 8 on support to international co-operation).

Tunisia is a regional pioneer in promoting gender equality: it has amended the national legal framework and has complied with UN conventions. The legal measures taken by the government address the status of women in the family, in society, in the workplace and before the law. They aim to ensure equal access to public services, public functions and equal participation in social welfare improvements and economic growth. Tunisia was also the first MENA country to introduce measures to allow for the reconciliation of family and professional life. Article 11 of the General Statute for Public Sector Staff stipulates equal access to the public sector, equal treatment in terms of hiring, capacity development and promotion, as well as equal remuneration of men and women.

*Enhancing environmental governance:
The case of water*

Governments of the water-scarce MENA region are well aware of the urgent need for new water policies in order to fulfil administrative, information, policy, capacity and funding gaps, and ensure sustainable use of this scarce resource. Some countries, such as Morocco and Tunisia, started to reorganise their water sector almost two decades ago, while others are still at the very beginning of the process. Chapter 10 gives an overview of the main challenges linked to water governance in the MENA region. Four case studies are discussed: Egypt, Morocco, the Palestinian National Authority and Tunisia.

Egypt has made considerable progress in providing pure drinking water, which now reaches all citizens in both urban and rural areas. A decision was made in 2004 to rationalise the organisation of the public water sector and centralise all water activities. A presidential decree groups all drinking water and sanitation entities under one holding company. Furthermore, a PPP Central Unit was established within the Ministry of Finance, as well as satellite units in line ministries. Potential PPP projects were identified as part of line

ministries' five-year strategic plans, and budgetary and accounting practices were finalised to support PPP transactions, the first of which (for wastewater treatment in New Cairo) was awarded this year.

In **Morocco**, the reform of the water sector has led to significant changes since the introduction of the Water Code in 1995. Nine River Basin Organisations (and 6 delegations) have been created as nodal agencies for water administration at the regional level. These River Basin Organisations are legally and financially independent. They are financed through users' fees and can lend money for different local investment programmes in water. The code also created the High Council for Water and Climate, an interministerial committee to reinforce horizontal and vertical co-ordination among the different actors in the water sector. Gathering different representatives from the public sector, as well as non-government stakeholders, this council is in charge of assessing the national strategy on climate change and its impact on water resources; the national hydrological plan; and integrated water resources planning.

The Palestinian National Authority established the Palestinian Water Authority (PWA) following the signing of the Oslo Agreement in 1995. The PWA prepared the National Water Plan of 2000, which sets the direction until 2020 and proposes specific actions to achieve its goals. It describes the role of service providers and shifts the functions of the PWA to regional utilities for operations, maintenance, repairs, wastewater collection and treatment, bulk water supply, water reuse, and allocation for industrial and agriculture use.

Tunisia has made water management one of its top priorities. A decade (1990-2000) of concentrated effort to implement a national strategy to mobilise the water resource and improve networks has led to the creation of 21 barrages, 203 hillside barrages, and 580 small catchment ponds, mobilising 85% of the country's water resources potential. Since the beginning of the 21st century Tunisia has moved towards integrated water resources management, which is a more comprehensive approach.

Chapter 1

Overall Strategies for Public Governance Reform in the MENA Region

This chapter examines the overall strategies that MENA governments have adopted to pursue reform, drawing on the rich experience contained in the nine chapters that follow. The review concludes that in each of the policy areas examined, governments have applied different strategies to advance the reform agenda, with differing results. While the review refrains from generalising about such a diverse region, it shows that reform paths involving consultation with internal and external stakeholders, experimentation to test innovation, and then a gradual, decentralised approach to implementation tend to outperform top-down, centralised and non-participatory approaches. An overall finding from the case studies is that value-based methods, such as developing codes of conduct, have made a contribution where combined with consultation and including stakeholders in implementation. Sustained leadership and determination in the face of the inevitable barriers have been key to success in the MENA, as in other regions.

1.1. Introduction

To reform public governance and to better meet the needs of their citizens, the governments of the Middle East and North Africa (MENA) region are taking steps to improve management of personnel, to strengthen public finance, to build the rule of law, and, with determined strategies, to strengthen regulatory and policy-making capacities. These efforts go beyond previous reforms – widely seen to have fallen short of their goals in many cases – to initiate a broad, transformative process of governance reform. This process involves much more than introducing specific reforms, although such concrete measures have been central to the process. Across the region, countries are taking on the difficult governance challenges that have impeded progress in the past, from reorganising outdated personnel structures to tackling corruption.

Each of the chapters that follows examines what has been achieved in one of the main areas of emphasis within the overall effort to strengthen public governance in the MENA region. Chapters discuss progress in human resource management, public finance, integrity, law drafting, administrative simplification, e-government, public-private partnerships, gender approaches in public governance and water management. Looking across the diverse experiences in each of these areas, it is evident that the reform process in the MENA region has its own internal logic, strategic directions, approaches and paths.

To shed light on this process, this chapter examines the overall strategies that MENA governments have adopted to drive public governance reform forward. The approach that countries choose to strengthen public governance has an impact on the path they take and the level of success they achieve. The chapter is organised around six broad questions:

- i) Why have MENA governments launched broad reform efforts: what have been the drivers for reform?
- ii) How have these drivers shaped the strategic directions set for the reform?
- iii) How have governments translated these strategic directions into a broad agenda for action?
- iv) How has the reform process been led: which agencies have taken the lead in planning, organising and co-ordinating the reform, and assessing its achievements?

- v) What implementation strategies have these agencies used to tackle the broad reform agenda?
- vi) What specific approaches have been adopted to push action forward across the government?

This chapter does not attempt to assess progress made in public governance reform as a whole. Instead, it seeks to provide a broader context for the discussions of achievement in the nine public governance reform areas discussed in the later chapters, to set this sector-by-sector stocktaking in the overall framework of public governance reform in the region, and to shed light on how further progress can be made.

In order to address important but sensitive questions of how countries have organised for reform and, in particular, which strategies can be seen to work better than others, this chapter is organised differently to the nine issue chapters that follow. Although specific country experiences are presented when they can shed light on the discussion (listed in Annex A), overall country case studies are not presented. Instead, the discussion examines the six issues listed above from a regional perspective. This high-altitude viewpoint facilitates a discussion of what has worked and what has not, without putting forward judgements of individual country performance. Such judgement would go beyond the current state of knowledge about a reform process that remains very much a work in progress.

1.2. Drivers for governance reform in the MENA region

While the motivations for launching public governance reform are as diverse as the region's countries themselves, the majority of reform leaders interviewed for this report stressed their governments' desire to accelerate economic growth as the main driver for their country's public sector reform.

Booming growth in China, and more recently in India, had driven home to governments the unwelcome realisation that their countries were being bypassed in many areas. The expanding collection of global ranking systems – the World Bank's Doing Business and World Governance Indicators, private initiatives such as Transparency International and Freedom House rankings, technical assessments such as the UN's e-readiness rankings, for example – underscored, despite their conceptual and data limitations, that performance in many areas was not where governments wanted it to be. These external assessments served to reinforce commitment to reform, driven also by internal forces such as the need to improve citizen services, to attract more foreign direct investment, and, in particular, to create jobs for young school-leavers. It is these concerns, rather than external pressure, that have been the central motivations for reform in the region.

MENA governments realised that their countries were lagging behind their peers in too many areas. Despite the Asian financial crisis of the late 1990s, the MENA countries were being outperformed by the leading emerging countries, such as Korea and Taiwan, and the emerging market powerhouses making up the “BRIC” – Brazil, the Russian Federation, India, and China. The emergence of the G20 as a new international grouping for these rapidly growing middle-income countries, including some in the MENA region, served to further reinforce the distinction between leading and lagging countries in the developing world.

As shown in Tables 1.1-1.3, the MENA region has consistently grown more slowly than other developing regions, while its labour force has grown more quickly.

Table 1.1. Real GDP growth (%) in the MENA and developing countries as a whole, 1996-2008

	1996-99 average	2000-06 average	2007	2008 estimate
MENA (excl. Iraq)	3.5	4.9	5.6	6.1
All developing countries	4.2	5.7	8.2	5.9

Sources: World Bank (2009), 2009 MENA Economic Developments and Prospects, World Bank, Washington DC; World Bank (2008), 2008 MENA Economic Developments and Prospects, World Bank, Washington DC.

Table 1.2. Labour force growth (%) in the MENA and developing countries as a whole, 1996-2007

	1996-99	2000-04	2005	2006	2007 estimate
MENA (excl. Iraq)	3.7	3.7	3.3	3.6	2.8
All developing countries	1.7	1.7	1.7	1.7	1.7

Sources: World Bank (2009), 2009 MENA Economic Developments and Prospects, World Bank, Washington DC; World Bank (2008), 2008 MENA Economic Developments and Prospects, World Bank, Washington DC.

Table 1.3. Real GDP growth per labour force growth (%) in the MENA and developing countries as a whole, 1996-2007

	1996-99	2000-04	2005	2006	2007 estimate
MENA (excl. Iraq)	-0.1	1.2	2.4	2.1	2.8
All developing countries	2.3	3.2	5.0	5.7	5.6

Sources: World Bank (2009), 2009 MENA Economic Developments and Prospects, World Bank, Washington DC; World Bank (2008), 2008 MENA Economic Developments and Prospects, World Bank, Washington DC.

Governments in the region identified improvements in public governance as a central element in their strategy to reverse this situation and to accelerate growth. Two brief examples illustrate this linkage, which positions public

governance reform as a necessary step to permit the private sector to flourish as well as to meet citizen expectations for how they are governed:

- i) The Tunisian Government's October 2007 administrative development strategy offers an overview of the 2007-11 development plan and projects a vision for a new generation of reforms (covering 2007 to 2016): "This is a crucial phase in which Tunisia seeks to raise its rate of growth in a globalised economic environment, at the end of which it aspires to attain the level of a developed country" (République Tunisienne Premier Ministère, 2007: author's translation).
- ii) The overall vision document for Bahrain 2030 cites five expectations that Bahraini citizens hold for their government. The third of these – that "a predictable, transparent and fairly enforced regulatory system facilitates economic growth" – clearly links governance to growth (the Government of Bahrain, 2008).

The public governance component of the MENA-OECD initiative¹ is thus not separable from the investment component, as seen by the participating governments, but a closely related element in their drive to modernise their economies, to create jobs, and to attract investors. MENA governments have fully internalised the message that weak public governance reduces foreign investment and holds their own companies back.

Two other challenges have also motivated particular MENA governments to inaugurate public sector reforms: the need to put an end to corruption and its debilitating effects on public sector performance, and the challenges of nation building. For example, Morocco and Yemen have both identified the need for public sector reform within their strong commitment to overcome corruption.

Moroccan officials identified the fight against corruption as the main initial motivation for their reform efforts. However, they argued that as reform planning progressed, they realised that corruption could not be tackled on its own, but only as part of a broader effort to address the root causes of weak governance, of which corruption is a symptom. In Morocco, the reform team analysed the origins of corruption, which led them to focus on other aspects of public sector governance, gradually widening the reform agenda until it essentially encompassed all of the key areas identified in the GfD agenda. They recognised for example that overly complex processes can open the doors for corruption. To avoid this, administrative simplification is needed, along with using e-government to redesign and streamline processes and to separate the customer from the individual service provider. They also found that weak connections between pay and performance and an overly rigid personnel management system left public sector employees open to the temptation of corruption and discouraged them from focusing on citizen needs. This also led the reform team to include human resources

management in their reform agenda. Similarly, better management of public finances would clearly be needed to identify and control corruption, including in public procurement.

Yemen's National Reform Agenda, adopted in 2006, placed corruption even more centrally within the reform programme. It made "improving Yemen's investment climate and strengthening democratic institutions" as the overall objectives of the reform agenda (Yemen MoPIC, 2006). Within the central reform agenda category of enhancing transparency and fighting corruption, the government identified 11 interrelated items: strengthening political commitment, conducting a national anti-corruption awareness campaign, adopting a financial disclosure law, reforming procurement, adopting an anti-corruption law, formulating clearer manuals for government services, developing a biometric ID system, increasing the independence of the Central Organization for Control and Audit (COCA), participating in the Extractive Industries Transparency Initiative (EITI), implementing a public finance management strategy, and improving transparency in oil exploration (see Chapter 4 for further discussion of Yemen's anti-corruption programming). Many of these initiatives also linked to Yemen's aim to improve public sector services, establishing the same connection identified by Morocco's reform team.

A third major driver for some of the countries in the region has been the need to formalise and strengthen the state itself. This was the central motivation for setting reform programme directions in Bahrain as well as in countries struggling with conflict (notably the Palestinian National Authority). Bahrain's statebuilding process encountered a barrier only a few years after it attained independence, when unrest led to the dissolution of parliament in 1975 and a long period of rule by decree. The succession to the throne of Emir Hamad bin Isa al-Khalifa in 1999 represented a major turning point. It was followed in 2002 by the adoption of a constitution and, in quick succession, basic laws in several key areas, including separation of powers, organisation of a formal judiciary, reorganisation and strengthening of the prime minister's office, and creating the *Momtalakat*, a state holding company for the crown properties. This process continues with new laws under development in emerging areas such as e-government.

A final driver, the need to improve services to citizens, has played a supporting role in the MENA region's public governance reforms to date. However, this is positioned to take on much more importance in the next stage of the public governance development. All governments place a certain emphasis on delivering services to citizens, from education and healthcare to water, electricity and other utilities. The administration of government also requires interacting directly with citizens, of course, to provide them with essential government services (*e.g.* drivers' licenses, birth certificates, etc.).

This motivation has therefore been particularly important in four of the areas described in the chapters on e-government, administrative simplification, public-private partnerships and water. MENA governments have used administrative simplification and e-government techniques in tandem to make necessary government transactions less cumbersome to citizens, to reduce their cost to government, and to promote integrity.

Regarding delivery of services through public utilities,² the introduction of public-private partnerships has been an important development in service delivery in the MENA region, but it has not displaced public provision as the lead method for delivering these services. Its primary impact has been to mobilise private capital for upstream provision (power generation or water treatment, for example), with only a few cities shifting to private provision at the customer level. The exception is telecommunications, with private mobile telephony growing to serve a large share of the market everywhere, following economic reforms.

Indeed, economic restructuring and promotion of private economic activity have been a much more important driver for reforms in the MENA than the improvement of citizen services. Increasing government efficiency so as to save and redirect financial resources towards higher priority uses should also be seen as standing higher up the governments' agenda than services to ordinary citizens.

This situation is changing rapidly, though, as the region's governments have recognised that weaknesses in citizen services have become barriers to economic development as well as to achieving the broad-based transformation they seek for their countries. The need for better citizen services to carry economic growth forward is particularly urgent in education and healthcare, but has also emerged in areas such as public transportation, provision of support to the poor and disabled, and housing.

This is not to say that governments are not concerned about their citizens' needs and the quality of their lives, but only to recognise that the emphasis has been placed on creating economic opportunity through promoting investment and private sector growth. The need for jobs regularly appears high on the lists of citizen priorities, as well, so the emphasis on growth does have public support. Growth cannot be sustained without a well-educated and healthy population, however, so the agenda of citizen service improvement will need to merge with and reinforce the economic growth agenda in the coming years.

1.3. The four pillars of governance reform in the MENA

Public governance reform in the MENA rests on four interconnected pillars:
i) human resources and capacities; ii) public finance; iii) regulatory policies and

the rule of law; and iv) policy-making capacity. Reduced to its core, governance reform in the MENA constitutes a broad-based effort to improve government productivity in these areas. The productivity of government resources is widely regarded as being too low in the MENA (or, in other words, the quality of public governance needs major improvements). Thus, the rationale for focusing on these four core resources is clear: improving the productivity of financial and human resources, the rule of law and public policy capacities is fundamental to making progress in virtually every government function. Governments can only improve services and meet public needs if they are soundly managing their public finances, managing and motivating public service employees, and performing both of these functions within a framework of effective rule of law, guided by sound policies. Without these conditions, reform efforts in other areas will be difficult to pursue.

This fundamental logic has driven public governance reform in the MENA over the past decade because the region's governments have recognised the link between better public governance and better economic performance. It is reflected in the agenda formulated by the countries for the Governance for Development Initiative itself and in the mandates of the agencies that have led the reform processes described in the following chapters.

In each of the four pillars, the overall logic of the approach has been similar. First, as further explored below, governments have devoted considerable effort to strengthening the foundation underlying each pillar. Country reform leadership teams have generally found that these foundations were not strong enough to support the ambitious reforms they wished to introduce, and that it was necessary first to go back and reinforce the foundations. Particularly in civil service reform, this involved changing the fundamental laws, a complex task and one that has everywhere required several years of sustained and determined efforts.

Second, governments have worked to bring public governance in each pillar into the international mainstream. Where widely-recognised standard practices have emerged – for example for the adoption of medium-term expenditure frameworks, or applying workforce planning to the civil service – governments have focused on implementing these approaches in the MENA, adapting them to local needs and conditions in each country. Table 1.4 illustrates how MENA countries have joined the international mainstream, not only adhering to existing agreements on a broader basis, such as *The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)* and the World Trade Organization (WTO), but also moving more quickly to join new agreements, such as UNCAC (United Nations Convention Against Corruption).

Table 1.4. **Accessions of MENA countries to global bodies and conventions, 1981 to 2009**

	Algeria ¹	Bahrain	Egypt	Iraq ¹	Jordan	Kuwait	Lebanon ¹	Libya ¹	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Syria	Tunisia	UAE	Yemen ¹
2009							UNCAC ²										
2008				UNCAC ²											UNCAC		
2007						UNCAC				UNCAC		UNCAC					
2006									UNCAC ²			CEDAW ²				UNCAC	
2005		UNCAC ⁴	UNCAC		UNCAC			UNCAC					WTO				UNCAC
2004	UNCAC												UNCAC ⁴			CEDAW ²	
2003														UNCAC ⁴			
2002		CEDAW ²												CEDAW ²			
2001									CEDAW ²								
2000					WTO						WTO		CEDAW ³				
1999																	
1998																	
1997							CEDAW ^{2,3}										
1996	CEDAW ^{2,3}											WTO				WTO	
1995		WTO	WTO			WTO			WTO	WTO					WTO		
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1983																	
1982																	
1981					CEDAW ³												

1. WTO Observer government.
2. Accession.
3. Declarations or reservations.
4. Signature.

	WTO.
	UNCAC.
	CEDAW: No information on Qatar.

Third, governments have used information technology, donor funds, and collaboration with the private sector to assemble the mix of technical skills and financial resources needed to implement the reforms and to bring implementation costs into line with their resource constraints.

Much of the work undertaken in the first decade of the 21st century has therefore focused on reinforcing the core foundations of each pillar. Indeed, the weakness of these foundations must be recognised as one of the main factors impeding earlier reform efforts in the region. Innovative practices such as e-government cannot transform a government which lacks the essential foundations of public finance, human resource capacity, or the rule of law. It is only when these building blocks are soundly established that a sustainable structure of good financial, human resource, and democratic governance can be built.

The human resource pillar

Strengthening each pillar has required its own set of reforms. In human resource management, the reform programmes have focused on five essential elements:

- i) Developing a modern civil service law
- ii) Building a database of public sector employees
- iii) Redefining the structure of positions that make up the public sector
- iv) Creating systems for workforce planning
- v) Establishing new and more effective training programmes.

At the beginning of the reform period, nearly all of the countries of the region had civil service laws that were decades out of date. They defined civil service rules that gave senior government managers little flexibility over managing for results, linking pay and performance, or even determining where employees worked or whether they would be promoted or fired. Developing new civil service laws has therefore been part of the reform agenda in most of the countries.

Reforming civil service law is not an easy task, by any means. Done incorrectly, it can mobilise the entire civil service to resist not only reforms in the human resource system, but any reform at all. In order to succeed where earlier efforts have failed, governments have therefore had to proceed systematically, using extensive experimentation and consultation with stakeholders to test new systems and gradually build support, rather than simply imposing a new law developed by technocrats.

The result of this process has been that several countries have indeed succeeded: new civil service laws are in place, which provide a basis for motivating, developing, and managing the government's human resources.

These reforms provide a basis for linking pay to performance, for promoting civil servants on the basis of performance rather than seniority, and for ensuring fairness and transparency in management of the public workforce.

The second element, building a database of public sector employees, might seem too obvious to merit inclusion: did governments not know who worked for them and where they were? The answer in too many countries across the MENA was that no, they did not. Rectifying this situation has required a major effort to develop computerised databases that include not only identifying data, but also information on staff education, competencies, evaluation ratings, and participation in training programmes. This database is also essential to permit the decentralisation of human resource management without losing control of the system or backsliding into improper practice.

The third element, restructuring the position classification system, is no less complex or subject to resistance by employees than the other two. In Morocco, as described in detail in Chapter 2, it has taken years of work throughout government to accomplish this task. This reform was made possible, in part, by earlier efforts to reduce the size of the workforce. Other countries are not as far along, although nearly all of them are working to develop a new system that is more transparent and fair, as well as giving managers the ability to restructure offices or move employees laterally across the government as needed to accomplish service reforms.

With these three basic elements in place, governments are able to install the fourth element, a forward-looking workforce planning system that takes into consideration the structure of the current workforce, the human resource needs of ongoing reforms, and the future requirements for the civil service. In the past, with no real control over the public workforce, the creation of a workforce planning system was an empty exercise, because very little could be implemented. With a new civil service law, accurate information on the current placement and capabilities of the workforce, and a more transparent and flexible position classification system, workforce planning can become a valuable tool.

The fifth and final element used to strengthen government human resource management is the introduction of new or restructured capacity-building programmes. These programmes rely heavily on the diverse training programmes and approaches developed in the private sector. As a result, they often have made use of consultants or university-based training programmes originally developed for the private sector, which have been introduced into the Middle East along with the expansion of private investment. Some countries have established wholly new institutions, such as Egypt's National Management Institute, while others have encouraged new capacity development within existing university-based programmes or training centres devoted to the private sector.

E-education techniques, widely used in the private sector, are only beginning to penetrate the MENA region's government programmes, in part because internet and computing access within the government still remain limited at the middle levels of the administration. Even where the technical resources are available, as they are in the Gulf Co-operation Council (GCC) countries,³ early experience has highlighted the lack of computer skills among mid-level line officials as a constraining factor. Over time, this will change, as younger employees rise into these positions and as older employees become more accustomed to online information and interactions.

Two areas remain for future action. First, some steps have been taken toward linking pay and performance, but a comprehensive performance-based system remains out of reach. In any case, such systems have proven very difficult to implement in other settings. In this context, the more limited steps, particularly engaging line staff in defining and committing to a set of key outcomes for their unit, engaging more directly with citizens to encourage a stronger service orientation, and using non-monetary rewards such as recognition must be seen as more than stopgap measures.

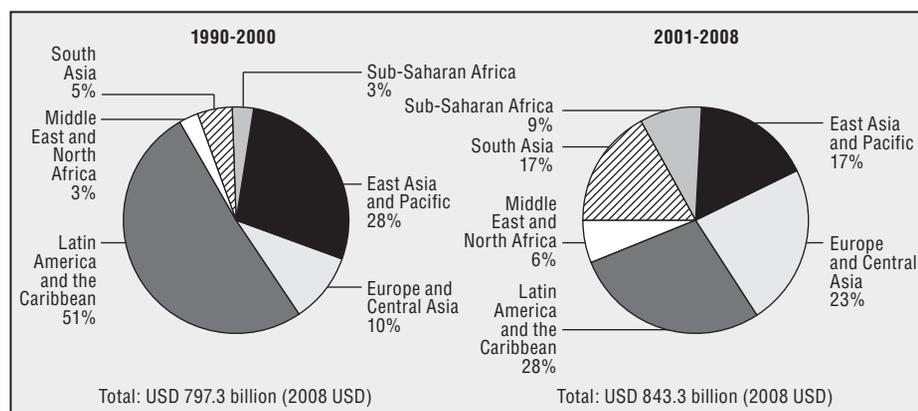
Second, the restructuring of pay systems to make civil service salaries competitive with private pay or even to provide a living wage, is still not in place in the MENA, outside the GCC. With a public workforce that is still seen in many countries as a reservoir for the otherwise unemployed, leading to a very large public employment base, and in the face of very tight constraints on public expenditure, it is simply not feasible to raise public sector wages across the board at the present time. This is obviously a critical constraint to achieving good governance, making it all the more important to achieve progress on public finance, the rule of law and policy analysis.

The finance pillar

The four main areas of work on public finance are closely interconnected and together transform the way that the region's public finances are governed and managed:

- i) Introducing a multi-year budgeting framework (the medium-term expenditure framework or MTEF).
- ii) Applying a programme structure for the expenditures side of the budget (closely related to the MTEF).
- iii) Implementing performance budgeting tools to measure what public expenditures are achieving, not just what they are spent on. In other words, moving from line item to output/outcome-based budgeting.
- iv) Improving the efficiency of financial resource use through a range of measures, including better debt management and use of private expertise and resources through public-private partnerships (PPPs) and other means.

Figure 1.1. **Total investment commitments to infrastructure projects with private participation, by region, 1990-2008**



Source: World Bank and PPIAF, PPI Project Database.

Figure 1.1 illustrates the trend in infrastructure projects with private participation by regions and shows that the investment commitments with private participation doubled in the MENA between 1990 and 2008.

These reforms reinforce the four elements of civil service reform outlined above. They are also necessary foundations for the next steps in building an effective civil service. In particular, mechanisms that link pay to performance – even on a partial basis – and the redeployment of public sector personnel resources to achieve the government’s desired service outputs, require that both performance and outputs must first be defined. This work has gone forward first and foremost on the finance side at the same time that the basic elements of sound human resource management were being put in place (see below). As a practical matter, it is not possible to define outputs or performance wholly in terms of the human resource inputs, and therefore the public budget provides a more comprehensive tool for advancing this work.

An alternative more decentralised approach is to ask individual units to consider how to improve performance without remaking the system. Morocco has experimented with this approach as part of its human resource management reform stream and has found that the discussions themselves have improved morale and clarity of purpose, even without proceeding to the difficult step of reallocating resources. This experience parallels those of private sector companies regarding management reform to empower line employees. Although this approach encounters some barriers not faced by more flexible and better resourced private systems, the inherently stronger service motivation underlying many government roles – combating disease, educating children, providing for the poor – suggests that these humanist motivational techniques could be effective in the public sector if properly deployed.

Once an MTEF, programme and output-based measures, and performance standards all are in place, or at least well-advanced in most of the countries, the foundations are laid to reform the human resource dimension of performance management.

While the importance of these fundamental foundation-building measures cannot be overemphasised, governments have also taken steps in other financial management areas, from improving procurement to increasing use of outsourcing. In these areas, too, increasing human resource capacity, rule of law and sound policy making are inseparable from financial reforms in the drive to increase the productivity of the government.

The rule of law pillar

The chapters that follow present the progress made in strengthening the rule of law, demonstrating that this key aspect of public governance can be reinforced in practical and achievable ways. The following measures have been taken:

- Strengthening law-drafting institutions to improve the quality of law and regulation by reinforcing institutional frameworks, building staff capacity in law drafting, and developing a comprehensive database of existing law. This is a key aspect as laws and regulations that create frameworks for markets must be supported by institutions with the capacity to monitor sectors and evaluate regulatory outcomes.
- Making wider use of such tools as impact assessment, drafting manuals and consultation with stakeholders to further improve the quality of regulations and laws and their ability to support broader public governance gains for citizens and business.
- Creating databases that bring together the entire body of law, often in collaboration with private sector or academic partners. These databases are fundamental for identifying and eliminating conflicting or outdated elements in the current body of law, as well as for verifying systematically the consistency of new law with existing legislation.
- Tackling difficult integrity issues by adopting codes of conduct, strengthening procurement procedures, and building new institutions for audit and financial scrutiny. Progress in this area is vital for building and maintaining citizen trust in government. In some cases, non-government stakeholders, such as civil society, labour and professional syndicates and businesses, are participating in integrity processes directly, adding credibility as well as expertise and building a stronger consensus for action.
- Increasing the transparency of government operations and developing new mechanisms for two-way consultation with citizens and business. This involves using innovative tools, particularly information technology and

e-government, to introduce greater clarity and transparency and to permit government to conduct two-way dialogue with stakeholders.

- Strengthening the courts and other operations of ministries of justice, creating new specialised institutions to facilitate capacity-building in priority areas, including government audit and integrity and adjudication of commercial disputes.
- Closing the gap between the gender equality principles in constitutions and international agreements and the concrete ways in which these provisions are implemented, both within government and in the broader society. This requires establishing new institutions to promote gender equality and introducing such proactive strategies as gender responsive budgeting, recognising the role that women play in resource management (particularly water), examining current hiring processes for hidden sources of bias, and developing leadership programmes to encourage the promotion of women to management positions in government.
- Simplifying regulations and eliminating out-of-date or conflicting provisions, so that the body of law and regulation as a whole becomes less burdensome and can be enforced more fairly. Strengthened linkages between public purposes and what is asked of citizens, an objective of administrative simplification, also reinforce the rule of law by cutting back on red tape that has become too cumbersome, too burdensome, and too remote from the purpose that the law is intended to serve. Reducing red tape also eliminates opportunities for corruption and reduces government costs so that resources can be redirected to more important activities.

A few brief examples drawn from the many specific reforms implemented during the past five years demonstrate that progress is in fact being made on this agenda, particularly in filling in important gaps in the legislative structure for sound public governance:

- Morocco has issued a financial disclosure law that includes members of government and parliament, members of the Supreme Court and judges, public accountants and other civil servants that have access to public funds; it has also issued a law against money laundering.
- Yemen has adopted an anti-corruption law, a law on financial disclosure, and a law to govern tendering, bidding, and use of government storehouses.
- Egypt has conducted a systematic inventory of central government ministries to develop a database of all laws and regulations affecting business, which will now permit the government to review, modify or eliminate provisions that are not needed, that contradict other laws, or that impose a burden on business unnecessarily.

- Jordan has developed a website that makes drafts of new legislation available to the public and provides a mechanism for public comment. Webcasting of tender openings is also being used to reinforce the transparency of public procurement.

The information pillar

Information and the institutional mechanisms to generate and use it constitute the final pillar of public governance reform in the MENA region. While less emphasis has been placed on strengthening information and public policy analysis capacity than on public finance, human resource management, and the rule of law, the past decade has seen an expansion in the systematic use of policy analysis and evaluation, backed by greater staff capacity for analysis and more reliance on evidence-based tools.

In some respects, this evolution has gone hand in hand with progress in the other pillars. In particular, the introduction of strategic planning tools such as the medium-term expenditure framework, workforce planning, and legal databases has provided the impetus for greater use of information in public governance. These tools have also required the development of enhanced staff capacity for analysis and additional efforts to collect information that could support strategic planning.

The expansion of e-government, particularly the creation of new tools within government to manage information and communications, has also given governments information not previously available and has facilitated analysis. Governments have moved beyond isolated experiments to develop integrated databases on a whole-of-government basis, although these efforts at times face the same challenges of software integration that impede such activities in other sectors. Reliance on outside expertise, particularly from private sector information technology companies, has helped to overcome these barriers. Governments have also relied on tools developed elsewhere to accelerate adoption in the MENA. For example, Egypt's ERRADA programme (see Chapter 5) used software developed in Croatia to organise its inventory of laws, decrees, regulations and other binding government decisions, thereby taking advantage of the common legal heritage of the Eastern Mediterranean countries.

The needs of the reform process itself have also driven governments to develop new capacities for analysis. The introduction of public-private partnerships, for example, requires new skills for analysing competing bids in terms of their financial and performance features, to monitor concession-holder or PPP investor performance, and to negotiate changes in response to new developments as the programme proceeds. All of these require analytic and other professional skills that were not previously needed, or at least were of less importance when these facilities were managed wholly within the government.

Other areas, such as gender, have also demanded the development of new expertise to generate and use evidence in policy-making. For example, the development of gender-disaggregated data is key to determining whether gender differences exist and to tracking their evolution over time to assess whether interventions are working. Because gender is a cross-cutting concern, this could imply a significant increase in expenditures on data collection and redesign of multiple systems. In countries such as Tunisia and Morocco, this has required negotiating with civil society to determine the most cost-effective application of limited data collection and analysis resources, based on the information that is most likely to affect decision-making on gender issues. The implementation of gender-responsive budgeting has likewise entailed strengthening analytic capacity within finance ministries and line agencies alike, including greater attention to measurement of service outcomes, which can benefit citizen service improvement efforts not directly related to gender as well as gender equity programming itself.

The greater use of citizen and stakeholder consultation is an additional factor encouraging governments to strengthen analytical capacity and to develop a broader and more reliable information base on performance measures. Civil society representatives and businesses are increasingly demanding more accountability from governments, requiring better data on what is actually happening on the ground to inform government, as well as other stakeholders, and determine how best to address concerns raised.

While it is too early to say that these measures, and many others that could be cited, have led to a transformation of policy-analysis and information for decision-making in the MENA region, the overall impact of reform has been to encourage a more systematic and analytic approach to policy. This move is bringing MENA governments increasingly into the mainstream for evidence-based governance.

Further steps to consolidate this progress can be anticipated as the reform moves on to the next stages. Already, many governments have established institutions to support systematic policy analysis. Jordan's Government Performance Directorate and Egypt's Information and Decision Support Center are just two examples of such units. As discussed in the following section, the location of these units within the prime ministry reflects the lead role that agencies affiliated to the prime minister's office play in the reform process, as well as the growing demand from the highest levels of government for more and better information to shape and drive reform.

1.4. Assigning roles and responsibilities for reform

Two poles of government have consistently led public governance reform in the MENA: the prime minister's office and the ministry of finance. The

office of the prime minister naturally plays a leading role in setting the direction for public governance reform and orchestrating the work of the different agencies, including the other members of the prime ministry itself.

Within the prime ministry, two affiliate units have generally played important roles. The first of these is the civil service bureau (or equivalent). These units have naturally taken on key responsibilities in remaking the public workforce, which they supervise and manage. The civil service bureau functions as the central government's human resources office. Countries differ in the extent to which day-to-day personnel management and hiring decisions are delegated to the agencies where the employees actually work, but in most cases the civil service is responsible for setting pay rates, determining conditions of work, and implementing the legal mandates spelled out in the civil service law(s). Given the importance of civil service reform in the MENA, these agencies play a critical role in the overall reform process.

The second unit, affiliated to prime ministers' offices in most MENA countries, is a specialised office created to support and oversee administrative reform. In many cases, this is given the status of a "ministry of state", headed by a cabinet-level official but with a fairly small staff and few, if any, line responsibilities. In some countries, this function has been provided instead by an informal unit in the prime minister's office.

Although most of the countries still prepare five-year plans and other planning documents, the shift to market-based strategies has led to the downgrading of formerly powerful planning ministries (or equivalents), which rarely emerged as important players in the country case studies.

In some countries, the prime ministry has established a special unit or centre to support policy development for the reform process by analysing options, prepare public documents to explain and build support for the process, co-ordinate other units, and keep the reform programme on track through follow-up and assessment. Egypt's Information and Decision Support Center (IDSC) is an example of such a specialised unit, but others are less formal.

The second major institution that has supported the prime minister and worked with his office is often the ministry of finance. As the case studies demonstrate, the public finance function is central to carrying out nearly every aspect of public governance reform. Public finance, like human resource management, touches all aspects of government operations; consequently, transforming the public sector cannot occur without also transforming the way that public finances are managed. Greater transparency and accountability in government, increased visibility for what government does and how it does it, and higher levels of efficiency and effectiveness almost always require financial

management reforms, sometimes extensive reforms. To put it another way, perceived weaknesses in financial management have been a major driver for reform programmes in the MENA.

In addition to finance ministries' lead responsibility in budgeting and financial management, however, our case studies show that in the MENA (as in several other OECD countries), ministries of finance are playing a role as a laboratory for reform in non-financial areas in addition to their established role in financial management. In Egypt, Jordan, and Morocco, for example, they have taken on a *de facto* role as the government's equivalent to the private sector's in-house research and development centres, developing and testing governance innovations before they are rolled out on a more comprehensive basis. Box 1.1 provides several examples of finance ministries which are even going beyond R&D and becoming in-house providers of non-financial services to line ministries, much as corporations use "in-sourcing" as well as out-sourcing to achieve efficiencies.

Box 1.1. Ministries of finance are emerging as in-house laboratories for governance reform

- *E-government (G2G)*: The Moroccan Ministry of Finance provides back-office HRM services to five other ministries using an online system initially developed for its own use; it has also offered various services to its key constituents, including the customs service (in record keeping), the treasury (budget control), and the tax inspectorate.
- *PPPs*: Egypt's Ministry of Finance established a central unit to provide analytic and contracting support for public-private partnerships in a range of sectors, particularly infrastructure.
- *Integrity*: Jordan's Ministry of Finance used a transparent and consultative process to develop a code of ethics.
- *Gender*: Egypt's Ministry of Finance established a gender unit that, in addition to working on gender budgeting, is creating leadership development programmes for its own staff and potentially for extension to other ministries.
- *Financial management*: Jordan's Ministry of Finance is implementing a Government Financial Management Information System to strengthen financial management on a whole-of-government basis.

There are several reasons why ministries of finance are well positioned to pioneer reforms that have whole-of-government applications, which can then be rolled out to other ministries. First, finance ministries have been working on reform for longer than other line ministries, because they have been at the forefront of major reform efforts, notably structural adjustment programmes, for decades. This has inevitably led to their involvement in difficult issues such as cutting the wagebill and restructuring failing state-owned enterprises. As a result, their staff have witnessed both failures and successes in many different areas, giving them a nuanced understanding of reform challenges.

As one of the most powerful agencies in the government, finance ministries have greater flexibility to launch internal experiments largely on their own authority. Other ministries may face substantial intragovernmental barriers, including poor access to the additional operating funds needed to put new ideas to the test.

Finally, finance ministries have a built-in whole-of-government perspective on reform, as the main interface between global lenders and ministries seeking support to introduce process changes. They receive requests for funding, performance reports and donor commentaries, giving them a seat at the table as reforms are discussed throughout the government. Together with their exposure to international reform discussions through their role in representing their government in international financial organisations, this experience facilitates an informal but nonetheless powerful transfer of knowledge within the government through the ministry of finance.

The public sector reform ministries, while often attached to the prime minister's office, generally do not have the authority to implement reforms directly, nor do they control large amounts of funding. The preferences of incoming prime ministers to put their own stamp on the reform process has led to these agencies being restructured more often than established line ministries such as finance. Box 1.2 presents an abbreviated history of one of these ministries, Jordan's Ministry of Public Sector Development, showing both the frequent changes in structure, but also the gradual evolution to a more formal structure. These ministries are also often called upon (outside the GCC) to manage international donor projects aimed at accelerating reform. This gives them a source of much-needed resources to experiment with reform, but at times can distract them from following the government's planned reform path.

Box 1.2. Evolution of a ministry of public sector reform: The Jordanian example

Public sector governance reform can never be said to be completed, whether in the MENA region, among the OECD countries, or elsewhere. Many regional governments have had ministries charged specifically with improving public sector management for 25 years or more. Although the current drive for reform has gained strength from its link to broader national objectives of greater concern to citizens, such as spurring economic growth or improving social services, it has relied on reform structures put in place during earlier reforms. The following example from Jordan illustrates how one reform management structure has evolved since the 1980s:

1984	Royal Committee for Administrative Reform.
1989-92	Management Development of the Public Sector in Jordan (UNDP project).
1989-96	Royal Committee for Modernization and Reform.
1999	Public Sector Reform Committee (Phase I).
2002	Public Sector Reform Committee (Phase II).
1999-2002	Ministry of Administrative Development MoAD.
2004-06	Prime Ministry: <ul style="list-style-type: none"> – Ministry of State for Public Sector Reform (MoPSR) (Public Sector Development Administration – PSDA). – Ministry of State for Government Performance (MoGP) (Government Performance Directorate – GPD).
2006-present	Ministry for Public Sector Development (MoPSD) formed by merging MoPSR and MoGP.

Source: Ministry for Public Sector Development, Jordan.

1.5. Implementation strategies for public governance reform

Looking broadly at the implementation strategies used across the MENA, we can identify four basic approaches to reform used by the governments of the region:

- i) The *rule-based approach* begins by a technocrat-led process of developing new laws, regulations and procedures based on global standards, expert studies and outside consultants, then introduces these new models for formal adoption before proceeding to concrete implementation.
- ii) The *value-based approach* emphasises developing codes of conduct and other ethical rule-sets, backed by training and capacity-building programmes at all levels as the basis for changing public sector employees' attitudes and thus their behaviour.

- iii) The *incremental experimentation approach* relies on a more gradual and often decentralised approach in which reforms are introduced in a few locations on an experimental pilot basis, modified and gradually extended based on the early experiences. They are then codified through changing the laws and regulations only after a successful model has been found.
- iv) The *consensus-based approach* engages key stakeholder groups inside and outside the government in a consultative process to design the reform, which proceeds to the legislative or regulatory stage only after extensive discussion and modification of the proposals reflecting stakeholder concerns.

These approaches are by no means mutually exclusive. Indeed, a combination is possible, especially strategies that combine the incremental experimentation approach with the consensus-based approach. Early experience suggests a key finding, however: these four approaches are not interchangeable with each other. Some of them work better than others in the MENA environment.

In particular, the rules-based and value-based approaches, while they can contribute to success, have not shown success when used as the dominant approach. The shortcomings inherent in the values-based approach as a core strategy are self-evident: if employees face incentives that strongly push them in directions diametrically opposed to the values they have learned, they will ignore them; if the rules and procedures reward or indeed require behaviour that is different from that described in values training, adherence to the rules will dominate.

While the drawbacks of a rules-based approach are less immediately evident, the case studies nonetheless offer compelling if still tentative evidence that a reform strategy relying heavily on top-down changes to the rules does not lead to success. Although this is clearly an area where further research and more experience are needed, application of a comparative perspective to the MENA region's reform experiences suggests that a heavy reliance on rules-based approaches, with or without value reinforcement, has led to poor results. Two scenarios emerge from this experience: either the rules have been adopted on a formal basis but not pushed down into implementation, leading to continuation of the undesirable *status quo ante*, or the effort has bogged down at an even earlier stage, when the new laws or rules have been drafted, but the measures have then failed to achieve formal adoption, whether parliamentary or administrative. In either case, the lack of a mechanism for consultation with stakeholders has not enabled reformers to circumvent these parties' concerns, but has instead only delayed the emergence of opposition and left reformers without an effective means for dialogue or negotiations that might have overcome resistance at an earlier point.

As in all experiences of reform worldwide, the power of interest groups inside and outside the government to oppose reform should not be underestimated. The other two approaches, incremental experimentation and consensus-building, explicitly bring these groups to the reform table and engage them from the beginning of the process. The result is a process that provides for considerable revision and even complete rethinking of reforms before they become law. As a result, sources of resistance are converted into reform allies, or at least moved to a position of neutrality. Both of these processes, in other words, provide for bargaining, negotiation and, of equal importance, active mutual learning on the part of both the reformers and those who must implement and live with the reforms.

The consultation-based approach also involves stakeholders, but the process is based on consensus-building through desktop work, rather than extensive field trials and testing of new procedures. These consultations in this region have involved several different layers and structures, each mobilising a different mix of technical experts, political leaders, civil society, and syndicate (trade union) representatives, depending on the issue area and the aspects of the reform to be discussed. E-government tools, such as websites describing the proposed changes and allowing any interested party to submit comments, have also been used, along with public information campaigns and other means of broadening the debate.

Although both the consultation-based and incremental experimentation strategies have been successful, as described in the chapters that follow, the incremental experimentation approach would seem to have the edge over consultation alone. This approach does not assume that the technocratic solution is superior, but instead provides wide scope for local or agency-level frontline units to provide input into the design of the reform and how it will work in practice. Although it typically starts with a technocratic design, it then proceeds to a fairly long process of trying out the new procedures, modifying them, expanding them to additional areas, assessing outcomes and modifying them again before codifying the resulting system into a new law or regulation. The resulting law may well be quite a bit different from the initial draft, but even if it does not differ greatly, it represents an outcome that the front-line civil servants have examined, influenced, and ultimately accepted.

This process cannot be short-cut, and may take a number of years to complete. During that time, the experiment may require a patchwork of *ad hoc* exceptions, decrees, and informal rulings to permit the necessary experimentation to take place before a new law is in place. The end result, though, has been found to be much stronger. Indeed, this process appears to be more likely to lead to real reform, rather than no change at all or a change that is really only the *status quo* in a new disguise.

The bottom line is that process is as important as content in getting a reform through. Process does not consist primarily of developing a public face for the reform by preparing brochures, publications, slogans, and an outreach campaign. It consists of engaging with the people who will have to implement and live with the reform, giving them a role in defining revised processes and procedures that will work for them and produce better outcomes, and then translating this work into a legal framework ready for broader implementation.

The argument can always be made that reform is too urgent for a drawn-out process of dialogue and that reform must be pushed forward. This argument loses its force if, as has been shown to be the case in the MENA region, a speeded-up process lacking consultation leads to unsuccessful or ineffective reform. In other words, proceeding more slowly to allow time for a successful open process involving adaptation and consultation is preferable to going quickly but ultimately failing.

1.6. Defining the elements of the action plan

Whereas countries have generally combined the four broad strategies discussed above, they have used a much more varied range of reform paths. Many of these approaches are discussed in the specific chapters that follow. However, here we profile three of the most promising paths as an introduction to the more detailed discussions in the following chapters:

- i) Mobilise and motivate reform partners in the government.
- ii) Use technology from the private sector and often private sector partners to introduce innovation.
- iii) Tie regional reformers into broader regional and international networks to maintain reform progress.

Mobilising and motivating reform partners

Many different approaches have been used to build a reform team and broaden support for often unwelcome changes. The development of high-profile national agendas for reform represents one such approach, used by nearly every country in the region. Bahrain 2030, the Jordan National Agenda and the Yemen National Reform Agenda are all examples of this approach, often buttressed with high-level commissions, advisory committees, websites, brochures, and other elements that are more public relations tactics than reform strategy. To the extent that they motivate people inside and outside the government to see the reform as an ambitious, integrated, and worthwhile endeavour, these campaigns can nonetheless play a role. They can be difficult to sustain over the course of a multi-year reform effort, however, whether in the MENA or elsewhere.

Another approach that has proven more durable, perhaps because it is implemented on a periodic basis, is the launching of award programmes to showcase leading individuals or agencies in the reform process. Box 1.3 presents three examples of this tactic as applied in Dubai, Jordan and Egypt. Two of these programmes incorporate an intriguing innovation: they make participation mandatory for all units, which must present an innovation they have made and nominate individual employees for some or all of the categories. Even though only a few of those nominated will win, this approach serves as a low-level but ongoing source of pressure to introduce reforms.

Using technology and private sector resources to support reform

Across the region, the reform movement has sought to use e-government and public-private partnerships to improve processes and introduce new ways of doing things. These two approaches share the advantage of mobilising external non-government resources, including past investments to develop technology. They also hold the promise of reducing costs, although they may also involve an up-front investment of considerable magnitude.

Egypt's smart card programme for ration cards is an example that combines both e-government and public-private partnering. The programme provides an electronic card to replace the paper card authorising families to draw subsidised basic food commodities from designated stores. The programme is implemented by a private contractor, which has speeded up the complex process of rolling out distribution nationwide. The card has already reached most families participating in the system. The card can also be used to deliver other services: for example, pension payments are now being integrated into the smart card programme on a trial basis.

Tying into international and regional reform networks

Over the past 10 years, governance reform has evolved from a do-it-yourself project to become a global enterprise. Whereas in the past each country developed its own programme, with donors in a supporting or, in some cases, demanding role, the past decade has seen the emergence of a whole new institution, the international governance rating programme.

These programmes have supported the MENA's integration into the global mainstream, with the region's countries signing on to such emerging global standards as CEDAW for gender, UNCAC to fight corruption, and major treaty organisations such as the WTO. Unlike these global treaty-based agreements, though, participation in the new rating systems is not voluntary. Whether the system is the World Bank's Doing Business, the Davos World Economic Competitiveness rankings, Transparency International's ratings of corruption perceptions or any of a dozen other rankings, the country does not get to

Box 1.3. Recognition programmes to encourage and reward innovation

MENA governments have used a variety of recognition programmes to reward and encourage innovation by individuals and, in some cases, by larger administrative units as well. These programmes localise innovation prize programmes along the model developed by the United Nations, such as the United Nations Public Service Award, and by OECD national governments (such as former US Vice President Al Gore's well-known Hammer Awards, an early experiment in reinventing government). These awards help to humanise the reform process and motivate individuals within large organisations to feel they are part of a broader process. To give the award programmes more than an ephemeral impact, several of the region's governments have developed extensive and formalised competitive processes that engage many more units and individuals in the competition beyond those that are selected as finalists. Three examples:

- Egypt's "Distinguished Competition", introduced in 2005, currently selects 15 managers from different levels across the government, seven government service outlets, and two websites. Individual awards require both written tests and interviews and offer significant cash prizes (totalling EGP 3 million in the most recent competition). Each of the 449 managers who applied received a personalised assessment as well as consideration for the monetary prizes. Formal committees of experts assess candidates to create a more rigorous methodology than the standard "beauty prize" awards.
- Dubai's "Excellence Awards", started in 1998, recognise seven organisational categories and eight individual categories. All government institutions in Dubai are required to participate, which has encouraged units to develop innovative ideas and programmes so as not to put themselves in a bad light when compared to other entrants. Individual categories reward field-level employees as well as senior managers, while organisational categories reflect the government's reform priorities, such as e-government and technology upgrading.
- Jordan's King Abdullah II Center for Excellence (KACE) established a public sector awards programme in 2002 and also makes awards to private sector businesses and associations. Like Dubai, participation is mandatory. Jordan's programme emphasises excellence in performance and transparency and is developed in co-operation with EFQM, a non-profit European-based quality foundation.

choose whether to be included or not. This has created a new dynamic in reform that can be used by pro-reform forces at the local level, whether NGOs, the government or the private sector.

International peer networks constitute an equally important, if still emergent, tool to tie MENA reformers into global reform movements. Two examples of this new institution are: i) the creation of networks of practitioners in key areas of reform, building on an OECD model; and ii) the trial use of peer learning methods through GfD Joint Learning exercises. These examples come from the Governance for Development programme itself. The region is now beginning to launch its own collaborative action institutions to support reform, including new centres for regulatory quality in Tunisia and international public finance management in Egypt.

1.7. Conclusions

In each of these areas, governments have applied different strategies to advance the reform agenda, with differing results. It is impossible to generalise about such a diverse region. However, an overall finding from the case studies is that reform paths involving consultation with internal and external stakeholders, experimentation to test innovations, and then a gradual, decentralised approach to implementation tend to outperform top-down, centralised and non-participatory approaches. Value-based methods, such as developing codes of conduct, have made a contribution where combined with consultation and including stakeholders in implementation. Sustained leadership and determination in the face of the inevitable barriers have been key to success in the MENA, as in other regions.

Notes

1. The MENA-OECD Governance Programme is part of the OECD Initiative on Governance and Investment for Development in the Middle East and North Africa.
2. Whilst water sector management also encompasses restructuring water management at the river-basin level to introduce integrated water management approaches, cannot generally be considered a citizen service.
3. Comprises the Persian Gulf states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

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Chapter 2

Public Employment and Reform of Human Resources Management in MENA Countries

*This chapter discusses how the countries of the MENA region are moving from traditional personnel management systems, weakly professionalised and routine-driven, towards integrated human resources management strategies using performance-based tools. To support this change, most of the MENA countries have also revised their civil service legal framework in the past few years or are in the process of doing so. The public administration is still seen as the employer of first and last resort, particularly in countries struggling to create jobs for young market entrants. At the same time, MENA governments shape new HRM rules to favour private sector job creation so as to reduce reliance on the government as the major employer. This chapter presents the case of **Bahrain**, **Egypt** and **Morocco** to illustrate how reform efforts are mainly driven by the need to build more sustainable and responsive public workforce policies.*

2.1. Introduction

Human resources, together with the government's financial resources, are the most essential inputs for any well-functioning government. HRM and civil service reform is therefore at the centre of the MENA's drive to increase the effectiveness and efficiency of overall government performance. Human resource management (HRM) is particularly important for improving citizen services, including health and education, because they are often delivered through direct contact between citizen and civil servant. Better human resource management is also a precondition for advancing other reform objectives, from expanding e-government to ensuring integrity.

This chapter begins with a brief review of the structural issues in public sector HRM across the MENA, to set the scene for the case studies (Bahrain, Egypt, Morocco and Tunisia) which follow in the second half of the chapter. While each country has its own unique history and culture, the broad homogeneity of the region's reform movements has translated into civil service reform strategies that are also broadly similar. However, within this pattern, specific policy responses do vary across countries. These deserve individual analysis because each country's experience contributes to an understanding of how to succeed in civil service reform, arguably the most central and most difficult aspect of public governance reform in the MENA, as well as globally.

2.2. Public employment issues in MENA countries

Civil service regimes in the MENA fall into two broad groups based on their historical origins. One group has been heavily influenced by the French administrative model, which is generally characterised as a *career-based* system, and includes Algeria, Lebanon, Mauritania, Morocco, and Tunisia. The second group draws on the *position-based* approach of the United Kingdom's Westminster model and includes Jordan, Bahrain, Egypt and the UAE.

Civil service arrangements in career-based countries generally involve a government structure shaped by grades and corps, multiple career paths for generalist skills, recruitment ruled by competitive entry based on a generalist profile, promotion and pay based on seniority with limited lateral external entry, civil service laws that tightly regulate business processes, a centralised decision-making process and constrained staff mobility. In contrast,

position-based systems are generally characterised by open recruitment for all posts, selection based on technical skills, job openings filled by advertisement and career paths based on technical competence.

Although these two models continue to define HRM systems across the region, most countries originally imposed the model on a pre-existing system, usually with Ottoman origins (or even older origins in some countries). Each country then instituted reforms and made modifications, often borrowing from the other model or other sources to reflect local needs. As a result, all of the countries now have mixed personnel systems that combine features of both the French and Westminster models, as well as more recent innovations in HRM, bringing the region's systems into broad alignment and increasing flexibility in employment conditions.

All the countries are wrestling with a set of intractable HRM issues that are perceived as barriers to improved governance both inside and outside the human resource area. These include:

- Rigid personnel systems that do not motivate or reward good performance and that rely too heavily on seniority for advancement.
- Pay systems that offer salaries well below competing private sector levels and have become encrusted over time with layers of exceptions and incentive payments in the effort to appropriately pay and motivate employees.
- Staffing levels that are widely perceived as too high by everyone but the growing ranks of young job seekers.
- A rigidly hierarchical, regulation-based approach that places the HR rulebook ahead of either the employees' best interest or the objectives at hand.
- Workforce planning policies that are still being developed or which are unevenly implemented.
- Low managerial delegation and decision-making that is strongly centralised.
- A lack of detailed data or only scantily computerised information on the composition of the public sector workforce, the current skills base of civil servants and position descriptions.
- Outdated and underfunded capacity-building programmes.

Finally, the MENA countries face a major demographic challenge in the ageing of civil service staff. Heavy hiring in the 1970s and 1980s followed by severe hiring constraints from the 1990s onward have meant that most Arab countries have a large civil service cohort approaching retirement, despite a very young population overall. Both Egypt and Morocco, in particular, will have to manage massive departures of civil servants in the next 5 to 10 years.^{1, 2}

The ageing workforce is one pressing HRM issue that governments now recognise needs urgent and serious attention. However, they do not yet have the right policy framework or workforce planning tools in place. The lack of such policies and the tools to implement them makes it more difficult for governments to anticipate workforce and skills needs in the short and long term, to manage succession planning and to address the skill and career development needs of the tens of thousands of younger managers who will need to step into the places vacated by retirees.

Nearly all of the countries in the region have therefore launched human resource reforms to support their ambitious governance reform programmes and bring about real change in the quality of public services. This transformation rests on several pillars: restructuring positions and pay systems to align with government's changing role; broader use of performance-based standards, assessments, and incentives to increase accountability; comprehensive workforce planning and capacity building – not just downsizing – to build the competencies that a reformed public sector needs; and greater attention to integrity. These are not one-off reforms; they require an ongoing transformation of the governments' HRM systems to create sustainable capacities in each of these areas. While this chapter cannot tackle this complex process in detail, it will highlight some of the leading examples of countries that are tackling the ambitious reform agenda outlined above.

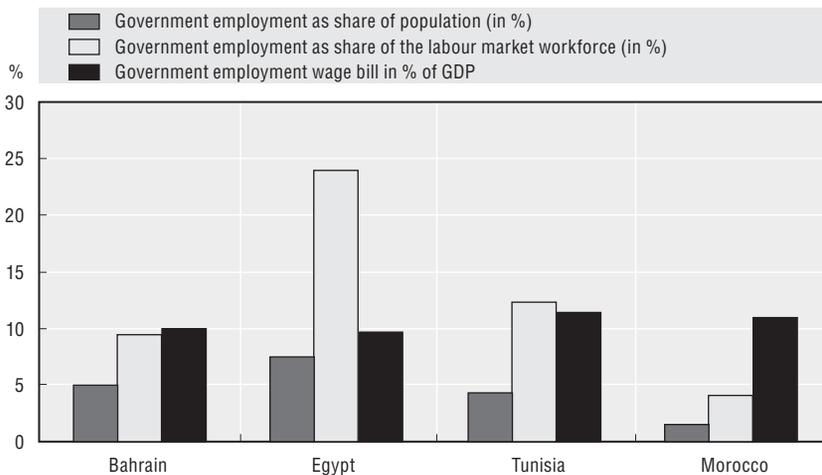
The pace and scale of other HRM reforms vary from country to country, though serious efforts are being made across the region.

Three broad trends underpin the objectives of the civil service reform:

- i) The shift in the role of the state from the main employer, economic actor and service provider to one of guarantor of the rule of law, provider of effective social services, and regulator and promoter of the private sector. This shift requires the civil service to reorient towards quality, responsiveness to the customer (whether citizen or business), and partnerships with civil society and private service providers. These roles demand different skills and, most important, a different set of attitudes than before. This is true at all levels, but is particularly relevant to the upper levels of management, which are now expected to manage change; engage with various public and private stakeholders; and motivate, manage and assess their employees.
- ii) A widespread shift towards workforce downsizing, decreasing the wages bill and bringing HRM practices into line with labour market rules and conditions. Most of the MENA countries are constraining new hiring and slowing workforce growth in order to release resources for other uses, to reduce the drain of the public wage bill on public expenditures, and to limit budget deficits. Jordan, Tunisia, Iraq and the Palestinian National Authority

are important exceptions to this trend, however, choosing to retain the government's role as the major employer. In other countries, cutbacks are mainly being achieved through a combination of strategies: streamlining government machinery to eradicate overlapping positions and units (Bahrain, UAE); using incentives to encourage voluntary departures (Morocco, Tunisia); instituting a recruitment freeze (UAE, Bahrain, Egypt, Morocco); and using more privatisation or outsourcing (Bahrain, UAE). This trend is balanced with traditional public employment regulations ensuring job tenure and employment security, although Egypt and the UAE plan to experiment with a contract-based approach for new hires. Within this traditional framework, most countries are working to introduce more flexibility and align HR policies with private labour market conditions (UAE, Bahrain, Egypt, Morocco, Tunisia and others). An overview of general government employment in Bahrain, Egypt, Tunisia and Morocco is depicted in Figure 2.1. Many of the features mentioned before are also found in OECD countries which face budget-driven pressures to reduce the public sector workforce but countervailing pressures to provide employment, particularly in the current financial crisis.

Figure 2.1. **Government employment in the four case study countries, 2008**



A shift of the public employment paradigm towards more capacity-building for workforce planning, individualised performance-oriented policies, and the redefinition of most HRM policies in order to strengthen linkages between inputs and outputs. Although reforms in this area are only beginning to be applied widely, the implemented or planned measures emphasise increasing productivity and efficiency within the public sector. Most of the Arab

countries have made large investments in IT tools, which provide better information to managers, support HR service delivery and are also being used to develop comprehensive employee databases that allow individualised and integrated personnel management (e.g. Bahrain, Egypt, Jordan, Morocco, and others). The new emphasis on IT has also allowed HR business processes to be standardised and has supported national civil service workforce planning. Another trend in this area is to develop customised performance appraisal systems to replace seniority-based advancement. Regulations that strengthen linkages between training and career advancement have been developed or are in preparation, accompanied by new national training plans and institutional strengthening (e.g. in Egypt, Lebanon, Mauritania and Tunisia).

Overall, most of the MENA countries have placed a high priority on capacity building in their revised workforce planning policies (e.g. Egypt, Bahrain, UAE, Mauritania, Morocco and Tunisia). These policies aim to improve competency-based management, which links individual performance with the strategic objectives of the institutions, and incorporate business goals into HRM. Governments across the MENA are rapidly implementing or upgrading competency management frameworks, developing new job classification systems and grade structures, and linking career paths to individual performance assessment and skills improvement (e.g. Egypt, Lebanon, Morocco, UAE). Even countries facing urgent nation-building challenges, such as the Palestinian National Authority, have made consolidating workforce planning systems and policies the top priority of their public employment strategies.

Revision of the civil service laws is the single most critical strategy for supporting HRM reform. Successful reform of the legal basis for government employment will be essential to give HRM systems the authority and the ability to respond to the very lengthy list of challenges they face. Most of the MENA countries have recently revised their civil service legal framework or are well advanced in the process of rewriting it, creating an opportunity to strengthen leadership for continuing HRM reforms. The transition period creates an opportunity to build a strategic framework with measurable targets and to overcome resistance by increasing stakeholder consultation, both within and outside the government.

Figure 2.2 summarises the main strategies being used in HRM reform in the MENA region. It shows the main issues, the problems in each field, the principal changes pursued, and the main objectives.

2.3. Bahrain case study: The competency-based model

The introduction of a competency-based model is the centrepiece of HRM reform in Bahrain (Table 2.1). This case study shows how competencies are used as a driver for change to create a common understanding of results-focus

Figure 2.2. **The main elements of HRM reform strategies in the MENA region**

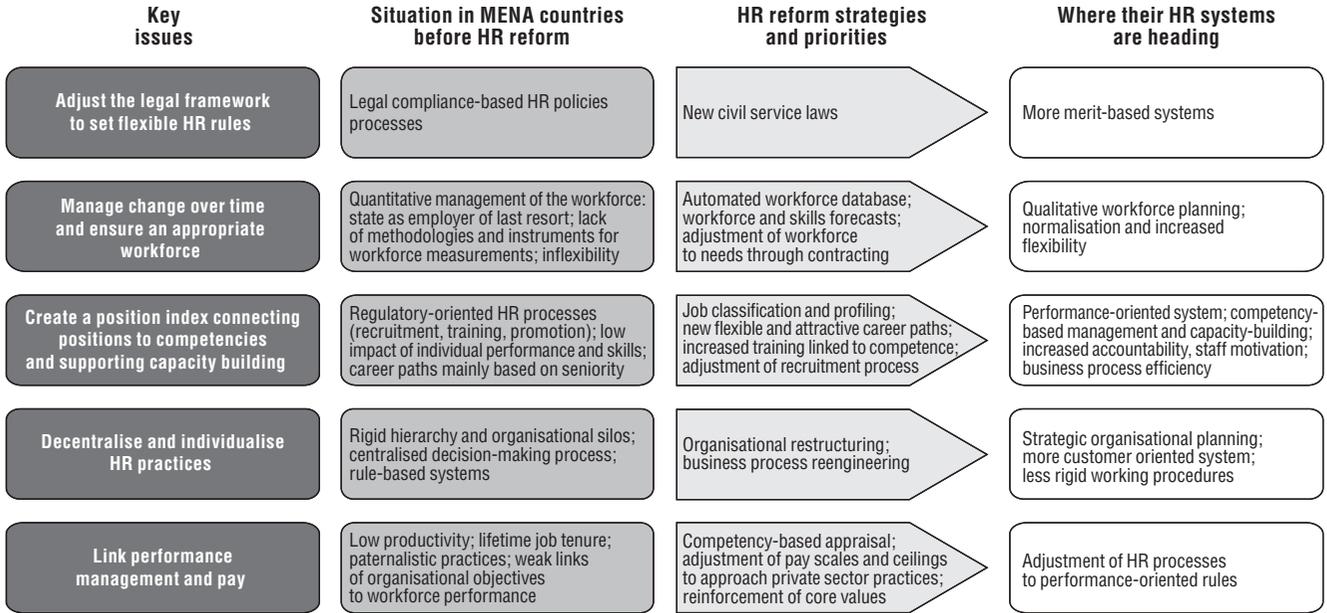


Table 2.1. **HR characteristics in the Bahraini administration**

HR characteristics	Details
HR system	Combination of career-based and position-based model.
HR central organ	Civil Service Bureau (CSB). Delegated HR processes to departments.
Legal environment	Civil service law introduced in 2006. Specific employment conditions differentiated from the private sector.
Employment conditions	Job tenure for a large majority.
Workforce planning instruments	Whole-of-government HR database.
Recruitment	Vacancies published and open to any applicants inside and outside the civil service. Selection through interviews. Selection of the best skilled candidate on the basis of the required competencies.
Remuneration	3 different revisions introduced recently, overall increase by 15% to all general staff in the public service in 2005, plus an overall increase of salary by the same percentage and in the same year to all medical staff plus a wide range of allowances introduced to boost the medical sector in the public sector, an increase of 6% to Senior Executive staff plus an introduction of special monthly allowance for competent leaders in 2007, and an overall increase of salary by 18% to all professional staff in the Public sector in 2007. Bonuses and allowances mainly depending on length of service or functional specificities.
Career advancement	Criteria (by order of influence): <ul style="list-style-type: none"> ● Performance results. ● Skills progression. ● Seniority.
Performance management system	Performance-related pay applied to senior staff. Finalised and approved in 2006, and implemented across the public sector in 2007. The system is still under trial and is used together with the old performance appraisal system. The intention is to replace the performance appraisal system by the end of 2010.
Senior civil service	Special leadership programmes adopted to foster leadership in the public sector, in co-ordination with the Bahrain Institute for Public Sector (BIPA), together with succession programmes to prepare leaders for the future. Different merit and incentive systems will be proposed to attract high calibre staff to lead the public sector in Bahrain. The overall focus of the Kingdom of Bahrain until 2030 will be on future changes to be implemented by these leaders.
HR reform frameworks	The Civil Service Bureau Lean Strategy 2008-14 (see case study). National Economic Strategy 2009-14. The Economic Vision 2030. Objectives: Aligning business choice with innovative sectors, providing high-quality services in a business-friendly environment.

and customer-orientation, and to introduce more flexible ways of working throughout the public service. In the Bahraini administration, this tool has been introduced to improve workforce planning, recruitment and selection processes on the basis of a broad-based understanding of the skills needed for each function and how best to ensure that these needs are met.

Context of the reform

The Civil Service Bureau (CSB) has enacted a comprehensive HR reform agenda for the period 2008-14 (Al Kooheji, 2009). Under the banner of “Lean Strategy”, the agenda sets out 15 initiatives to increase productivity, foster workforce planning and institute performance-related assessment. Implemented first within the Civil Service Bureau itself, the Lean Strategy initiative will be gradually extended to all departments.

At the same time, the government workforce will be progressively downsized through a recruitment freeze, natural attrition and outsourcing, to meet the National Economic Strategy’s objective of containing public expenditures (Kingdom of Bahrain, 2008). The National Economic Strategy covers all governance pillars, including measures to build an efficient and effective public service. The strategy recognises that the first priority is to review HRM arrangements. Within this area, two key Lean Strategy objectives are to improve performance management while consolidating the competency-based approach, and to review job classifications and profiles to move the civil service structure towards a corporate model.

Objectives

The Bahrain administration has deliberately emulated the Westminster-model countries – *e.g.* the United Kingdom, Canada and the United States – which have experience in developing and embedding competency management over a long period. Bahrain selected the competency model because it has proved its effectiveness for matching human resource management policies and practices to the goals and performance of the organisation.

The CSB identified the competency-based model as best suited to its aims of enhancing organisational performance, increasing responsiveness to the client, and improving workforce planning. Meeting these aims will involve raising government’s ability to adopt new modes of business, to provide new outputs, and to respond to changing requirements for employee skills and competencies.

Like many OECD countries, Bahrain finds it difficult to compete with the private sector in attracting and retaining qualified personnel. To address this challenge, the CSB is formulating workforce planning strategies that map out the skills, technical competencies and proficiency levels needed in each job. This competency-based model establishes a system of job classifications that will underpin the competency management policy. The model covers all HR processes: recruitment and selection, promotion and reassignment, training, performance appraisal and succession planning.

To implement the competency-based model, the CSB has installed a business-intelligence instrument that reports on all HR processes. This enables the CSB to handle such core personnel functions as workforce

measurement, payroll, training requests, hours worked, contract renewal, performance appraisal, awards, and allowances.

Stakeholders and process

The CSB developed and introduced the competency-based model in 2007, using itself as a pilot. The CSB is now working to install it in all departments and agencies through a highly delegated implementation process that defines line managers as the primary stakeholders and gives them the authority to specify the competencies needed for vacant positions and for the computerised performance assessment system. The competency-based system provides position descriptions and skills analysis for both supervisory and non-supervisory positions and is now mandatory for all vacant jobs and for succession planning.

The model involves four components, each relating to a set of competencies and related indicators:

- i) *Achieving results*. This is the most important component and focuses on outputs and work effectiveness. It includes technical skills and knowledge related to the job; planning and organising skills to prioritise workload and deliver on time; initiative and autonomy; skills (accountability, acquisition of internal standards, performing critical tasks); and customer focus.
- ii) *Leadership* stresses team management and compliance with organisational goals. Key competencies include mutual goal achievement, teamwork, strategic thinking and strategy formulation, performance measurement and monitoring.
- iii) *Managing the working environment* stresses the skills needed for conducting business in a complex organisation, including analytical skills, decision-making, ability to work under pressure, and conflict management.
- iv) *Managing communication* emphasises the ability to use different communication tools, to negotiate and build consensus, and to influence decision-makers.

The CSB has developed a dictionary of 92 competencies to be used across the performance appraisal process. This defines five levels of performance for each competency, from basic to expert, as the basis for more systematic performance appraisal. In the final stage of the process, CSB uses gap analysis to measure discrepancies between the competencies required by the job profile and the personal skills of position-holders. The gap analysis is then used to define training needs as well as to award pay increments or other incentives for performance.

Achievements

The competency-based model has brought important improvements to the CSB's HR process:

- A standardised selection process based on precise job requirements.
- Reduced recruitment costs.
- Training programmes aligned with organisational strategies.
- The ability to pinpoint competency gaps so as to redesign training programmes.
- Precise, operational, and transparent performance appraisal criteria.
- The ability to identify the best performers to build the succession planning strategy.
- The ability to ensure that training and development are well focused on the business needs of the organisation and to establish a culture of ongoing learning and development.

It has allowed a number of key human resource management activities to become linked to ensure that the organisation is staffed by competent, effective people with precise abilities. Over time, the competency-based model will enable the CSB to integrate the various HRM functions (*e.g.* recruitment, selection, promotion, training, appraisal, rewards, etc.) within a single whole-of-government system. It has thus paved the way for increased productivity and workflow flexibility³ based on an individualised public employment regime.

Obstacles and challenges

1. What challenges has the reform faced?

- The economic downturn and the consequent recruitment freeze have temporarily interrupted Lean Strategy implementation, but the CSB plans to reinstitute it as soon as possible.
- The new approach depends on sophisticated HR software that requires training for HR managers and staff. Training will help them to define individual objectives, establish job profiles and ratings, conduct competence appraisals, complete gap analyses, measure training needs, and consider leave requests. Staff are responsible for filling out electronic appraisal and leave procedures that are then submitted to line managers for approval – this has revealed a need for more IT competency at the managerial level.
- There is a need to increase linkages between the competency-based model and existing performance management practices, including career advancement and pay rewards.⁴

- Survey and interview findings reveal that some managers are uncomfortable with the new delegated workflows and performance-oriented practices. These concerns need to be addressed.
- Evidence from OECD countries shows that competency frameworks can be static and bureaucratic, leading to a strong focus on inputs and process rather than serving as a measurement tool for performance management. The frameworks need to be reviewed and revised regularly to ensure that they remain effective.

Next steps

Full implementation of the competency-based model is a top strategic priority in Bahrain's human resources agenda between 2009 and 2014. Two targets are: i) to expand gap analysis to cover 60% of the workforce; and ii) to extend the performance management system to cover 80% of the central civil service. To promote communication across the government, the CSB also plans to set up a government data network connecting ministries and departments.

Through these measures, the CSB will continue to support the National Economic Strategy for 2009-14. In particular, it will develop HR initiatives that respond to the recruitment and retention challenge by furthering career development and making government jobs more attractive, as well as continually improving government skills. The focus of the Lean Strategy remains employee performance: "the critical issue in improving government services is to ensure that public sector employees have the capabilities and skills required for effective service provision" (Kingdom of Bahrain, 2008).

To realise this vision, the CSB will extend Lean Strategy initiatives to:

- Redesign job classification and occupational groups,⁵ redefine the qualifications required for each position, and eliminate irrelevant or overlapping positions.
- Enhance skill-training programmes to link the business needs of the organisation and the continuous improvement of staff skills.
- Increase individual performance management, using new metric indicators to appraise performance, variable pay ceilings adjusted to GDP, and pay-for-performance incentives for the top performers.

2.4. Egypt case study: Capacity management

Context of the reform

The Ministry of State for Administrative Development and the Central Agency for Organisation and Administration are finalising a major revision of the civil service statute, which dates from 1978 (Table 2.2). Begun in 2006, this core reform process encompasses a comprehensive review of HRM policies,

Table 2.2. **HR characteristics of the Egyptian administration**

HR characteristics	Details
HR system	Position-based system model.
HR central organ	2 bodies at central level: <ul style="list-style-type: none"> ● Ministry of State for Administrative Development (MSAD). ● Central Agency for Organisation and Administration (CAOA). Central decision-making process.
Legal environment	Civil service law: Act No. 47 in 1978. 55 laws ruling the HR systems. Annual laws issued every year from 1987 to update salaries. Specific status for the armed force and police. Legislative change of the civil service law under discussion: <ul style="list-style-type: none"> ● New performance appraisal system (according to a 5-point scale). ● Linkages between appraisal results and career evolution and pay. ● Workforce downsizing and normalisation with private sector rules (according to CAO, in 2009, 340 000 posts will be cut). ● Civil servants will be allowed to hold two jobs, as long as the second job does not conflict with civil service obligations.
Employment conditions	Lifelong employment.
Workforce planning instruments	Automated system installed by the CAO has allowed capacity building in IT designs and applications.
Recruitment	Open advertised vacancies to any applicants. Position attached to job descriptions. Selection of the best skilled candidate on the basis of the required competencies.
Remuneration	Minimum salary in public sector in 1984. Wages of civil employees increased by 30% in 2008 and by 10% in July 2009 (mainly to reflect the large inflation rate increase). New pay system recently introduced: new minimum salary ceilings adjusted to each department, ¼ of the salary performance-related. No revision of pay scales or bonuses lately. Performance-related pay in place, accounting for 30% of the salary, based on individual performance and achievement of targets.
Career advancement	Criteria mainly based on competition for promotions from general manager to senior management level and from 2nd grade to 1st grade. Other promotions mainly based on seniority, while performance appraisal results are also taken into account for promotion from 3rd to the 2nd grade
Performance appraisal system	Formalised performance assessment provided by the 1978 Law. The new civil service project would introduce an individual efficiency rating.
Senior civil service	Law 5 in 1991 set recruitment and promotion in the senior civil service.
HR reform frameworks	Fifth Five-Year Plan for Socio-Economic Development (2002-07). and the Sixth Five-Year Plan for Socio-Economic Development (2007-12). Objectives: sustain growth and foster employment. The Organisational Development Programme issued by the Ministry of State for Administrative Development.

organisational needs and HRM structures. It aims to establish a performance-oriented HR system and competency-based workforce planning. Its broader objective is to modernise the civil service HRM system, providing coherent rules across all departments and motivating better and more customer-oriented performance by Egypt's 5.7 million central government employees.

Stakeholders

Egypt's HR reform effort, like those in a number of other MENA countries, requires close collaboration between the ministry responsible for public sector management reform – the Ministry of State for Administrative Development or MSAD – and the civil service bureau. This latter makes up part of a larger agency, the Central Agency for Organisation and Administration (CAOA), which in turn is part of the Cabinet of Ministers.

MSAD has a comparatively small staff, and advises and supports the prime minister in designing reform plans and providing technical assistance to the line agencies in their implementation. MSAD's portfolio extends beyond HR; for example, it has played a central role in developing Egypt's highly regarded e-government initiatives.

CAOA is a line agency with direct responsibility for managing the state's human resource function. Its overall role includes designing administrative reforms and establishing new organisational structures, but it is also responsible for proposing laws and bylaws, supervising the implementation and enforcement of personnel legislation, designing and implementing HR policies and strategies, drafting job descriptions, assisting HRM units in the various line ministries and training senior civil servants to make them eligible for promotion at the Center for Management Leadership Training.

An effective partnership between MSAD and CAO A is therefore critical to the success of the reform. It links the HR reform to the broader governance reform strategy on the one hand, and ensures that it reflects detailed knowledge and expertise of the HR system and the civil service, on the other. Some HR reforms have also required bringing in other agencies as partners. For example, the creation of an automated HR system has involved collaboration among CAO A, MSAD and the Ministry of Communications and Information Technology.

The purpose of the current HR agenda is to adjust the workforce and skills to the government's evolving regulatory and promotional role in the economy, whilst ensuring full coverage of essential social services and protection for Egypt's rapidly growing population. According to assessments by MSAD and CAO A, the main challenges are that the workforce is not well-balanced and skills are not in the right place, thus hindering effectiveness and efficiency.

The government's agenda emphasises the following key policy objectives:

- Constraining public employment growth and sizing the public workforce appropriately. These are the overarching priorities of the new civil service law and of any new policy for capacity development. The bureaucracy has grown over the last 50 years to more than 20 times its original size. The underlying purpose is to decrease the inflating wage bill to free up resources for other components of service delivery.

- Building capacity in government through a shift towards a position-based system. Restructuring the government's organisational architecture is the reform's first pillar, so as to increase performance and efficiency. Three main results are sought: i) fewer government bodies and duplicated units; ii) job classification and staff allocated on the basis of skills needs; iii) an automated system and new strategies to use available resources and manage capacity change.
- Consolidating the training policy to link training to performance-oriented management.

Process

The Egyptian government is addressing the first objective by shifting from being a traditional employment regulator to a performance-oriented service provider, with a view to favouring private sector employment. This involves:

- Downsizing the workforce, mainly through a recruitment freeze (only 60 000 staff recruited each year, roughly 1% of the total workforce). In 2008, the central government workforce decreased in size for the first time in decades.
- Controlling public employment through rules similar to those of the private sector: the new civil service law now being drafted will make contract-based employment more widespread,⁶ thereby satisfying skills needs while implementing the recruitment freeze.
- Introducing an early retirement policy in the new civil service law. Voluntary departures of civil servants aged 50-60 will be encouraged through specific benefits; pensions will be calculated based on contributions throughout employee's working life and not on the last salary; and civil servants will be promoted to one grade above the current pay rank. In addition, staff aged over 55 will be prohibited from re-employment within civil service units.

In order to match skills to requirements (objective two), reforms are being developed in three main areas:

- i) Increasing delegation of HR to departments and line ministries, based on staffing plans. Recruitment rates and yearly staffing needs will be incorporated into the HR skills evaluation completed by each department to identify and fill capacity gaps.
- ii) Restructuring job classification under the new civil service law to introduce a consistent framework across all departments. At present, positions are divided into 6 categories subdivided into 31 groups (corresponding to professional fields). The new law will reduce the number of groups to 7 to make promotion and mobility across units easier. The position hierarchy will be based on the level of difficulty of the tasks. Each job will be described according to the specific nature of the work and the required qualifications.

- iii) Improving workforce planning as part of the overall delegation of HR to line departments.

Regarding the third objective, capacity building, two main initiatives can be highlighted. First, MSAD has recently introduced the Change Leaders Initiative, a four-year plan to raise the capacity of the 8 000 senior staff in the top three levels of government directly below ministerial level. MSAD see these staff, who represent less than 2% of the total government workforce, as the linchpins of successful government reform. As half of these key staff are scheduled to retire in the next five years, the ministry has prioritised developing the capacity of the younger group within this senior management cadre. These staff must, in other words, become “change leaders”, managers who are able to take on increased responsibility for driving reform in the units they head, as well as stepping up to replace retiring senior managers.

By targeting this group with short courses in advanced management topics, Egypt can maximise the impact of its limited training funds. One-third of the programmes are dedicated to senior civil service improvement. Training objectives focus on strengthening administrative leadership, enhancing HRM and fostering strategic planning.⁷ Training certification is now a precondition for promotion to senior positions. The Change Leaders Initiative will also help to forge these staff into a team that can facilitate change through collaboration as well as by implementing new management practices in the units they lead.

Another pressing need involves upgrade civil servants’ ICT skills to achieve the government’s broad e-government goals. ICT and other management training is not limited to the Change Leaders Initiative; in 2008, 13 000 staff across government participated in training programmes.

The second capacity-building initiative is the launch of a whole-of-government automated HRM system. When completed, it will centralise essential personnel data on all staff. Led by the CAO, optimum structures for each administrative unit were specified in 2006, and overlapping or redundant structures have been identified in 309 directorates and 19 ministries. The data system became operational in May 2008, although data entry is still underway. It maps job descriptions linked to organisational structures and measures the expected performance for each job. This system will also link to the training policy by evaluating the skills needed for each post in every organisational division. New incentives will be introduced to encourage staff to improve their skills based on this diagnosis.

Achievements

The new job classification is the first concrete step towards a whole-of-government organisational restructuring. Each post will have a similar

description throughout the government's ministries and agencies. The automated system installed by the CAO A has allowed capacity building in IT designs and applications. In the next two years, the project will focus on connecting CAO A to each governorate's directorate (directorates oversee line ministry staff working at the local level) through a web-enabled interface.

As in several countries, the Ministry of Finance has been a pioneer in developing and testing new HRM systems. In 2009, the ministry developed and implemented a dynamic Human Resource Inventory System (HRIS) for all employees in the seven main sectors, which included all relevant employee information (such as previous training courses and promotion). The ministry has also been heavily involved in training its staff. In 2009, 32 training and development courses were delivered; pre-training session and post-training sessions were also conducted to assess the value of the courses.

Training policies are evolving from supply-driven to demand-driven, mainly through a push by the National Management Institute. Since its recent restructuring, NMI will now focus more on outsourcing and partnering with leading local and international management training programmes, both academic and non-academic, to take advantage of proven programmes for upgrading the skills of senior managers.

CAOA's achievements in modernising HRM were recognised by its receipt of the internationally-recognised Investors In People (IIP) award in 2008. The effort to win this recognition engaged staff throughout the organisation in a three-year investment to meet 10 benchmarks and 39 sub-indicators, which together improved HRM performance. As of 2009, sampled administrative units had to comply with IIP standards. In the coming three years, CAO A will participate in continuous surveillance under the IIP standards, while developing its in-house and partner indicators on improving training needs assessments, training effectiveness and human resource return on investment principles and applications.

2.5. Morocco case study: Restructuring civil service positions

Since 2004 Morocco has been implementing an ambitious and systematic overhaul of its civil service personnel system (Table 2.3). The process began with a voluntary retirement programme that reduced overall staff numbers by more than 7% in 2005. Next the government tackled the complex task of establishing a harmonised and competency-based position structure across government. Begun in 2005, this process accelerated in 2007 and is now effectively complete. The third stage, to be completed by 2010, is to develop a comprehensive employee database. This is a prerequisite for the fourth stage, in which the government will address the even more difficult challenge of rationalising pay and linking it to the new performance measures, as well as

Table 2.3. **HR characteristics in the Moroccan administration**

HR characteristics	Details
HR system	Career-based.
HR central organ	Ministry for Modernisation of the Public Sectors, under the umbrella of the Prime Ministry. Central decision-making process but delegated HR management to departments. Decisions are negotiated and co-ordinated through the HR directors' network (created in 2006).
Legal environment	Civil Service Law No. 1-58-008 dated 24 February 1958. 68 specific autonomous statutes. Specific employment conditions differentiated from the private sector.
Employment conditions	Job tenure for a large majority.
Workforce planning instruments	HR database: Central index providing unified data on staff.
Recruitment	Competitive examination.
Remuneration	Bonuses and allowances mainly depending on length of service or functional specificities. Ongoing reform of the pay scales and ceilings.
Career advancement	Criteria (by order of influence): <ul style="list-style-type: none"> ● Mainly seniority-driven. ● Internal competition. ● Individual performance.
Performance appraisal system	Performance appraisal system revised in 2007.
Senior civil service	Specific rules applied to senior civil servants.
HR reform frameworks	2002: Public sector modernisation strategy. 2004: Structural assistance World Bank programme: implementation of 37 initiatives by 2012. 2005: Administrative modernisation agenda. Structural HR objectives: further decision-making delegation to department, increasing outsourcing, introducing a new occupational structure, adjusting all HR processes, re-engineering procedures, introducing a new performance appraisal, revising the pay system, new working time, etc.). 2005: Intalaka voluntary redundancy initiative.

making further changes to bring the recruitment and promotion systems in line with the new position structure (position catalogue) for the whole of government. Along the way, improvements have also been introduced in training and other areas.

This case study focuses mainly on the job classification, and also touches on some of the other reform phases. The development of the new position catalogue has three notable aspects that merit detailed treatment:

- i) It has been implemented in a decentralised manner, with each ministry forming a committee of human resource professionals.
- ii) It has sought to integrate the traditional structure (based on professional corps and education-determined categories) with a modernised system (based on fields of work and reference positions).

- iii) The process has been designed to minimise disruption to the existing workforce. Although it paves the way for a more thorough modernisation and restructuring of the workforce over the coming years, it has avoided confronting the structural imbalances in the workforce head-on. Instead it has added a layer of more analytical position descriptions to the traditional system. In other words, it has redefined the positions first, leaving the restructuring of the workforce to the next phase. Without this redefinition, however, the next phase would not be possible.

The categorisation and grouping of jobs have important structural implications for the flexibility of the workforce and the ability to organise staffing cost-efficiently. The problem with the previous civil service structure was that it denied managers the ability to compare structures across ministries, to transfer staff horizontally, or to manage the overall civil service workforce. This was because ranks and positions were defined using an outdated and inflexible structure of corps, categories, and grades that had become highly fragmented over time. The reform superimposes a new streamlined system with positions linked to competencies.

The preparatory phase: Reducing the wage bill through voluntary retirement

In June 2004, the Prime Ministry issued a decree calling for a major workforce planning and competence management reform. This reform became part of the long-term administrative modernisation agenda issued in 2005, aiming to reduce the wage bill and increase public productivity.

Before this reform could be implemented, however, the wage bill needed to be brought into line with available resources by reducing the workforce. This reduction was also intended to thin the ranks at the senior level so as to give the administration more room to manoeuvre by, for example, hiring new staff to fill skill gaps and promoting younger managers. Financial incentives were used to accelerate voluntary retirement.

Initial efforts were disappointing because the package was not attractive enough. A new and expanded incentive programme, between January and June 2005, offered lump-sum payments based on length of service and various other criteria. Recipients were also entitled to pension benefits equivalent to up to 2.5% of their last monthly pay.⁸ Retiring staff were also entitled to loans at preferential rates and other assistance to encourage them to set up new enterprises. Many retirees took this option, creating an estimated 22 000 new private sector jobs, more than 60% in the real estate sector and 13% in trade activities.

The programme was very successful in accelerating retirements, with 38 591 civil servants leaving public employment – 7.5% of the total workforce.

This allowed the government to reduce the total wage bill from 12.8% of GDP in 2004 to 10.6% in 2005, reversing the previous upward trend. Although short-term costs were high, at MAD (Moroccan Dirhams) 11.1 billion, savings on the wage bill reached roughly MAD 15 billion DH, or 1% of GDP. Not surprisingly, many of those who left were at the upper end of the pay scale – 74.3% of the recipients were senior staff aged over 50,⁹ and 53.6% of departing staff came from the top ranks.

The simplicity and speed of the programme came at some cost to the government, however.¹⁰ For example, certain units lost a large share of staff, leaving gaps in some skill or experience areas; 30% of staff retired from particular units in the Ministry of Foreign Affairs and many academics also left.

The government is now carrying out targeted adjustment policies to retain middle and top managers and to redistribute staff across ministries and occupation groups. The workforce containment strategy is also continuing, with posts vacated due to natural attrition not being refilled. The ageing of the civil service means that retirement will be high even without special incentives. A little over 30% of the entire current civil service workforce will have retired within five years. New recruitment remains strictly limited, while a recruitment freeze is in place for low-level staff (mainly front-line positions).

The new position classification system

With this brush-clearing accomplished, the Moroccan government launched a deeper reform of the civil service structure in 2005. This aimed to develop a new catalogue of positions harmonised across government, whilst allowing for considerable ministry-specific variation. Each position in the new structure was defined and classified based on six characteristics: activity, tasks, skills, place in the organisation, objectives/missions and level of responsibility. Wherever possible, reference positions have been defined that cut across the whole government or encompass several ministries' requirements. In other cases, positions are ministry-specific. In either case, the positions must be placed within a modified structure.

To understand this shift, we must first briefly describe the traditional system used in Morocco, which was a variant of the French career-based system. The basis of this system is the “corps”, which is defined by professional specialisation and is roughly analogous in structure to a military corps (signals corps, air corps, etc.). Within each corps, positions are defined first by “category”, based on the level of education needed to qualify for that position (e.g. a teacher must have a BA degree), and then by grade or rank (junior teacher, senior teacher, etc.). An employee's status, as in the military, is defined by the system of grades and categories, not by the specific duties assigned. Progression up the ranks within each education category is determined by seniority. There

are 71 corps in the Moroccan administration. Based on the French system, there is a separation between the grade a person holds in their corps and the position to which they are assigned.

Over time, the different corps have developed very different structures, so that it is effectively impossible to compare positions in one corps with those in another. This makes defining career paths and transferring across ministries difficult at best. The system also relies heavily on education level at entry and seniority, rather than on whether a person has the right skills for a given position.

To make the system more functional, the government decided to revise the structure based on a new catalogue of positions. These would be defined by skills that could coexist with the corps-category-grade structure, at least in the initial phase. The main structural change to the existing system would be to reduce the number of corps, creating whole-of-government corps and specialised professional corps. The overall principle of profession-based corps would be retained, however.

The category structure would also be retained, with its education-based structure. Under this structure, employees with masters' degrees are grouped in the "Upper A" category and hold top or upper-middle management positions; those in the "A" category hold at least a university degree and also fill upper management posts; "B" category staff hold a bachelor's degree and fill intermediate management positions; while "C" and lower category staff do not have specific qualifications and fill front-line or lower-level support positions (Table 2.4). Categories A and B typically include an administrative sub-corps and a technical sub-corps if relevant to their professional classification (*e.g.* medical doctor *versus* hospital administrator).

Table 2.4. **The category-corps-grade structure before the reform**

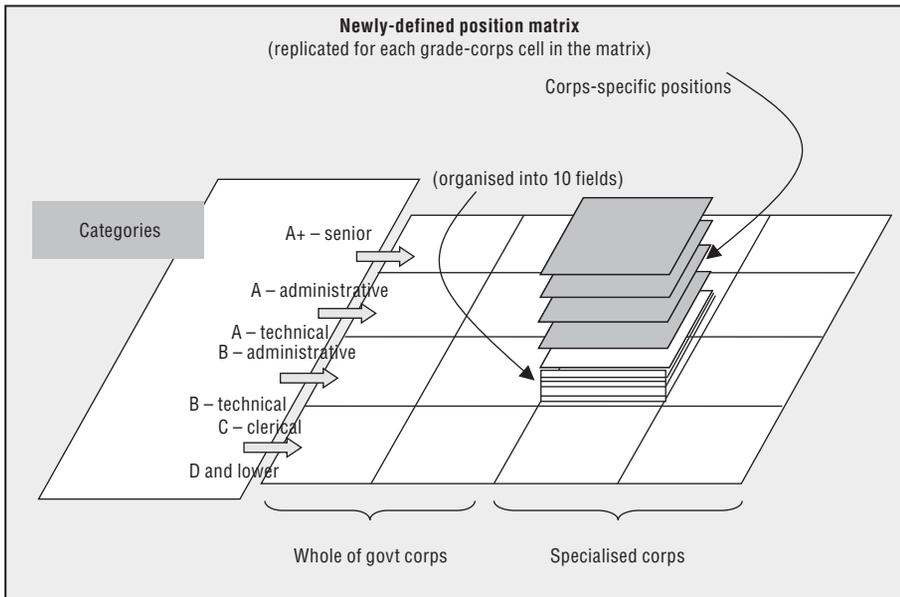
Category	Corps (<i>examples in italics</i>)	Grades (sample positions)
Upper A	Senior civil service corps	Director, secretary general
A	Administrative corps <i>Civil administrators</i>	Deputy director general
A	Technical corps <i>Civil engineer</i> <i>Executive staff, education sector</i>	Civil engineer in transport ministry School director, professor
B	Administrative corps <i>Administrative assistant</i>	Legal drafter
B	Technical corps <i>Administrative executive officer</i>	Teaching assistant
C and lower	Skilled workers <i>Skilled worker in the security field</i>	Security assistant

2. The resulting hybrid system established a new catalogue of jobs in each corps based on duties and associated skills, rather than educational background and grade (rank). The new catalogue defines:

- 21 broad fields of activities (e.g. HR management); 11 of these exist across government, while 10 are sector-specific.
- Occupational groups within each category (e.g. HR groups might include personnel management, capacity-building, etc.).
- Ranks within each occupational group corresponding to the existing category (classification), i.e. managerial positions, expertise-based positions, supervisory positions and front-line positions.
- Specific reference positions for each field-occupation-rank cluster:
 - ❖ These include 154 reference positions common to all ministries (e.g. in the HR field, these would include HR manager, training engineer, HR adviser, HR front-line executive, etc.).
 - ❖ Additional reference positions for department-specific positions as appropriate.

Figure 2.3 shows how these two systems interact. Each corps-category cell now houses a set of positions, including some that are drawn from the 154 across-government reference positions and some that are specific to one or more agencies.

Figure 2.3. Morocco's revised position structure



Although an interim step, the hybrid model provides much more information than before and presents it in a way that is consistent across government. The new job catalogue gives the government a clear picture of workforce numbers for each position in the catalogue. It is now also possible to harmonise career tracks across ministries. With a much clearer picture of who is doing what in each agency, the government can now build a streamlined workforce planning system and strengthen performance management instruments.

This reform will shift the traditional career-based system towards a more position-based approach where career tracks depend on skills and where promotion will be on merit rather than seniority. This new system overcomes several major drawbacks of the old system by replacing:

- Multiple career paths and recruitment rules, which led to a lack of visibility in HR rules, with a consistent set of paths.
- HR and regulatory rigidities that prevented career progression and mobility, with interlinked positions that facilitate comparison across units.
- The previous mismatch between skills and positions, which prevented strategic or competency-based management, with clearly defined skill sets for each position.

Overall, the new system should allocate staff more optimally, encourage performance orientation over corporatist interests, and reduce transaction costs within the personnel system. With a clearer understanding of the skills needed across the civil service, the government will also be better positioned to tackle other challenges, including the shortage of staff with key technical skills, skill levels that do not meet government's needs, and identifying training needs.

Stakeholders and process

The Moroccan approach was inspired in part by the French experience in developing a whole-of-government job catalogue – the RIME programme, completed in 2006.¹¹ To take advantage of this experience, the Moroccan government developed a bilateral technical co-operation project with the French HR authority (DGAFP), which helped to identify obstacles and trained the group of senior Moroccan civil servants in charge of the reform.

The Ministry of Public Sector Modernisation (MMSP) adapted the French reform plan and created a decentralised and participatory approach for implementing the reform. To guide this effort, the ministry issued whole-of-government instructions on how to develop the position catalogue and how to specify each position based on the six parameters identified (skills needed, etc., see above).

The actual analysis of each ministry's needs was carried out by steering committees made up of HR professionals reporting to the department's General Secretary but chaired by the HRM director. The syndicates were also represented in the programme's co-ordinating committees.

Each ministry specified the activities and positions it needed, which were then classified within the job structure. MMSP then defined which activities and occupations are common to all ministries to define the whole-of-government reference positions.

For ministry-specific positions, each department developed its own fields of activities and designated jobs for its section of the catalogue. For example, MMSP's 10 fields include strategic management, organisation management, internal audit, ICT, HRM, legal advice, public relations, quality management, and logistics. Positions are listed for each of these fields. MMSP's section of the catalogue further categorises its positions within these fields into 18 occupational groups and 45 reference jobs.

The whole-of-government reference positions ensure consistency across the whole system, and will also provide a basis for a refined performance assessment system as the new position structure is implemented. To date, 26 of the 34 ministries have completed their part of the overall job catalogue.

The new catalogue will also enable the government to identify overlap, duplication, and excess capacity, leading to a future reduction in the number of positions and posts. This will generally be accomplished by merging positions or redefining jobs to cover areas that need additional capacity.

The new catalogue is already making workforce planning easier. For example, the Ministry of Finance and Privatisation, which has completed its catalogue, reported that building the new structure helped it to assess workforce needs (related to age structure and retirement forecasts, among other issues) and identified gaps between needs and resources.

Based on the catalogue, action plans will be negotiated with each department to rationalise annual recruitment targets and ensure that recruitment profiles are adjusted to reflect the new job descriptions. However, further work will be needed over time to rationalise HR rules across government departments.

Next steps

While the position catalogue is being finalised, work is also proceeding on the next step in modernising HRM: creating a comprehensive, whole-of-government staff database, including their educational background, current position and other data. Without this, neither workforce planning nor competency-based policies can be implemented. An integrated e-HR

programme will be set up by 2010, merging the various e-HR software and databases currently used.

The next stage will also establish new HR processes for recruitment, career paths, training programmes, etc. This is expected to harmonise HR rules, redesign career paths and training programmes, and upgrade the public workforce to match capacity with technological change and new civil service missions.

In the training area, the new competency-based job catalogue will support upgrading workforce skills and lifelong learning. Since 2006, each department has had to deliver an overall plan for lifelong learning, with multi-year targets and objectives. Budget ceilings have been raised recently to set training expenditures at 1.3% of the wage bill. Overall training programme numbers rose six-fold between 2001 and 2006, as training policies are continually adjusted to shifting needs.

The final stage in Morocco's ambitious overall HRM reform process will be among the most difficult: aligning public sector employment conditions with labour market conditions and rules, including setting salary and other workplace conditions that can attract and retain highly skilled personnel. This will include generalising the competitive examination and developing a draft law (now under discussion) to clarify legal conditions governing fixed-term recruitment (contracting) arrangements.¹²

A law in 2007 changed the performance appraisal system. Five new criteria were established to appraise staff performance (dedication, innovation, ability to meet job requirements, performance and productivity). This law links individual performance to promotion by allowing employees exceeding a certain performance level to be promoted more quickly. In practice, however, a large majority of staff receive ratings above the target. MMSP is working to more clearly define individual objectives, using the new position catalogue to make ratings more transparent and useful.

This alignment will also involve further reduction and consolidation of the corps structure and mapping new career tracks, to be started in 2010. A draft law is currently under discussion to allow staff to move more easily across ministries.

Restructuring pay and other financial incentives remains a huge challenge, even though the new job catalogue and the related development of performance-oriented career tracks provide valuable input to this process. As in other MENA countries, an important step in pay rationalisation is reducing the proportion of the total pay packet made up of allowances and bonuses, which have gradually built up to compensate for rigid and outdated salary levels. Regulatory and functional allowances reach 72% of the whole wage bill and are automatically allocated regardless of individual performance. The

wage bill will also need to be rebalanced: currently 47% of the entire bill goes to the 20% of employees in the top pay grades.

A revised pay structure will sharply increase salary grade differentials, with fewer categories but more differentiation between them. It will also pare away the 68 statutory frameworks that now govern (and distort) civil service pay.¹³ The target is to reverse the pay-allowances structure so that 70% of remuneration comes from basic pay and 30% from allowances. Salary restructuring will be costly: projections put the price tag at MAD 13 billion (EUR 1.15 billion) each year, mainly due to rising average pay and additional pension costs.¹⁴

Conclusions

This case study demonstrates the complexity and difficulty of reform an area that is arguably the most resistant to change of any in the governance agenda. Morocco's experience is therefore useful because it demonstrates that with political will and tenacity, progress can indeed be made.

One key factor in the reform success is the systematic, step-by-step and decentralised approach taken by Morocco's MMSP. Rather than taking on the whole HRM agenda, MMSP selected one part of the package, developing a new position catalogue, and pursued it gradually. Each ministry was assigned to develop its own catalogue with a certain amount of flexibility in the timetable. This enabled some ministries, such as the Ministry of Finance, to proceed more rapidly than others.

As part of the step-by-step strategy, rather than eliminating the old system of corps and categories, MMSP consolidated the system, leaving the broad outline in place. This avoided, or at least postponed, a potential major battle given the long association of the civil service with the professional corps.

By allowing the ministries themselves to define the new position structure, with participation from the constituent corps (Figure 2.2) and, as appropriate, their syndicates, MMSP demonstrated its respect for the expertise and traditions of each profession. While a top-down imposition might have seemed tempting, the slower participatory and decentralised process has shown its worth.

Morocco also learned from its own mistakes and from the experience of others during this gradual, step-by-step approach. It took advantage of the recent French exercise to develop a position catalogue to accelerate its own work in that area. When the voluntary reduction package proved inadequate, it restructured and relaunched it, achieving success in the second round.

The reforms are by no means complete, but solid progress has been made over the past five years. The next stages are in some ways the most difficult; continued political will and determination will be no less necessary in these stages.

2.6. Tunisia case study: A consultative process

Context

The Tunisian government started to reform the HR system a decade ago, beginning by simplifying the civil service law (Table 2.5). In 2007, the government launched a broad consultative process that has allowed stakeholders to agree on a specific reform plan to be implemented systematically between 2007 and 2011. This experience demonstrates how a culture of continuous improvement can be introduced by working with key stakeholders to increase their acceptance of change.

Table 2.5. **HR characteristics of the Tunisian administration**

HR characteristics	Details
HR system	Career-based.
HR central organ	General Directorate for Administration and Public Service under the umbrella of the Prime Ministry. Central decision-making process.
Legal environment	Civil service law: General statute No. 83-112 dated 12 December 1983. 126 autonomous statutes. Last reform of the civil service law: 2003. Specific employment conditions differentiated from the private sector.
Employment conditions	Job tenure.
Workforce planning instruments	HR database introduced in 2002. Early retirement system introduced in 2008 for staff aged 57-60.
Recruitment	Competitive examination. Introduction of multiple choice written test. Delegation of recruitment process to ministries.
Remuneration	Last pay scales revision in 1998. No performance-related pay. Bonuses and allowances mainly depend on length of service or functional specificities. Reform of bonuses and benefits to be accomplished by 2011.
Career advancement	Criteria (by order of influence): <ul style="list-style-type: none"> ● Seniority. ● Competition. ● Individual performance.
Performance appraisal system	To be revised in the coming year, as endorsed by the presidential programme adopted for the period 2009-14. This new performance appraisal system will include a performance-related pay system as well as a new training system.
Senior civil service	Specific rules for recruitment and career advancement. A 5-year mandate for top management positions to be introduced by 2011.
HR reform frameworks	2007-11 Administrative Development Strategy (11th development plan). Objectives: increasing labour flexible conditions and introducing performance management policies.

Tunisia's approach differs from those of other MENA countries in that it will maintain its established career-based rules, but will introduce more flexibility and new performance management measures into this structure. This highlights the need for each country to define its own approach by adapting international experience to the country's specific traditions and context.

Tunisia's ambitious administrative HRM reform has three key priorities: i) establishing performance management instruments that emphasise performance appraisal and merit-based pay; ii) re-engineering training programmes to link training to the skills and competencies needed; and iii) introducing new workforce planning arrangements that are based on reformulated position descriptions and a new job classification, that are tied to a competency-based model and that meet the government's forecasts of recruitment, training and promotion levels.

While all of these elements can be found in at least some of the other HR reform programmes in the region, in Tunisia they have been selected explicitly to support the overall administrative goal of enhanced national competitiveness, as discussed in Chapter 1. These elements reflect the government's commitment to making the civil service an effective partner in raising national competitiveness and in boosting Tunisia's economic growth.

The revised public employment policies have therefore targeted a more business-friendly and efficient public service, seen as a key pre-condition for attracting more foreign investment. Overall, Tunisia's HRM reforms prioritise upgrading the quality of public service delivery by improving staff performance and responsiveness to the client. Productivity and efficiency gains, while by no means ignored, take second place to this main objective.¹⁵ And unlike Bahrain or Morocco, Tunisia will not pursue employment-level standardisation or increase contracting-out to the private sector.

The reform package nonetheless requires a comprehensive restructuring of the civil service, including a major revision of the civil service statute and extensive changes to both policies and procedures. In these respects, it is not dissimilar to the other case studies. What distinguishes Tunisia is its strong commitment to stakeholder consultation to carry the reform forward and to sustain and manage change over a long period. Tunisia's reform team, based in the Prime Minister's office, felt a consultative approach was the best way to bring about a change in the civil service culture and to instil values of workforce responsiveness. Cultural shifts cannot be forced by changing laws or regulations and. While such shifts must be supported and fostered by a personnel system that sends clear messages to employees on expectations and accountability, they must also be embraced at a personal level by the employees themselves.

Tunisia's reform team also recognised that the most effective means of getting civil servants to embrace such a major change would be to treat them as, in effect, the customers of the public service HRM system and to consult with and engage them in ensuring that the new system meets their needs. This behaviour therefore modelled the desired reform, as well as helping to achieve it.

Stakeholders and process

The national committee (see below) targeted nine areas that burdened civil servants as well as having the potential to block progress on reform:

- i) Rigid regulations contributing to inefficient business processes and inflexible workflows.
- ii) Inflation in the mass of legal and statutory requirements.
- iii) A lack of clearly-defined civil service core values in the basic civil service legislation.
- iv) Dysfunctional and time-consuming recruitment procedures.
- v) An overly-centralised training policy and outdated training programmes resulting in ineffective training plans that left more than one-third of training funds unused between 2003 and 2005. Since 2005, however, major improvements meant that around 90% of the training budget revenues were used in 2007.
- vi) Irrelevant performance appraisal systems with limited use of job-related indicators and no clear link to training or career advancement.
- vii) A seniority-based (rather than merit-based) promotion system.
- viii) Limited mobility across ministries and functions.
- ix) Multiple and non-transparent pay scales that provided for 78 different types of bonuses, allowances or merit increments based primarily on employees' grades and functions, with no link to performance or skill improvements, leading to unproductive incentive-seeking decisions and introducing a high degree of arbitrariness into employee pay scales.

Responding to these problem areas would require a new set of regulations that would link pay and performance and increase fairness. For example, the desired skills and behaviours could be rewarded through more attractive incentives and clearly defined career paths for employees, particularly the highly qualified staff whose experience and skills would be critical to reform success. Competency needs, rather than budget envelope considerations, would need to be at the centre of staffing decisions. A competency approach would give the government a strategic view of workforce needs and enable it to realign

staffing with broader goals, particularly in such understaffed but important areas as education, and to develop better ways to measure the impact of the public wage bill on the economy.

The reform team launched an extensive consultation process in November 2007. The process engaged employees and other stakeholders in defining a path to achieve the reform's central outcome: to redefine the government's missions and outputs, beginning by restating the core values governing public employment as the foundation on which to build a new legal and administrative system that would promote these values.

The Tunisian reform process involves an open and interactive approach with a high degree of transparency. The reform team initially built on existing relationships, for example with the government employees' union. The system of triennial negotiation with the government employees' union, in operation since the early 1990s, gradually evolved into a forum for discussing HR reforms, as well as pay and working conditions. It became a tool that the reformers could use to expand the dialogue to more comprehensive reforms. Without this mechanism it could have been significantly more difficult to establish a productive conversation with the trade unions.

The consultations were expanded to include other stakeholders. This reflects the need to negotiate with different groups to reach agreement on the need for reform and to obtain and maintain stakeholders' commitment to reform. It also reflects the belief that broad participation in agenda-setting is crucial to obtain legitimacy and commitment to change. These other stakeholders included top management decision makers from central and regional government, rank-and-file civil servants, academic experts and representatives of political parties and international fora, as well as trade union delegates. Several advisory committees were formed in January 2008 to provide advice on specific issues in improving public sector effectiveness and to structure and organise the consultations:

- i) The national committee, composed of HRM experts, legal experts and academics. This is the most influential institution involved.
- ii) The support committee, which supplies technical advice on such issues as e-government, the quality of public sector delivery, and other governance issues.
- iii) The technical committee, which provides indicators and statistical analysis to feed into the policy design process.

This approach is noteworthy in several respects. First, it was organised around broad issues that related to outputs, as opposed to narrower, personnel-oriented issues (promotion policies, for example). Second, by bringing in outside experts alongside union representatives, the reform team was able to keep the focus on outcomes and avoid sliding into the morass of civil service HR

minutiae. Third, in giving the civil service seats at the table, the reformers treated them as professionals, stakeholders and reform allies, rather than as the target of reform. Finally, by sharing proposed reforms with the group to gather their advice, rather than asking their general opinions but keeping the specific plans closely guarded, the reformers built support for change.

The reform team also used outside experts and consultations with government professionals strategically to introduce new ideas and bring broader groups of stakeholders to the table. Seminars and meetings both played a role in this process, including for example, an international seminar organised by the OECD/MENA GfD in February 2008; a meeting of HRM directors from central government units in May 2008; a meeting of civil servants and top managers from regional public entities¹⁶ in July 2008; and, as proposals were coming together, a national seminar involving all the key stakeholders in 2008. These frequent meetings helped to maintain the momentum for pushing the proposals forward.

To maintain transparency and to create a forum for expanded consultation, the team launched a website in September 2008 (after most of the larger consultative meetings had been held) containing documents on the logic of the reform, the main background policy documents, and the proposed HR regulation changes. Most importantly, the website allowed rank-and-file civil servants to comment on proposals or leave feedback. This bottom-up approach has helped to foster participatory initiatives among civil servants and smooth acceptance of the reforms.

Achievements

The Tunisian experience highlights the importance of integrating HR reforms into the broader reform process. Intriguingly, the Tunisian reform plan did not initially assign such an important place to HRM reform, focusing instead on other reform areas identified more closely with an improved business climate (administrative simplification, etc.). Early on in the process, however, the reform team recognised that better civil service performance was key to making other changes work and thus refocused the reform programme.

The redesigned consultative approach enabled the reform team, working with the national committee, to produce a whole-of-government performance assessment which identified the major HR obstacles that could torpedo the reform. The assessment called for a frontal assault on structural restrictions and rigidities in the traditional regulation-driven civil service system to open the way for reform. The consultative process gave reformers a strategic tool to advance their programme. It mobilised support for reforms and strengthened the overall design of the reform package, giving a new impetus to HRM strategy.

In May 2009, Tunisia's President announced a revised official reform agenda, much of which flowed directly from the consultation results. This underlines that, even with stakeholder engagement practices in place, strong leadership remains a key determinant of successful reform. The new agenda rests on two main pillars: human resources management and training. It puts the civil servants and their skills at the centre of the reform, rather than new processes or organisational structures. It emphasises setting clear goals, tied to core values, and then creating the right incentives and giving employees the flexibility to make decisions on the best way to reach the goals.

These concepts will sound familiar to those who are knowledgeable about current thinking on business management, but they are truly revolutionary in the context of MENA public sector management. This turnaround, moreover, was engineered not by outside donors or foreign consultants, but by the professionals at the heart of the civil service themselves. The Tunisian case study thus illustrates how leadership is an integral part of the HRM system at all levels.

The reform implementation schedule calls for full implementation by 2011. So far, the Tunisian government is on track and has overcome many of the basic pitfalls of the reform process, thanks to the consultation process. In particular, evidence shows that reform objectives have been broadly understood and supported by civil servants, while the executive leadership's commitment and vision have given coherence to the whole reform programme. It is still too early to assess ultimate success, which will rely on key next steps, outlined below.

Next steps

Now that the idea of change has been broadly accepted, the reform's next steps will address several core HR areas, especially the development of competence frameworks and performance management instruments.

Key objectives to be achieved by 2011 include revising the civil service law (General statute No. 83-112, 12 December 1983) to clearly define the new objectives of an efficient public employment system. The government is expected to introduce a performance-oriented budget framework with output-based procedures and a multi-year HR management system; to reform bonuses and pay benefits; to introduce a 5-year mandate for top management positions and performance-related pay for senior civil servants;¹⁷ to launch a new position catalogue; and to initiate other measures linking individual performance to career advancement and pay, to achieve systemic productivity gains. However, the civil service reform process will not involve constitutional change as the main objectives of the ongoing reform build on the current constitutional principles.

2.7. Conclusions

The achievements highlighted in this chapter demonstrate the significant efforts being made across the region to build a more sustainable and responsive public workforce, based on thorough reform of policies, systems and procedures. Although this must still be judged a work in progress, the reforms remain clearly focused on increasing the overall effectiveness, integrity and accountability of the civil service in delivering services. This cannot be achieved by tinkering at the margins of the government HRM system; it requires a true transformation in the region's civil services.

The four case study countries illustrate the ambitious range of the HRM reforms underway across the MENA region:

- Bahrain has created a new institution – the Civil Service Bureau – to implement a competency-based model. Its role is as to act as a strategic whole-of-government tool and to restructure the HRM system through the introduction of workforce planning linked to organisational objectives and to changes in recruitment and training processes. This approach was chosen considering that business transformations, new outputs and fluctuating demand are constantly changing the skills and competencies required by staff.
- Egypt's initiatives in leadership training and its creation of a civil service database used scarce resources strategically to support the reform process, as well as to immediately improve HR management. Great strides have been made in capacity management by increasing delegation of the HR decision-making process to departments/ministries, restructuring the job classification and adjusting tools for improving workforce planning.
- Morocco conducted in-depth restructuring of the civil service, built around a new government-wide catalogue of competency-based positions. The restructuring was carried out in collaboration with the 34 line ministries innovatively, using a decentralised model to reach agreement on the new structure and to prepare ministries for the next stage of the reform. This will involve a shift to HRM based on the analysis of needs and competencies required for the job catalogue, aligning capacity with technological change and new civil service missions.
- Tunisia's innovative approach puts consultation with employees and other stakeholders at the centre of the reform process. This has led to rapid progress, echoing lessons learned in OECD countries regarding change management strategies. Tunisia's achievements to date, and ongoing HR reform in workforce planning and remuneration, illustrate that the process of reform affects the result as deeply as the content, and paves the way for effective change to occur.

These varied experiences demonstrate that there are a number of alternative pathways to success in the complex endeavour of civil service reform. Choosing the best path requires reform leaders to give careful consideration to which approach promises to be most effective given their specific challenges, history and priorities, and to then develop implementation plans that reflect their chosen strategy.

Notes

1. The Egyptian civil service workforce will be halved due to natural attrition over the coming decade.
2. Official government projections show that a little over 30% of the entire civil service workforce will have left within five years; 38 000 out of 476 295 civil servants retire each year.
3. Annual and special leave, as well as performance appraisal forms, are directly filled in by staff and automatically sent for approval to line managers.
4. This conclusion is due to limited ceilings on posts numbers and grades.
5. Except for managerial positions.
6. At the moment only 427 000 staff are contractually employed.
7. The training programmes include: an advanced management programme to help specialists to develop appropriate strategies for leading their organisations; the Senior Executive Programme to improve administrative skills; the Government Leaders Academy to acquire new leadership skills, learn how to manage teams and how to use a scientific quantitative method; and the Administrative Development Programme to gain skills in strategic planning and policy analysis.
8. Including basic salary and allowances/bonuses.
9. Accounting for 41% of the leaving population.
10. *Étude relative à l'évaluation de l'opération du départ volontaire de la fonction publique*, Cabinet KPMG, Ministry of the Public Sector Modernisation.
11. *Référentiel des emplois-types et des compétences communes aux administrations publiques*.
12. Flexible conditions are in place to ease the recruitment of critical skills.
13. Evidence shows that similar conclusions can be drawn regarding a significant number of MENA countries (e.g. Egypt, Jordan, Tunisia, Morocco, etc.).
14. Pensions are based upon pay grading value.
15. This assertion is corroborated by the last modernisation programme for the period 2007-11 (République Tunisienne Premier ministre, 2007).
16. Central government units are responsible for the control and execution of decisions made by subnational government entities. HR arrangements for staff employed in local public entities are issued by the central HRM unit.
17. A pilot phase will be implemented once the five-year contracts are fully in place. Then performance-related pay schemes may be extended to all civil servants.

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Chapter 3

Public Finance Management Trends in the MENA Region

*Sustainable public finance is a major governance challenge for MENA and OECD countries alike. Many countries are launching reforms in financial governance. This chapter scrutinises two interrelated and ambitious reform strands in public finance for most countries in the MENA region: i) adopting a medium-term expenditure framework (MTEF) and a programme structure for the expenditures budget; and ii) using a performance budgeting framework for designing and carrying out improvements in service delivery and targeting. The chapter presents a global view of these reforms, and focuses on four case studies to demonstrate how reform initiatives have progressed from plan to realisation: creating a regional Public Finance Training Institute (PFTI) in **Egypt**, eliminating subsidies in **Jordan**, implementing a performance-based budget reform in **Morocco**, and switching to a dynamic debt management system in **Tunisia**.*

3.1. Introduction

This chapter deals with on-going reforms in financial governance from two different perspectives. The first section takes a macro view to analyse the dominant convergent themes in reforms underway across the whole MENA region. It stresses the depth and complexity of these initiatives, often in reference to experience in OECD countries. The second section deals with reform implementation. It offers four brief country case studies showing how specific reform initiatives have moved from ideas and plans to changes on the ground. Its aim is to outline the overall approaches and the very concrete steps reformers have to take to deliver change.

3.2. Dominant reform themes in financial governance

The MENA region is very variable in its income levels, traditions, resources and modes of governance. This situation extends also to traditions and systems of financial governance. Despite this, in recent years this diverse group of countries have started to converge in terms of the reforms they perceive as most important. However they have each taken different approaches and focused on different themes. Nevertheless, two interrelated and ambitious strands in public finance have made it to the policy reform agendas of most countries in the region: i) adopting a multi-year “medium-term expenditure framework” (MTEF) with a programme structure for the expenditures budget; and ii) using a performance budgeting framework to design and carry out improvements in service delivery and targeting. In this section we discuss these two approaches in more detail.

Programme structure and MTEF

Adopting a programmatic medium-term expenditure framework (MTEF) is one of the most common reform approaches in the region. An MTEF frames budget allocations within a three to five-year programme forecast of expenditures (Table 3.1). Its key roles are to prevent surprises and expenditure drift and to facilitate re-allocations across sectors and priorities. MENA countries – especially those which cannot count on hydrocarbons exports – have worked hard and largely successfully over the last decade to achieve fiscal sustainability: improving the tracking and planning instruments via MTEF offers an additional tool to remain on track. In addition, presenting the budget this way offers significant transparency and accountability to the legislatures and the public.

Table 3.1. Fiscal framework and estimates of net expenditures in a multi-annual perspective

	Estimates		
	2008 = budget year	2009 = first out-year	2010 = second out-year
Ministry I			
Ministry II			
Ministry III			
Ministry IV			
Ministry V			
Ministry VI			
Ministry VII			
Ministry VIII			
Ministry IX			
Ministry X			
Ministry XI			
Ministry XII			
Parliament			
Court of accounts			
Total net expenditure of central government			
Total central government ceiling			

Source: Kraan, D.J. (2007), "Programme Budgeting in OECD Countries", *OECD Journal on Budgeting*, Vol. 7, No. 4, pp. 1-42.

Although decades old in some OECD countries, in MENA, as in some of the most advanced countries, the move to an MTEF is less than a decade old. The commitments and actions are even younger: this reform is very much an on-going project in MENA.

For instance, at one end of the spectrum one finds Morocco, whose 2009 budget was fully formulated along MTEF lines within the Ministry of Finance (MoF) and with all major line ministries now having fully adopted the new structure. Tunisia and Jordan are in a largely similar situation, with Algeria also well on the way. Implementation strategies are being piloted and finalised in Bahrain, Kuwait, the UAE and Lebanon. This acceptance of the approach and the extent of the commitment are significant throughout the region.

What is the advantage of an MTEF with a programme structure? Firstly, adopting an MTEF brings the MENA countries in line with recognised public financial management techniques which have evolved and become internationally dominant over the last 40 years for good reasons. No country that has adopted a programme structure and MTEF has ever gone back to budgeting based on line items and purely administrative boundaries.

Secondly, when budgets are framed around programmes there is a much clearer view of the objectives of expenditures and the trade-offs among them. It is also easier to see how to make necessary re-allocations, cuts and expansions. For managers, a programme structure with goals and indicators provides a better benchmark for their duties and a clearer link between resources and results than administrative boundaries whose origins and implicit missions may be quite archaic.

What is involved in implementing the reform?

Another reason for the significance of MENA countries' commitments to implementing an MTEF/programme approach is simply the sheer *quantum* of efforts required to adopt it.

Implementing an MTEF requires years of resources and hard work; countries do not undertake this reform lightly. To pick just one example, it involves regrouping all expenditures into programmes with definable objectives and designing indicators for achievements. In addition to the difficulties of moving away from the traditional line-item approach, MENA countries following the MTEF path have had to spend considerable time and scarce resources differentiating the new approach from the discredited traditional multi-year plan approach.

All this involves mobilising hundreds of sectoral managers into participating in a coherent exercise because no Ministry of Finance could achieve this alone. In undertaking such a sweeping reform, errors and misapprehensions are bound to occur. To detect them and to keep those involved focused on the objectives, the teams of specialists and line managers need to work for long periods. However, these teams of specialists are precisely the types of personnel MENA countries have difficulty finding and retaining.

Morocco is a good example of the length of this change process and the resources involved (see case study below). Discussions and planning within the MoF started at the turn of the millennium, and the full scale effort began in 2004. Thousands of training events took place, dozen of publications were produced and distributed, special teams were set up and maintained for years in ministries and in central agencies to prod and help managers, and a whole new way of registering and tracking expenditures was designed. The highest authorities in the system, on both the administrative and political sides, went repeatedly and insistently on record to show their active and continuous support for the reform. Finally, "complementary changes" had to be designed and implemented in control systems and the institutions which run them.

MTEF/programme budgeting is also a necessary stepping stone towards introducing performance budgeting and performance management in general. MENA country governments view performance budgeting – an even

wider and more complex objective – as a beacon guiding their efforts to implement MTEF and programme budgeting.

Performance budgeting

For MENA countries, a key difference between introducing performance budgeting – which tries to link the funds allocated to measurable results – and going over to MTEF/programme budgets lies in the reduced levels of technology and expertise available to them as they launch this reform. MTEF/programme budgets all over the world exhibit strikingly similar features. This clear model makes it relatively easy to emulate and good practices exist from which to learn.

However, performance budgeting is not so clear cut, as revealed by a recent in-depth OECD study of a decade of performance budgeting experience among its members (OECD, 2007). Members did not agree on whether performance budgeting should aim for the direct allocation of resources based on performance information, or inform budgetary decisions with performance information, or just serve as a useful frame within which to collect and publish performance information together with the budget without clearly linking the two. The research also found that no uniform or dominant model had emerged, despite many years of implementation experience in many countries, on how performance information could be used to provide a systemic and constant stimulus for better service delivery, better targeted policies and lower costs.

Whilst a wealth of experience exists in OECD countries on performance budgeting – for instance on designing and vetting indicators, on incentives, on ways to make the system evolve – no set of “good practices” has emerged.

The implications for MENA countries are that in moving towards performance budgeting they may need to import and adapt some foreign expertise, but the bulk of the planning, design and implementation will have to be home-grown. Indeed, for OECD countries, probably the key lesson learned in performance budgeting is that success is closely linked to the ability to mesh the techniques of performance measurement with the specific administrative, political, budgetary and institutional context.

These challenges are well known to those MENA countries which have launched performance budgeting on a significant scale: Jordan, Morocco and Tunisia. But they have not been deterred, and neither have countries in the earlier stages, such as Algeria or Lebanon.

This reflects the promise and practical advantages of performance budgeting: to drive progress in expenditure control and targeting, and to improve service delivery. Linking progress and its assessment to a recurrent activity like budgeting seems to offer unique opportunities for solid performance advances. Indeed performance budgeting provides the key link between financial

governance reform and those in other areas of the GfD Initiative, from e-government and integrity to reforms in recruitment, promotion and rule-setting for civil servants.

The various steps taken to implement performance budgeting in the MENA are as diverse as those taken in OECD countries. From narrow sectoral experiments to system-wide attempts, some countries focus on indicator definition and monitoring, while others concentrate on improving investment planning and focusing more tightly on client needs. For instance, Morocco has chosen a multi-track approach – its long experience with indicators has meshed with a move to MTEF strengthened by a focus on performance contracts on both a ministerial and regional basis. Tunisia is deepening the definition and control of performance measurements as well as launching major sectoral initiatives to apply them to higher education, among other areas, and grant wider autonomy to sectoral institutions. Bahrain and the UAE are focusing on budget structuring for decision makers and prioritisation; Egypt is concentrating on its budget code after substantial efforts to improve fiscal performance by reforming key tax legislation and agencies.

This diversity is a very encouraging sign that countries are taking fully into account their particular conditions. Indeed, the only common features are: i) modernising audit and control functions to reinforce *ex post* performance audits; and ii) granting managers more spending autonomy in exchange for firm obligations to deliver measured outputs and, eventually, outcomes. It should be noted that the ultimate goal of performance budgeting and management is to improve outcomes and there is a move in OECD countries away from output to outcome indicators. However, the overwhelming majority of indicators used still reflect outputs rather than outcomes, even the more advanced practitioners in MENA. For instance, the Morocco case study below describes substantial measurable progress in pre and neo-natal care reaching a percentage of the targeted population in the Casablanca region. This is an *output* measure. An *outcome* measure would assess improvements in the overall health of recipients and the whole population over a significant period.

Accrual accounting

Prudence has never generated the same enthusiasm as the type of ambitious reforms reviewed above. However, in this short overview of key trends in MENA countries' financial governance, one area of prudence by MENA's MoFs, accrual accounting, is worth mentioning.

Accrual accounting has been adopted by most OECD countries over the last 20 years, either wholesale or at least in part. This accounting method records revenues and expenses when they are incurred, regardless of when cash is exchanged. Most countries, however, question whether the expected benefits

have materialised. Has this reform improved the management of public resources and to what extent? Has it usefully informed the political process? Has it improved choices? These remain partly unanswered questions. Meanwhile the costs of moving to accrual accounting have been very substantial and generally much higher than expected (Athukorala and Reid, 2003).

For these reasons most MENA countries have refrained from committing themselves to a complete shift to accrual accounting, especially before completing the moves to MTEF and performance budgeting information systems. However, given the obvious managerial advantages of accrual accounting in some specific sectors, modest experiments are underway at this level. This is the case for instance in the management of office buildings and some educational facilities in Jordan, fleet management in Algeria, and some health facilities in Morocco.

3.3. Common constraints

MENA countries are facing similar challenges and constraints as they implement MTEF. In virtually all cases, the first challenge has been the lack of trained personnel, both technical and managerial, to drive the cultural change which new approaches such as MTEF and performance budgeting entail. Of course, all MENA countries have reacted to such challenges by investing substantially in training, mostly for civil servants at managerial levels. Human resource constraints are a common issue in all efforts to modernise civil service laws and practices.

Another obstacle to reform can be the prestige and power of civil servants. Serving the population has to replace a role of transmitting orders. This challenge is much less studied and analysed than the one above, but it has underpinned efforts such as the creation of ombudsman in numerous countries, as well as major efforts in Tunisia to drastically simplify regulations. E-government in Jordan has often been seen as a tool for lowering users' costs and eliminating arbitrariness in administrative decisions.

3.4. Country case studies

Overall, the picture of financial governance reforms in the MENA region is quite an encouraging one of dynamism and realism. The region's diversity means that countries are at various points in their modernisation process, which also offers opportunities for exchange and mutual assistance.

Facilitating such exchange is the objective of Working Group III on Financial Governance (WGIII). This group was established at the outset of the Governance for Development initiative under the operational responsibility of the OECD. Meetings between senior MoF officials of numerous MENA countries allow for these exchanges and cross-fertilisation of experiences on subjects

ranging from long-term forecasting to PPP and performance budgeting. The OECD also fostered regular contact between MENA financial officials and their counterparts in OECD countries, including an invitation to MENA officials in the WGIII to attend an annual meeting of the OECD Senior Budget Officials network (in Istanbul, 2007).

MENA country delegates to the WGIII then decided to transform this group into a MENA Senior Budget Officials (SBO) Network at their Cairo meeting in 2008. The MENA SBO joins similar international networks (e.g. Latin America, Africa, Asia and OECD), allowing them to participate in an expanded network of public finance professionals and thereby reinforcing their strategic impact in the MENA-OECD initiative.

The present economic crisis has put every budget office in MENA, and worldwide, under strain. Its impact on the reforms still has to be assessed. However, preliminary indications are that negative consequences are likely to be limited. Certainly, financial management structures such as MTEF are proving to be helpful tools in framing the crisis response, while falling revenues have intensified pressure to get more “value for money” through performance budgeting.

The case studies that follow offer a very different perspective on the implementation of reforms in MENA countries. Three out of four case studies were deliberately selected in areas outside the main themes of convergence dealt with in this first section. This is to demonstrate how the practice of modernization is in fact carried out on the ground in other fields and to illustrate the diversity of actions undertaken in the region. The focus of all the case studies is on implementation efforts.

3.5. Jordan: Removing fuel subsidies

In 2007 and early 2008 Jordan took on one of the thorniest policy and budgetary issue facing MENA countries and many others outside the region: reforming fuel and basic food subsidies. Jordan imports all its petroleum products and a very large part of its food. This means a high exposure to the vagaries of international markets in commodities. In addition, as in many other countries, subsidies for fuel and basic foods had been used to cushion real incomes and consumption against sudden or major increases in prices. The intent was to especially protect low income groups, but in practice subsidies reached well beyond these groups. As elsewhere, subsidies were seen as a key part of the social welfare net.

Jordan faced a particularly difficult transition because, for many years, it had bought petroleum from Iraq at a substantial discount to the world price, an arrangement that also protected it from global price volatility. Hence the population enjoyed lower fuel prices at very little cost to the treasury. This

situation came to a halt in 2004 and the government introduced subsidies to cushion the blow. The subsidies varied according to fuel type and involved major cross-subsidies between different fuels; kerosene and fuel for electricity generation received the largest support in percentage terms.

Problems with containing costs and targeting consumption subsidies have occurred in many countries and have been well studied over the years. The same holds for strategies to reform such regimes, but only recently has more attention been paid to constraints and difficulties in countries where other components of the welfare safety net are limited.

The three key problems with consumption subsidies are: i) the difficulty in targeting them to the poor, which means much larger expenditures than if access could be limited effectively to the poorest groups (substantial leakages to higher income groups and/or low proportion of the subsidies reaching the poor); ii) over time, there are substantial distortions in production (for instance when expensive and inappropriate fuels replace better ones simply because the subsidies make them cheaper); iii) heightened vulnerability of public finance equilibrium and fiscal sustainability when international prices vary widely, as has been the case for petroleum over the past three decades. To a lesser extent these problems also plague subsidy programmes for basic food staples like wheat, rice, and barley (Coady *et al.*, 2006).

The impetus for reform in Jordan

In Jordan the problems associated with fuel subsidies were well known. The subsidies were seen as essentially temporary when implemented in 2004, with the government planning to eliminate them by 2008 along with basic food subsidies, which raised similar, but lesser, problems. The fact that this plan was actually carried out is a remarkable achievement.

A brutal increase in the costs of fuel subsidies from 2005 onward raised the alarm. The government held the line without totally eliminating subsidies at that time, allowing the price of petroleum products to rise very substantially in 2005 and 2006 and thus reducing the expenditure drift that would have occurred otherwise. The magnitudes involved in these *ad hoc* adjustments were significant: their net impact reduced the total subsidies expenditures which would have taken place by 2%, 4.3% and 3.7% of GDP in 2005, 2006 and 2007 respectively.

Given the speed of petroleum price increases in 2007, forecasts for 2008 showed that subsidy costs would reach at least 5.9% of GDP (at USD 90/barrel) and could hit 7.5% of GDP (at USD 100/barrel). This would have undone at a stroke the painful efforts of previous years to bring the overall deficit under control, causing it to explode to between 9.3% and 11.3% of GDP at projected price levels. Recognising the major uncertainties at that time over just how far the price of oil

might rise, the government determined to stick to its original plan to eliminate fuel subsidies by 2008. It also decided that acceptable mitigating measures must be implemented, especially for the less fortunate, to contain the cost of eliminating subsidies in the face of rising prices (Jaradat, 2008).

A rigorous study was carried out in the MoF, in collaboration with the International Monetary Fund (IMF), to determine the exact distributive impacts of removing or reducing the subsidies. Indeed, looking beyond the intuitive perceptions – and rhetoric – about the social benefits of the subsidies was seen as crucial in designing mitigating measures that could minimise the regressive impacts of this reform.

As in other countries, the Jordan study found that fuel subsidies were a very crude and inefficient way to redistribute real income to lower income groups (Table 3.2). The same held for food subsidies. In the case of gasoline, the distributive effect was perverse. Overall, only a very modest share of what was becoming the single largest government outlay benefited the lowest income quintile of the population, which received only 8.9% of the subsidies, while the highest quintile got 42%. In contrast, because nearly all Jordanians have access to electricity services (unlike many other countries at Jordan's income level), removal of the subsidies funnelled to electricity generation would have really affected low income groups.

Table 3.2. **Real income impact of fuel subsidies, Jordan**

Aggregate real income impact (range from bottom to top income quintiles)	
Direct	2.0% (3-1.7)
Indirect	2.4% (2.3-2.4)
Total	4.4% (5.4-4.1)
Share of subsidy received by poorest 40%	
Direct	22.9%
Indirect	19.8%
Total	21.2%

Source: Coady et al. (2006), "The Magnitude and Distribution of Fuel Subsidies: Evidence from Bolivia, Ghana, Jordan, Mali, and Sri Lanka", *International Monetary Fund Working Paper*, No. WP/06/247, International Monetary Fund, Washington DC.

It was clear to Jordanian authorities that abolishing or reducing fuel and food subsidies could be achieved and financial stability preserved without dire redistributive consequences and the danger of ensuing social unrest. The next step was to design and implement mitigating measures, in a climate of urgency.

The government was also concerned that freeing fuel prices would very substantially raise inflation, possibly to the 13-16% range. Consequently, compensatory measures would need to deal with the inflationary impacts as well.

The elimination of subsidies

The elimination of fuel subsidies took place in February 2008. A board was established to adjust fuel prices on a monthly basis to fully reflect the import prices paid. Only subsidies on liquid petroleum gas (LPG) – which accounts for a very small portion of the total energy bill but is heavily used by the poor for cooking – were partially maintained. Gasoline taxes were raised to the general sales tax level (16% from 0%). For food, subsidies to keep the price of barley unchanged were extended for one year; the rest were eliminated.

Even after the costs of the rather generous compensatory measures are factored in, this reform provided savings of around 2.5% of GDP relative to the budget numbers forecast for an oil price of USD 90 barrel and much more compared to the subsidy that would have been required when oil hit USD 147/barrel in mid-2008 (IMF, 2008).

Compensatory measures

Standard international prescriptions for compensating for the distributive effects of removing consumption subsidies have been around for decades: transfer resources in a targeted fashion to the lower income deciles of the population. Fuel subsidies are such a poorly targeted distributive instrument that savings from their removal will be many times the amount of such targeted compensatory transfers. However, this general prescription assumes that programmes or information already exist to target poor households efficiently.

This was not the case in Jordan, or in many other countries. The National Aid Fund, Jordan's most important safety net programme, is quite well targeted (50% going to the lowest quintile, 75% to the two lowest) but it only reaches a relatively modest part of the population (just 15% of the lowest decile is covered). Thus, a rapid expansion would likely have meant very substantial leakages unless the programme underwent a major redesign, for which the government did not have time. Data identifying the families in the lower income groups were incomplete, and there was little ability to identify accurately who would lose from abolishing subsidies. In addition, given the general inflationary impact of such abolition, compensatory measures were needed to constrain these inflationary consequences and broaden social and political support for the measure.

To address these complex constraints, the compensatory package included quite a diverse array of measures:

- Direct disbursements: increased salaries for all government employees, with higher pay hikes given to the lowest paid, and a cash transfer to private employees and pensioners whose household income fell below a threshold of USD 1 400 a year.

- Direct expenditures targeted directly to the poor via additional funding for National Aid Fund beneficiaries and direct cash compensation for kerosene users (a small group in Jordan).
- Public funds to maintain some limited subsidies were applied sparingly to keep LPG and barley prices low, as noted above, and to hold constant the prices of bread and the electricity rates for households consuming less than 160 kW/month.
- Tax expenditures used as compensatory instruments included the removal of all duties and taxes for 13 essential commodities, agricultural inputs and energy-saving products.
- To face up to the expected rise in inflation and reassure citizens on fixed incomes, civil service salary and pension indexation was introduced.

Through these measures, remarkably Jordan succeeded in avoiding major disruption to its public purse by this abolishment of fuel and food subsidies just months before the peak in petroleum and other commodities prices. Even more importantly, by tackling a looming crisis head-on, the government eliminated a major source of budgetary instability and risk in subsequent years.

3.6. Morocco: A many faceted approach to budget reform

Morocco is well advanced in its ambitious and comprehensive budget reform. The objective is to put in place a complete set of financial governance institutions and practices in keeping with the highest international standards. The overriding theme is performance budgeting and management to increase the quality of services and lower their costs.

The comprehensiveness of the reform enables Morocco to take full advantage of the complementarities between its many strands:

- shifting to a programme structure in budgeting, together with the adoption of a multi-year framework;
- delegating spending authority to ministries and within ministries while putting in place performance indicators;
- modernising control systems to facilitate managerial initiative;
- experimenting with partnerships across administrative boundaries (local authorities and NGOs) in sectors such as health, transport, education and water management; and
- making a technological *quantum* leap in the collection, dissemination and use of expenditure data.

With actions taken on such a broad front, Morocco has chosen to proceed incrementally and to systematically use (and reward) voluntary participation and experiments. This approach involves large scale “learning by doing” to

overcome the scarcity of trained personnel. Proceeding slowly and encouraging ownership by the implementers helps the necessary cultural change and avoids mere formalistic compliance.

While this case study describes each of the strands separately, the most distinctive feature of the Moroccan reform is its multi-track approach, with most changes introduced simultaneously to complement each other and establish and maintain momentum.

Programme budgeting and MTEF

The MoF wants to align its expenditures budget with international MTEF standards. This will mean expenditures arrayed in a programme structure reflecting policy targets over three years. This will allow the evolution of each programme's expenditures to be forecast and assumes that policies remain constant (see Table 3.3 for an example). This is a major change for Morocco, whose traditional budget had a strictly annual perspective and grouped detailed, largely transaction-based expenditures within administrative boundaries.

Table 3.3. Example of an MTEF for education programmes

List of projects per field									
Field: Education	2007	2008	2009	2010	2011	2012	Budget reference		
	Outturn		Estimate	Projections			Chapter	Art.	§
Ongoing projects/programmes									
Project 1: Management of primary schools									
Operating expenditures									
Investment expenditures									
Recurrent costs									
Project 2: Management of high schools									
Operating expenditures									
Investment expenditures									
Recurrent costs									

Source: Adapted from ministère des Finances et de la Privatisation, Royaume du Maroc (2007), *Cadre de dépenses à moyen terme – CDMT: Guide méthodologique*, ministère des Finances et de la Privatisation, Rabat.

The planning for such a thorough transformation started in the late 1990s, with experimental work carried out since 2002 in a few important ministries on a voluntary basis. The overall reform process was launched in 2004. The implementation approach involves selecting pilot departments, and then gradually expanding the number of pilots as they build up their

programme structures and develop the right performance indicators. In 2009, 30 departments, including the largest ones, had completed their programme structuring and indicators sets.

Completely switching to an MTEF perspective will take more time. As of early 2009, nine departments were using a full MTEF with five more reaching that stage by the end of 2009 (covering over 70% of total civil expenditures). For the whole of the budget, the MTEF structure is used within the MoF and the executive, but the budget will still be submitted to parliament along traditional lines for another year.

In budget discussions with the MoF, however, pilot ministries have already used their MTEF and programme structure framework. For instance, budgetary requests in these lead departments were formulated in terms of programmes, their objectives and the resources needed to attain them in a given period, rather than in the traditional way of asking for more resources for a specific unit justified by citing price increases in the various expenditure components (*e.g.* fuel and overtime). In this way, both the MoF and the pilot departments are establishing the programme/multi-year/performance structure as the “normal way” of doing business in budgetary negotiations. The pilots thus become accepted as the way that departments gain advantage in the competition for funds. And by making the departments play for real money, the pilots served as a training ground for personnel in using the new techniques, both at the centre and in the ministries.

Indeed, the improvement in the tenor, focus and technical quality of the budgetary negotiations with the MoF is seen by relevant departments as one clear pay-off for the investments they made in switching to the new structures. The pilot ministries are important ones, accounting for a very large share of total civil expenditures. For instance the ministries of health and education have been among the earliest implementers; they are now starting their third cycle of three-year planning and budgeting. Those two ministries are by far the largest civilian agencies and, because their operations are highly decentralised given their nationwide presence, they have also provided a very relevant testing ground for negotiating regional performance contracts within the ministries.

Incremental implementation

Morocco has chosen an incremental approach to implement this major change in order to gain serious understanding, appreciation and acceptance of the purpose and usefulness of the reform at all operational levels. The incremental approach also allows for building capacity and developing skills in a progressive “learning by doing” process. By allowing the MTEF expansion to proceed separately and more selectively than the programme structuring and

indicator definition, the implementers successfully focused the effort on early implementation of measures that could actually improve service delivery.

All in all, this incremental approach has not brought huge delays. For instance, the whole programme was formally launched in 2004 (after some isolated experiments). Five years later, 95% of expenditures should now be accounted for by departments that have indicators and programme structures in place. Over the same period, ministries will have gained partial autonomy over 80% of civilian expenditures (subject to *globalisation des crédits* limits to delegation of spending authority, discussed below). Moreover, the reform of *ex ante* controls is about 60% completed, the electronic real time GID (Gestion Intégrée de la Dépense) tracking of all expenditures and commitments stands at 90%, and MTEF at 70%. The GID electronic tracking system for expenditures is a significant success: it effectively allows the staff to instantly access the relevant information about a financial commitment as soon as it is made by a manager. These are impressive achievements.

This incremental, experimental implementation strategy has been successful in key areas. In departments such as health, both at departmental headquarters and in regional offices, progress shows up in: i) the quality and coherence of budget and investment planning carried out in a complex environment; and ii) the systematic use of implementation work in regional offices to co-ordinate, focus and harmonise the actions of the numerous institutions and actors involved in health service delivery. At the local level, the MoH has also used the budgeting framework to engage with its partners (municipalities, regions, NGOs) and co-ordinate joint efforts to install new clinics, preventive and curative maternity care, epidemic monitoring and vaccination coverage.

The Casablanca Region provides a good example of how budget structure reforms and performance contracting within departments and with external partners can improve co-ordination and service delivery. As is the case virtually throughout Morocco, health services in this region are delivered by a very diverse array of institutions. Most of them have long traditions of autonomy from the Health Ministry headquarters and regional directorates (e.g. municipalities, NGOs and health authorities from the Ministry of the Interior) and of cutting individual budgetary deals with the ministries of finance or health (e.g. hospitals, universities and clinics). When the Regional Health Directorate launched its first three-year budgeting exercise in 2004-05, co-ordination amongst those various players was at best *ad hoc*. The new delegated authority (the “performance contract” with headquarters within the MTEF frame) given to this office and its expertise in framing budgetary requests in the new way, progressively drew all players to participate in the exercise, if only to protect themselves from losing out in budget competitions in the face of substantial overlaps in their missions.

The resulting analysis of local needs, as well as the review and modification of objectives to adjust them to each institution's focus, expertise and means, led to a substantial clarification of who should be doing what, where and when – precisely as demanded by the performance frame. For instance, missions and responsibilities in the vaccination programme were re-allocated according to the rural/urban split of clients; the same occurred for pre-natal and neo-natal care according to clients' proximity and expected use of hospital-like facilities; the detection and follow-up of AIDS cases was streamlined; and modest progress was achieved in the delicate field of hospitals' and clinics' specialisations. The theoretically simple but always thorny issues of siting new facilities, assigning priorities, and preventing duplication were greatly facilitated by the performance contract context given its three-year planning horizon. Indeed, the new approach enabled the Regional Directorate of Health to exercise leadership within a demanding investment framework formulated around client needs. Almost all players in the field accepted this framework, either because they saw it as being in their interest to collaborate or because they could not find accommodations with necessary partners outside of this framework.

Performance budgeting

Both MTEF and programme structuring are necessary for performance budgeting, but the latter is an even more ambitious endeavour than implementing those two reforms by themselves. Not only does it require indicators that can track efficiency (resources vs. outputs for a given programme) and, in time, effectiveness (resources vs. outcomes for a programme or policy), but the whole budgetary system at the central and ministerial levels has to determine through trial and error how to interpret and then respond to this new performance information.* As mentioned in Section 3.2, no unique set of good practices have emerged in the field internationally. The Moroccan efforts have concentrated on using performance information to help sort out priorities for managerial changes and within important policy areas, rather than for direct – or even indirect – budget allocation purposes.

The reform on performance management rests on the assumptions that improved performance and more relevant budgeting and policy controls can be obtained by devolving resource allocation autonomy to a level as close as

* These two publications give a good flavour of the technical support provided centrally to performance budgeting and MTEF: Direction du budget, ministère des Finances et de la Privatisation (2006), *Guide méthodologique du suivi de la performance*, Direction du budget, ministère des Finances et de la Privatisation, Royaume du Maroc, Rabat; *ibid.* (2007), *Guide méthodologique CMDT*, Rabat.

possible to the service delivery point. The principle of “let the managers manage” has lain at the heart of reform efforts internationally since the introduction of “new public management”. In exchange for increased flexibility, managers will be held accountable for specific results.

In Morocco, this principle translates into quasi-contracts. Systems of performance contracts are also used in OECD countries like Denmark and New Zealand. The Moroccan MoF will grant spending flexibility and spending authority to ministries in exchange for their commitment to deliver a given amount and quality of services (*globalisation des crédits*). In turn, the ministries will pass these arrangements and explicit performance contracts down to their regional and/or functional units (*contractualisation et déconcentration*). The MoF, as well as most ministries, expect the real performance benefits of this devolution to come from implementation of changes way below the ministry level.

This is a truly major change in Morocco, where the previous system was highly centralised and transaction and control-focused. The reform has been accompanied by a wholesale transformation of the old control system and its cumbersome *ex ante* approval of commitments by centrally appointed comptrollers. Among the key elements in the reformed control system are the fusion of the institutions charged with *ex ante* and *ex post* expenditure control; the progressive devolution to managers (and their ministries or units) of all responsibility for legal compliance (*e.g.* budget category, timing and items); and with the control institutions re-focused on performance and *ex post* audits. The setting up of a live database (GID), which automatically records expenditure data and makes it available to all parties as soon as a manager makes an expenditure commitment, is a major achievement in itself and gives a boost to the new performance budgeting culture. Following the step-by-step logic of the overall reform, the MoF has recently introduced a certification initiative to identify managers at the programme and regional levels who can be granted the new authority and those who need more training.

Devolution of spending authority

Through devolution, ministries now have flexibility to re-allocate money between individual line-items (*lignes budgétaires*) for investment and current supplies within the same programme (as a distinct “paragraph” in the budget) and region, and to do so without prior MoF vetting. For changes outside these limits, the required approvals have also been simplified and speeded up.

There are similar arrangements within ministries for “performance contracts” with regional or functional units. To date only a handful of departments has gone very far in granting such autonomy to lower levels, but those who have are the big-ticket ministries such as health, equipment and

transport, and education. This internal devolution has the official blessing of the MoF, but it is up to the ministries themselves to implement it.

To date, Morocco has not taken on the very complex and difficult exercise of introducing labour cost fungibility (i.e. managers being able to transfer funds between line items). Bearing in mind the great efforts being made centrally to keep down the share of the public wage bill in GDP and the deep traditions of the public service, with its complicated and centralised array of pay scales and fringe benefits, the reformers have opted to keep the lid on this Pandora's Box for now.

The future

This case study explains why Morocco chose a comprehensive but incremental path to the global reform of its financial governance system. By determinedly pursuing continual change, Morocco has made significant progress, but more remains to be done to complete reform of the financial controls, to expand the MTEF frame across government, and to extend expenditure authority at the sub-ministerial level much more widely than at present.

Two implementation lessons stand out from the progress made to date and show the path for the next steps:

- i) Tangible and continuous progress in raising the quality of services and benefiting from managerial autonomy depends more on the initiatives pushed downward to delivery points than on MTEF or expenditure flexibility granted at ministerial levels. Hence the insistence mentioned above on managers' certification and training way below ministerial headquarters, as well as the strong encouragements to ministries for the internal development and use of performance contracts.
- ii) Even in an incremental approach geared to learning by doing, it is necessary to continuously maintain and re-affirm principles and broad framework concepts. Otherwise there are likely to be well intentioned drifts in the reforms. For instance, the technical support of MoF remains necessary to ensure that the forecasting nature of the MTEF framework does not revert to old-style "plans", which just incorporate budgetary requests. Most observers in Morocco believe that the reformulation of the new organic budget law (see below) will provide a necessary impetus and further clarification of the real new rules of the game.

So far Morocco has been able to make very substantial progress on all these reform without major legislative changes. They are now pressing against the constraints imposed by existing law, however, notably the organic budget law and its base in the constitution. Hence, on top of the substantial work described above, which will take at least two or three more years, Morocco is beginning to design a new organic budget law. It is pursuing the

same incremental, learning-by-doing approach that has underpinned its success to date, moving at a deliberate pace and ensuring that all major stakeholders are fully on board before the proposed new statute is presented to parliament. The lessons learned in the implementation to date also provide a stronger basis to develop a new law that bridges leading global practice with Morocco's unique traditions.

3.7. Tunisia: Shifting to dynamic debt management

Tunisia emerged from a difficult structural adjustment earlier this decade. It then took on the challenge of transforming its debt management system as a central step toward better financial governance and fiscal sustainability. In opening its economy to improve growth prospects and implement its agreements with the EU, Tunisia faced reduced tariff revenues. Active debt management offered a way to compensate for these losses, tackle decades-old concerns over debt sustainability and reduce risks attached to specific borrowings in certain currencies.

Tunisia's external debt level of 38.9% of GDP in 2003, though substantial, was generally considered to be manageable. Active debt management held significant promise for better expenditure control and for smoothing outlays over time. When the reform began, almost two-thirds of the external debt was owed to multilateral and bilateral governmental creditors. Guaranteed external debt was concentrated in the financial sector (around 50%) and in public infrastructure projects, with the latter subject to budgetary control.

Objectives, challenges and opportunities

A debt management review listed ways to reduce and manage both risks and costs linked to external debt in order to avoid surprises and to maintain Tunisia's rigorous expenditure control (ministère des Finances, 2007). The 2007 World Economic Forum at Davos rated Tunisia second in the world for the efficiency of government spending in 2007 (World Economic Forum, 2007). At the same time, Tunisia sought to rationalise its domestic banking and finance regime to expand and strengthen its role in managing public debt.

Against this background, the reform faced a diverse set of challenges. These included exchange and interest rate risks for both floating rate debt and rollovers, the latter covering around a quarter of total external debt over a five-year horizon. The risks attached to guaranteed debt were seen as needing tighter integration into the overall picture, as elsewhere. High interest rates on older loans also provided an inviting target.

Decision makers were also concerned with the costs, difficulty and time required to get a full picture of the debt situation and its likely evolution. This was partly a result of heavy reliance by line ministries on project-specific

loans from international co-operation partners. This aggravated problems of fuzzy boundaries and multiple public agencies involved in debt management.

Other reforms, notably the shift to MTEF, gave additional urgency to debt management reform. The expected improvements in fiscal management offered an opportunity to upgrade Tunisia's credit risk further, building on its progression on the credit rating scale from BBB+ to A-. This would give it easier and cheaper access to capital markets, as well as attracting additional foreign investment. Thus, Tunisia saw interesting complementarities between improved debt management, on the one hand, and on-going reforms to increase flexibility in both exchange and banking sector controls, on the other (ministère des Finances, 2006).

With World Bank support, Tunisia carried out a full-scale study of options to improve debt management in 2004. Following intensive discussions of the review's findings, a reform programme was launched (World Bank, 2004).

Implementation: Institutional dimension

The first key elements in the reform tackled structural constraints. First, a complete and detailed database was created to provide transparent information on all aspects of public debt relevant to risks and opportunities, including interest rates, scheduling, lenders and currencies. This single authoritative source of policy-relevant information, expanded and consolidated over the following years, was seen as the necessary foundation for the whole system. Its progressive development continues; for example, authorities are working to improve coverage of private debt on foreign markets and contingent liabilities.

Second, the *Direction générale de la gestion de la dette et de la coopération financière* (General Directorate for Public Debt Management and Financial Co-operation) was created within the MoF. Organised along the lines of a financial institution – with front, middle and back offices – this general directorate (GD) gave a central focus to the whole debt management process, with responsibility for internal and external, direct and guaranteed debt management. The Central Bank retained its role as the government banker, the supervisor of the banking sector and its external commitments, the primary manager of exchange rates, and the agency responsible for ensuring smooth foreign exchange transfers.

The functions required for dynamic debt management go well beyond “trading”. They involve forecasting debt evolution and disbursements affecting the budget, both short and medium term; identifying risks and opportunities, as well as techniques to mitigate or exploit them *vis-à-vis* exchange and interest rate risks; and designing policy implementation tools to improve management by, for example, expanding the share of internal debt.

Implementation: Operations, tools and collaboration

Tunisia has adopted straightforward and prudent policies and strategies to consolidate the gains from reassigning responsibilities and centralising information, backed by the use of new financial instruments.

To tackle interest rates risks, the new policy limited external floating-rate debt to at most 10% of external debt (this actually reached 8% in 2008). Data on rollovers that entail rate resets and on projected risks over one to five years are systematically produced and assessed. Based on these data, decision makers use instruments such as swaps, hedges and early payoffs to avoid unwelcome peaks and minimise overall external debt costs. This entails quick action to pay off old, high-interest loans when international market conditions turn favourable. Tables 3.4 and 3.5 are examples of the tables used by the MoF for publishing public debt data with risk-weighting.

For a small, trade-exposed country like Tunisia with relatively high external debt, exchange rate risks are a major concern. To minimise this risk, a small group of experts inside the Central Bank of Tunisia and MoF/GD oversee regular risk calculations (published annually) and work to anticipate and respond to exchange rate movements.

The widespread use of financial instruments such as swaps and hedges has been introduced only gradually, beginning with World Bank loans and using the *International Bank for Reconstruction and Development* (IBRD) as an intermediary. An International Swaps and Derivatives Association (ISDA) agreement between Tunisia and the World Bank has recently been expanded to cover all relevant Tunisian debt. This confirms Tunisia's satisfaction that the agreement has yielded

Table 3.4. **Example 1: Public debt data published with risk-weighting**

Currency	Debt			Exchange risks	
	Nominal value in original currency, millions	TND equivalent, millions	%	Average (%)	Maximum (%)
TND	9 529	9 529	42	0	0
External debt		13 300	58	2.8	7
EUR	4 384	7 914	35	6	6
USD	1 597	1 955	9	-0.9	11
JPY	219 641	2 394	10	-3	9
KWD	143	646	-	0	11
Others		392	-	0	0
Total		22 829	100	1.8	4

Notes: TND: Tunisian dinar. EUR: Euro. USD: US dollars. JPY: Japanese yen. KWD: Kuwaiti dinars.

Source: Ministère des Finances (2008), *Rapport sur la dette publique 2007*, ministère des Finances, République Tunisienne, Tunis.

Table 3.5. **Example 2: Public debt data published with risk-weighting**

Currency	Refinancing			Duration (years)	Interest rate resets for roll-overs	
	Average maturity (years)	Due within 1 year	Due within 5 years (%)		Within 1 year (%)	Within 5 years (%)
TND	5.34	18.16	48.49	4.23	40	62
External debt	8.45	5.31	44.59	6.22	11.98	47.78
Euro	7.90	6.10	42.90	5.86	12	48
USD	6.65	6.20	69.83	5.34	25	73
JPY	13.58	2.46	36.26	9.41	4	35
KWD	6.68	6.80	46.85	5.14	8	44
Total	7.15	19.68	46.22	5.39	24	54

Source: Ministère des Finances (2008), *Rapport sur la dette publique 2007*, ministère des Finances, République Tunisienne, Tunis.

high-quality specialised services at reasonable rates. Tunisia now plans to widen its use of derivative contracts to reduce vulnerabilities. However, such transactions will play only a very modest role in managing Tunisia's debts – the transactions amounted to less than USD 100 million in 2007 and 2009 for example, within an external debt of over USD 5 billion, and have thus far been limited to public creditors.

To further control risks, the expanded use of internal debt and measures to deepen internal financial markets has enabled Tunisia to raise the relative share of debt financed internally from 35% to 42% of total debt between 2004 and 2009.

Results, assessment and the future

Policy makers are justly pleased with these results, which have generated real benefits without undesirable side effects or implementation problems. Debt costs have been reduced and risks are much better controlled, decision makers have clear, timely information, and local financing of the debt is increasing. The new institutional arrangement has refocused responsibilities in a stable manner, which has facilitated relations with lenders and market specialists, enhancing the country's ability to avail itself of short-term market opportunities.

The path to continued improvement is clear, if perhaps more difficult, as Tunisia tackles such tough issues as private debts to foreigners and contingent liabilities.

As in the Morocco case above, Tunisia's path to success was its incremental approach. Tunisia mapped out a reform implementation path that began with steps to improve information reliability and then progressed to the use of well-tested techniques that targeted high-priority problems (exchange and interest rates risks, in this case), thus minimising uncertainty.

Based on that success, Tunisia can now move forward gradually with measures like the use of derivatives. This approach appears to have offered Tunisia the best route to sustainable progress (IMF, 2009).

3.8. Egypt: Building capacity for financial governance reform

Unlike the other cases, this initiative is in the early stages of implementation. It offers a unique combination of national and regional perspectives in dealing with key constraints experienced by all MENA countries in their financial management initiatives: the scarcity of adequately trained personnel and the need to upgrade skills at all levels.

The Public Finance Training Institute (PFTI) was launched at the very first meeting of the Financial Governance Working Group (WGIII) of the GfD in 2005. The idea for a capacity-building institution with a strong regional dimension was submitted for discussion by Egypt. The participants agreed on the diagnosis underlying it and the needs for enhancing skills and training in financial matters. In parallel, Egypt's MoF was pursuing its own project for rationalising and expanding its training system, particularly in areas such as tariffs and direct/indirect taxation, where important changes were underway or had been recently enacted.

The convergence of this national initiative with opportunities for regional co-operation and support from the OECD, the government of the Netherlands and other international players, has led to significant progress. Today, a very substantial building for the PFTI is on the verge of completion in Cairo; requests for expressions of interest to manage the PFTI have been put out; its mission has been defined down to the type and nature of courses and how they will be structured; the governance structure has been established; and collaboration has been promised from a number of MENA countries (Ministry of Finance, 2009).

Meeting MoF's training needs

In the first phase, the PFTI will design policy for all administrative and functional entities under the authority of Egypt's MoF (a total of 116 000 employees). As well as becoming the focal point for continuing needs identification, the PFTI will have central responsibility for course design and implementation, whether out-sourced, offered in special units of the ministry, or given at the PFTI itself. This policy role of the institution will help fulfil multiple human resource policy objectives such as facilitating mobility, ensuring coherence and predictability for clients/investors dealing with the MoF and reducing the cost of reformed tax, expenditure control or planning policies.

In addition, the PFTI will manage all donor funds allocated to training in the field and ensure the overall effectiveness of those grants. This is seen as particularly important to the implementation of financial governance reforms, for which international support has been secured and which place high demands on scarce skills.

Tax matters will be among the first extensive array of courses to be delivered through the PFTI. In recent years, Egypt has made major changes to income tax, sales taxes and real property taxes. Consequently, core courses range from “Income Tax Law for Employees” to “Seizure (level 1, 2, 3)” for income tax delinquency, to equally specialised courses on sales tax.

More general advanced courses are also part of the core curriculum, and are essential to management improvement. The whole spectrum, from detailed administrative rules to strategic management, is thus covered. In this way the PFTI programme covers reform topics that have emerged as priorities in expenditure management throughout the region: *e.g.* shifting to a programme structure in budgeting, building and using indicators within a performance budgeting perspective, and forecasting and using a multi-year framework in budgeting.

The regional/international dimension of the PFTI

A key objective of the PFTI is to become a regional institution servicing all MENA countries. All training designed and offered in this domestic perspective is also available to civil servants within the MENA region, sponsored by their government. Most MENA countries are intensively modernising their tax and expenditure/financial management systems. At present and for the foreseeable future, the key constraint to the success of these efforts lies in the scarcity of trained personnel, especially middle managers and professionals. The relevant training needs are often beyond the capabilities of national institutions and arrangements.

The rationale for international/regional co-operation and for pooling of resources in institutions such as the PFTI thus rests upon: i) the substantial need for trained specialists, which everyone agrees is a major challenge; ii) the costs and availability advantages it would offer to many MENA countries in accessing scarce training skills; iii) the need for an institution to prioritise, develop and disseminate skills specific to and immediately relevant to MENA's financial management and tax challenges. Building on this shared rationale for a structure like the PFTI, the new institute will deal with the whole training value chain from needs identification to assessment of training effectiveness.

Within that regional perspective, the PFTI primarily addresses the training needs of middle rank managers and professionals; it focuses on implementation techniques and practical skills in financial management and

taxation. The general corpus of techniques in budgeting, taxation and financial management is universal and internationally available. This is not the case for the skills needed to implement reform that addresses problems that are specific to the MENA region.

Two aspects of the regional dimension of the PFTI have received a great deal of attention: its governance structure and the format of training to be delivered. It will be governed by three boards: i) the Board of Directors; ii) the Members' Board; and iii) the Management Board. Each is described in turn below.

The Board of Directors of the PFTI is its top governance entity. It is made up of participating MENA countries' Ministers of Finance. The board decides on the key orientations of the institute: the types of training offered, its mission and strategy. It will approve the choice of an institution to manage it at the outset, chosen through an international call for tenders.

The Members' Board will review the orientation, plans and actions of the PFTI. It is made up of experts and will seek collaboration with donors and international organisations such as the OECD, IMF, Arab Monetary Fund (AMF) and IBRD. In its consultative role, it offers advice to the Board of Directors and the Management Board on all programming matters. Its key purpose is to ensure on a continuing basis that the PFTI is well integrated with the developments in best international practices. It also supports relations with donors and identifies necessary expertise within the relevant professional networks.

The Management Board is established as required under the Egyptian Law for Public Foundations and is made up of public service officers named by the Egyptian Government.

The types of training offered will include:

- A demand-driven Responsive Programme will offer short (2-5 days) seminars on specific topics, disseminating best international practices on financial governance and taxation. The flexibility of the Responsive Programme allows for a rapid response to new needs expressed by participating MENA countries, such as courses covering tax treaties or performance management, measurement, and budgeting.
- A Certification Programme will involve longer-term courses leading to professional certifications recognised throughout the region. The first such programme to be launched by the PFTI will be a Public Accounting Professional certificate. The demand for this is clear and pressing. It will be delivered in collaboration with international consultants and institutions in the field of public accounting. Tenders are being prepared for internationally recognised institutions capable of implementing such a programme in a credible manner for an international audience.

Since the PFTI aims to complement the training offered by national institutions, reciprocal relations with them will be an integral part of its operation.

International collaboration

The PFTI has already established relations with successful international institutions in public finance sector training such as ADETEF in France, the CEF in Slovenia and the CIPFA in the United Kingdom. Those institutions have generously offered their assistance in order to help the PFTI become fully functional on the international/regional scene.

The remarkable tenacity of the government of Egypt in pursuing and developing the PFTI project, as well as investing in it since 2005, should pay off in the near future, to the benefit of the country and of the whole of the MENA region.

3.9. Conclusions

This brief review of public finance reform measures cannot fully do justice to the dynamic changes in MENA financial governance since the Governance for Development initiative was launched at the Dead Sea in February 2005. Nonetheless, three features of the change process stand out and hold significant promise for continued progress along the road to financial governance transformation.

First, these positive examples demonstrate the validity of MENA's leaders' perceptions that reaching the highest international standards and translating them into concrete projects is possible and will clearly benefit their citizens. This commitment to sustained and sustainable progress remains manifestly strong in spite of the recent crisis and, more importantly, in spite of the real difficulties involved in reforming financial governance systems.

Second, the commitment, persistent work and indeed courage needed to drive implementation provide the basis for fruitful progress. This commitment is not limited to developed countries: it extends across the region. As the chapter and its case studies reveal, under very diverse constraints and circumstances, the depth of active commitment is real. And so is the progress that has already been made.

Third, and perhaps not so obvious, is the willingness of countries to collaborate with each other on financial governance. This has witnessed a real transformation from a tradition of reticence in which open discussion of financial issues was virtually taboo. Today, it has become almost commonplace to hear a participant in a GfD discussion remark that, while his or her own country is pursuing a different route than neighbouring country X or Y on, say, MTEF, they have followed their neighbour's progress with interest, have indeed borrowed this or that feature to try out in their own case, and plan to compare

notes at the next meeting. This new spirit of collaboration on the road to reform is not limited to special fora such as the MENA SBO or the OECD-MENA Governance for Development programme itself. It has spread through regular, informal, but often pointed consultations between senior professionals peers. As OECD members have found in their own reform efforts, this new spirit attests to the gains in the pace, success, and sustainability of reform generated by pooling hard-won knowledge on the road to reform.

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Chapter 4

Enhancing Integrity in Public Administration

*Fighting corruption in the public sector has become a frontline issue in MENA countries over the past five years. One driving factor has been a shift in the mindset of governments from admitting the existence of corruption to recognising that corruption hinders economic and social development, distorts markets and competition and undermines the legitimacy and credibility of governments. A second driver has been the United Nations Convention Against Corruption (UNCAC), ratified between 2004 and 2009 by a large number of countries in the MENA region. The ratification of this international binding agreement has pushed MENA countries to adopt anti-corruption and integrity measures. These mainly focus on reforming the legislative and institutional framework and reinforcing a culture of integrity in the civil service. This chapter uses three case studies from **Jordan**, **Morocco**, and **Yemen** to illustrate MENA countries' achievements in this field.*

4.1. Introduction

The countries of the Middle East and North Africa (MENA) face a number of challenges in developing an efficient and effective public sector, including enforcing the rule of law, improving mechanisms of accountability and inclusiveness, and fighting corruption. The battle against corruption in the public sector has emerged as an important issue high on the MENA countries' reform agenda over the past five years. The problem is a longstanding one in the region, as it is globally. Governments have moved from simply admitting the existence of corruption to recognising that it hinders economic and social development, distorts markets and competition and undermines the legitimacy and credibility of the state.

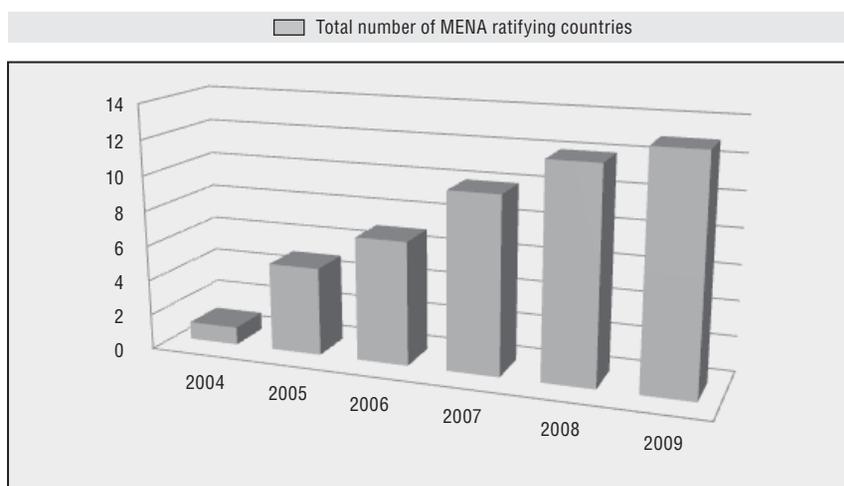
Another driving factor has been the trend across the region to ratify the United Nations Convention Against Corruption (UNCAC). Since 2000, 13 MENA countries have ratified UNCAC, which has compelled them to modify their institutional and legislative frameworks (Table 4.1 and Figure 4.1).

Countries that have ratified UNCAC need to put in place a comprehensive strategy to address corruption (Article 5). The convention highlights risk areas to which governments should pay particular attention. These include preventive measures against corruption that should be taken by governments in high-risk

Table 4.1. **UNCAC ratification by the MENA countries**

	Ratification date and status
Algeria	25 August 2004
Egypt	25 February 2005
Iraq	17 March 2008 (Accession)
Jordan	24 February 2005
Kuwait	16 February 2007
Lebanon	22 April 2009 (Accession)
Libyan Arab Jamahiriya	7 June 2005
Morocco	9 May 2007
Qatar	30 January 2007
Tunisia	23 September 2008
United Arab Emirates	22 February 2006
Yemen	7 November 2005

Source: United Nations Office on Drugs and Crime (UNODC) website: www.unodc.org/unodc/en/treaties/CAC/signatories.html, accessed 11 January 2010.

Figure 4.1. **UNCAC ratification trend, MENA countries 2004-09**

areas, such as public financial management and public procurement. It also promotes measures such as public sector integrity standards, public reporting, public access to information and whistleblower protection. These areas are entry points around which governments can build their national reform strategies.

Beyond the need for stronger integrity instruments, processes and structures, the move to strengthen integrity and prevent corruption also requires an enabling environment including:

- High level leadership, including reform champions.
- Harmonising integrity measures with the country's overall reform programme to create an environment conducive for anti-corruption and integrity reforms.
- Implementing all integrity and anti-corruption measures in a coherent and systematic manner.
- Collaboration among public institutions.
- Involving all stakeholders in an open and inclusive policy-making process so as to support transparency, accountability, public participation, awareness raising and capacity building.
- Improving public access to information to provide a better basis for public scrutiny of government.
- Judiciary independence to ensure the rule of law.
- Public financial management reform to protect public funds from misuse and ensure that oversight institutions are effective in controlling bias, fraud and corruption.

Realising that anti-corruption measures alone will not be enough to achieve good governance, all MENA countries have also embedded measures to strengthen integrity in their overall public governance reform process.

The three country case studies chosen for this chapter – Jordan, Morocco and Yemen – highlight recent efforts undertaken in the region and present a range of design and implementation issues being addressed in MENA integrity programmes. The OECD integrity framework (OECD, 2008a) provides the organising framework for each country overview. The framework identifies four main pillars on which legislative and institutional changes to safeguard integrity are based:

1. **Determining and defining integrity** by identifying the core values, ethical standards of behaviour and rules for public administration.
2. **Guiding integrity** by leadership and training so that public officials are aware of the integrity standards and feel encouraged to comply with them.
3. **Monitoring integrity** to determine whether the rules are being complied with.
4. **Enforcing integrity** to ensure that the rules are followed, including proportionate and timely sanctions.

Each country case study first describes the enabling environment for implementing anti-corruption and integrity measures. It then compares anti-corruption and integrity measures implemented against the four main elements of the OECD integrity framework, in order to suggest ways to continue progress in the years ahead.

As shown in Box 4.1, the OECD's Governance for Development Initiative integrity component has adapted the OECD's established peer review process to review country progress on specific integrity issues. These are known as Joint Learning Studies, and each case study country has had them done on one or two areas, reported in boxes throughout the chapter.

4.2. Jordan case study

Jordan has made progress on all four of the elements defined in the integrity framework above, though implementation challenges remain. Comprehensive reforms in Jordan have benefited from high-level political commitment. Since the coronation of King Abdullah II, the Government of Jordan (GoJ) has launched a broad package of reforms through the Social and Economic Transformation Programme (2002-04), the subsequent Social and Economic Development Plan (2004-06), and more recently the National Agenda (2006-15). These reforms aim to ensure sustainable growth, reduce poverty, encourage private sector investment, improve the domestic labour market and develop a stable and transparent business climate.

Box 4.1. OECD Joint Learning Studies

Joint Learning Studies (JLS) adapt the OECD peer review methodology to MENA countries' specific interest areas. A key element of the methodology is the involvement of experts from both OECD and MENA countries in an in-country process of review and dialogue. This ensures an in-depth policy discussion among peers and a mutually beneficial exchange among participating countries.

To date, three MENA countries have requested a JLS on enhancing integrity in public procurement: Iraq, Morocco and Yemen (Box 4.4). These JLS exercises have explored the procurement system based on the OECD Recommendation for Enhancing Integrity in Public Procurement (2008).

Jordan has also requested a JLS on the implementation of the civil service code of conduct. This ongoing review will assess code of conduct implementation and discuss linkages with the government's wider efforts to fight corruption and enhance public sector integrity (Box 4.2). After the successful publication of its first JLS, the Government of Morocco requested another study on the Central Corruption Prevention Authority (Box 4.3). The purpose of this review is to help the authority implement its strategic priorities, especially enhancing objective knowledge of corruption through the design and implementation of a corruption database.

Source: For more information see the OECD's JLS website: www.oecd.org/document/50/0,3343,en_2649_34135_42503858_1_1_1_1,00.html.

Development of these plans has moved the country towards good governance by increasing involvement of all stakeholders in policy making. The National Agenda was developed by the National Agenda Steering Committee, composed of representatives of parliament, political parties, media, civil society and the private sector. The agenda addresses the need for governance reforms within the public sector to achieve its economic and social goals, and it is linked to an executive programme (2007-09) detailing concrete reforms and providing budget allocations.

In the framework of the reform, a Public Sector Reform Programme (PSRP) was developed to restructure the entire civil service and improve government performance through administrative simplification and improved service delivery, as well as enhanced integrity in the public sector. Embedding integrity in the country's overall public administration reforms is a crucial step to ensure the sustainability of reform. The PSRP addresses five performance components:

- i) performance management and service delivery improvement;
- ii) institutional streamlining;

- iii) human resource management;
- iv) public financial management; and
- v) management of the public sector reform.

The programme is being implemented by the Ministry of Public Sector Development with the collaboration of all government institutions, which shows the GoJ's commitment to promote collaboration among public institutions.

Judicial reforms

The GoJ is reforming the judiciary, focusing on enhancing professionalism, transparency and integrity. The legislative framework stresses the importance of transparency and accountability in the judiciary – especially in the selection of national level judges – and guarantees that judges are accountable for their decisions.¹ However, certain challenges are yet to be overcome, such as the need for improvements in law enforcement and human capacity building as part of the process of strengthening the judiciary; these are gradually being addressed.

Public financial management reforms

To strengthen public financial management, the GoJ has reinforced the control of the Audit Bureau, one of the oldest control institutions in the region.² The Audit Bureau is independent, though administratively affiliated to the Prime Minister. It provides an annual report to parliament, highlighting its opinion on compliance, and commenting on the implementation of the budget and the state accounts. It also discusses any irregularities detected during audit. Efforts to further develop and re-energise the bureau will play a key role in ensuring effective control mechanisms and supporting the implementation of specific anti-corruption measures.

Jordan is well advanced in establishing an enabling environment for anti-corruption reforms, but it may still be too early to assess results as reforms are still being implemented in public financial management and the judiciary, among other areas.

Integrity and anti-corruption strategies

Jordan can be considered a pioneer country in anti-corruption reforms in the MENA region. The country is achieving important progress in introducing a culture of integrity in its public sector and encouraging better performance of its public institutions. Corruption prevention measures date back to the 1960s, when the Penal Code (Law No. 16 of 2006) was amended to cover corruption crimes, bribery, embezzlement and fraud. In 1993 the Economic Crimes Law (No. 11) criminalised misappropriation of public funds. The challenge now is to fully implement this legislation.

Jordan reinforced its anti-corruption measures in 2006, spurred on by its ratification of the UNCAC in 2005 and the growing demand from civil society organisations, the private sector and media. The Anti-Corruption Commission Law (No. 62) established the Anti-Corruption Commission (ACC) in 2006, a major step in determining and defining corruption. The ACC is administratively linked to the Prime Minister but has financial and administrative independence. It has the right to take all necessary legal actions to pursue its objectives through the Civil Advocate General for judicial procedures, and the Chief of Public Administrative Prosecution for administrative actions. It is also allowed to investigate all potential cases of corruption.

The ACC designed a National Anti-Corruption Strategy 2008-12, which aims to reduce:

[A]vailable opportunities for engaging in corrupt actions through the creation and development of administrative and legal frameworks effective for both public and private sectors. It also aims to increase the effectiveness of the entities charged with combating and controlling corruption, enhancing citizen confidence in state institutions, and containing the corruption so it does not constitute an obstacle to the free market economy, and good governance in the country (Anti-Corruption Commission, 2008).

To further support efforts to determine and define integrity, the Ministry of Public Sector Development (MoPSD), issued a “Code of Conduct and Ethics for Career Public Office” in August 2006. The Code is embedded in the new Civil Service Bureau Statute (No. 30/2007) and the Civil Service By-law, which together define standards of behaviour in the civil service. It introduces integrity into the human resource policies of the civil service. For example, it clarifies standards for gift acceptance and conflicts of interest.

The Ministry of Public Sector Development has identified *wasta* (favouritism) as a key challenge to integrity in Jordan’s public sector. The practice of relying on *wasta* is a barrier to open recruitment of civil servants, for example, because public sector employment is highly sought after. To tackle this issue, the Code of Conduct sets ethical values and standards for the civil service and explicitly prohibits favouritism: “Abstain completely, either directly or indirectly, from any preferential treatment to any person through an intermediary and through favouritism” (Ministry of Public Sector Development, 2006).

A national committee was created to implement the Code, composed of members of the MoPSD, Civil Service Bureau, ACC, Audit Bureau, Government Tender Directorate and Ombudsman Bureau. This committee shows how efforts can engage different public institutions in applying a code of conduct across the civil service. However, the committee lacks a non-government stakeholder.

Although the Code is intended for use by all public institutions, some agencies have built on this initiative to develop specific codes of conduct tailored to their work:

- The Customs Department has established an employee conduct manual and professional ethics for the customs department.
- The Ministry of Finance has developed a professional ethics code.
- The Audit Bureau has published a guide, *Basics and Ethics of Financial Audit Profession*, which is considered to be stricter and more detailed than the Code for career civil servants. The Audit Bureau code prohibits an auditor from receiving gifts and meals from the audited party, for example. All auditors are expected to read and sign this code.
- The Food and Drug Administration is developing a code of conduct for pharmacists within the framework of the World Health Organization's Good Governance for Medicines Programme.
- The ACC has made one of its first priorities adopting a code of conduct for its staff.

In order to better implement the Code, the MoPSD requested a Joint Learning Study with the OECD on the implementation of the Code of Conduct (Box 4.2).

Box 4.2. Joint Learning Study on the implementation of the Code of Conduct and Ethics in Jordan

This study recommended improvements in several areas, many of which address the areas of guiding, monitoring and enforcing integrity:

- Establish a concise, uniform, enforceable code of conduct and ethics.
- Choose an administrator of the Code that will provide independence, consistency and confidence.
- Give the Code a legal basis and procedures for enforcement.
- Permit an official to obtain written, confidential advice about the Code's application.
- Make ethical behaviour a component of periodic performance evaluations that are accompanied by incentives and consequences.
- Foster awareness of the Code's content through specifically designed educational programmes.

Source: OECD (2010b), *Implementation of Code of Conduct and Ethics in the Civil Service, Joint Learning Study in Jordan*, OECD, Paris, available at www.oecd.org/gov/ethics/jls.

Action in some of the areas listed in Box 4.2 is underway, particularly in “guiding towards integrity”. The GoJ has rooted the Code of Conduct in the civil service’s human resources policies, for example, and has also encouraged compliance through an incentive-based system to award good performance by public institutions through the King Abdullah II Excellence Award. This award is managed by the King Abdullah II Centre for Excellence (KACE), established by the king to evaluate and monitor the progress of public institutions in implementing reforms. The board of trustees is chaired by the king’s brother, Prince Feisal, reinforcing its high-level leadership. The centre hosts all excellence awards in Jordan, including the King Abdullah II Excellence Award for public institutions and employees. Transparency (at all levels – budget, decision making process, recruitment, etc.) is one of the pillars of the award.

The KACE has itself been assessed by the European Foundation for Quality Management (EFQM) and was recognised as the only excellence centre in the MENA region.

KACE reports on the weaknesses and strengths of the institution participating in the King Abdullah II Excellence Award. The centre also reports every three months to the Prime Minister on institutions’ progress towards abolishing *wasta* or favouritism and on improving the quality of service delivery (based on a citizen survey). The KACE award for best employee is an important incentive for civil servants to perform better. The Civil Service Bureau (CSB) has included this award in its promotion system, giving an employee who wins it a five-step promotion. Compliance with the Code of Conduct is included in the criteria for best employee award.

This government-wide incentive system has also encouraged specific institutions to develop their own incentive systems. Jordan’s Custom Department, for instance, has developed an incentive system whereby the “employee of the month” receives a fully paid trip to perform the *Haji* (Islamic pilgrimage).

Further progress could be made by expanding integrity programming in several areas:

- Training and educational campaigns would benefit civil servants and citizens by making the integrity instruments more visible and easier to understand.
- Capacity building in auditing and inspection would increase the ability of civil servants to detect potential corrupt or unethical acts.
- Whistleblower protection could be improved by adopting specific legislation, building on experiments by some Jordanian institutions to create systems of anonymous whistle-blowing and encouraging civil servants to have greater confidence in the protection of those who step forward.

To monitor integrity measures, the GoJ has established the following institutions:

- The MoPSD, created in 2006 and given responsibility for implementing the Public Sector Reform Programme (PRSP).
- The Government Performance Administration, hosted by the MoPSD, which monitors the government institutions' performance in achieving the PRSP's objectives.
- Other units within the Council of Ministers to supervise specific measures of the PSRP (such as the Human Resources Unit).
- An Ombudsman Bureau, created in 2009 based on Ombudsman Law (No. 11 of 2008).
- The Financial Disclosure Department, created within the Ministry of Justice by the Financial Disclosure Law (No. 54 of 2006). This department covers all senior civil servants and any other employees with access to public funds. It requires that they submit financial statements to ensure there are no irregularities.

Despite these very encouraging steps for setting integrity standards, it is too early to evaluate their impact on integrity as they have all been launched comparatively recently.

The final pillar, enforcing integrity, as might be expected, has not progressed as far as the other steps. It also faces structural barriers in the Jordanian public administration, such as limited law enforcement capacity. Despite the judiciary reforms mentioned above, Jordan therefore still faces many challenges in ensuring effective prosecution and sanctions. On the organisational level too, many specific integrity measures, such as the code of conduct, would benefit from a more precise system of sanctions.

Summary

Jordan's National Anti-Corruption Strategy 2008-12 combines reforms of legislative and institutional frameworks and also introduces specific integrity instruments.

This strategy has benefited from high-level leadership from the King himself, who has demonstrated the political will to back the reform. As such reforms need a prominent champion, this top-level political leadership is a crucial step towards reform. It also paves the way for the next stage – broadening the dialogue to draw all stakeholders into the reform process (such as public institutions, civil society, private sector and media), and help to overcome resistance to change.

This case has also shown that the GoJ is successfully shifting from a rule-based approach (integrity measures based on compliance with the law) to a value-based approach (setting integrity standards) in order to promote a

culture of integrity in the public administration. Standards of ethical conduct relying solely upon legal requirements can lead officials to settle only for the minimum requirements, instead of aspiring to higher ethical standards appropriate to the country's, and more precisely the public organisation's, cultural heritage.

4.3. Morocco

As discussed in Chapter 2, high-level recognition of the need to improve integrity in Morocco has been a driving force behind the entire governance reform effort. It has underpinned work to strengthen civil service structure, introduce new financial management tools and simplify regulations, but it has also been the focus of efforts aimed specifically at strengthening laws, management systems, capacity and day-to-day practices in areas closely linked to the fight against corruption. Although several of these reform areas are discussed in chapters devoted to these topics, it is useful to review these measures here to highlight the linkages with Morocco's integrity strategy.

With the strong political support of King Mohammad VI, Morocco has initiated a package of reforms to enhance transparency and good governance over recent years. Measures in the areas of judiciary reforms, public financial management, and administrative simplification have complemented reforms aimed specifically at tackling corruption.

Judicial reforms

Since 2002, the Government of Morocco (GoM) has been striving to modernise the justice system. These efforts were reinforced in 2007 when the government announced a reform plan focusing on modernisation, ethics, training and communication. Announcement of the reforms was followed by an action plan to reinforce professionalism throughout the Ministry of Justice and to modify the way in which cases of corruption and financial irregularities were processed. These measures are still being implemented, with more cases being brought up for prosecution by the Court of Accounts and the General Finance Inspectorate (IGF). However, the number of cases being prosecuted remains relatively low.

In the 2008 reform plan the GoM addresses these challenges by expanding training and tackling other law enforcement issues. To drive these measures forward, a special authority has been created within the Ministry of Justice which is responsible for enforcing rulings.

Public financial management reforms

Morocco's ambitious budgetary reforms aim at reducing reliance on *ex ante* controls (based on procedural compliance) in favour of greater *ex post* control

emphasising measurable outcomes for citizens through supplying services with improved efficiency. Parallel to these efforts, the government has redoubled the control efforts of such high-level review authorities as the General Treasury (*Trésorerie Générale du Royaume*), the General Finance Inspectorate (*Inspection Générale des Finances*) and the Court of Accounts (*Cour des Comptes*). However, these organisations still have difficulty providing sufficient concrete documentation of misuse of public funds or misconduct to successfully prosecute corruption cases, especially in public procurement. The government has identified the need to develop new staff competencies in order to tighten up *ex post* controls, which it is pursuing through structural reorganisation, professionalisation, and better support to staff, as well as training to enhance key professional skills in the agencies concerned.

Morocco therefore seems to be on the right track for building an enabling environment for anti-corruption implementation and integrity reform. This progress builds on a recent dialogue with civil society, organised through Transparency Morocco, and a public communication campaign to build momentum for preventing corruption. With substantial efforts underway on several fronts within the government, the time may now be right to expand engagement with civil society. This will bring in more stakeholders and move towards more open and inclusive policy making. However, the absence of an access to information law may prove to be a hindrance and could be an agenda item for the next phase.

Integrity and anti-corruption strategies

Capitalising on the King's strong political commitment, the cabinet launched a reform programme in 2005 to support the fight against corruption. This programme focused on six strategic directions:

- i) Anchoring ethical values and standards in the civil service.
- ii) Developing and institutionalising a corruption prevention strategy.
- iii) Enhancing transparency in public procurement.
- iv) Improving budget management through the reform of control and auditing mechanisms.
- v) Reinforcing e-government and administrative simplification.
- vi) Fostering the participation of citizens and civil society.

As part of its efforts to adhere to UNCAC Article 6,³ the government recently established the Central Authority for Corruption Prevention (ICPC) within the Prime Ministry.⁴ This measure was introduced two months before the ratification of UNCAC (in May 2007) to show commitment to fighting corruption. It resulted from consultation with Transparency Morocco – as the representative of civil society organisations – and the General Confederation

of Enterprises of Morocco (*Confédération Générale des Entreprises du Maroc*, CGEM). In this way it took into account non-governmental organisations' and private sector concerns in fighting corruption, thereby involving stakeholders in anti-corruption policy-making.

This ICPC's main objectives are to propose strategic directions for corruption prevention policy, build a database on all information related to corruption, inform the judiciary of corruption cases and organise awareness campaigns on corruption. The ICPC plenary assembly has a unique structure. It is composed of members of line ministries, representatives of professional associations, the president of the Ombudsman Bureau, and other representatives appointed by the Prime Minister to represent civil society, academia and corruption prevention NGOs. This agency will also be in charge of further developing and clarifying the comprehensive anti-corruption strategy.

In line with the cabinet's aim to anchor ethical values in the civil service, Morocco has adopted other measures for enhancing integrity. It issued a decree for all public institutions to include integrity in the performance evaluation of civil servants. This measure is part of a wider human resource strategy that also includes merit-based recruitment and promotion, harmonisation of the recruitment process among all public institutions, etc., as discussed in Chapter 2. As part of these reforms, Morocco has introduced a code of conduct to set ethical standards for the entire civil service. However, this code has not been fully implemented and civil servants have not been informed or trained accordingly. Nonetheless, certain institutions have introduced specific code of conducts to set integrity standards in their organisation.

Public procurement, which represented more than 16% of Morocco's GDP in 2005, had been identified by the private sector and government alike as a major risk area for corruption. Anti-corruption measures introduced in 1998 were seen as not going far enough. This led the GoM to launch a new series of public procurement reforms in 2007. These steps began with the modification of the legislative framework and issuance of a new decree (No. 2-06-388 of 5 February 2007) to set conditions and terms for the award of government contracts as well as rules on their management and control. This decree brought Morocco's procurement system up to the standard of the World Trade Organization Agreement on Public Procurement and European Union Public Procurement Directives. It also addressed loopholes that had become apparent in the 1998 decree process. It not only covers the tendering phase, but also the prior needs assessment and post-award contract performance monitoring stages of the procurement cycle. It applies to local government as well as central agencies. The decree has increased transparency in the procurement process by requiring tender notices to be published, firms to be informed of tender results and records of awarded contracts to be maintained.

The GoM has also introduced a mandatory integrity declaration into both tenders and official contracts. Tenderers are required to sign this integrity declaration, which states that they will not use dishonest or corrupt practices. At the same time, the contracting authority is required to abstain from any relationship or action that would compromise its independence. The GoM has also combined this measure with other steps to tackle conflict-of-interest risks in public procurement. Morocco also established an electronic procurement portal in 2008 making it easier to access tender notices and results, view evaluations and tender reviews, and display progress reports on the implementation of awarded contracts. This initiative is also part of a wider e-government programme (Chapter 7), which underscores the importance of linking reforms across the governance portfolio to create a comprehensive barrier to corruption.

With the establishment of the Public Procurement Review Board in 2008, Morocco now has a transparent complaint system, completing the country's strategy for safeguarding integrity in public procurement. The board is responsible for reviewing complaints and advising on actions to be taken.

In 2007, after the approval of the new legislation on public procurement, the Ministry of General and Economic Affairs of Morocco asked the OECD to organise a pilot Joint Learning Study (JLS) on its efforts to enhance integrity in public procurement (Box 4.3).

On the basis of the recommendations made in the JLS, the Moroccan government has already strengthened relations with the private sector and launched consultations on their involvement in modernising public procurement in Morocco. The government is also considering reinforcing the review mechanisms for procurement and pushing forward its e-procurement project by completing it with a database on suppliers.

Regarding the requirement of “guiding towards integrity”, Morocco has generally favoured a rule-based approach tied to the new legislation (training procurement officers on elements of the new legislation and how to comply with it, for example) over value-based training. By contrast, the experience of OECD countries tends to suggest that combining both approaches can establish a strong culture of integrity in public administration. Protection for whistle-blowers and clarification of conflict of interest standards both remain on the agenda for future action.

Although the major emphasis has been on strengthening the judicial environment and tightening standards in public procurement, Morocco has also taken some steps to monitor integrity. For example, the country adopted a series of financial disclosure laws (which cover members of government and parliament, the Constitutional Council, the chamber of advisors, financial jurisdictions, the High Authority of broadcasting, magistrates, local

Box 4.3. Joint Learning Study on enhancing integrity in public procurement in Morocco

This JLS covered the entire public procurement process from assessing needs to awarding and managing the contract. It reviewed the legislative, institutional and practical aspects of the management and control of public procurement in Morocco as the basis for suggesting further improvements. Policy experts from Dubai, France, Canada and the OECD Secretariat made up the review team, which interviewed high-level public officials in the Moroccan government, as well as private sector and NGO representatives.

The study identified several priority areas to be considered by the government as it defines the next steps in promoting integrity in public procurement :

- Strengthen professional skills in public procurement in order to give authorising officials sufficient management capacity as part of the process of relaxing *ex ante* controls.
- Increase the power of the Public Procurement Review Board.
- Continue with the assignment of responsibilities and the auditing process.
- Ensure the harmonised interpretation and implementation of the 2007 decree.
- Introduce more specific measures to prevent corruption in public procurement.

Source: OECD (2008), *Enhancing Integrity in Public Procurement, Joint Learning Study in Morocco*, OECD, Paris, available at www.oecd.org/gov/ethics/jls.

representatives and some members of professional associations and other civil servants with access to public funds).⁵ A new law against money laundering has created a Money Laundering Control Entity within the Prime Minister's Office to monitor and process financial data.

These public procurement reforms are a prominent example of the GoM's comprehensive approach to integrity, combining public financial management reforms with integrity measures. The reforms have been implemented at different steps in the procurement process, allowing Morocco to introduce integrity measures throughout the cycle of public procurements and increasing transparency. As reform progresses in these areas, further steps can also be expected in enforcing integrity, building on the initial law enforcement measures mentioned earlier, especially in the framework of the judiciary reforms. As the impacts of these initiatives become clearer and data are collected on the impact of judicial reforms on corruption cases, additional specific measures, sanctions and other enforcement mechanisms may be implemented to close the door on corruption.

Summary

Morocco's experience shows that a comprehensive strategy for corruption prevention can serve as the centrepiece and integrating element within a broad governance reform strategy. Integrity measures have been the driver or major element in many different areas of reform, from judicial measures to e-government to public procurement and civil service reform. The high-level political commitment and collaboration with civil society and business to identify priorities have both been important dimensions in Morocco's drive to defeat corruption. Although this battle is by no means won, placing integrity at the centre of a comprehensive reform agenda has helped Morocco to define an effective public governance strategy. The challenges for the future include consolidating this progress by building institutional and human capacity to enforce the new laws, to fully implement the restructured procedures, and to continue engaging with stakeholders both within and outside the government.

4.4. The Republic of Yemen

Yemen made important progress in the last decade in development and governance reforms, despite its severe socioeconomic challenges, notably high rates of poverty and significant imbalance between rural and urban populations.

In 2006, Yemen developed a comprehensive government National Reform Agenda (NRA) with the collaboration of its international development partners. This programme, as discussed below, gave important emphasis to integrity measures. The NRA benefited from the high-level leadership of President Ali Abdullah Salih, who launched a National Anti-Corruption Awareness Campaign in 2006 to promote the reform agenda.

The NRA addresses five thematic areas:

- i) Judicial reforms to increase the autonomy of the judicial authority and improve the commercial court system.
- ii) Economic, financial and business enabling reforms to strengthen public finance management, create more attractive conditions for investment and trade, raise the coverage of land registration, and implement the Extractive Industries Transparency Initiative.
- iii) Anti-corruption reforms to put in place anti-corruption legislation and institutions.
- iv) Civil service reforms to redefine the respective roles of the state and civil society including the private sector, to determine appropriate public sector wage and salary levels and to develop a strategic approach to strengthening public sector capacity in central and local government.

- v) Political reforms and democratic development to implement electoral reforms, hold national parliamentary elections, and strengthen decentralisation, human rights, women's empowerment and freedom of the press.

The NRA promotes greater decentralisation in service delivery, which may raise important challenges in maintaining progress on integrity at all levels, an issue that will be monitored by the government. Yemen also developed a Five-Year Plan for Poverty Reduction (2005-10), adapted to the National Reform Agenda.

As the following brief review of progress in each area indicates, a number of measures have been taken to implement the NRA, but much still remains to be done.

Judicial reforms

The Supreme Judicial Council is the highest judicial body, responsible for supervising the courts and ensuring the independence of the judiciary. At the same time, the influence of the executive branch of government remains significant, as senior judicial positions on the council are direct presidential appointments.

After the unification of North and South Yemen, the President established the Public Funds Court in 1996 as a response to rising concern over corruption. This was an important step, although the court's initial broad mandate – covering bribery, fraud and “damage to the public interest” – was later restricted to crimes by public servants and those that affect public funds only.

This work of the court is supported by a Public Funds Prosecution (PFP), which serves as the link to the Central Organisation for Control and Auditing (COCA). The jurisdiction of the PFP is limited to lower level officials, however, and its writ does not extend to indicting parliamentarians, governors, ministers or deputy ministers. These higher officials can only be indicted by a vote of two-thirds of the parliament, after which the case is referred to the Supreme Court.

Public financial management reforms

After unification, COCA was created by combining the two Supreme Audit Institutions of the north and the south. Its mandate extends to auditing all government entities and state companies. COCA's role was recently re-energised and linked more closely to the parliament. COCA now reports to parliament and provides an annual budget report. It also communicates directly with the public by publishing its annual report on its website and through a newsletter. Although COCA's autonomy has thus been strengthened to some degree, it is not independent of the executive, as the President appoints all COCA executives, technical experts and auditors.

Despite these limitations, a number of major legislative reforms have been adopted within the NRA:

- The Anti-Corruption Law in 2006.
- The Financial Disclosure Law in 2006.
- The new Tender Law in 2007.
- Commitment to the internationally-based Extractive Industries Transparency Initiative (EITI) in 2007.
- The Public Finance Management Reform Strategy in 2006.
- The approval of the Procurement Manual and the Standard Bidding Documents in 2006 (these documents are currently being updated).
- A proposed law on access to information – this was submitted to parliament in late 2009 and is still under discussion.

These measures have been complemented by several other institutional reforms, including establishing new institutions such as the Supreme Authority for Combating Corruption (SNACC), the High Authority for Tender Control (HATC) and the High Tender Board (HTB). Despite these improvements, Yemen still has a long road to travel before establishing an effective enabling environment for anti-corruption measures.

Integrity and anti-corruption strategies

The central initiative in the government's anti-corruption reform has been the adoption of an ambitious and comprehensive anti-corruption law (Law No. 39 of 2006). This law provides a clear definition of corruption: "taking advantage of the public job for personal interest, whether by misusing or violation of law, or by misusing of the authorities given by this job". It has created an anti-corruption agency, provided protection to whistle-blowers, and prohibited former public servants from deriving personal benefit from their previous government positions. In all, these measures are a major step forward in determining and defining integrity. They take Yemen a long way towards aligning with the UNCAC standards, to which the country signed up in 2005.

The Supreme Authority for Combating Corruption (SNACC), created by this law, is guaranteed financial autonomy and independence. Its primary duties include developing anti-corruption policies, raising awareness about corruption by working closely with civil society, investigating corruption and conflict of interest cases for transfer to public prosecutors, and receiving financial disclosure statements. SNACC submits quarterly reports to parliament and the president on progress in controlling corruption. It also collaborates with the Central Organisation for Control and Auditing on matters regarding public funds.

Although SNACC has been established only recently, its activities demonstrate that civil society can be involved in policy making. Progress has been made in implementing awareness-raising programmes with these partners. However, less progress is evident in formulating a national anti-corruption strategy to guide implementation of coherent anti-corruption and integrity measures. For example, Yemen has not yet adopted a code of conduct for the entire civil service to reinforce the integrity culture of the public administration, although it does have one in the area of public procurement (see below).

Public procurement

Reforming public procurement has been at the heart of Yemen's public financial management reforms and anti-corruption efforts since 2006. Public procurement is linked to the planning process for the Public Investment Plan (PIP) and also connected to Yemen's Medium Term Expenditure Framework (MTEF).

However, the real focus of the effort has been on the creation of institutional capacity buttressed by new legal authority. Several new institutions and legal reforms have been implemented to improve the transparency and fairness of the public procurement system over the past four years.

This series of reforms started with the issuance of national standard bidding documents in 2006 (Prime Ministerial Decree No. 144), designed by the international consulting firm Crown Agents. The next step was the adoption of a new procurement law (Law No. 23 of 2007 for Tender, Bidding and Government Storehouses), which adheres to UNCITRAL principles for international trade.⁶ The law aims to protect public funds and foster transparency, competitiveness and fairness in public procurement.

The law also promotes control mechanisms through specialised institutions, such as the High Authority for Tender Control (HATC) and the High Tender Board (HTB). The HTB is responsible for approving government tenders above the threshold of 250 million Yemeni Riyal (YER) for goods and works and above YER 60 million for services.⁷ The HTB's work is reinforced through a procurement management information system to keep records of contracts. A specific portal was created to publish the standard bidding documents and post the requirements and results of open tenders. The High Authority of Tender Control is the highest authority controlling public procurement (regardless of their value) and the supreme review authority for complaints submitted by tenderers. It is composed of members of civil society, professional associations, the private sector and the judiciary, which again demonstrates the government's commitment to include all stakeholders in policy making.

A Blacklist Committee has also been created which establishes an official government blacklist of individuals and firms prohibited from bidding on government tenders because of prior misconduct, including fraud and corruption. The committee is composed of representatives of the HTB, the line ministries (such as the Ministry of Public Works and Highways), the Chamber of Commerce, the Professional Contractors Association and the Professional Engineers Association. The inclusion of business representatives on this committee shows that the government is involving the private sector – as well as civil society as a whole – in the drive to control corruption in an area where they are directly concerned.

The government has also established a contractor and consultant classification system which sets up eligibility categories based on documented standards, such as a list of staff, completed projects for the past five years, a bank statement, and inclusion on the Commercial Register.

A specific code of conduct for public officials dealing with government procurement has been adopted as part of the overall reform initiative. The code requires officials to observe “the highest ethical standards”. Yemen’s integrity programmes draw particular attention to procurement, for which it has also sought technical assistance from its international partners and worked to ensure co-ordination among the oversight institutions (SNACC, COCA, HATC and HTB).

Thus, Yemen’s approach to public procurement reform has combined both rule-based and value-based approaches. It has tightened up the legislative framework and established new institutions to implement these new legal provisions. At the same time, it has used value-based approaches such as a code of conduct and also by including the private sector in anti-corruption programming.

To assess what has been achieved to date and map out the next steps in reforming public procurement, in 2008 the Deputy Prime Minister for Economic Affairs requested OECD assistance in conducting a Joint Learning Study (Box 4.4). This highlighted the further measures needed to guide, monitor and enforce integrity.

Under the heading of “guiding towards integrity”, Yemen has adopted a new law tightening financial disclosure (Law No. 30 of 2006) and requiring all senior public officials, including the president, to complete financial statements. To date, SNACC has received 7 000 such statements.

With a reinforced set of laws and a more comprehensive set of institutions being created, attention in the next phase of integrity programming can now be turned to enforcing integrity measures. As in Jordan and Morocco, this would ideally include further judicial reform to strengthen law enforcement and set tighter and more specific sanctions to encourage compliance with existing integrity measures, such as the code of conduct for procurement officials.

Box 4.4. **Joint Learning Study on enhancing integrity in public procurement in Yemen**

The JLS identified several areas where additional action would help the government to consolidate the reform process:

1. Build capacity through a strategy to strengthen the control of key national oversight institutions (e.g. the Higher Authority for Tender Control).
2. Provide wider accessibility to public procurement decisions (e.g. enact the law on public access to information, publish a procurement bulletin, archive tender documents).
3. Build a mutually beneficial partnership between government and the private sector.
4. Link procurement planning to the national budget and public investment programme processes.

Source: OECD (2010a), *Enhancing Integrity in Public Procurement, Joint Learning Study in Yemen*, OECD, Paris, available at www.oecd.org/gov/ethics/jls.

Yemen is making headway in designing integrity programmes and adopting anti-corruption policies by involving all stakeholders and ensuring the appropriate political commitment to reform. While it is too early to assess any of these reforms, Yemen – like Morocco and Jordan – still faces a number of challenges in integrity programme implementation. The agenda for future action includes better law enforcement, more open and inclusive policy making, and continuing to strike the right balance between rule and value-based approaches.

4.5. Conclusions

This analysis of integrity and anti-corruption reforms in Jordan, Morocco and Yemen confirms that corruption prevention has become an important issue for reform within the MENA region. Overall, MENA governments have used three main strategies to prevent corruption:

- i) Reforming the legislative framework (by adopting anti-corruption laws, for example).
- ii) Reforming the institutional framework (by restructuring the civil service, reinforcing the role of the oversight institutions, and creating anti-corruption bodies).
- iii) Reinforcing the culture of integrity in the civil service (by adopting codes of conduct for the civil service and financial disclosure laws, and by strengthening the role and accountability of the judiciary).

The case studies highlight the following remaining challenges to be addressed in carrying the reform process forward:

- **Creating an enabling environment.** Although the cases show that countries are reforming their legislative and institutional frameworks, introducing and reinforcing a culture of integrity in public administrations involves more than creating laws. Embedding a culture of integrity by enhancing transparency and accountability throughout government is a key requirement for effective implementation of anti-corruption and integrity measures.
- **Combining value-based and rule-based approaches.** As enabling environments start to take root, governments may find it useful to experiment with combining rule and value-based measures to create an effective and coherent integrity management strategy. Although many MENA countries have tended to focus first on rule-based approaches – a necessary element in enforcing integrity in the public administration – only value-based approaches embed integrity in the public institutions’ culture. Closer links among the organisations’ missions, their citizen clients, and accountability to stakeholders can be as important as abstract “integrity” values in building a sustainable culture of integrity.
- **Addressing weaknesses in law enforcement.** A culture of integrity must go hand in hand with a culture of compliance with the law, not only by citizens and the private sector, but also by government and its employees. The success of integrity reforms therefore depends on strengthening law enforcement and the rule of law generally. In most MENA countries, governments have recognised that corruption impedes economic development and cuts countries off from the global mainstream. Governments have shown strong political will to take on this challenge, evidenced by their ratification of global standards such as UNCAC, issuing major new legislation, and creating new institutions to oversee integrity. Continued attention to implementation and in particular to enforcement will be necessary to consolidate this progress and turn the page on corruption.
- **Building human and institutional capacities.** Political will is not enough to overcome the challenges of human and institutional capacity building. While human resource management reforms have been extensive in many countries, as discussed in various part of this report, increasing professionalism will require a mix of restructuring, training and development of financial and career incentives to motivate civil servants and thus enable institutions to perform better.
- **Strengthening transparency and making information available.** The availability, completeness and accuracy of government reporting on its activities in the region remains an area of weakness. Accountability to the citizen on government performance, including integrity and progress in

combating corruption, requires that MENA region governments overcome the “culture of silence” that shrouds the performance of government officials and agencies and makes it difficult for anyone, including the government itself, to assess performance.

Recently, MENA countries have added decentralisation to their reform agenda, which creates new opportunities to promote integrity, as well as raising new barriers to integrity. This new approach will require some modifications to integrity strategies to ensure a coherent integrity framework better adapted to a decentralised system.

Despite these challenges, the MENA countries analysed here have embarked on their journey towards integrity, making deep and genuine inroads in implementing effective anti-corruption strategies. Over the past decade they have progressed from denying that there was a problem, to recognising the problem but giving only lip service to solving it, to adopting laws and regulations and creating institutions to implement them. Having recognised that gaps in government integrity were holding back progress on economic and social development, they have now made integrity a core element in their national reform strategies. With improved laws and institutions, progress now will depend on their success in implementing the overall governance reform agenda – in public finance, human resource management, and the rule of law – as a necessary precondition to real and sustainable progress in banishing corruption.

Notes

1. Law on Judiciary Independence No. 15/2001 and the Civil Procedure Law as amended by Law No. 16/2006.
2. Created in 1952 by Law No. 28 of 1952 based on Article 119 of the Constitution.
3. This article supports “Each State Party [...] in accordance with the fundamental principles of its legal system, [to] ensure the existence of a body or bodies, as appropriate, that prevent corruption” (UNCAC, available at www.unodc.org/unodc/en/treaties/CAC/index.html).
4. *Instance Central de Prévention de la Corruption*, established by Decree No. 2-05-1228 of 13 March 2007.
5. By contrast, prior legislation covered all civil servants. This overburdened the control institution in charge of collecting and analysing the financial statements.
6. UNCITRAL is the United Nations Commission on International Trade Law.
7. 1 USD = 211.86 YER (Bank of Yemen, January 2010).

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Chapter 5

Ensuring High Quality Regulation

Regulation is a crucial instrument for economic and social development. Efforts to improve regulatory quality have been a central part of governance reform across the MENA region. MENA countries have improved legislative drafting capacities in recognition of their role in improving regulation. Given the volume of current regulatory activity, political and institutional commitment is pivotal to improve the quality of regulation in general, and legislative drafting capacities in particular. The four case studies presented in this chapter explore the legislative drafting process, identify guidelines to ensure technical and procedural consistency in drafting, and outline training activities and programmes for legislative drafters. The experiences highlighted in **Egypt, Jordan, the Palestinian National Authority and Tunisia** call attention to several positive initiatives in: i) policy development; ii) drafting, developing and managing the stock of legislation; and iii) support for drafting. The case studies illustrate some approaches that can be encouraged more widely within the MENA region.

5.1. Introduction

Regulation is an essential tool for economic and social development. Efforts to improve regulatory quality and coverage have therefore been a central part of governance reform across the MENA region. To cite one example, between June 2008 and May 2009, 17 of the 19 economies in the MENA region passed regulatory reforms to expand opportunities for domestic entrepreneurs.

The quality of regulation shapes the achievement of most social and economic objectives. Its quality depends on clarity over what needs to be regulated, for what purposes, in what manner and at what cost. These decisions rely on governance systems that are efficient, transparent and accountable. As regulation often rests on primary and subordinate legislation, measures to improve legislative drafting capacities are a precondition for regulatory improvement in some countries. Given the volume of regulatory activity, it takes real political and institutional will to give priority to improving the quality of regulation generally, and of legislative drafting capacity in particular.

In no area of public governance does the cumulative body of previous actions play as large a role as it does in law and regulation. In recognition of the interconnectedness of the law and legal reform, this chapter takes a somewhat different approach from the others. Rather than focusing on the achievements of the past 5-10 years, it profiles the current status of law drafting in each country. This status reflects the combined effects of reforms implemented recently and the underlying legal systems established by the constitutions, parliaments, courts, and executive authorities of the MENA region over the past 100 years or more. Boxes provide brief examples illustrating different approaches to reform and specific experiences of broader interest.

The chapter also includes case studies of law drafting and regulatory systems in Jordan, the Palestinian National Authority and Tunisia. They have three aims:

- i) To review the legislative drafting process, from the identification of policies that require implementing legislation, to the planning of legislative programmes, legislation drafting, and managing the stock of existing legislation.

- ii) To point to new guidelines and other aids that have been developed, such as electronic legal databases, to ensure technical and procedural drafting consistency.
- iii) To identify training activities and needs for legislative drafters.

Following the case studies, the chapter offers some overall conclusions as the basis for further action on a broader front. Throughout this chapter, the link between policy development and the drafting of laws and regulations is highlighted, not only because policy is important, but also to show the close institutional linkage between responsibility for initial drafting of legislation and for policy implementation.

For reasons of space, we have placed greater emphasis on legislative drafting than on parliamentary consideration and enactment of the legislation, or on judicial review once the legislation moves into implementation. This does not imply that either parliamentary or judicial processes are not important elements of the rule of law; they clearly are and they deserve further detailed consideration. Box 5.1 gives two examples of progress in developing judicial structures to support public governance: Morocco's Court of Audit and Egypt's Commercial Court.

The importance of the parliamentary role is reaffirmed indirectly by the widespread use of decree laws in the region as a substitute for parliamentary legislation. The capacity of the executive to issue decree laws when parliaments are not in session, subject to subsequent parliamentary ratification, is a valuable backup procedure if used sparingly, but is not constitutionally ideal. Broad use of decree power by the executive without external comment or review is equally problematic.

Our analysis focuses on the drafting of primary legislation, again for reasons of space. This does not at all imply that subordinate legislation is unimportant to good quality regulation; quite the contrary. Subordinate legislation poses its own challenges for both policy making and drafting. For instance, there is a particular need to ensure that there is adequate consultation with stakeholders in developing regulations and that drafters adhere to consistent standards of quality and style, even though secondary regulation is often technical and developed within the implementing ministries.

5.2. Jordan

The last ten years have seen the implementation of economic reform in the Hashemite Kingdom of Jordan. Reforms have encompassed public finance, state-owned enterprises and privatisation, the finance sector, trade regulations, and public management. This strategy has led to better economic performance and significant improvements in public administration. As discussed in

Box 5.1. New courts created to support public governance

Two examples, one from Morocco and one from Egypt, demonstrate how MENA region governments are expanding the use of judicial institutions to improve governance.

The Moroccan Court of Auditors (*Cour des Comptes*), created in 1979 and elevated to constitutional status in 1996, follows the French model for state audit agencies. It combines the examination function – conducting audits of state units – with civil judicial powers to bring charges against those suspected of financial malfeasance and to impose sanctions, such as fines, if they are found guilty. Criminal charges are referred to the regular court system, however. The Court of Auditors was strengthened by Law 62-99 of 2002, which reformed the court as part of Morocco's broader efforts to improve transparency and integrity in public finance. Fully implemented in 2004, the reform created nine regional courts serving Morocco's 16 regions.

Morocco's reform has increased the use of private sector providers of goods and services, creating a greater need for attention to the procurement and contracting functions. The court conducted 100 audits in 2005/06 and 150 in 2006/07, together covering thousands of procurement actions. The early work of the reformed court has highlighted the need to improve contract management and, in particular, amendment of contracts in place, in addition to the original procurement process. A challenge is to ensure that the regional courts and the court itself have technical expertise that combines a knowledge of contracting and the law with greater understanding of the technical and economic factors that shape contract implementation. The court has also identified a need to harmonise procurement regulations across different types of organisation (state-owned enterprises, for example) and levels of government for consistent and fair enforcement of financial performance standards.

Egypt's Law 120 of 2008 created a new economic (commercial) court as a specialised jurisdiction for economic and commercial disputes. This new court is expected to accelerate the consideration of business disputes. In the past these have been extremely slow to resolve, sometimes taking several years to reach a conclusion. This reform supports Egypt's strategy of promoting local business as well as foreign investment, given that foreign investors are more likely to refer cases to international arbitration. The new court will have jurisdiction over capital market law, companies law, investment law and intellectual property rights law, among others.

Chapter 4, action over the past five years has been guided by the strategy laid out in the ten-year plan, the National Agenda, developed in 2005 by a commission established by the King (Government of Jordan, 2006).

Increasing transparency

The National Agenda's eight strategic themes include justice and legislation, as well as political development and inclusion, infrastructure enhancement, and others. Although work to strengthen the body of laws governing economic and social life in Jordan is not yet complete, a significant volume of reformed primary and subordinate legislation has been enacted in recent years to support the National Agenda.

Jordan's rich history has left a complex legal inheritance. In addition to *Shari'a* and Islamic customary law (*Urf*), some legislation stems from the Ottoman Empire (1516-1917), much of it based on French civil law; from the British Mandate (1917-46); as well as from the independent state of Jordan itself. This diverse inheritance complicates the drafting process.

Policy development for legislation, which generates an initial draft, takes place within the ministries and is usually supported by studies prepared by civil servants in the ministry. External experts and consultants may also provide input, particularly for technically complex legislation.

Policy development within the ministries relies on a process of refinement based on intra-ministry consultation. The initial draft legislation is then approved by the minister, who submits it to the Council of Ministers. Where the proposed legislation is judged to have implications for other ministries, the council may refer it to an inter-ministerial committee of officials, which may result in further amendment by the promoting ministry.

Once the substance of the proposed legislation is agreed, the secretariat of the council refers the draft to the Legislation and Opinion Bureau in the Prime Minister's Office. This bureau first ensures that the proposed legislation has a sound legal basis and does not conflict with the Constitution or existing legislation. Then it makes a final drafting revision of the text. Given the volume and complexity of contemporary legislation, this may be a lengthy task.

Once the draft legislation has been dealt with by the bureau it is submitted for final approval by the Council of Ministers. Analysis at this stage is usually undertaken by a council committee, commonly the Development Committee, which again includes officials from the promoting ministry. Here the draft legislation is re-examined for consistency with existing legislation. Once the proposed legislation is approved by the Council of Ministers, it is submitted to parliament, when in session.

While the process does not include a formal requirement to consult with those likely to be affected by the proposed legislation, the initial supporting studies often include informal consultation with stakeholders. Where these informal consultations do take place, the submissions are not made public nor are they recorded when the proposal is subsequently submitted to the Council

of Ministers. Information on consultations on draft government legislation is not submitted along with the legislation to parliament. However, some ministries and government agencies apply consultation more systematically than this overall norm would suggest. In 2007, the bureau expanded its website to improve awareness of laws under consideration and to solicit public comment (Box 5.2).

Box 5.2. Using the Internet to improve legislative and regulatory transparency in Jordan

To improve the transparency of the legislative process and promote consultation with stakeholders, the Jordanian Legislation and Opinion Bureau established a website in 2007 (www.lob.jo/List_LawsLegislations_Public.aspx) where drafts of legislation and major regulations are posted and the public has an opportunity to submit comments. The system began slowly, with only one law posted in 2008, but 10 laws and 25 regulations were posted for comment in the first ten months of 2009. These include laws or amendments to laws on co-operatives and civil society organisations, on higher education and scientific research, on the General Organisation for Housing and Urban Development, and the establishment of an authority for the Petra tourist area. The public has a period of ten days to submit comments, and the draft remains posted on the website for public access after the comment period. To date, the website does not provide information on the substance or number of comments received, nor on any government response or consideration of the comments, but these features may be incorporated in the future. Even without these enhancements, however, the website represents an important step forward in creating transparency on legislation and regulations under consideration.

Several points deserve consideration within these overall institutional arrangements for legislation drafting. First, various direct and indirect elements of the drafting procedure appear to be addressed at a late stage in the process, and others are then revisited at various stages in the procedure. So, for instance, inter-ministerial implications of a legislative proposal do not appear to be directly addressed until the proposal comes before the Council of Ministers. Again, determining the extent to which the proposed legislation complies with the Constitution and does not conflict with existing legislation appears to be successively the responsibility of (presumably) officials in the promoting ministry, of the Legislation and Opinion Bureau and finally of a committee of the Council of Ministers.

Second, legislative drafting itself appears not to be strictly separated from policy development. It is generally undertaken in tandem with the development of legislative policy within the promoting ministry, and is also a

significant function of the Legislation and Opinion Bureau, whose role appears to go well beyond that of ensuring the quality and standards of drafting.

Finally, it should be noted that although parliament has the constitutional competence to propose legislation, proposals adopted are then generally referred to government to be drafted. Thus, the strengths and weaknesses of the government drafting institutions are reflected in the legislation.

Increasing capacity

The government does not regularly use a drafting manual or other drafting guidelines. Instead reliance is placed on the expertise of civil servants within the Legislation and Opinion Bureau and individual ministries, augmented by external consultants used for drafting.

Some support is provided by two legal databases, one established by the government and the other by the private sector. The government database was developed by the National Information Technology Centre in co-operation with the Legislation and Opinion Bureau, the Office of the Prime Minister, the Ministry of Justice, the Parliament, the Judicial Institute and the National Library. It is updated by the Ministry of Justice and the Legislation and Opinion Bureau, and administered by the bureau. The database contains the full texts of Jordanian primary and subordinate legislation from 1921, with subsequent amendments and interpretative judicial decisions, together with other supporting material. Unfortunately, the database is not linked to many of the institutions that participated in its development.

The private sector database, the *Adaleh Database*, was developed by the Adaleh Centre for Legal Information and launched in 1996. It can be accessed or installed on client computers for a fee based on usage. It parallels the material on the government database in that it includes primary and subordinate legislation from 1951, judicial decisions and other supporting material. This database in many respects also parallels the *Al-Muqtafi Database* in Palestine, established at the same time.

There are currently no established courses or training programmes on legislative drafting in Jordan, although the University of Jordan is considering introducing a course in its undergraduate law degree.

External agencies use short-term initiatives to address the lack of training for drafting practitioners. One NGO, the Arab Women's Legal Network, is planning a programme of short training courses on legislative drafting in 2010, funded by the Foundation for the Future. Some donor-funded travel awards have been made to staff of the Legislation and Opinion Bureau to undertake study visits to the United States. These supplement government provisions for continuing education programmes for bureau staff.

Regulatory impact assessment does not yet appear to be an established element of legislative policy development, although there are some training initiatives. The Faculty of Business in the University of Jordan provides training in regulatory impact assessment within its Master's programme on regulation and competition. The United States Agency for International Development (USAID) is also supporting a capacity-building programme in regulatory impact assessment for the ministries of environment and trade and industry.

5.3. Palestinian National Authority

Progress in enhancing legislative drafting capacity by the Palestinian National Authority, as with many of its administrative initiatives, must be understood within Palestine's exceptional international and domestic political context. Since the establishment of the PNA in 1994 and the subsequent coming into operation of its legislature, the Palestine Legislative Council, there have been significant changes in the structure of its executive. These developments have led to the creation of a series of bodies related to the drafting process which have somewhat overlapping functions and changing relationships over time.

There have been a number of important constitutional developments since the establishment of the PNA that affect the legislative process generally and legislative drafting in particular. These include: Laws No. 4 and 5 of 1995; the elections, initially in 1996, of a President of the Authority and of its legislature; and the Basic Law (adopted by the Legislative Council in 1997, eventually promulgated by the President in 2002, and subsequently amended in 2003 and 2005) which provides an interim constitution for the PNA.

Palestine's complex history is reflected in the law of the Palestinian National Authority. As in Jordan, the law is a blend of Islamic customary law, *Urf*, and the principles of Islamic *Shari'a* (the main source of legislation), the stock of legislation applied or enacted under the Ottoman Empire (1516-1917), British Mandate Law (1917-48), Jordanian legislation applied to the West Bank and Egyptian legislation applied to the Gaza Strip (1948-67). There have also been subsequent Israeli amendments to previous legislation applicable in areas which were introduced by military orders, and of course legislation enacted by the Palestinian National Authority since 1994. This legacy creates a significant challenge when drafting new legislation.

The PNA's law-drafting procedures are rooted in the Basic Law, which provides that both the Palestine Legislative Council and the government may initiate primary legislation. Within government, represented by the Council of Ministers, general administrative responsibility is vested in the Secretariat General of the Council and its chief officer, the Secretary General of the Council. This includes developing policies to implement the council's general policy and decisions.

By statute, it is the ministries and other competent authorities which are empowered to prepare legislative proposals. The drafting ministry then refers its proposal or draft law to the Secretariat General of the Council of Ministers, who considers it and its consistency with existing legislation. The proposal is then submitted by the Secretary General to the Council of Ministers for approval.

Within this general structure, the Council of Ministers has established a Unit of Co-ordination with the Legislative Council, which monitors proposed legislation and may establish a ministerial committee to consider a draft prior to its approval by the Council of Ministers.

The Council of Ministers also established, in 2007, a Higher National Committee on the Legislative Plan. The Higher National Committee is considered in more detail later, but it has established criteria for prioritising categories of proposed government legislation.

Within these administrative arrangements there is no formal provision for systematic consultation outside government on proposed legislation, with one exception. The exception is that the membership of the Higher National Committee on the Legislative Plan includes one or more representatives of civil society organisations and the private sector. In addition, *ad hoc* consultative meetings are held on legislative proposals, usually at the request of civil society organisations.

Primary authority for law drafting lies with the Bureau of Legal Counsel and Legislation (*Diwan al-Fatwa wa' Tashri'*), established in 1995 by presidential decree. One of the bureau's functions is to prepare a formal draft of proposed and draft legislation referred to it from the ministries, but without altering legislative substance or purpose. In its drafting, the bureau considers the compliance of the proposed legislation with the Basic Law and its consistency with existing legislation. It has at least 11 staff, of varying seniority, involved in drafting.

The bureau is administratively and financially regulated by the Ministry of Justice, while maintaining a degree of independence. It also has technical responsibility for supervising legal advisers within ministries, although at the same time these legal advisers are charged with evaluating and reporting on draft legislation submitted to ministries by the bureau.

Once drafted by the bureau and considered further by the promoting ministry, the bureau sends the draft legislation to the Secretary General of the Council of Ministers to be checked for consistency with existing legislation. The Council of Ministers first refers it for consideration to a ministerial committee consisting of a number of relevant ministers and the head of the bureau, under the chairmanship of the Minister of Justice. If this committee approves the draft, it is returned to the full Council of Ministers, which may accept or reject it, or ask for it to be amended. If the council asks for amendments, it is returned to the bureau to draft the amendment in appropriate form.

Following the first elections to the council in 1996, the Palestine Legislative Council established a legal department responsible for drafting proposed legislation and draft legislation emanating from committees and individual members of the council. The draft legislation is then sent by the legal department to the Legal Committee of the Council.

Co-ordinating the process

The existence of both the bureau, responsible for drafting government legislation, and the legal department of the Legislative Council, responsible for drafting legislation emanating from the council, can create administrative tensions. And although each body has distinct functions, this overlap also underlines the need for consistency in drafting.

In part to address these issues, the Council of Ministers has established a Unit for Co-ordination within the Legislative Council, which co-ordinates the work of ministries and the bureau on draft legislation, consideration in ministerial committees and in the Legislative Council.

The task of managing the existing stock of legislation rests within the General Department of Legal Affairs of the Secretariat General of the Council of Ministers. One of its functions is to develop legislation and prioritise its presentation to the Council of Ministers. Another role is to review existing legislation and assess the need to amend it. However, some of these functions now also appear to be within the remit of Higher National Committee on the Legislative Plan. This committee, established by the Council of Ministers in November 2007 and broadly representative of government, was tasked with developing a systematic plan for the preparation of government legislation. The committee has recommended the following criteria for the Legislative Plan, which have been adopted by the government:

- i) prioritise legislation required to implement international obligations or the government's plans for reform, or to address matters of concern which are not presently legally regulated;
- ii) amend older legislation in preference to more recent legislation, and particularly where the older legislation no longer meets current needs, or is not consistent with the applicable law in the West Bank and the Gaza Strip;
- iii) emphasise legislation which is cost effective and, in particular, does not require additional enforcement bodies to be created; and
- iv) prioritise the amendment of subordinate legislation over primary legislation, given the capacity of government to enact subordinate legislation more easily.

A legislative plan has been developed on the basis of these criteria. However, some people consider that it has not been entirely effective in its execution. Critics point to legislation enacted which was not directed to immediate needs or which did not have the necessary enforcement infrastructure, and legislation enacted which was dependent on other yet-to-be-enacted legislation.

Building drafting capacity

A number of initiatives have attempted to provide drafting support to strengthen the quality of laws and regulations issued in the PNA. However, each has encountered various difficulties, as might be expected under the difficult conditions facing the PNA.

One highlight among these efforts is the joint development of a Legislative Drafting Manual by the bureau and the Institute of Law at Birzeit University. This was published in 2000 and was followed by a second manual on drafting subordinate legislation. The drafting manual was intended for drafters in the bureau, but it is not yet consistently used, partly as a result of confusion over drafting roles between the bureau and the Palestine Legislative Council.

Secondly, based on an understanding with the government in 1995, the Birzeit University Institute of Law has developed a legislative database, *Al-Muqtafi*, which contains references to all legislation since the Ottoman period. It is continuously updated, together with the full text of 5 000 pieces of legislation in force and some 23 000 judgements, bibliographical details, commentary and other relevant material. As not all ministries and public institutions have an Internet connection, the institute has installed a stand-alone version of this database on each computer and network within government departments which do have Internet access. The database is also freely available to the general public.

Finally, an electronic workflow system has been developed for drafting and processing legislation, based on uniform document templates. This should not only increase efficiency within the government and the Legislative Council, but should also greatly assist the updating of the *Al-Muqtafi Database*. However, it has not yet been adopted by the government and so has not been implemented.

Training programmes have also been expanded in recent years. To enhance standards and encourage consistency in legislation drafting, Birzeit's Institute of Law has developed a three-month diploma programme on legislative drafting, undertaken by trainers selected for their drafting experience and supported by an agreement with the Ministry of Justice. The programme has been piloted with 20 participants drawn from employees of the principal institutions within the PNA. An ancillary course to train trainers in legislative drafting is also planned.

5.4. Tunisia

Tunisia adopted a structural adjustment plan in 1986 to improve and streamline governance and to develop a liberal market economy more integrated with the global market. This was developed in the context of its membership of the World Trade Organization (WTO) and later, in 1995, of its association treaty with the European Union. Within the broad structural adjustment initiative, Tunisia adopted a plan to upgrade state administration in 1996, which was initially implemented under the 9th National Development Plan (1997-2001). That plan included reorganising primary and subordinate legislation; modernising the state administration's working procedures, including a computerisation programme; and readjusting the relationship between government and citizen. Structural adjustment continues today under the 11th National Development Plan, 2007-11 (République Tunisienne Premier Ministère, 2007). This includes a commitment to improve the business environment by "the modernisation of laws and regulations and their revisions... and the simplification of their content all the while ensuring a minimum of stability of their application... and investing in the training and retraining of legal specialists in the various ministries".

Tunisia's legislation is underpinned by Islamic law, but also reflects other historical sources and influences. From 1574 Tunisia was an autonomous province of the Ottoman Empire until it became a French Protectorate in 1881. It became independent in 1956.

Proposals for legislation may emanate from within government, from studies commissioned by government or public sector agencies, or from civil society organisations. Many of the proposals are broad initiatives of the President, who directs the general policy of the state, primarily exercises executive power, is responsible for the enforcement of legislation and exercises the general powers of regulation. He may constitutionally delegate some of these powers to the Prime Minister, and exercise others with the assistance of the Prime Minister and the government.

The proposals themselves are considered and developed within the relevant ministry, which often prepares a series of initial draft legislative texts. These are prepared in accordance with procedural and stylistic guidance published in 1988 by the Office of the Prime Minister. Where appropriate, this process includes feasibility studies and external consultation, and involves co-ordination or consultation with other ministries, in particular the Ministry of Justice and Human Rights. The evaluation process may involve determining whether existing legislation, further legislation, or another category of legislation, is required to implement the policy. This may also raise the issue

of whether, if legislation is required, the proposed and existing law should be consolidated into a code. Where a policy will concern a number of ministries, these matters are often directly addressed by the Office of the Prime Minister.

All draft legislative proposals from ministries are then submitted for review to the Office of the Prime Minister. This review process may include referral back to the promoting ministry. Differences of view between affected ministries are resolved at inter-ministerial meetings. In addition, the Prime Minister refers the proposed legislation to the Economic and Social Council; this is mandatory where legislation is of an economic or social nature, and discretionary for other legislation.

Once this review has been completed the proposed draft legislation is submitted to the President who then, at his discretion, may submit it to Cabinet. Where the proposed draft is approved by Cabinet, it is, after mandatory or discretionary consideration by the Constitutional Council, presented to the Parliament by the President along with the council's opinion.

Three bodies with extensive legislative functions play a significant role in this process of developing and evaluating proposals. These are, in order of their creation, the Service of Legal Counsel and Legislative Branches of Government, the Centre for Legal and Judicial Studies and the High Council.

The Service of Legal Counsel and Legislative Branches operates under the direction of the Prime Minister. It was established in 1970 with a remit that includes the review of legislative proposals from ministries and the oversight of codification. The Centre for Legal and Judicial Studies, established in 1993, is a statutory body associated with the Ministry of Justice and Human Rights. It now includes some 20 specialists and provides research and advisory services to both the public and private sectors. Its remit includes conducting studies to develop legislation for economic and social development; considering the applicability of foreign legislation; and considering legal issues associated with the implementation of legislation. It also has a significant role in harmonising and codifying legislation. The High Council for Arranging Existing Legislation and Regulatory Provisions was established by decree in 1996 to modernise existing legislation and regulatory decrees without changing their substance. It is chaired by the Prime Minister, and the other members include ministers and senior members of the judiciary. Its work is supported by a standing committee, chaired by the Minister of Justice, and specialised study groups. Its individual reports on legislative or regulatory proposals must include an explanatory memorandum and a table of equivalences of existing and proposed legislation.

In addition to these three bodies there are four institutions that have a significant role in the process of settling the terms of draft legislation to implement policy:

- i) The **Constitutional Council** determines whether proposed draft legislation is compatible with the constitution; it is mandatory under the constitution for its views to be obtained on certain categories of legislation and on draft legislation relating to certain subjects.
- ii) It is also mandatory to consult the **Economic and Social Council**, also established by the constitution, on all proposed draft legislation relating to economic and social issues. Both the government and parliament may consult it on any other proposed legislation.
- iii) The **Administrative Tribunal**, a statutory body, must be consulted on regulatory draft legislation, and may be required by the government to give its opinion on other legislation. The tribunal has an elaborate procedure for preparing its opinions, but they are not binding on the government.
- iv) The **Council on Competition**, another statutory body, must be consulted by the government on proposed regulatory legislation which seeks to impose specific conditions on an economic activity or profession, or to establish restrictions on market access. The Minister of Commerce may also seek its opinion on any proposed legislation relating to competition, as may – through the minister – other bodies in the public and private sectors.

Process challenges

Those who draft legislation in the ministries, although they participate in the senior level training programme in the National School of Administration, come from a wide range of professional backgrounds and are not just lawyers. While this brings to the drafting a diversity of experience, it does mean that the technical quality of drafting is variable and may not be always of the desired high standard.

There is some overlap in the function of the various bodies involved in drafting and managing legislation. For example, the Service of Legal Counsel and Legislative Branches of Government, the High Council and the Centre for Legal and Judicial Studies (which has oversight over the secretariat of the Council) all have codification responsibilities.

The need for sequential consideration of the proposed draft legislation by the various bodies may slow down the drafting process. For example, draft economic or social legislation might be referred to the Economic and Social Council for an opinion after the policy has been developed and the implementing legislation drafted. Similarly, draft legislation is not referred to

the Constitutional Council for an opinion on its constitutionality until just before it is submitted to Parliament. This topic would be better addressed much earlier in the process.

Capacity development

To strengthen law drafting capacity, the Service of Legal Counsel and Legislative Branches of Government has developed a guide on preparing and drafting legislation. This is based largely on 1988 guidance from the Office of the Prime Minister, which is now fully integrated into the formal drafting process (Box 5.3). This guide has helped build capacity for law drafting. The National School of Administration has also introduced modules on preparing and drafting legislation in its training courses for senior and middle-level civil servants; however, the content of these modules emphasises procedure more than the technical aspects of drafting.

Box 5.3. Guidance on drafting legislation

The first part of the guide is aimed in part at technical staff who may be involved in law drafting but who lack a legal background. It emphasises the need to clearly state the purpose of the legislation and to examine various alternatives for implementing a policy; addresses the importance of impact assessment in preparing for draft legislation; and also calls attention to issues of applying legislation in the context of time and space. This careful consideration of the role that the proposed law will play in policy is particularly noteworthy and is a practice that could usefully be adopted elsewhere in the region.

The second part mainly provides rules to ensure drafting consistency in the structure and form of legislation. The third part outlines the procedure for the mandatory and discretionary consultation of the Economic and Social Council, the Administrative Tribunal and the Constitutional Council on proposed draft legislation. It also provides a reasonably full account of the enactment process in parliament. The final part deals with the drafting and ratification procedures for treaties. Consistent with Tunisia's overall strategy of consultative reform, the guide calls attention to the value of participatory approaches to law-making, taking an important step toward greater transparency in building the rule of law.

The 11th National Development Plan (2007-11) emphasised the need for more specialised drafting training, and in response to this and in collaboration with the OECD, the School of Law and Political Sciences of Tunis University has inaugurated a Master's degree programme in drafting legislation (and

contracts and other agreements). The degree is, at least initially, intended for civil service lawyers in Tunisia, but with the possibility that civil service lawyers from other MENA jurisdictions might also be admitted to it. The degree course will extend over two semesters and will include a range of practical and theoretical courses offered in Arabic, English or French.* Within this initiative, there are also plans to offer intensive training sessions as part of a continuing education programme.

5.5. Conclusions

While the experiences highlighted in these case studies cannot be generalised across the MENA region, they call attention to several positive initiatives in: i) policy development; ii) drafting, developing and managing the stock of legislation; and iii) support for drafting. These experiences highlight some approaches that can be encouraged more widely, along with some issues that deserve further attention and some unresolved challenges.

Policy development

The case studies reveal a fairly consistent pattern of policy development. While the impetus for policy change may flow from various sources, both within and outside government, the lead in policy definition generally lies with the ministry with primary, often statutory, responsibility for that policy area. Policy development itself takes various paths, sometimes including preparatory studies undertaken within the ministry or contracted out to experts or consultants. Development may or may not explicitly consider legislation from other jurisdictions. The process may also include regulatory impact assessment of the policy and its implementing legislation and public consultation, but neither of these processes is currently systematic, mandatory or notably transparent. **All this suggests there is potential to improve legislative drafting capacity by introducing more meaningful, systematic and transparent policy development processes and in particular greater use of impact assessment and public consultation.**

The case studies reveal a tendency for policy development that originates in parliament, rather than the executive, to be rather less formal. Although parliaments may not have the same resources as governments for developing policies, **parliaments could consider new procedures that strengthen their capacity in impact assessment and public consultation, as well as that of the**

* Although courses in drafting normative acts and in legal language will be offered in Arabic only.

executive. Otherwise legislation proposed by parliaments may be of poorer quality than draft laws originating outside parliaments, which could undermine their standing.

The case studies also find that policy development is closely associated institutionally with law drafting for policy implementation. While this is not undesirable, and can even be advantageous, there is a risk that political and institutional pressure could lead to laws that define how policy will be implemented before the policy itself is fully formulated and agreed. This is not only inefficient, but is also likely to result in drafting errors that could be avoided by more clearly separating the two stages.

Finally, the case studies highlight that a variety of institutions are often involved in policy development and drafting, but their remits that may not be clearly differentiated and may even overlap. This can lead to confusion over responsibility and stages of involvement – a further source of inefficiency. One reason for this stems from a tendency for reform to layer new institutions on top of old, rather than reforming existing institutions. **This suggests that drafting capacity in the region could be improved by reviewing existing institutional roles and, where needed, taking steps to rationalise them.**

Drafting, developing and managing the stock of legislation

Just as a medium-term expenditure framework can improve financial management (Chapter 3), so a forward-looking plan for institutional reform can guide the development of the stock of legislation, permit forward planning of the government legislative programme, and help to prioritise the various elements within it. There is some evidence within the case studies of the systematic development of legislative programmes, but it is not yet a consistent institutional feature in the region. Even where it is present, arrangements may need further refinement to achieve their full potential.

In drafting new legislation, the case studies reveal a range of mechanisms for ensuring that proposed legislation is compatible with existing legislation (although in some instances this task is replicated by a number of institutions across the legislative process). Chapter 2 on human resource reform in the public sector found that many countries (Jordan and Egypt, for example) have engaged in a systematic effort to use information technology to gain a better understanding of the civil service workforce. The need for such a definitive picture of the body of law is naturally even more important. MENA governments have recognised and acted upon this need, for example through the initiatives described here to develop online databases of legislation and major regulations (in Egypt, Jordan, and Palestine). In several of these cases, private sector and academic partners (such as Birzeit University) have played an important role in the development process. However it is developed, a complete and up-to-date

compilation of the current stock of legislation is an essential requirement for a jurisdiction's legislation to remain coherent and effective.

However, it is not enough to simply state in new legislation that existing legislative provisions inconsistent with the new law no longer have effect. The case studies reveal jurisdictions with a rich and complex legal provenance, similar to many other jurisdictions within the MENA region. This no doubt complicates the drafting process, from a linguistic as well as juridical perspective, but it is not so complex as to undermine effective law drafting.

A greater challenge to legislative consistency is when proposed legislation is drawn directly from legislation from another jurisdiction or from international model laws. Where such models are used, it is necessary to ensure that the proposed law is consistent both with existing law within the jurisdiction and with the principles of the domestic legal system, including remedies offered. There is some evidence from the case studies that this consistency has not always been achieved.

The case studies also demonstrate that the region's governments recognise the importance of managing the existing stock of legislation as well as drafting new legislation. The techniques used to manage the existing stock and make legislation more accessible primarily involve systematic amendment and codification. These techniques allow for effective ongoing management of the stock of legislation. However, for various reasons, sometimes a more radical approach is needed to overhaul the stock of legislation. Egypt's ERRADA programme is an encouraging example of such an approach (Box 5.4).

A general conclusion is that law drafting and managing the stock of legislation would benefit from:

- i) ***Establishing and prioritising a medium-term legislative programme.***
- ii) ***Refining systems to ensure consistency between proposed and existing legislation and with the principles of the domestic legal system (particularly where proposals are based on current or model laws from outside the jurisdiction).***
- iii) ***Considering mechanisms for maintaining the stock of legislation as a coherent and accurate statement of the law.***

Drafting support

Those working in the particularly demanding area of legislative drafting need good support systems. These systems depend, in turn, on agreed rules to maintain drafting consistency.

Box 5.4. **ERRADA: An Egyptian initiative to eliminate burdensome regulation**

The Egyptian Regulatory Reform and Development Activity (ERRADA) was launched in 2007. The initiative has four main objectives: i) to compile an inventory of all legislation that affects Egyptian business within the responsibility of participating ministries; ii) to review the inventory, both by government but also by the private sector, including relevant professional organisations; iii) to install an open process of compiling and reviewing the legislation by allowing Internet access to the legislation and its review; and iv) to prepare for regulatory impact assessment to become a foundation for legislation regulating economic activity in Egypt.

The first carefully planned inventory phase was largely completed by the end of 2008. To date, some 30 000 pieces of existing primary and subordinate legislation have been identified within the 11 participating ministries, and the full text of each piece of legislation has been put on a database. In some ministries the identification of legislation has been extended beyond the purely economic to other legislation. The initiative is now in the review phase, with some technical advisory support from the OECD.

An authoritative style manual for drafting legislation is a valuable asset in developing and maintaining drafting capability and consistency. However, only one of the case study jurisdictions has developed a drafting manual wholly within the government system and is consistently using it within the drafting process. One other has developed a manual as a joint government and academic enterprise, but it is not yet consistently applied for drafting. **There is an opportunity to actively encourage all jurisdictions to develop and consistently use such a manual.**

The electronic databases of existing legislation, judicial decisions and other relevant legal material being developed to support policy and consultation are another valuable drafting resource. As discussed in Chapter 7 on e-government, MENA governments have invested significant time and resources in taking advantage of technology and the Internet to strengthen public governance. **Jurisdictions would be wise to develop such databases further, to include judgements and other supporting information, and to make them as accessible as possible.** Interestingly, the establishment of the databases in the case studies involved both public and private action, with co-operation between the two. This underscores the value that the business and academic sectors place on this information.

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Chapter 6

Cutting the Red Tape: Simplifying Administrative Procedures in the MENA

*Excessive administrative burdens increase transaction costs in the market, impede the competitiveness of firms, limit initiative and encourage an informal economy. While administrative procedures are needed to collect information and implement public policy, streamlining them makes life easier for citizens and businesses. For these reasons, MENA governments are cutting red tape by implementing various administrative simplification policies, aiming to improve the regulatory framework, streamline administrative procedures and reduce paperwork. Generally, administrative simplification activities focus on four approaches: i) legal review and improvement; ii) process re-engineering and organisational streamlining; iii) the use of information and communication technologies (ICT); and iv) broader access to information and improved transparency. This chapter identifies important elements of administrative simplification that are improving governance in the MENA region. It briefly describes several promising initiatives underway in Arab countries, with a special focus on three cases from **Bahrain, Lebanon and Tunisia**.*

6.1. Introduction

Excessive administrative burdens limit initiative and encourage the growth of an informal economy. While administrative procedures are needed to collect information and implement public policy, streamlining them makes life easier for citizens and businesses. For these reasons, MENA governments are cutting red tape by implementing various administrative simplification policies.

In recent years, MENA countries have embarked on various reforms aimed at improving the environment for doing business. The latest *World Bank Doing Business Report* (World Bank, 2010) confirms this growing reform trend in the MENA region (Figure 6.1).

Figure 6.1. **Reform trend in MENA countries, *Doing Business* 2005-10**



Source: World Bank (2010), *World Bank Doing Business 2010*, World Bank, Washington DC.

This chapter identifies important elements of administrative simplification that are improving governance in the MENA region. It briefly describes several promising initiatives underway in Arab countries, with a special focus on three cases from North Africa, the Middle East and the Gulf area.

Administrative simplification has been identified as a policy priority from the beginning of the GfD programme. In GfD's first implementation phase, a number of capacity-building and policy dialogue fora were organised in both MENA and OECD countries to identify both challenges and good practice in cutting red tape. A network of officials and experts was established via the MENA-OECD Working Group II on e-Government and Administrative Simplification, chaired by Dubai in the UAE, and co-chaired by Italy and Korea.

6.2. What is administrative simplification?

Administrative simplification programmes generally tackle three areas: improving the regulatory framework, streamlining administrative procedures, and reducing paperwork. They are all aimed at reducing “red tape”: excessively rigid, redundant or bureaucratic requirements or formal rules that hinder or prevent action or decision making. Red tape imposes burdens on citizens, businesses and the public administration itself.

Generally, administrative simplification activities tackle these areas through four approaches:

- i) *Legal review and improvement.* Governments can improve the regulatory environment by designing administrative rules that are fairer, predictable, enforceable and efficient. Such rules provide for more consistent responses to policy challenges, changing societies and the need to limit regulatory burdens.
- ii) *Process re-engineering and organisational streamlining.* Approaches that rationalise workflow, reduce transaction costs and make organisations more efficient can include the use of one-stop shops (OSS), modern information management systems, administrative reorganisation, specialisation and other steps that help create synergies and avoid unnecessary repetition.
- iii) *The use of information and communication technologies (ICT).* ICT multiplies the impact of other administrative simplification tools as it improves management, dissemination and transaction of information. Furthermore, connection to the Internet extends geographic and temporal access to services and allows for paperless administrative systems.
- iv) *Broader access to information and improved transparency.* All administrative procedures and their rules should be made public in a clear and comprehensive way. In such a consistent and predictable administrative environment, those who must comply with rules and administrative procedures are more willing and more able to respect their obligations.

The main drivers of administrative simplification

Administrative simplification is not a new topic in the MENA region, but innovative approaches to making it a reality have greatly expanded since 2000. Millennia of empires involving heavy bureaucracy have shaped the administrative culture in the MENA region. In the past, efficient bureaucratic processes were often sacrificed to the maintenance of power, order and security. Recently, pragmatism and the need to increase trust in the public administration have gained support. Governments are increasingly using innovative approaches to simplify their procedures. For instance, Morocco

uses communication tools such as e-kiosks, TV programmes and help-desks adapted to the target audience to publicise its procedures, and Bahrain and Dubai are using the most modern technologies, e.g. e-tools, to re-engineer routine procedures like obtaining building permits.

Why do MENA governments want to simplify their administrative procedures?

- *To improve the efficiency of the economy* by reducing unnecessary administrative burdens and providing certainty in economic and social ventures.
- *To improve public service delivery* by enhancing information management and making access to procedures more rational and straightforward.
- *To modernise the public administration* by streamlining internal management, promoting a sophisticated client/user approach, and favouring innovative visions applied to traditional tasks.
- *To enhance long-term economic relations with other countries* by promoting themselves as global leaders in creating a business and investment-friendly economy. International benchmarking and the influence of commercial partners move countries towards reform.

The case studies in this chapter show how countries have combined these strategies to make progress on the road to administrative simplification.

Three case studies from around the region – Tunisia (North Africa), Lebanon (the Mediterranean and Middle East), and Bahrain (the Gulf) – illustrate the MENA's active engagement in cutting red tape over the past five years.

6.3. Bahrain

Cutting red tape has been integral to Bahrain's impressive modernisation in recent years. Conscious of the limits to its reserves of oil and natural gas, the government has worked to diversify its economy to guarantee a more prosperous future for its citizens. In particular, Bahrain is working to become a major financial hub in the Gulf area and a leader in service provision. Administrative simplification aids in the reform process, which aims to make Bahrain one of the region's most business-friendly economies.

The government's strategy sees administrative simplification as a way to "create an environment highly conducive to entrepreneurship and innovation" (Government of Bahrain, 2008). The *Economic Vision 2030 for Bahrain* sets the tone for public policy and economic development for the coming 20 years. This vision, enacted by the heads of state and government, has the ultimate goal of doubling the disposable income for every household in Bahrain by 2030. It provides guiding principles and areas of improvement for the economy, the government and society.

Bahrain has made considerable progress in simplifying its business environment in order to attract investors, earning it a rank of 18 out of 181 countries in the World Bank's 2009 Doing Business Indicators (World Bank, 2009).

Institutional framework and main stakeholders

High-level political support has prioritised replacing red tape with a “red carpet” for business, as articulated by the Prime Minister of Bahrain, a strong advocate of cutting red tape (*Gulf Daily News*, 2008, 2009). This section looks at three key institutions:

- The Civil Service Bureau (CSB), which plays a lead role in improving the efficiency of the public administration. It is the architect of government institutions and efforts to streamline the workload of government officials. The CSB studies and proposes simplified administrative procedures to improve public service delivery. A noteworthy early success was CSB's 1997 study on how to improve the Commercial Registry at the Ministry of Commerce and Industry. The CSB identified redundant steps and unnecessary internal documents for elimination, leading to a more time-efficient and structured system. The adoption of the guiding 2030 Vision has reinforced the relevance of this type of effort to improve government efficiency.
- The Ministry of Commerce and Industry contributes to administrative simplification by taking steps to enhance supervision while promoting efficiency gains, in particular streamlining company and industrial property registration and facilitating foreign trade. For instance, the ministry reduced red tape around land transportation to Saudi Arabia and Qatar and launched the Bahrain Investors' Centre, a one-stop shop that aids investors in setting up companies.
- The Ministry of Municipalities has set up the Municipal One-Stop Shop. This ministry has been successful in co-ordinating government agencies and all the municipal governments in the country. In the case of the Investors' Centre (Box 6.1), Sheikh Al Bin Saleh Al Saleh led the initiative as minister in charged.

Other relevant institutions which have also worked extensively on simplifying administrative procedures include: i) the Bahrain Economic Development Board (EDB), which focuses on improving the business climate and attracting foreign investment into the country; and ii) the e-Government Authority, which implements the government's strategy to establish a new Bahraini economy based on information and communication technologies. The use of e-tools increases the reach of administrative simplification; for instance, computing technologies have streamlined the allocation of social funds.

Streamlining administrative procedures for the public

A number of initiatives have served to streamline many administrative procedures. Box 6.1 takes a more detailed look at two such initiatives.

Box 6.1. Streamline administrative procedures in Bahrain: Some examples

The Bahrain Investors' Centre (BIC)

The BIC is a one-stop shop for company registration. Launched in 2003, the BIC aims to make the registration process more efficient and transparent. All institutions involved in registering companies come together under one roof to carry out BIC's customer-friendly philosophy, based on the "no wrong door" and "single visit" concepts. When investors go to the BIC, which is located at a central commercial mall in Manama, an information window directs them to the different institutions that participate in the registration process, each of which has a stand at the BIC. The Ministry of Industry and Commerce convinced all institutions to join the BIC process by ensuring that their specific role in registration would remain intact. The private sector is also present at the BIC to offer services such as professional advice on legal and administrative issues.

Since registering a company has become easier, the number of companies in Bahrain has increased, from only 417 companies in 2001, to around 800 companies in 2004. In 2008, 2 600 new companies registered. While investors still need to be physically present at BIC to deal with many procedures, having all the relevant information online saves time, and customers can easily see the procedure they need to follow. In addition to staff from the institutions represented, BIC employed an additional 24 people in 2009 (reduced from 30 people in the start-up phase, despite the much higher volume).

BIC's system to monitor effectiveness conducts ongoing satisfaction surveys through paper and online questionnaires. A call centre collects complaints to enable BIC's managers to improve service and solve any inconsistencies in the system. International co-operation with Singapore, Kuwait, the US and the UK has helped in the design and implementation of this project.

Plans for the future include providing BIC services online by 2010, following Singapore as a model, and expanding the type of activities covered. The e-Government authority is providing support to upload the BIC onto the e-Investor portal. Service expansions in development include the possibility of providing applications for work permits or visas and incorporating direct access to private financial and telecommunication services.

Box 6.1. **Streamline administrative procedures in Bahrain: Some examples** (cont.)

The Municipal One-Stop Shop (MOSS)

Both the dynamism of Bahrain's real estate sector and the expansion of commercial services have motivated government to eliminate unnecessary obstacles to the construction of commercial buildings. The Municipal One-Stop Shop was established in 2004 to offer a single point for building permit requests for commercial centres and offices. (MOSS does not cover residential buildings or infrastructure projects). Its main goal was to promote Bahrain as a hub for real estate investment.

The logic behind this one-stop shop is very similar to the BIC. MOSS has already implemented a paperless e-permit system, however, in place since the beginning of 2007. The need for fewer institutions to be involved facilitated the jump to an e-system. Six service agencies, such as the electricity and water authority, and five municipalities worked to facilitate a single point of contact. A limited number of certified consultants represent applicants and follow up the administrative process. The process enables the customer to run a single document simultaneously through the required departments until it reaches the appropriate municipality for final approval.

In addition to the institutions already involved, MOSS is planning to expand its services by integrating other external partners into its e-permit system. These institutions include the Central Informatics Organisation of the government; the Ministry of Industry and Commerce; the Survey and Land Registration; Civil Aviation; and the Committee of Organising Engineering Professional Practice.

Much progress has already been made, and more can be envisaged thanks to the monitoring mechanisms in place and the alternatives to reduce response time under study. International recognition has come from the World Bank, whose Doing Business Indicator ranked Bahrain's process to obtain a building permit as the most efficient in the MENA region and 14th in the world. A quality control system is in place and one official follows up to monitor the process. Complaints are documented and satisfaction reviews are frequently issued to strengthen the centre's accountability.

Simplification within the public administration

Authorities in Bahrain have also worked to reduce the size of the public administration and improve its efficiency. To this end, the CSB supports process re-engineering in all government agencies. CSB analysts hunt down data duplication and unnecessary repetition in order to streamline procedures.

The Bahraini e-Government Authority has launched a central website portal: Bahrain.bh, which embodies many of these principles. This portal provides a single reference point for information on Bahrain for citizens. Information on relevant administrative procedures will be included in the portal, although at this point this is still being constructed.

An umbrella strategy for administrative simplification was designed in 2009 and high political level endorsement is expected by 2010. The initiative aims at reducing red tape imposed by the public administration and thus should improve services to citizens, domestic businesses and foreign investors.

A Civil Service Council, headed by the Minister of the CSB and composed of a number of ministers, will be assigned the role of high-level co-ordinator and catalyst for action. At the technical level, the Management Engineering Section of the CSB designs the umbrella strategy to measure red tape and identify ways to eliminate it. The costing of red tape will guide both the planning and implementation phase of the initiative. To complement this measurement, officials' and citizens' views will be surveyed. This mix of quantification and assessment of users' views will help establish priorities and objectives and monitor implementation. The goal of this initiative is to hold institutions accountable for their commitments and achieve ambitious results.

Experiences in OECD countries have inspired this initiative, especially the Simplex Programme in Portugal which combines administrative simplification and e-government strategies, and the comprehensive approach to administrative simplification in the Netherlands. The CSB is consolidating good practice from other countries under a common umbrella to improve efficiency of the public administration and the general economy.

Bahrain's comprehensive e-government strategy has helped in the administrative simplification process. E-government has benefited greatly from high political support in recent years – the goal is to make Bahrain a global leader in this policy area. Bahrain's experience shows how combining this strategy with administrative simplification can increase the quality of service delivery and reduce red tape.

6.4. Lebanon

After repeated periods of crisis and instability, authorities are working to rebuild Lebanon's position as a regional hub for trade and services. Part of this plan includes improving the efficiency of administrative processes and public service delivery. After a long civil war which ravaged its economy and weakened its institutions, a strong recovery placed the Lebanese economy back on track. However, progress was partially derailed by hostilities with Israel during the summer of 2006 and a prolonged political impasse lasting until May 2008. Despite these difficulties, the government remains committed to its Reform

Programme, presented at the Paris III donor conference in January 2007, which provides general principles for promoting a recovery to development and higher growth. Administrative simplification underlies the programme in creating a less burdensome environment ripe for economic growth.

The government remains eager to promote administrative simplification, which began in 2000. It received important support from a Prime Minister's letter to ministers in 2002 demanding that all institutions in government actively promote administrative simplification. A successful initial programme brought together a team of experts to design specific reform proposals, provide training, prepare guidelines and establish links between officials across government. An evaluation of the programme showed a satisfactory level of performance in the initial years (Amiouni, 2008).

In 2005, however, interest was sidetracked, the team was dismantled and the strategy for administrative simplification was devolved to each ministry. Instability made security a more compelling priority than administrative simplification when allocating limited resources. Individual ministries nonetheless continued to advance in some areas, based on their priorities.

In 2008, administrative simplification regained impetus as it became the co-driver of electronic government. Unlike administrative simplification, progress in e-government had been maintained throughout the 2000s to modernise the public administration in Lebanon. Both e-government and administrative simplification can benefit from each other if they are strategically combined. To support the e-government strategy, developed in 2008 and further strengthened by the adoption of an e-Government Action Plan in January 2009, a new Administrative Simplification Unit was created in the Office of the Minister of State for Administrative Reform (OMSAR) and its mandate was renewed to promote reforms and provide training.

Looking ahead, OMSAR has designed a new strategy for administrative simplification and regulatory reform in co-operation with the European Commission. Activities to raise awareness and conduct pilots are preparing the way forward to 2011, when the full-scale implementation phase is to start.

Institutional framework and main stakeholders

The Prime Minister and the Council of Ministers have led reforms in Lebanon, giving it high-level support. The Prime Ministry was central in the initial movement to spread administrative simplification in 2002.

The OMSAR, charged with promoting reform and creating capacities in the public administration, has a mandate for administrative simplification that focuses on promoting a better business environment and encouraging investment. The OMSAR houses a team of multidisciplinary officials, each of them working closely with at least two ministries. Each team defines areas of

work for each portfolio together with the ministries, supports implementation and provides follow up to deliver results. OMSAR organises seminars and other training activities to enhance capacity and promote knowledge-based policies.

The Civil Service Board (CSB), especially its Research and Guidance department, has a mandate to simplify procedures inside the public administration. A team of 13 officials at the CSB work with each of the ministries to re-engineer their administrative processes. Similar to the Civil Service Bureau in Bahrain, the Lebanese CSB supports the human resources management of ministries. In addition, the CSB, together with OMSAR, suggests how to rationalise procedures, create one-stop shops and use ICT to improve efficiency of the institutions concerned. Other sectoral ministries have taken an active role in simplification, in particular the Ministry of Economy and Trade and the Ministry of Health.

A joint venture between a Lebanese and a Canadian partner has produced Libanpost, which has improved the efficiency of Lebanese postal services. Libanpost is becoming the interface between the public administration and citizens. Libanpost's mailing service facilitates the exchange of official documents between citizens and public administration. Other services include many administrative requests concerning civil status, judicial records, education certificates, real estate certificates, university fees and most of the administrative procedures described below. Libanpost holds a monopoly on the distribution of official documents, with fees regulated by government.

However, concerns about potential abuses from Libanpost as the monopoly supplier have prompted a search for new ways to improve its service or to create other alternatives. For company registration, the Federation of Chambers of Commerce proposes housing the services currently provided by Libanpost, for example. Although authorities regulate the sector to ensure fair service delivery, non-government organisations (NGO) have played a watchdog role in order to ensure fairness in implementation. For instance, an NGO successfully defended the case of a citizen who was asked to pay a fee for each of his three sons to submit their university admission documents separately, when all three could have been sent in a single envelope.

Inter-ministerial co-ordination and incentives to participate

As in many other countries, inter-ministerial co-ordination for administrative simplification has become more permanent, but is still looking for solid ground. An *ad hoc* Committee for Administrative Simplification was convened for three months in 2008. While its preliminary discussions helped to clarify the Lebanese administrative environment, the committee was unable to clearly identify the priority areas for simplification. A new approach was launched in June 2009, in which the OMSAR created a permanent

Network of Administrative Simplification made up of 20 officials from 12 ministries. Experts and other stakeholders are called upon to participate in the network on a one-off basis, especially those who can help identify troublesome areas and/or propose solutions. However, commitment from members has been hindered by lack of resources, putting the continuity of this network at risk as well. This co-operation mechanism has nonetheless helped to outline initiatives for simplification. New proposals apply good project management practice and consensus is sought before action is taken.

Communication to raise awareness and build skills has led to the determined involvement of government officials and stakeholders in the simplification process. Individual incentives also promote active participation in administrative simplification. For instance, officials participating in the Network of Administrative Simplification benefit from:

- The opportunity to influence the work of others when participating in meetings.
- The improvement of skills for professional growth through training activities.
- The dissemination of the work of each member when participating in the administrative simplification network.
- The improvement of institutions' accountability by reporting to the network, building up a good governance reputation for the participating institution.
- Economic incentives to participate in the network which provide an extra income for officials, currently based on incentives for participation, leaving outcome-based compensations to a later stage.

Streamlining administrative procedures for the public

The government has prioritised efforts to improve administrative procedures that could bring broader benefits. Lack of resources and government backing have impeded the implementation of many simplification initiatives, but Lebanese reformers have found ways to move forward (Box 6.2). For example, they have looked for processes that do not require changing laws, given that the parliamentary process was impeded by the political stalemate.

Simplification within the public administration

Proposals from the CSB have helped to simplify administrative procedures inside the public administration. The approach has been to find inconsistencies in the system and then propose action plans to tackle them. Data collection is the first step, meeting with officials and citizens who use the public service in question. For instance, the CSB has worked with the Ministry of Health to modernise license issuing for the production of household pesticides and

Box 6.2. Initiatives to streamline administrative procedures in Lebanon

Registration of intellectual property rights (IPR)

Authorities have reacted to the global challenge of respecting intellectual property rights. Though counterfeit products are not produced in Lebanon, the use of fake brands is widespread. The Ministry of Economy streamlined the procedure for registering intellectual property, cutting it from seven bureaucratic steps to three in 2004, and from 40 days to 15.

Registration of companies

The Ministry of Economy and Trade has streamlined the procedures and has reduced the time needed to register a company. Before 2007, at least six government official signatures were needed during the registration process; this was cut to three signatures, which could be collected in five days, reducing the visits needed to the Ministry of Economy from four to one. The Ministry of Finance and the Ministry of Economy co-operated to streamline the fee for mandatory publication of a new business in the *Official Gazette*. Users can find complete information online about the steps to follow and documents required to set up a business.

Lawyers have resisted this reform as they feared it would reduce their business; however many companies still use lawyers despite the simplified procedures and online information so that they can focus on their business and not the bureaucracy.

Certificates for healthcare professionals

Since 2002, the Ministry of Health has worked to improve its operations (back-office system). The process of licensing healthcare practitioners was among the first to be streamlined, with a new system fully operational by 2005. The new system included improved tools for data collection and management, connections within the departments of the ministry, archiving, workflow supervision, and issuing official documents. An information system was set up to collect data from potential healthcare practitioners undergoing training. Data filling was simplified based on the principle of “avoid repetition”. An internal e-connection between departments facilitated contact between officials involved in overseeing the workflow. A filing mechanism was also set up and consequently all information has been electronically available since 1993. The printing of certificates was also computerised using enhanced security techniques to avoid falsification of documents and reduce the time needed for their preparation.

To oversee this process, the ministry established a committed technical team who put in many man-hours due to the large volume of information that had to be uploaded into the system. Continuity was ensured by offering team members job stability and encouraging continuous innovations.

Obtaining a healthcare specialist certificate is now much easier: what took 14 days before now takes only 5 days. An official website provides information on how to obtain a certificate, which forms to fill in and what steps to follow. Applicants do not need to apply physically at the ministry and the certificate can be delivered by post.

Box 6.2. Initiatives to streamline administrative procedures in Lebanon (cont.)

An additional benefit is that information on healthcare specialists is now electronically available to inspection authorities. The ministry plans to link these data to other administrative simplification projects, such as permits for dialysis centres, importation of medical products, and registration of healthcare facilities, all of which could benefit from the new mapping of certified health professionals in Lebanon.

Government Portal for Information and Forms

The OMSAR runs a website, the Government Portal for Information and Forms (www.informs.gov.lb), where citizens can find information on administrative procedures. Whilst this one-stop website does not yet provide transactional procedures, it does provide information about documents required, institutions to visit and costs. Information on 4 500 administrative procedures was already on-line in 2009. Though this site has not yet achieved the level of the Tunisian RICS (see below), Lebanon has made considerable progress in a challenging environment.

bottled water. One of the easiest changes, but one that saves time, was the setup of a document archive to cut out unnecessary repeat steps in delivering documents to the ministry.

Overall, Lebanon has found that streamlining and simplification of administrative procedures has also helped to reduce personal involvement in decision-making and has thus cut opportunities for illegal personal gain. At the same time, this may be perceived as a threat to those who benefit from corruption, creating resistance to reform implementation.

Authorities, notably the OMSAR, have focused on building a culture of change despite the political difficulties, making positive steps forward where possible by simplifying different policy areas at the same time, such as health and business promotion. Administrative simplification efforts in Lebanon have focused on familiarising clients with user-friendly mechanisms for service delivery; the application of innovative approaches, such as using Libanpost as an interface between citizens and the public administration; and the establishment of a committed team to push forward and co-ordinate simplification across government agencies.

Political support has not always been consistent, however, which has at times damaged reform continuity and limited legal reforms that could have deepened the reach of administrative modernisation. Combination with e-government provided the support which administrative simplification was lacking, however, and speeded up reform. Lebanon's experience also shows that tenacity is required for success. For instance, the Ministry of Education

had to draft five different plans for simplifying its administration before it became a reality. Long-term commitment to administrative simplification is needed in Lebanon to overcome these challenges, but this will also depend on political stability and policy prioritisation, as well as building teams with the experience and continuity to see reforms through.

6.5. Tunisia

Tunisia is now a middle income country and is working to orient its economy towards providing high level services, in particular healthcare. The development of tourism is also a high priority for a country with fewer natural resources than its neighbours, and one which has high unemployment, a rapidly increasing workforce and a comparatively weak industrial sector.

To meet these challenges, the government of Tunisia is committed to a broad reform agenda which includes administrative simplification. The National Strategy for Administrative Development 2007-11 aims at modernising the public administration (République Tunisienne Premier Ministère, 2007). Three of the eight main axes of this strategy contribute to simplification: i) modernising regulation; ii) strengthening the role of the administration to improve the business environment; and iii) reinforcing the use of e-government.

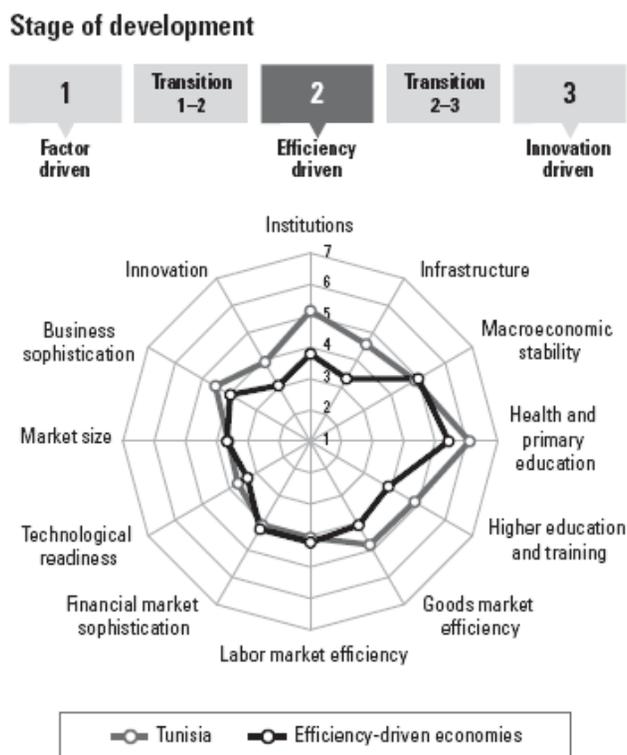
These efforts have received international recognition. The World Economic Forum (WEF), in association with the African Development Bank, ranked Tunisia as the most competitive business environment in Africa in 2009, with a score of 4.6 out of 5 for competitiveness. This makes it the 36th most competitive economy globally, and the fifth most competitive in the Arab world (www.weforum.org).

Figure 6.2 shows Tunisia's performance on the 12 pillars of the Global Competitiveness Index (blue line) measured against the average scores across all the countries in the same stage of development (black line). As the figure illustrates, performance has been especially remarkable in the fields of infrastructure and institutions.

Institutional framework and main stakeholders

The Prime Ministry encourages all government agencies to simplify and work with them in the process. In particular, the General Directorate for the Reform and Prospective Studies of the Administration, based within the Prime Ministry, supports the design and the implementation of administrative simplification initiatives. In 2005, the Prime Ministry sent a circular letter to all ministries asking them to undertake administrative simplification. From October 2005, the responsible team at the General Directorate met with all ministries to challenge them to improve all their existing administrative procedures. In 2007 and 2008 further impetus came from the Office of the Legal

Figure 6.2. Tunisia's competitiveness



Source: World Economic Forum (2009), *Africa Competitiveness Report 2009*, World Economic Forum, Geneva.

Advisor to the Prime Minister, acting as the national regulatory gatekeeper, which called for better, less burdensome regulation.

Tunisia has taken a systematic approach to administrative simplification. Each minister was required to designate a co-ordinating officer for the process of implementing reforms. These co-ordinators are held accountable for the commitments on administrative simplification to the Prime Ministry and others. The Legal Department of each ministry also helps by streamlining rules regulating administrative procedures.

To carry the process forward, working groups were set up comprised of officials, academics and businessmen. Their aims were to develop the administrative simplification strategy by studying and discussing policy challenges and then proposing solutions. For instance, a working group on public procurement proposed simplifications to the tendering process. Participants in these groups obtain economic compensation, as in Lebanon.

The programme has also made use of a longstanding reform institution in Tunisia, the Citizen Supervisor, established in 1993 as an informal oversight mechanism for public service delivery. Unlike official inspectors, Citizen Supervisors interact with the public administration posing as an anonymous citizen (the “mystery shopper” model) to evaluate the performance of the service and the government officials delivering it. This has helped to improve working conditions for officials as well as reduce administrative burdens on citizens.

To build on this work and promote administrative quality on a regional basis, Tunisia’s Centre for Legal and Judiciary Studies (part of the Ministry of Justice) co-operated with the OECD to launch a new Regional Centre for Expertise on Regulatory Quality (CERQ) in May 2009. CERQ aims to promote knowledge and become a reference on techniques to improve the regulatory and administrative environment throughout the MENA region.

The Ministry of Industry, Energy and SMEs has been especially active in the simplification reform. This ministry hosts the Agency for Industrial Promotion (IPA), which gives the ministry a pro-business view on simplifying the administrative environment for businesses. The IPA was also the first government institution to obtain International Organization for Standardization (ISO) certification in Tunisia.

Streamlining administrative procedures for the public

The public administration is committed to the ISO 9001 quality management mechanism, which has improved the management of administrative procedures. ISO systems require more transparent, accountable and efficient mechanisms. The French “Marianne Charter” influences the management of government agencies in Tunisia as well, defining good practice to ensure quality in public service delivery. Two related initiatives are briefly profiled in Box 6.3.

The ministry uses charts to visualise and track administrative simplification initiatives. These charts specify the number of steps, documents and waiting time needed for each administrative procedure in a ministry and the revised level to which the agency has committed, permitting subsequent evaluation by a Performance Management Unit created to monitor implementation.

Simplification within the public administration

Tunisia is unique among the three case studies in that the process of administrative simplification is driven and monitored by the Prime Ministry. Administrative simplification is part of the Tunisian government’s commitment to state modernisation. The Prime Ministry promoted and led the reforms, providing solid ground for a variety of projects that affect the lives of citizens. Each ministry has worked to reduce administrative burdens and has participated in inter-ministerial co-ordination.

Box 6.3. Initiatives to streamline administrative procedures in Tunisia

Remote Information and Communication System (RICS)

Tunisia has combined e-government approaches with its administrative simplification initiative to give citizens online access to information on administrative procedures. This represents an important step for improving transparency, clarity and understanding of regulatory and administrative requirements. Before RICS was officially launched, citizens often complained about the lack of clear information on how to obtain official documents or comply with administrative procedures. The government reacted by making information available online for each administrative procedure. RICS provides information on conditions for each administrative process, the documents needed, the steps and waiting periods involved, the offices where applications are handed in and collected, and legal references. The RICS website offers complete information, backed by human interaction through e-mail, a call-centre and an online feedback system. RICS has replaced the Procedures Guide drafted by each government agency, originally part of the ISO process. Lack of resources has meant that the guides were not always updated and quickly became invalid.

As the Tunisian experience demonstrates, use of ICT for administrative procedures means more than simply uploading forms online. The procedures themselves must be re-engineered to adapt them to modern technical environments. This requires a review of legislation, in which Tunisian ministries are already actively engaged.

Elimination of traditional permits

In 2004, a reform programme was begun to eliminate administrative procedures for traditional permits and licences. The aim was to cut out 90% of permits needed for economic activities in Tunisia. As a result, citizens no longer need to wait for official authorisation before starting many activities. Supervision and inspection of the activities take place once they are completed. This new approach, termed "silence is consent", has eliminated unnecessary waiting times and put the citizen at the centre of the administrative system.

Scope statements have replaced traditional permits as the means for reviewing service delivery. Scope statements are contractual documents defining the details of a service or a product to be delivered, showing its context, implementation, resources, challenges and legal background. Permits are now the exception. This initiative will finish in 2010, when the Prime Ministry will evaluate progress.

The reforms have focused on improving regulatory quality and access to information, and streamlining administrative procedures. In particular, eliminating traditional licences and permits has facilitated economic activity in the country; more transparency has resulted in less individual discretion and fewer opportunities for corruption; and monitoring mechanisms, such as the Citizen Supervisor, have contributed to better service delivery.

Compared with Bahrain and Lebanon, Tunisia has put fewer resources into establishing one-stop shops. However, online access to information on procedures is well-developed and has become an example to other countries. Going further, the government will set up single contact points for the actual transaction of procedures.

Thus far, Tunisia has not systematically measured red tape or its burden on efficiency. This area of work could help identify administrative and regulatory bottlenecks, unnecessary burdens and areas of reform to continue administrative simplification. In addition, measuring the impacts of reform could help to estimate the benefits of simplification, gain constituency for the future and build momentum to maintain support from the government, public administration and the citizens.

6.6. Conclusions

Lessons from the case studies

This chapter has illustrated how MENA countries are making reform happen. The success stories are an inspiration for future work, and in particular for moving forward to whole-of-government strategies, greater use of evidence-based tools to measure costs and set targets, and increase stakeholder involvement in the reduction of red tape.

These three cases also allow us to consider how administrative simplification has contributed to advancing governance programming in the MENA region. The fundamentals of good governance are transparency, accountability and efficiency. The implementation of administrative simplification in the case study countries helps contribute to these aims, but also highlights challenges and thus steps for future action. Governments in the MENA region have simplified the life of citizens and businesses mainly through the following elements:

- Streamlined administrative procedures that yield efficiency gains to the government and the economy. For instance, obtaining permits for economic activity is now quicker in many countries as the result of concrete reforms.
- One-stop shops that are widespread in the region, in particular for the registration of companies. Bringing together under one roof institutions involved in an administrative procedure has effectively enhanced transparency and efficiency, as well as saving time.

- Networks of experts created throughout the administration. These networks have broadened the scope for new initiatives in administrative simplification and provided mechanisms to hold government accountable for its commitments.
- Monitoring of administrative simplification initiatives, promoting accountability within the administration. The actions of institutions committed to simplification have been systematically evaluated, either from above or by citizen monitors.

As reform moves forward, the MENA's leaders may benefit from incorporating five lessons drawn from the case studies:

- i) There is no single approach to implementing administrative simplification. Each country adapts to its own challenges, but experience from other countries can help guide others in developing a successful strategy.
- ii) The drive for better economic performance has been the main impetus for administrative simplification, but improved services to citizens are gaining interest.
- iii) MENA countries have used different approaches, from providing support at the centre of the government to sharing more broadly the responsibilities for administrative simplification among institutions.
- iv) The reform process has benefited from the participation of civil society and economic actors, especially from the business community, but also from labour unions and consumer associations.
- v) The development of administrative simplification and e-government often run in parallel. E-government has lately obtained more political support, but combining both efforts simultaneously has created synergies that ultimately benefited citizens.

Next steps

Although much progress has been achieved, more can still be done. For example, MENA countries have been simplifying their administrative procedures in a rather *ad hoc* way. These efforts have generally lacked a clear whole-of-government strategy or coherent programme of administrative simplification. Greater use of programmes which rely on more intensively evidence-based tools will provide an opportunity to improve the efficiency of the administrative systems and reduce red tape in MENA countries, integrating a more comprehensive approach into regulatory reform. Governments are now showing an interest in taking this opportunity.

GfD discussions and these case studies identify several challenges and barriers to be overcome in the MENA as countries work to advance administrative simplification:

- *Design comprehensive strategies for administrative simplification.* Unconnected reforms may create inefficiencies. Improvement in only some areas of an administrative environment may even lead to inconsistencies. For example, it might be easy to set up a company but impossible to close it down, which could leave many “ghost” companies still registered. A comprehensive strategy creates synergies; for instance, reform focused on private sector development can also help improve citizen services. A comprehensive approach can also avoid contradictions, such as one organisation amending a regulation while another institution is working to streamline it.
- *Obtain sufficient support from constituencies and stakeholders.* Active engagement from decision makers, technical officials and the general public is required for reforms to succeed. Interested citizens, technical experts, business organisations and civic associations could participate better in the process. Although this would require a transformation of the current culture, it could incorporate user views more consistently than in the cases presented here. The use of ICT can also help in this regard. High level support is also needed, but not all politicians see the reduction of red tape as a priority. Officials at a technical level tend to apply the reforms, but may see simplification as a threat to their jobs. Citizens are the only ones who can provide a user viewpoint, but often they do not have access to proposed reforms – thus the effective communication of reforms can raise citizen awareness and create a body of reform supporters.
- *Enhance co-ordination further among institutions to increase simplification.* Many initiatives have taken an individualistic approach and have missed opportunities for greater synergies. Institutions working on simplification have as much need to be efficiently run, co-ordinated and monitored as any others. Co-ordination and exchanges of information contributes both to co-operation and a healthy competition among teams in different agencies. When resources are too scarce, however, co-ordination inevitably suffers and the skilled human capital required for success can be lost.
- *Maintain reform over time.* The launching of administrative simplification requires sustained and persistent action to keep moving forward. There are two different routes for achieving success: i) large-scale planning in order to jump over the paper mountain; or ii) gradually drilling through it, seeking small achievements that yield steady but incremental progress.
- *Judiciously use techniques to quantify red tape costs.* Quantifying the costs of administrative procedures demonstrates what can be gained by cutting red tape. Indicators built into these measurements help show that reform has

an impact, as does benchmarking progress against other countries. Governments, however, may be tempted to focus on stepping up in the international rankings rather than on improving public service.

- *Further streamline one-stop shops* by evolving from representatives of various agencies being under one roof to a single representative who could provide all the services to the citizen. Among the cases presented, third parties have been assigned this role to some extent, such as the use of a private representative in Tunisia, delivery to the Libanpost in Lebanon, or hiring a certified consultant in the MOSS in Bahrain.

OECD countries have collaborated with MENA to catalogue ways to overcome these and other challenges and have developed a guidance document for practitioners (OECD, 2009).

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Chapter 7

Achievements in E-Government

*The use of information and communication technologies (ICT) for government activities is not new in the MENA region. Concerted efforts to apply these technologies to public services and for improving governance practices have become widespread over the past five years. While many different motives have driven e-government adoption in MENA region, the common denominators are the perceived needs to improve public service quality, to strengthen administrative control, and to join the international mainstream. E-government proves to be a privileged gateway to a wide range of public sector reforms, and the MENA region offers a very broad scope of experiences. This chapter highlights the experience of countries like **Egypt, Morocco and Jordan**, which are primarily concerned with basic implementation of e-government, and countries like **Bahrain and Dubai** which are applying e-government good practice quite widely to expand services to citizens and to foster inward investment and growth.*

7.1. Introduction

The use of information and communication technologies for government activities has been widespread in the MENA region for many decades, but only recently have we seen concerted efforts to apply these technologies systematically to public services to improve governance. In its current form, e-government is generally seen to be integral both to the economic and social development agenda and to policy reform because it promises improved services to citizens and better mechanisms for economic growth. It provides a cross-cutting perspective on public management activities and on how disparate countries are working to further their own public reform activities.

Within this region there is a very broad range of experiences, from those of Egypt, Morocco and Jordan – whose main goal is primarily implementation to improve their administration – to those of Bahrain and Dubai – where improving services to citizens and fostering inward investment and growth are key aims. This chapter shows how each of these countries is striving to design, implement and administer ambitious e-government projects. All of these countries have a common desire to seek out the most appropriate – in some instances world-leading – database technologies, networks, on-line services, and a whole series of other applications of new information and communication technologies (ICT). Together they tell a story of effort and conviction, and also at times, the triumph of excellence in public management – often a triumph over the forces of intransigence and general reluctance to use new technologies.

While current discussions of e-government tend to focus on web-enabled services of the kind that have been initiated throughout the region to varying degrees since around 2004, the legacies of existing practices, especially government databases, can be a useful resource to some, but a burden to others. In all of these countries administrative steps have been taken since the late 1990s to introduce e-government. Some faltered in the early 2000s, but in the five countries studied renewed efforts to co-ordinate and improve e-government have occurred since, coupled with strategies to improve e-services. This chapter concentrates on these recent efforts and highlights key applications.

For each country, a case has been chosen to illustrate one of the following key themes: successful implementation strategies; potentials for and challenges to the delivery of transactional e-government services to citizens and businesses; administrative simplification for businesses; and tools to

co-ordinate disparate activities of central and local administrations, of back-office transformations, and of new efforts to forge connected governance.

Much evidence about e-government has been gathered in previous studies, mainly by the governments themselves, but also by the UN and the OECD. In the past 10 years, data on capacity and access, on inputs, outputs and on processes have been collected for most countries in the region. Recently, some of the certainties about the distribution of e-government portfolios have changed considerably as matters of horizontal co-ordination have been carefully considered.

The following case studies first describe the general context of e-government activities and their recent history before turning to areas of government that are especially active in promoting good practices and those that have ambitious plans underway.

7.2. Bahrain

Bahrain's small size, substantial wealth and coherent economic plan have created the conditions for expansive ICT development in a society driven by ambitious government programmes. As in Dubai, discussed below, Bahrain's underlying incentives are to maintain the activities of international businesses and the migrant labour force that economic growth has supported. The e-government programme is organised through the offices of the deputy prime minister, but leadership is shared with the programme's chief executive, who can secure high-level political support. The limiting factor is the ability to connect with businesses. Local and international firms seem to be reluctant participants and the practices of the e-government programme are insufficient to enhance their participation despite considerable investment in state-of-the art infrastructure.

The focus on infrastructure development has made Bahrain's e-government programme highly technologically-driven. Most officials perceive this as a necessity given the low, but rapidly improving, infrastructure capabilities in all areas other than mobile telephones. This may explain the country's slightly better ranking in terms of the UN e-Government Readiness Index (42nd) than its web capability (44th; UN, 2005). While government e-programmes are highly effective, with 27% and 26% of services regarded as functioning and connected, there is a general agreement that these services could be expanded (UN, 2008).

Five officials of the eGovernment Authority recognised the need for cultural change, not only for adopting practices such as electronic voting, but also to make seamless services widespread within the next five years. All government officials interviewed declared their vision of making Bahrain a leader among the Gulf Co-operation Council states in co-ordinating e-government.

Initiatives and services

Bahrain has designed and implemented many ambitious new services since 2005. Furthermore, public uptake has been defined as enthusiastic, allowing for a rapid roll-out of new services. One outstanding example is the mobile service to provide school exam results. Its first use attracted over 5 000 hits even before it was widely marketed. This was a dramatic demonstration of the efficacy of word-of-mouth dissemination among Bahraini school children and indicative of likely future public interest in e-government services.

Challenges

The presence of good e-government practices elsewhere within the GCC has raised the expectations of citizens and businesses; e-government managers are struggling to maintain the rapid pace of change. Civil servants have found it difficult to keep up with rapidly-changing priorities in recent years, especially where inter-ministerial co-ordination is required. As many successes are apparent and well-publicised through awards, there are some problems of apparent ownership of projects and ministers need to be well informed about the latest service roll-outs. These are all the challenges of rapid growth and high quality and are being addressed through the overseeing committee chaired by the deputy prime minister and nine ministers.

High expectations drive new ambitions: in Bahrain these include the extensive use of “push” services involving messaging to mobile devices as well as targeted personal e-mails. Reorienting the role of civil servants towards “customer-centric outreach” requires further training, which is currently underway.

Case study: Intermediaries for cultural change

One major mechanism for cultural change is the use of intermediaries to assist citizen and business users. Especially in countries with a low degree of Internet penetration, intermediation of the sort pioneered in Bahrain can encourage the rapid uptake of e-government services. Assistants and extensive outreach activities have been successfully used in Bahrain. They were initially introduced by the telecommunication authority to assist in changing to e-payment methods for standard operations such as periodic bills and connection services. Building on the telecoms experience of using post offices as initial locations for e-kiosks, the e-government programme has been extended to community centres where people commonly go for social services requests of all kinds. This expanded kiosk programme hires technically qualified, sympathetic and enthusiastic young officials to guide citizens in the hands-on use of many functions. Almost every citizen lives within two

kilometres of a kiosk, allowing those with no home Internet access or who do not wish to use a commercial cyber café to access these services, which are provided free of charge. It took five years for e-payment of telecom bills to reach a level of 45%, despite the high degree of human capital in the country. This is now regarded as a conservative guideline for the implementation of other transactional governmental services when intermediaries are used.

The Bahraini government intends to extend this initiative to a larger variety of services – a sensible strategy given the currently relatively low level of e-participation but high level of human capital. Furthermore, additional services are being introduced and barriers to further horizontal integration, both technical and administrative among different government departments, are being addressed. As utilisation has increased, Bahrain's ambition of becoming the leading e-government user in the region is becoming feasible, at least for citizen services. The extensive use of intermediation is one lesson that can be built upon by many countries aiming to boost citizen uptake of services.

7.3. Dubai and the United Arab Emirates

The United Arab Emirates (UAE) co-ordinates many affairs for its member states. However, the Government of Dubai, in particular led by the Royal Court (*Diwan*), has forged ahead with a structured and extremely well-funded mission to bring e-government practices into all branches of public service and to ensure the UAE leads e-government readiness in the region. It already has extensive transactional department websites and far-reaching e-government services. However, its e-government initiative suffers from low uptake by citizens and businesses, which in recent months has been addressed by new efforts to roll out citizen services and to meet the highest standards expected by companies.

Most government departments offer extensive online features for user convenience and system efficiency. These reflect the UAE's ranking as fifth in the world for its transactional services (United Nations, 2008), which account for 80% of its total online services (Awan, 2007). However, in Dubai the legal framework necessary for successful e-government development has only recently been put in place. In fact, as recently as March 2009, Prime Minister Sheikh Mohammed bin Rashed Al Maktoum, ruler of Dubai, issued a law to establish the Dubai e-government. This new e-government office is responsible for developing the government's e-strategy; developing policy for ICT management, security, knowledge and human capital development; and managing e-government services.

Initiatives and services

The Dubai government has a number of highly developed e-government services, including the use of e-mail and automatic announcements to update

citizens. In addition, Crown Prince Sheikh Mohammed of Dubai has his own website (www.sheikhmohammed.co.ae) where citizens can find updated information and directly communicate with their leader via e-mail to share their views. The Dubai e-government has signed an agreement with Zayed University to collaborate in providing career development opportunities for university students in information technology. This initiative aims to enhance the ICT competency of students through various internship and outreach programmes, research and development projects, and other activities that develop ICT skills and proficiency. This is part of a concerted effort to raise human development capacity from a relatively low starting point. These activities, along with the policy of using multiple media and access mechanisms, are especially appropriate for the entire UAE, given the large disparity between the high degree of web readiness and the rather low level of e-participation (the UAE is ranked 41st for e-participation by the UN (UN, 2008).

One example of e-services in Dubai is the Departments of Social Welfare, Labour and Finance's websites, which allow citizens to create online personal accounts and sign documents electronically. They also offer a wide-range of transactional services, including credit card payments and the submission of online forms, and impose a formal timeframe for responding to online queries and e-mails. The Internet is also used for completing visa applications. A printable, computer-readable two-dimensional bar code is given to tourists to represent their information; this is just one an example of the wide range of passports, visas and immigration office services that are available online. This has reduced staff need and application-processing time has fallen from days to only hours, shortening queues at the processing office.

Several financial services are available both at federal and local level. For example, the UAE has introduced a virtual currency, the e-Dirham, which is an e-wallet that allows citizens to deposit money into a third party financial institution. From that third party institution, they may make transfers to pay for permits, traffic fines and other fees. Another financial service, launched in 2008 by the Dubai e-government, is the mPay. This is a free-of-charge mobile service for the efficient and rapid payment of government fees. While the feature was initially established for the electronic recharge of highway toll fees (*Salik* accounts), it is being expanded to include several government services in the near future. The e-stamp, another electronic transaction service available throughout the UAE, is used to authenticate all Smart Forms. Registered corporations can fill in all their applications in their office and make the payment using the e-Dirham Electronic Point of Sale attached to their Smart Form Computer, after which the paid applications can be lodged with various departments.

The Dubai police department also provides citizens with various e-services. Citizens can subscribe to receive up-to-date traffic information via

SMS and the department also operates a wireless applications site. Using a mobile phone, anybody can access this site to find information needed on the road, such as the location of the nearest police station. The police department also provides a website link to the stolen cars database, and drivers can use online access or kiosks located in shopping malls to find out if they have any outstanding speeding tickets.

By 2007, there were around 1 500 e-government services being offered by various departments in Dubai for both residents and businesses (Awan, 2007) and the number continued to rise through 2008 and 2009. The Emirate of Dubai passed the Electronic Transactions and Commerce Law (Law No. 2) in February 2002 covering electronic transactions as a tool to maximise e-commerce. All government agencies in Dubai are required to use the *www.tejari.com* e-procurement system. Both the federal and local governments have a decentralised approach to procurement, with authority to purchase devolved to various government entities, depending on the amount. However, the e-procurement system is centralised to serve all government entities and operates through a government-owned corporation, Tejari, which runs a marketplace and intermediation service for government procurement.

Tejari experts have conducted an extensive vendor assessment activity for one government department to assess its supplier base. For another government department, Tejari analysed and mapped the procurement process, highlighting bottlenecks and areas for improvement where technology utilisation may be optimised. Another example is the use of the Tejari e-procurement system by the Armed Forces, which were able to save 40% on their fire fighting equipment and 14% on ICT hardware through structured online comparisons and negotiations. All employees working with the e-procurement system undergo compulsory training in its use. There is a dedicated help desk centre for dealing with all procurement issues (technical and non-technical). Suppliers are also made aware of the system through various seminars and promotional documents.

Finally, one of the UAE's most successful public-private partnerships has been the integration of the Ministry of Labour (MoL) with several private entities. In the first such experiment, a private sector ICT services provider worked with the MoL to develop Smart Forms. Citizens apply for services by filling in the appropriate forms on the e-system. The data is then encrypted and transformed into a barcode label that can be printed by the customer. This has reduced processing time while dramatically improving service quality (Moustafa, 2007). Two other agencies were contracted for the authentication of documents and to serve as a liaison between service seekers and the MoL. A private-sector agency was networked with the MoL and the Ministry of Finance (MoF) to serve as a business centre where MoL and MoF service seekers could go to submit applications. Applicants present their forms at

MoL's public counter where agents scan the barcodes. Then the system processes the applications following the appropriate rules and regulations. This has effectively eliminated multiple trips to each individual organisation to submit applications for processing (Moustafa, 2007).

The MoL has a change management team which uses a "parallel organisation" approach; a new business concept in which a special e-government unit is established to provide a parallel electronic system for processing work permits and licensing applications. Working alongside the traditional MoL organisation, within two years the new approach was seeing 40% of applications being completed electronically. The new organisation deals with non-contentious cases following the e-Government Unit business rules, while more complex cases are sent to the MoL. Establishing a special testing environment and a change management programme have been key factors in the MoL's successful transformation process (Moustafa, 2007).

Challenges

Dubai faces challenges in developing the infrastructure necessary to improve e-government. Improvements are needed to remedy problems in approach and system inconsistencies between departments, which have "wasted valuable resources as each individual, local or federal department built their own system separately" (Salem and Jarrar, 2008). The recently-established e-government entity will develop a single country e-strategy, provide policies and oversee implementation so that inconsistencies and misalignment should be consigned to the past.

Case study: Business services and the company registration process

Registering a company and completing all the administrative tasks to formalise trading always involve numerous steps. The ability to register companies online reflects the general strength of horizontal co-ordination, and specifically with the strength of government-to-business services. In Dubai, the process involves a dozen ministries and other separate entities and is co-ordinated by the Department for Economic Development, which licenses companies to conduct business and administrative procedures involving labour, visas, property, insurance, health care for workers, housing, etc. The department collaborates with the Dubai Chamber of Commerce to list, classify, and encourage connections among firms.

In addition to the complexity of horizontal co-operation involving so many different public offices, another obstacle to the optimal deployment of this e-service is that government-to-business electronic transactions (G2B) are lower than government-to-citizen (G2C) activity in the country. Most Dubai businesses opt to use e-government websites for information rather than

services, for which they prefer to interact with government departments face-to-face. According to Awan (2007), there are two main reasons for this. The first is that businesses perceive Internet transactions to be insecure. In the area of security, Dubai is in fact ranked 32nd worldwide, according to the UN e-readiness Index. The second reason is that there is a common feeling among businesses that the government does not respond promptly enough to online queries (Awan, 2007).

To date the process still needs improvement but the institutional framework is in place and all interviewed officials were confident that its full implementation was within reach. Overall, the ambitiousness of the programme is a model of how co-ordination can occur. Furthermore, this is an example of evident demand from businesses, which clearly benefit from the co-ordination of these disparate administrative activities, rather than being led by general ambitions to extend e-government services.

Dubai's approach to co-ordinating numerous highly differentiated official functions also shows the transformative potential of e-government services. The extent of this co-ordination problem is evident and holds many lessons even for countries that are not as focused on providing e-government services or as capable of harnessing central authorities as effectively.

7.4. Egypt

Egypt launched a broad e-government programme in 2001 involving three tracks: service delivery, enterprise resource planning, and national databases. At the end of its first phase (2001-07), the *UN e-Readiness Report* ranked Egypt 28th out of 192 countries (Darwish, 2008). While this achievement is substantial, the programme still faces various challenges and opportunities.

Egypt has had a longstanding government ICT programme dating back to the 1970s, extensively assisted by foreign aid through both bilateral and multilateral bodies. The pioneering Cabinet Information and Decision Support Center (IDSC), which grew rapidly during the 1990s, was a model for e-government in the region. It functioned mainly as a cabinet think-tank and as a back office providing data handling functions for various ministries. E-government in its current, web-enabled form was co-ordinated by the Ministry of Communications and Information Technology (MCIT) between 1999 and 2004, when it was moved to the Ministry of State for Administrative Development (MSAD). This move indicated its growing importance on the national public sector reform agenda, reflecting its success in co-ordinating interconnections among government organisations.

Egypt's government portal provides over 90 services online, including birth certificate, national ID replacement services, enrolment in public universities, car license renewal, taxation (including filing tax declarations),

regional bus and train ticketing, judicial court services, customs services for businesses and an export guide. The long-term implementation goals for the e-government programme are to create a system whereby citizens, businesses and suppliers can access government networks directly or through service providers, and can also access the government gateway after authentication.

Initiatives and services

Egypt has launched several e-government initiatives under different names since the 1990s. Its first was the National Information Highway Program in 1994, which built the foundations of a national information infrastructure. This was extensively used later in building the required components of an effective e-government system. This programme implemented a number of projects for developing ICT industries. This, and subsequent e-government initiatives, follow three main guiding principles: i) citizen-centric service delivery – the slogan “Government now delivers” reflects the government’s one-stop-shop e-services approach focused on citizens’ needs; ii) community participation, addressing citizens’ demands and encouraging both private and public sector companies to participate in project implementation and management; and iii) efficient allocation of government resources to promote productivity and reduce costs.

These principles are apparent on the country’s national portal,¹ which has downloadable forms and allows online submission, full-transaction services and payment by credit card or cash on delivery (CoD). Egypt was one of the first MENA countries to pioneer the CoD model in government and it has helped build further trust in the portal’s services. The national portal also provides interaction with PDAs (personal digital assistant), smart phones and WAP (wireless application protocol). Several services are currently available through the WAP version of the portal.

Another example is the Ministry of Education website, which has recently become more interactive for the public. On this site, citizens can receive information via e-mail, download registration forms and learn from video and audio clips (United Nations, 2008). Egypt, like the other case study countries in this chapter, has a head-of-state website where citizens can directly ask the president’s office about policies. In order to raise public awareness of its online e-government services, the Egyptian government has been distributing information using mobile phones and other devices (United Nations, 2008).

Community participation and addressing citizens’ demands are taken care of through the citizen-relationship management (CRM) services. Citizens can interact directly with over 10 different government entities through the national portal. They can submit complaints and send suggestions and enquiries. The national portal is also supported by a call centre. Further support to participatory

measures has been given by the Egyptian government's launch earlier this year of a national portal poll and blog.

Challenges

Egypt faces a variety of obstacles to the complete success of its e-government development. These range from insufficient physical infrastructure to inadequacies in its legal framework, and the digital divide. Until recently, there was no comprehensive e-government strategy, which caused co-ordination problems. Furthermore, the legal foundation could still be improved to provide greater confidence and encourage more e-commerce users (Ezz and Papazafeiropoulou, 2006; Salem and Jarrar, 2008). Authentication over networks has been problematic due to the absence of a legal framework that allows for remote authentication; this has inhibited the further development of electronic transactions. The authentication challenges are being met through two major initiatives that began in 2004. The first is the e-signature law, which allows for acceptance of authenticated documents between entities, and the second is a public key infrastructure (PKI) framework that allows for electronic authentication. The e-Signature Law and its associated regulatory authority, the Information Technology Industry Development Agency (ITIDA), support Egypt's e-commerce industry by securing the Internet as a legally viable medium for online sales.

E-payment is not commonly used because people are not familiar with the procedure or they have reservations about using credit cards to pay online, among other reasons. Nevertheless, a comprehensive e-payment framework is being developed by both Telecom Egypt (TE) and the National Post Organisation (Egypt Post). This will allow for many payment options such as credit cards, pre-paid cards, transfer of cheques, and payment of fixed and mobile telephone bills.

The low penetration of personal computers (PCs) and of Internet access and a high rate of computer illiteracy prevent a significant proportion of the population from benefiting from e-government. PC prevalence is about one-third of the average for developing nations, and Internet host prevalence is one-sixth of the average (Pick and Azari, 2008). However, both indicators are improving quickly and Internet use grew from 5.5% (3.9 million users) in 2004 to 15.6% (11.4 million users) in 2008. It continues to rise at a rate of 16.7% annually (MCIT, 2008). There are over 48 million mobile phone subscribers, yielding a tele-density of 58/100 (www.egyptictindicators.gov.eg). The government has established 1 846 ICT clubs where both basic computer education and Internet access are provided. The private sector is also creating a clientele and intermediaries skilled in the use of e-government services through the establishment of more than 3 000 privately-run Internet cafés in the country (Kamel, 2008).

Another factor in the current poor levels of e-participation is low public awareness and trust of e-government services (OECD, 2008). To entice citizens to use online services, the Egyptian government has decided to reduce, or even waiver, the cost of many online services compared with their manual versions. However, despite these incentives citizens continue to opt for manual processes (Salem and Jarrar, 2008). This could be related to convenience, resistance to change and unfamiliarity. The Ministry of State for Administrative Development is trying to overcome these barriers by running an awareness campaign on using the Internet, especially the e-procurement portal (see below). The campaign emphasises the high security of the e-procurement portal.

Egypt is now preparing to modify the law to align tenders and reverse auctions with the implementation of e-procurement. These revisions have involved many organisations, including the Ministry of Finance and the Ministry of State for Administrative Development, as well as some private sector and foreign organisations. New legislation for the use of e-signatures has been in effect since 2004 and four private companies were licensed to provide digital certificates to citizens. Sample online e-commerce start-ups indicate a promising future for e-business applications including e-government in Egypt. This includes the successful business-to-consumer food and service delivery portal, www.otlob.com, established in 1998, and the fast-growing business-to-business e-procurement portal, www.speedsend.com, established in 2001. The process owner is the General Authority of Governmental Services (GAGS), whereas the Ministry of Finance is the responsible body. GAGS will be responsible for central procurement in Egypt for general items used by all government organisations. E-procurement will be implemented on a single platform throughout government; it will be hosted by one organisation and will be accessible through the Internet to all buyers (government organisations) and suppliers. The platform is in place (www.etenders.gov.eg), and is currently piloted in selected organisations approved by the Cabinet. Eventually it will include all governmental organisations, according to the deployment plan. The Ministry of State for Administrative Development is publishing a single government resource planning system for all government organisations and the e-procurement system will be integrated within this system.

Case study: E-government at the local level: Montaza District and Alexandria

Egypt is divided into 29 governorates and each governorate is divided into cities and districts (or neighbourhoods). Montaza District is located in the City of Alexandria and covers 92 square kilometres and has a population of 1 million, around 25% of the total population of Alexandria. The average city council or district council offers around 80 services to citizens, including

issuing and renewing permits and certificates (stores, buildings, digging, etc.). The exact number of services depends on whether the region is coastal, urban or rural. A project to modernise the councils started in 2003 in Alexandria. It focused on using ICT to achieve two main objectives: to simplify and speed up services to citizens and to enable citizens to access services remotely. In 2003, some online services were provided by the Montaza District in Alexandria and by 2004 single window services were piloted in Sharq District in Alexandria, supported by an automated workflow system across the district council.

This model has helped reduce service delivery time to citizens and also reduced staff-citizen interaction in order to combat corruption. By July 2005, the same model was operating in all seven districts of Alexandria. Over the following years the same system was deployed in several other governorates, to reach 47 sites in 21 governorates by mid 2009. The approach has reduced service time to 40-70% of the original time depending on the transaction type. So far, two governorates and their relevant councils have been completely automated. In addition, five governorate portals have been built, offering the residents of those governorates online municipal services, with tracking options.

This case demonstrates how government services delivered at the municipal level can move ahead of national plans in piloting delivery and take-up practices and offering opportunities prior to broader roll-out.

7.5. Jordan

E-government initiatives have been a priority for Jordan for almost 10 years. However, political commitment has been undermined at times by the influence of a number of external factors, including private corporations, donor countries and international organisations, operating in a sometimes fickle and unco-ordinated manner. This has inhibited the smooth growth of projects and made implementation difficult.

Under the World Trade Organization (WTO), Jordan is committed to a wide range of development measures, including the liberalisation of its telecommunications services. Monitored by international stakeholders, Jordan is committed to ensuring transparency and meeting high standards in its e-government initiatives. The government has worked to keep its promises by bringing both public and private sector forces together for the country's e-government development.

In order to manage the ICT infrastructure and to co-ordinate implementation, in 2002 the government created the Ministry of Information and Communications Technology (MoICT), which is responsible for the policies, regulation and operation of ICT initiatives and which serves as a single point of contact for governments, investors and other stakeholders in Jordan's ICT sector. Other measures have been taken to ensure successful

oversight and implementation of e-government initiatives. A Programme Management Office (PMO) was formed under the umbrella of the MoICT in order to monitor e-government projects and to oversee the implementation of the “Connecting Jordanians Initiative”. An additional component of oversight is the Public-Private ICT Advisory Council, created to ensure that public-private strategies are regularly reviewed and updated.

Legal restructuring has accompanied Jordan’s evolving e-friendly infrastructure. Telecommunications Law No. 13 was amended to make the Telecommunications Regulatory Commission (TRC), the government-independent “jurisdictional body tasked with regulating the ICT sector... to ensure the provision of high-standard ICT services” (Telecommunications Regulatory Commission Jordan). However, this amendment remains a “temporary law”, lacking sufficient authority to allocate the necessary resources (Salem and Jarrar, 2008).

Initiatives and services

The UNDESA Web Measurement Assessment Index measures the online presence of national websites and e-tools. Jordan is ranked at number 28 in the world, reflecting its notable successes in e-participation initiatives, which earned an even higher ranking (15), the result of recent rapid rollouts. Jordan also scored very highly in a survey of its implementation of e-decision making applications and tools (United Nations, 2008). This feature connects governments and citizens directly, allowing citizens to give feedback to government officials about current or needed policies. Like Dubai’s Crown Prince and Egypt’s President, the King of Jordan also has an active website to which citizens can send their views or suggestions and post opinions.

The webpage for the Ministry of Education of Jordan (www.moe.gov.jo) is an example of active government engagement with citizens. It offers e-mail notifications to Jordanian citizens about school schedules and administrative aspects, encouraging citizen participation. Citizens can also create personal accounts and make payments online via this website (United Nations, 2008).

Challenges

In 2002 the biggest challenge facing Jordan’s e-government initiatives was affordability of and accessibility to an electronic infrastructure and telecommunications services for its citizens (Ciborra and Navarra, 2005). Although Jordan’s communications market is liberalised with a wide range of competitive Internet service providers (ISPs), Internet subscription rates still remain low. Only about 1.5% of the population has Internet access (Ministry of Information and Communications Technology, 2009) although Internet cafés are widely used.

Jordan also faces challenges in ensuring horizontal co-ordination and developing a collaborative approach for shared ICT infrastructure among government departments. E-government practitioners have acknowledged the lack of common inter-government technical standards (OECD, 2008) and associate these infrastructural inadequacies with having a single ministry or government department handling the e-government portfolio but with weak overall authority for national level e-government development.

Case study: Transforming accounting in the Ministry of Finance

The Government Financial Management Information System (GFMIS) project aims at supporting the financial management and accounting functions of all government ministries and departments. The GFMIS will allow for a complete budget management and accounting cycle. Once it is fully operational it will be among the most advanced in the MENA region and will serve as one of the major cornerstones in Jordan's e-government infrastructure.

This fiscal reform project is the successor to a sequence of earlier initiatives to reform the Ministry of Finance accounting practices. Initiated through discussions of alternative financial accounting systems, it made little initial progress in implementing the deep-seated changes necessary and was re-launched in 2008. The new Project Management Office established in the Ministry of Finance, with technical assistance provided by USAID, is overseeing project implementation. The system rollout to ministries and departments is scheduled for completion in June 2011 (www.gfmis.gov.jo). The GFMIS's current activities are encouraging and it is on track to implement a financial management system across much of the Jordanian government. This will greatly improve record-keeping and enhance accountability. The project also demonstrates two approaches to tackling e-government problems. One is the need for governments to take control of project structure and maintain continuity, especially when projects are funded by a number of aid programmes or passed from one aid programme to another. The other is to recognise that key agencies (such as the Ministry of Finance) may be able to proceed ahead of broader co-ordination mechanisms from the technical ministries, such as the Ministry of ICT, and achieve progress that strengthens the e-government initiative overall.

7.6. Morocco

Morocco's e-government initiative began with an online administration programme in 1997. This is co-ordinated by the Ministry of Administrative Modernisation, which has broad responsibilities for design, support and follow-up. Since then, several implementation initiatives have been launched with varying levels of success. In 2008 responsibilities were moved to the

newly-renamed Ministry of Industry, Trade and New Technologies. This ministry, under the presidency of His Majesty King Mohammed VI, developed a five-year national ICT strategy in 2008: *Maroc Numeric 2013*. One of the four main pillars of this strategy is “user oriented public services”. The ambition is to establish an efficient administration that serves users and promotes new technologies. To achieve this ambition, an e-government programme has been launched. It aims to implement 89 e-services, of which 15 essential services are expected to be delivered by 2011. The governance of this programme was established through a resolution by the National Council for Information Technology and Digital Economy, chaired by the prime minister. As in Jordan, key ministries such as the Ministry of Finance² had forged ahead with their own implementation in parallel with government-wide efforts. However, after the launch of *Maroc Numeric 2013* they decided to join the e-government programme and are now permanent members of the interdepartmental committee in charge of steering the programme.

The current five-year plan brings e-government into the context of broader ICT industry support, including a push to make Morocco an attractive location for ICT offshore activities and new support for research and development. For e-government, a new facility for electronic payment (e-payment) and mobile services are being stressed, along with an effort to reach small and medium-sized businesses in targeted sectors such as agro-industry and textiles. Moroccan officials recognise the scale of the challenges they face. These include the need to transform administrative procedures rapidly and to support necessary changes in the civil administration despite a comparatively low level of e-readiness. The United Nations 2008 e-Government Readiness survey ranked Morocco fairly low, based on its limited number of e-government websites, tools, services and applications and its inadequate telecommunications. The Human Capital Index also indicates this as an area of weakness, reflecting the comparatively high rate of illiteracy and other widespread educational challenges. The current goal is to bring broadband services within reach of one-third of households, up from around 10% of households in 2008. This will be achieved through subsidies to the telecommunications operators and also to individual science students.

Initiatives and services

Although currently there are few government websites offering interactive services, there are plans for 89 new projects to be introduced, of which 42 are to be transactional and integrated services. Others will remain primarily informational, such as the Prime Minister’s website offering the latest details on policies and other information.³ The role of the Ministry of Industry, Trade and New Technologies is to provide effective co-ordination and project management and thus address the challenges brought about by

independent government initiatives. In order to do this it relies on a house of experts, similar to the UAE model, to manage advice, co-ordinate and share best practices among the ministries.

A particularly notable local initiative, based on a private-public partnership, was launched in 2004: the eFez Project. The goal of the eFez project is to create an electronic Fundamental Civil Status System (eFez). It uses back-office integration to assist the Bureau d'État Civil (BEC) to build an integrated ICT administration system. This will allow it to streamline employees' work and provide electronic office services to citizens. The project was deployed in the city of Fez, using the university's personal connections to smooth the way for the pilot. Upon its completion in November 2005, eBEC was able to provide some citizens with birth and marriage certificates using self-service kiosks (Kettani and El Mahdi, 2008). Despite the high profile of the project, however, achieving scale and sustainability remains a challenge, as shown by its coverage of only about 10% of administrative functions.

This local experience calls attention to the limited feasibility of decentralised systems. In addition, the Ministry of Interior is aware of other weaknesses: lack of information systems, ineffectiveness of public organisation and unavailability of public information. Several initiatives have been established to overcome these difficulties. One of these is the development of local electronic administration through back and front office initiatives. The leading project is Civil Registration Computerisation. This initiative, managed by the Ministry of Interior in co-ordination with local authorities, aims at civil status dematerialisation in 1 503 communes. The project should last three years and will mobilise 12 000 individuals for a total budget of more than EUR 50 million. The approach is based on two steps: i) information collection and digitalisation (45 million legal certificates) in order to improve the functionality of registry offices (2 172 BEC); and ii) a focus on the citizen by interconnecting all the BECs, creating innovative services and reducing the need for citizens to move from one office to another. Today, the study and pilot stages in 5 BEC have been finished. A deployment step is under progress in Casablanca (around 4.5 million citizen records in 90 BEC), aiming to finish in the first half of 2010 before being extended to all local authorities.

Within Morocco's e-government initiative, the MEF (Ministry of Economy and Finance) has decided to deploy an e-services programme structured around three targets: citizens, enterprises and administrations. The main initiative aims to improve the maturity of e-services (both transactional and integrated), standardise public payment process and improve information availability. For example, Simpl TVA and Simpl IS (operational in 2009) allow firms to declare and to pay their income taxes and value added tax (VAT) online. Moreover, every taxpayer can also pay their professional and local taxes online (operational in 2009). Thanks to these initiatives, around

25 000 duties and taxes are paid online every year, launching a new public services dimension. The BADR system (*Base Automatisée des Douanes en Réseau*), operational since 2009, makes it easier to make customs statements online. In the framework of a more global approach, the Ministry of Economy and Finance has created a national procurement portal allowing invitations to tender, and the download of information. In order to improve this e-service, a project to make the procurement process entirely electronic is under way.

The deployment of e-government also involves the social sector, with the creation of the DAMANCOM website.⁴ This portal is mainly for online declaration of earnings and payments. Other uses of the portal take into account employees' requests for information or the correction of erroneous statements. In 2009, more than 60% of the national social insurance (CNSS) files were managed by this platform. An AISS (*Association Internationale de Sécurité Sociale*) award indicates the success of this initiative. DirectInfo is another interesting national e-service that allows users to consult companies' legal and financial information, to get a certificate, and to register a trademark.⁵

Challenges

While infrastructure has improved, according to the 2008 UN e-Government Readiness Survey (United Nations, 2008), Morocco still needs to overcome significant difficulties, such as the illiteracy rate, in order to raise its relative standing. Lack of public awareness and digital trust are also contributing to low use of e-government services (Salem and Jarrar, 2008). The implementation of horizontal inter-governmental projects (like interoperability) is another big challenge for Moroccan e-government. Indeed, efficient global services dematerialisation needs to be co-ordinated among all ministries. A major push to support intra-governmental activities will take place after telecommunication services are extended to the 2 172 civil registry offices. The Ministry of Interior has launched a major initiative to standardise data handling and associated services with the intention of extending intranet-based services to the majority of government employees. The coming year will therefore reveal how quickly these plans can move ahead.

Case study: The Ministry of Finance's evolution to a global approach

Ahead of the broader national development strategy, the Ministry of Finance (MoF) has moved forward with introducing e-government services to ministry employees, intra-departmental co-ordination, and some business and citizen-oriented services. Some of these efforts are still at an initial stage – such as the procurement portal, limited to information on tenders – but others have taken advantage of the ministry's experience with in-house projects to extend services developed by the Ministry of Finance to other branches of government. The MoF hosts sites for five other ministries: the

Ministry of Tourism, the Ministry of Energy and Mines, the Ministry of Foreign Affairs and Co-operation, and the two other key e-government bodies, the Ministry of Administrative Modernisation and the Ministry of Industry, Trade and New Technologies. The main services currently designed and hosted consist of government personnel services based on an enterprise resource planning system.

Within the MoF itself, services range from corporate and citizen taxation services (this latter allows payments of recurring taxes, including housing tax and taxes for municipal services such as garbage collection) to new human resource services serving some of the 17 000 Ministry of Finance employees. These major services concern customs, treasury, tax inspectorate and the human resources department.

The Ministry of Finance has found that this approach has both advantages and disadvantages. On the positive side, they have strengthened the systems that they operate while testing new approaches on their own systems. They have also built the capacity to host and standardise services for other branches of government and offer an example for others to emulate. On the downside, this independence may raise problems of incompatibility for both systems and administrative mechanisms.

Nevertheless, the case of the Moroccan Ministry of Finance illustrates how a set of specific solutions can emerge from a participating agency without waiting for the broader national-level project to move ahead. By tackling implementation internally first and building standard packages piece-by-piece, they have been able to offer major services to their key constituents, including the customs service (in record keeping), the treasury (budget control), the tax inspectorate and their own internal human resources services. However, taking account of the above-mentioned drawbacks, the Ministry of Finance recently integrated its work into the national e-Government programme that has in turn defined 17 e-services and placed them under the responsibility of the Ministry of Finance.

7.7. Conclusions

In contrast to governments in other regions that have gradually introduced e-government, many of MENA countries were initially slow to embrace ICT-enabled administrative reforms. However, they are now engaged in an across-the-board push to simplify and transform public services, using e-government tools to help them achieve a rapid and major overhaul of public management. As their current administrative tools are already ICT-based, they are able to take advantage of state-of-the-art computer systems, new mobile services, and the support of multinational corporations with specialised skills in these areas. As they push ahead on a broad front, they

have at times automated without simplifying old procedures, but have also applied imaginative technical solutions to introduce entirely new approaches unavailable to countries burdened by historical legacies.

Horizontal co-ordination among ministries and other government offices has proven more difficult in most cases than providing new e-services within a single organisation, be it policing or state finance. The comparative ease of designing technical solutions for agency-specific applications explains part of this preference, but the ability to circumvent interagency politics, budget complications, and precedents are also major factors.

While many different motives have driven e-government adoption, the common denominators are the perceived needs to improve public service quality, to strengthen administrative control, and to join the international mainstream. Availability of financial assistance from international partners has also been a factor, but, overall, longstanding governance goals, including a desire to strengthen political and economic stability and growth, have encouraged governments to adopt e-government programmes:

- The financial accounting system of **Jordan's** Ministry of Finance illustrates the difficulties of implementing new practices that interfere with longstanding budgeting and financial control mechanisms. It also shows some of the drawbacks of being reliant on foreign assistance projects for reforms that are deep-seated, precedent changing, and that require sustained sponsorship from the highest level of the administration.
- The company-registration scheme run by the **Dubai** Economic Development Agency demonstrates the potential, and the challenges, of large-scale horizontal co-ordination. The private sector stands to benefit significantly from a system that automatically co-ordinates the responsibilities of around a dozen agencies in registering a new company. These are as diverse as the visa and immigration office, the non-governmental Chamber of Commerce, and bodies dealing with land, labour, and finances.
- In **Bahrain**, intermediaries help the public understand how to use new e-government services. Initially pioneered by the telecommunications authority as a means of introducing online or kiosk-based electronic bill payment, the expanded kiosk programme hires technically qualified, sympathetic and enthusiastic young officials to guide citizens in the hands-on use of many functions.
- **Egypt** and **Morocco's** experiences show how government services can be effectively delivered at the municipal level in ways that break away from national plans and provide both a pilot and an opportunity to test systems and gauge public response in advance of broader roll-out. In **Morocco**, delays and administrative inhibitors to co-ordination have undermined efforts to resolve the problems of rolling out ICT-based public services. This, coupled

with the low level of literacy, and correspondingly even lower level of e-literacy, makes ICT systems implementation extremely challenging. The new Maroc Numeric 2013 strategy and connected new institutional co-ordination mechanisms seem to be very promising.

This chapter provides evidence of how e-systems can empower citizens and provide novel ways to improve access to services and even decision-making processes, including to those on the wrong side of the digital divide. Advanced systems have also been structured to support specific government priorities while reducing administrative costs and extending services to citizens and private businesses. In this way, e-government proves to be a privileged gateway to a wide range of public sector reforms.

A major challenge for the region is to improve the implementation of existing mechanisms for sharing good practices. For the most part, these good practices are easy to identify, but conflicts in approach, unwillingness to overcome differences in practice, and issues of law and regulation continue to undermine collaboration. Programme leaders in the region could consider more aggressive policies to seek opportunities to share, educate and otherwise foster advanced uses of e-government.

Notes

1. www.egypt.gov.eg.
2. www.finances.gov.ma.
3. www.pm.gov.ma/ar/index.aspx.
4. www.damancom.ma.
5. www.directinfo.ma.

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Chapter 8

Ensuring the Efficient Use of Public-private Partnerships in MENA Countries

*Public-private partnerships represent a real opportunity for the countries of the MENA region, which often have high infrastructure requirements but low quality public service performance. The growing trend towards public-private partnering is being driven by citizens' demands for better quality services. An efficient use of PPPs in MENA countries would help governments to balance the budget and to improve the effectiveness of public service delivery. Given that PPPs are usually complex long-term contracts of high value, they will influence public services in the MENA region for the foreseeable future. Through the case studies of **Tunisia** and **Jordan**, this chapter shows how governments in the region are implementing ambitious PPP policies, focusing on public decision-making, adaptation of PPP legal frameworks and strategies to strengthen administrative capacities for PPP contract design, negotiation and implementation. These two cases demonstrate that PPPs can accelerate improvements to public infrastructure, better service quality, and economic growth.*

8.1. Introduction

PPPs have been high on the agenda of public sector reforms in MENA countries for the past few decades.

A public-private partnership (PPP) is an agreement between the government and one or more private partners for the delivery of a service. Under this type of agreement, the private partners deliver the service in a way that meets both the government's service delivery objectives and the private partners' profit objectives. The effectiveness of the alignment depends on a sufficient transfer of risk to the private partners (which may include the operators and the financiers) (OECD, 2008). Indeed, the distribution of risks and responsibilities between the two partners is the key dimension of this contractual arrangement. Each risk must be allocated to the party who can manage it at the least cost. The private partner will be remunerated from payments made by the user of the service or by direct payments from the public body based on the service provided by the infrastructure, its availability and different contractual quality and performance indicators (Marty *et al.*, 2006).

A PPP has two benefits for public bodies. Firstly, it may increase investment in public infrastructure, which is indispensable for growth and development, by supporting public capital with private capital. Secondly, it allows the public sector to benefit from the private sector's skills and capacity for innovation, whilst also establishing a more effective incentive structure. In consequence, the service provided to the public should increase as much in terms of quality as in quantity (Estache *et al.*, 2009).

PPPs represent a real opportunity for emerging countries that have a very high need for infrastructure services but where the performance and quality of the service provision to users is often poor. Inadequate infrastructure can strangle economic growth in a variety of ways. In a context where worldwide investment requirements for network infrastructure are estimated at more than USD 1 800 billion a year for the next few years, governments are not equipped to deal with such a challenge alone (Christiansen, 2008). Reliance on private investment, which was necessary even before the financial crisis, is likely to become indispensable over the next few years.

What do PPPs involve?

The PPP concept covers a vast array of agreements. The World Bank PPP database differentiates between four major categories of private sector participation in public sector service delivery:¹

- i) Management and lease contracts.
- ii) Concessions (these encompass two very different types of contract, see below).
- iii) Newly-developed greenfield-type contracts (these are partially similar to BOT style contracts: build-operate-transfer or DBFO: design-build-finance-operate).
- iv) Privatisation projects.

Moreover, these different types of contractual agreements also differ in terms of the distribution of risks and responsibilities between public and private parties. For example, construction risk may be taken on board by the public sector in management and lease contracts. On the other hand, commercial risk may be transferred to the private sector under a pure concession set up or shared under a partnership model in its strictest sense (Estache *et al.*, 2009).

It is useful to distinguish between two different types of PPP: PPP/PFI (private finance initiative) projects and PPP/concession projects. In the concession format, revenue mainly comes from direct payments from service users. The concession-holder therefore operates the service at their own risk and peril because they alone must assume all commercial risk. Income-guarantee clauses, even break even clauses, may partially protect the concession-holder from such risks.

The PFI type of PPP differs from this model in two main respects. First, the user demand risk (a decline or a surge in user demand for a service) may not be transferred to the service provider. In fact, in certain cases the services are no longer sold to the public but instead sold to the government. In other words, there is no question of transferring to the private investor a risk that would originate from the public authority.

Second, the intrinsic logic of this type of PPP is not to transfer the risk (as is the case with a concession), but to divide it between the two contractual parties. The risk is allocated to the party who is the best able to manage it (i.e. manage it for the least cost). Risks allocated to the private sector can be subject to contractual capping clauses allowing the latter to only take on the insurable or bearable part of the risk (when the public authority is considered to be best placed to insure the risk or possesses sufficient financial resources to cushion certain uncontrollable risks). A total transfer of risks to the

contractor is not only an illusion in practice, but would result in such increased risk premiums that using private financing would no longer make economic sense.

It should also be noted that the PPP is not a substitute for privatisation where the latter is not possible. While services that fall under the government's remit may be provided by infrastructure that is designed, financed, built, operated and maintained by the private sector, a certain level of public control needs to be maintained over the workforce as well as over the service provision function itself (Marty *et al.*, 2006). The PPP does not signal the definitive disposal of infrastructure by the public sector. The asset is often returned to the public authority at the end of the contract. Moreover, unlike privatisation, the public authority retains the capacity to determine the nature and quality of services expected. However, depending on the national legislation certain privatisation operations can include arrangements similar to concession contracts, which is why we have considered them in this chapter.

8.2. Overview of the use of PPPs in MENA countries

It is hoped that an efficient use of PPPs in MENA countries will help governments to balance the budget and to improve the effectiveness of public service delivery. Given that PPPs are usually complex long-term contracts of high value, they will influence public services in the MENA region for the foreseeable future.

Since the end of the 1990s, the majority of MENA countries have adopted legislation to allow partnership projects. These may be set up within the legal structure for privatisation, as in Jordan, where the 2008 PPP law was published as an extension of the 2000 privatisation laws. Similarly, according to the nature of planned operations and mainly based on the different national legal traditions, the law may recognise either term – PPPs or concessions. For example, in Tunisia telecommunications is the only sector for which the law uses the term PPP, while numerous PPP contracts implemented in other sectors are governed by concession law. In Morocco, the law on outsourced management² is sometimes more influenced by a concession approach than by a PPP one, even though the law neither prevents nor requires service providers' receipts to be dependent on end-user payments.

The differences between the countries which follow the continental tradition of civil law and those more influenced by common law traditions should also be highlighted. Civil law systems broadly favour general purpose laws, while common law systems more readily permit sector regulations that are more flexible and leave far greater scope for administrative discretion. The latter is the case for example in Qatar, Syria, the United Arab Emirates and

Saudi Arabia. More specific governing laws were set up in civil code countries, including Algeria (2000), Jordan (2000, 2008), Tunisia (2008), Egypt (2006) and Morocco (2005).

Certainly, the differences in law may have a stronger impact on the countries' approach towards concessions than PPPs. This is because concessions entail long-established practices that are influenced by the historical and institutional legacy, while PPPs have been designed to address new challenges in public sector management.

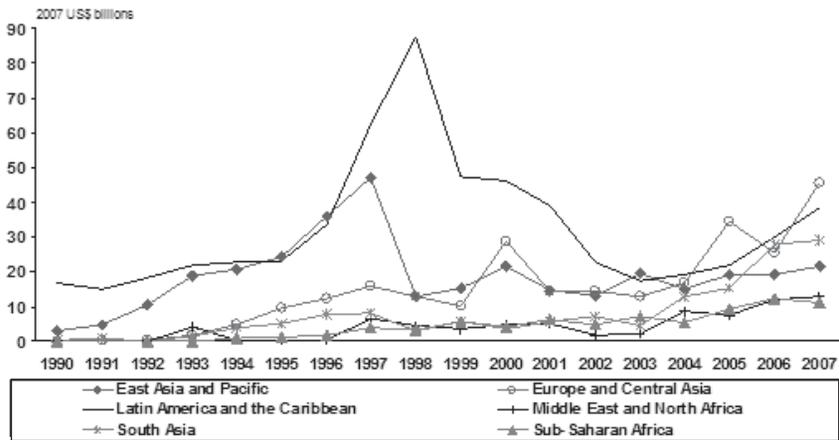
It should be highlighted that historically there are many instances of partnership operations in MENA countries, notably public service concessions. Besides the famous case of the Suez Canal, it is also possible to name many concession projects implemented in Morocco from before the start of the First World War in the drinking water and railway sectors (Tangiers- Fès line) and the construction and operation of ports (Casablanca, Tangiers, Mohamedia).

These various projects were completed before the implementation of a specific legal framework. Using the example of Morocco again, concession projects were signed in the water distribution and wastewater sectors in Casablanca in 1997, in Rabat in 1999 and in Tangiers in 2001. The same applies to the production of electricity. The award of two initial phases of the Jorf Lasfar power station to a private contractor and the construction of two new phases within the framework of a single-buyer mechanism in favour of the National Electricity Office are other examples of concession-based development models. The same logic prevailed in Tunisia. Well before the publication of the law on concessions in 2008, a set of sector-related legal texts allowed for the development of airports,³ desalination of sea water (26 November 2001) and also, more remarkably, the refurbishment/building of urban projects (Sports City, Sama-Dubai programme).

The very recent laws relating to PPPs in the majority of MENA countries⁴ could explain the lesser incidence of these partnerships in the MENA region than in other emerging countries. In effect, for all the emerging countries, the level of private investment in PPPs reached a record high in 2007 on the eve of the financial crisis, with a total investment of USD 158 billion. This was a higher level than a decade ago before the start of the crisis in Asia. Between 1990 and 2007, no less than 4 100 private infrastructure projects were signed in emerging countries for some USD 1.475 billion.

Within emerging markets, at first glance the MENA countries appear to have very low levels of PPP contracts, with only 8% of the private capital invested in such contracts (Figure 8.1).

However, this low percentage between 1990 and 2007 is mainly linked to the later starting point of PPPs in the MENA region. In fact, the level of investment in MENA countries is part of a real growth trend. Accelerated

Figure 8.1. **Private participation in infrastructure in developing countries**

Note: The figures include management and lease contracts, concessions, greenfield projects and divestitures.

Source: PPI Project Database, World Bank and PPIAF (2007), PPI in Developing Countries – 2007 Data Results from the PPI Project Database, World Bank, Washington DC.

investment in PPP projects is even more spectacular. Between 1996 and 2001, some 44 contracts were signed for a total private investment value of USD 18.7 billion. Between 2002 and 2007, 59 contracts were concluded for a value of USD 40.6 billion. The start of the period (2002-03) was a low point for PPPs, with USD 10.6 billion signed – this jumped to 37 contracts with a total value of USD 29.7 billion signed between 2005 and 2007. These figures reveal a second characteristic of PPP projects in the MENA region, one that applies to all emerging markets: the relatively high level of average private investments for each contract and the clear increase at the end of the period.

Between 1990 and 2007, 117 PPP contracts were concluded in MENA countries. Total private investments under PPP contracts reached USD 64.57 billion. The totals reached in the MENA region for the years 1990-2007 show that the telecommunications sector attracted the most investors, both in terms of number of contracts (36%) and percentage of investment (62%). The energy sector – particularly electricity – represents approximately 29% of contracts and 28% of investments. This is followed by the transport sector (24% of contracts and 9% of investments) and water (11% and 1% of investments). Recently the relative weight of investments in the telecommunications sector has further increased: out of more than USD 40 billion of private investment since 1990, USD 31 billion were the result of contracts signed since 2002. The energy sector is not showing the same vibrancy. In spite of the very significant levels in 2006, a total of only USD 5.8 billion were invested between 2002 and 2007, giving a total investment of USD 17.9 billion since 1990. The highest

growth was in the transport and water sectors. For example, transport recorded USD 3.98 billion of investment between 2002 and 2007, with a total investment of USD 5.4 billion since 1990.

From the point of view of contract type, greenfield contracts predominate in the number of contracts and in total investments (respectively 63% and 62%). Next are privatisations – i.e. non PPP operations; these only represent 8% of contracts but 23% of total investments. Concessions account for 14% of contracts and 15% of investment levels. Management and lease contracts represent 15% of the sample range yet do not, logically, account for a significant level of private investment (Table 8.1). However, it should be noted that the latter type of private infrastructure projects would not classify as a PPP under a strict definition.

Table 8.1. **PPPs in the MENA region, 1990-2007**

Sector	Number of contracts	Total private investment USD (% in parentheses)
Energy		
Total	34	17 951
<i>of which:</i>		
Concessions	6	6 887 (38.36%)
Privatisations	2	120 (0.67%)
Greenfield	26	10 954 (61.02%)
Telecommunications		
Total	42	40 292
<i>of which:</i>		
Concessions	1	35 (0.09%)
Privatisations	7	14 622 (36.29%)
Greenfield	31	25 635 (63.62%)
Management and lease contracts	3	0 (0%)
Transport		
Total	28	5 419
<i>of which:</i>		
Concessions	9	2 662 (49.12%)
Greenfield	12	2 593 (47.85%)
Management and lease contracts	7	164 (3.03%)
Water		
Total	13	909
<i>of which:</i>		
Greenfield	5	909 (100%)
Management and lease contracts	8	0 (0%)

Source: *Private Participation in Infrastructure (PPI) Project Database*, World Bank, available at <http://ppi.worldbank.org>.

The use of different forms of contract has undergone some changes recently, demonstrating the progressive development of PPPs in the MENA region. Concession contracts (16 contracts for a total investment of USD 9.6 billion) appear to be very sensitive to the business cycle. These contracts attracted strong private investment in 1997/98 (USD 5.9 billion), USD 1 billion in 2001 and USD 2.2 billion at the end of the period. Private investment linked to privatisation operations reached a very high level in 2000, at USD 3.2 billion of investment. Private investment further accelerated after 2004, with a total of USD 10.2 billion. Greenfield projects posted low investment levels at the start of the decade, but have seen a strong upturn since 2004. Over the last four years USD 25.9 billion have been invested in this type of project.

Managing the risks associated with PPPs

If the development of PPPs continues to accelerate during the second half of this decade, it will be even more necessary for them to be accompanied by newly adapted institutional and legal frameworks, far-reaching modernisation of public administrative systems, new governance regulations and new skills within the public sector. This was recommended by the OECD principles on the involvement of international investors in public infrastructures (Christiansen, 2008).

PPPs are long-term contracts affecting the provision of services; a provision which evolves over time and which is provided by complex assets. In the process there are risks for each party. The private investor faces the risk of regulatory hold-ups. A change in regulations or a unilateral decision by a public authority could significantly alter the profitability of an operation. The public sector, on the other hand, risks another type of contractual road block. In the case where the public sector is the ultimate guarantor of service continuity to the public, it is exposed to requests for renegotiations by contractors who have gained a position of strength relative to their competitors.⁵

Another risk to government is the possible consequences of disposal of shares by one of the initial sponsors in the project company set up for the purpose of the contract. Once the infrastructure is handed over and working, certain members of the original consortium, particularly companies specialising in construction, can be tempted to make a profit by transferring their shares to a third party. From a global point of view, such a possibility is as desirable for private companies involved in PPPs as for the public sector. In effect, private capital is no longer tied up for the party selling its shares, but of course it is tied up for the new operating party. This may reduce the return demanded by investors, leaving the companies involved more available to respond to other calls to tender. Such disposals occurred, for example, in Egypt for the electrical power station in Sidi Krir. The possible risk for the public sector is that the new shareholder might not possess the same necessary technical and financial capacity to reduce operating risks. This

situation could become even more prejudicial for the public sector if information about the project is not available, while the original sponsors could be tempted to only optimise construction and operating costs until their planned exit date. The public sector can minimise such risks by requiring the original sponsors to provide a technical and financial guarantee until the end of the contract. Another approach is to enforce a provision relating to concessions⁶ that the contract can only be transferred to a third party after the prior consent of the party granting the project.

Only a good quality regulatory framework that addresses the need for the disclosure of information and an efficient public steering can limit or avoid these two risks. Reducing the legal risks for contracting parties increases the attraction of PPPs for investors and therefore limits the risk premium requested by investors. Increasing capacities for drawing up complex contracts within the public sector and increasing competence for steering the contractual relationship can strengthen guarantees of contract efficiency and effectiveness for public bodies (value for money). They can also help to foresee risks of downgraded service provision (resulting from either a lack of contractual flexibility or opportunism by the service provider over any elements that are difficult to include within a contract, Estache *et al.*, 2009). Good steering can ensure that at the end of the contract, the service can be reintegrated into the public sector or at least transferred to a new service provider. If this is not the case, the loss of skills and technical expertise on the public buyer's side could place the current contractor in too strong a position during the next call for tender.

A good quality regulatory framework and public steering are also essential where a PPP project can only succeed through social acceptance. A bias in favour of the service provider or an unsatisfactory project could compromise the whole PPP policy and lead to either the withdrawal of political support or withdrawal by the private sector (due to a perceived country risk). For these reasons, the development of a PPP policy in the MENA countries is inseparable from current state governance reforms. Improved governance is an essential condition for implementing PPP contracts. In turn, PPP projects are vehicles for the modernisation of state action.

In addition, the successful development of PPP schemes in the MENA region depends on high-level political commitment and on a political, legal and regulatory framework which wards off the risk of corruption. There are three critical aspects for ensuring an efficient use of PPPs in MENA countries and to prevent some of the difficulties met in other emerging economies:

- i) Building a political consensus and support for the PPP policy. Such support is essential for reassuring private actors that political commitment will be consistent in the long run and that political risks are minimal.

- ii) Gaining public support or acceptance of the PPP policy. It is necessary to convince the civil servants involved in the delivery of the service prior to the conclusion of the new contract about the protection of their rights and wellbeing. It is also essential to guarantee to end-users that the quality of services, access or prices will be under strong public sector control.
- iii) Ensuring that procurement rules and accountability procedures can minimise the risk of corruption and also control conflicts of interest on the part of public officials. In many emerging countries, PPPs carry the stigma of corruption or misuse of public funds. Bribery at the bidding stage can be a very attractive strategy for firms because of the core characteristics of PPP contracts. Taking into account such ethical issues is essential in order to build public support for PPP policy.

In this way, the efficient implementation of PPP contracts is inseparable from efforts to modernise public action. In addition, regulations relating specifically to PPPs are necessary, but on their own insufficient. The way in which the law is applied, the way in which it will be interpreted and, above all, the practices of the public bodies involved in PPP projects will determine the success of the PPP policy. Thus following the OECD principles on private investment in infrastructure (Christiansen, 2008) can define a regulatory framework and new modes of public action that are favourable to PPPs. These principles were mainly inspired by good practices in OECD member countries, as well as emerging countries. Furthermore, applying these principles would not only affect PPP projects. They can also be a vehicle for far-reaching reform in public management.

Common pitfalls in implementing PPP projects

The current development of PPPs in the MENA region and growth prospects for this contractual instrument make it even more necessary for public sector action to guarantee the efficient implementation of projects and to avoid common difficulties and pitfalls. These problems can be divided into three categories: i) the decision to enter into a partnership; ii) tendering and finalising the contract phase; and iii) fulfilling contractual obligations. Each can be anticipated and at least partially prevented by following good practice derived from international experience and the 10 good practices in the public-private partnership process embodied in the OECD report *Public-Private Partnerships: In pursuit of risk sharing and value for money* (OECD, 2008).

Deciding whether to entering into a PPP

First of all, believing that PPPs are an automatic solution to acquiring service provision can lead to projects being implemented for services for which the private sector offers no cost advantage over the public sector. This can

expose the private service provider to risks that it cannot cover – obliging the public sector to rescue it if it encounters difficulties. Systematic use of PPPs could also prejudice the quality of services for which it is extremely difficult to define quality criteria, or which turn out to be constantly evolving. In such situations, the additional cost of private debt means that PPP projects would not necessarily meet value for money (VFM) criteria or meet affordability tests. A PPP contract is affordable when government expenditure on the project can be accommodated within the government's short-term budget framework. The VFM of a PPP can be improved by reducing life-cycle costs, better allocation of risk, faster implementation, improved service quality and effectiveness, and generation of additional revenue compared to a conventional procurement scheme. The efficient use of partnership contracts would ensure that such criteria are met. Otherwise, choosing a PPP could conceal some “escape from the budget” strategies to make up for weak resources.

It should be highlighted that different MENA countries vary in their exposure to such risks. States with an average income use PPPs principally to make up for insufficient budgetary resources, while the states with higher revenue may use PPPs for different reasons. Where relevant, the expertise and innovation of major international groups can be very beneficial in advising on PPPs. Moreover, governments with higher revenues can turn out to be major investors in projects in the less wealthy states.

More generally, preliminary assessments by governments have to take into account long-term projections to verify that VFM is not just achieved for today's taxpayers and service users, but also for future generations. Intergenerational efficiency and equity are critical dimensions in a PPP process, especially because of the short-termism of the political process. The length of the process to award PPPs and the very long duration of PPP contracts also mean that VFM assessment should be performed at three different stages during the whole process:

- i) A first test should be done before deciding to commit to a PPP scheme. Such *ex ante* assessment is necessary to realise a trade-off between a PPP and a conventional procurement scheme. It focuses on the potential of the PPP project to produce VFM.
- ii) A second VFM test could be done just after the selection of the contractor but before the contract is awarded. The objective would be to assess if the contractual clauses achieve VFM.
- iii) A third evaluation should be done when the contract is completed to assess if the contract has achieved its initial objectives. As PPPs are very long-term contracts, this assessment could be periodically performed during the completion phase by the procuring agency, an independent monitor or a government audit institution.

Risks at the tendering and contract finalising stage

The additional cost linked to financing can become even more significant when the legal and regulatory framework is not designed to strengthen investors' legal position. Exposed to the risk of a regulatory roadblock, investors could demand an additional risk premium at the tender submission stage, reducing profitability on the operation for public finances.

Defiance by investors in relation to contracts under a PPP project can have other consequences than a request for an increased risk premium. It may result in fewer offers submitted, which would reduce the competition for the contract. Healthy competition during the bidding process is an essential criterion for contract efficiency as competition is mitigated during the duration of the contract (see above). Therefore, the public sector needs to be able to retain a sufficient degree of competition during the contract award phase, while also integrating a certain level of direct negotiation.

A set of regulations also needs to be implemented to reduce the risk of poor decisions over the choice of contractor or the contractual terms. New capacities need to be acquired to reduce the lack of information and bridge the gap between the public and private parties; by taking advantage of both internal and external expertise (even if this increase the transactional costs). This is in order to conclude well-balanced contracts and reduce the risk of opportunistic strategies by companies trying to, in the early phase, claw back money cost-by-cost from the contract – even submitting unrealistic tenders only to renegotiate the contract once in a position of power after any threat of competition has vanished.

Ensuring contractual obligations are fulfilled

Such demands for renegotiation demonstrate the third type of risk induced by PPP contracts for the public sector. Contracts should be set up so as to prevent this type of strategic manoeuvre, while also leaving room for possible renegotiations to maintain the financial *status quo* and allow the service provision to evolve to the benefit of both parties. This can be achieved through the implementation of contractual monitoring mechanisms, such as multi-party steering committees or dispute resolution facilities, in order to avoid possible legal action. In other words, ensuring competitive pressure *within* the contract is as crucial as a sufficient level of competition *for* the contract in the bidding phase. When the best contractor has been chosen, maintaining competitive pressure during the contract performance is essential to contain “moral hazard phenomena” (i.e. bail-outs in case of default), which could induce opportunistic strategies from the private contractor.

Efficient monitoring of the partnership can occur by developing new capacities to manage the contractual relationship and developing expertise within the public sector, through a programme for training and recruiting

specialists from the private sector and by building specialist teams to support the different public sector parties. For example, a Masters programme was created in Tunisia in partnership with the Tunisian National Schools of Administration to train public buyers in drawing up international contracts. With regard to specialised teams, following experiences in Britain, France and Italy, the different MENA countries have progressively created centralised support units to help public authorities to evaluate the economic benefits of proposed projects, to support them in the call to tender phase and to finalise the contract and capitalise on good practice in the field. For example, a specialised team was set up within the Egyptian Ministry of Economy in June 2006, and in 2008 the Bahraini High Committee for Privatisation was created. In addition, a Jordanian PPP Committee and a Tunisian Concession Monitoring Unit are both currently being set up.

The rest of this chapter analyses the PPP policies in Jordan and Tunisia. Both states have undertaken ambitious PPP development policies. We highlight how they have responded to the types of difficulties discussed above. We also look at the basis for the public sector decisions to enter into partnership options, the adaptation of legal frameworks occurring alongside this policy and public authority capacity to support the conclusion and execution of PPP contracts.

8.3. Jordan

During the 1980s the Kingdom of Jordan entered into a structural adjustment policy and took measures to correct the balance between the state and market, i.e. between the public and the private sector. A package of legislative and regulatory reforms, intended to increase the attractiveness of Jordan for international investors, reinforced the weight of market mechanisms within the Jordanian economy and opened it up internationally. The first phase of this policy was marked by bilateral commercial agreements and also WTO membership. The second phase involved a programme of privatisation, in order to accelerate the modernisation of the economy rather than to dispose of public services. Begun in 1996, the national strategy for privatisation received legal status under law No. 25 in July 2000. Its principal objectives were fully coherent with the logic of PPPs. Jordan's privatisation programme was cemented in the summer of 2009 through 71 operations that yielded USD 2.6 billion to the Jordanian state. The state, in accordance with the law on privatisation, used this money to reduce the public debt and to finance the retirement of employees from the public sector who were affected by these operations.

Privatisation and PPPs are not equivalent terms, but nevertheless the Jordanian privatisation programme falls mostly within the scope of this study. Certain operations listed as privatisations in the Jordanian legislation are quite in accordance with the definition of PPPs. These include leasing

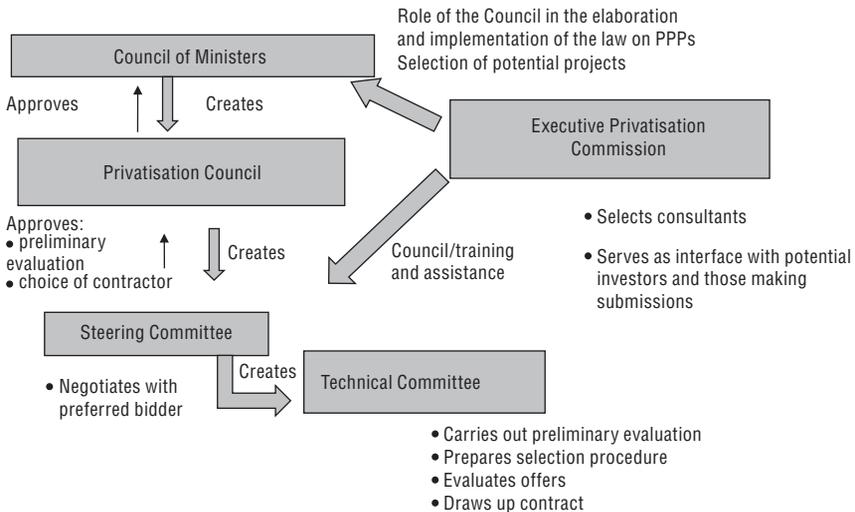
operations (especially tourist infrastructure) or management and lease contracts (e.g. the contract with the Water Authority of Jordan for the city of Amman and a contract for the container terminal of the port of Aqaba).

A PPP is defined under Jordanian law as “an agreement over a relatively long term between public and private sectors in order to provide a given service, develop a project, or perform certain tasks through techniques of project financing and risk allocation between the two parties”.

Institutional arrangements

The strengthening of private sector participation in infrastructure investments is favoured by combining strong public authority involvement with an adapted regulatory and legislative framework. To this end, a decision by the Council of Ministers in September 2008 led to the establishment of a PPP Committee.⁷ While this committee was being formed, the Executive Privatisation Commission (EPC) played a central role in the design and implementation of the Jordanian PPP policy. The EPC occupies a central place in the decision-making process during the preparation for the call to tender, the selection of partners and finally during the contractual phase (Figure 8.2).

Figure 8.2. **Organisations involved in decisions over PPP contracts, Jordan**



The EPC, which also played a central role in writing the 2008 regulations, must register with each minister the potential PPP projects in the various eligible sectors. It must also estimate the economic opportunities and collective interest represented by each one, as well as the economic and financial viability of the contracts to which the partnerships might lead. Following this, the committee must follow the entire procedure for awarding a contract.

For each PPP project, the Privatisation Council, with help from the EPC, forms a steering committee assisted by a technical committee. These committees must first produce a preliminary evaluation of the project. After project approval, a tendering document is then put together by the Technical Committee. The interface between the Technical Committee and potential investors is assured by the EPC. Final offers are evaluated by the Technical Committee, which chooses the preferred bidder. Then the steering committee enters into bilateral negotiations during the second phase of the procedure. Next, the proposed contract must be approved by the Privatisation Council, and finally by the Council of Ministers.

Regulations define the four steps that must be accomplished in the framework of a PPP project supported by a public entity, after a preliminary economic evaluation has concluded that the project is in the public interest:

- i) An invitation is issued to the private sector to express its interest in a given project.
- ii) Private operators tender an expression of interest, that is, an initial offer established on the basis of the initial invitation to tender.
- iii) Pre-qualification of submissions.
- iv) Pre-qualified⁸ investors are invited to submit their offer along with the relevant technical and financial components.

This procedure avoids the risk that a PPP will be implemented because of weak budgetary resources, or that only certain projects will be carried out because they are “bankable”, i.e. eligible for private financing. First of all, each project is evaluated on the basis of its intrinsic socio-economic usefulness. Before a call to tender is issued, the Privatisation Council must approve a report containing the estimated cost to the public sector of the PPP, the level of financial commitment that will be incurred, a description and allocation of risks in the contract, any eventual guarantees that must be made by the public sector, performance indicators against which payments will be based, a provisional timetable for operations within the PPP framework and an estimate of transaction costs (especially for external consultants). Such requirements allow the public authority making the decision to evaluate the opportunity involved in the PPP project and also to judge the sustainability of the operation in regard to the public budget.

In the same way, the rules under the Jordanian law of 2008 governing the awarding of contracts are intended to guarantee transparency and to allow public authorities to implement an acquisition procedure adapted to the specific PPP. The steering committee takes a two-phase selection process, very close in spirit to the “preferred bidder” procedure in the UK and to the European procedure known as competitive dialogue. After publication of the invitation to express interest, businesses or groups of pre-qualified

businesses should receive all the information about the contract from the steering committee and – with support from the technical committee – the steering committee will evaluate and score their offers. The offers are scored against a number of criteria. Bilateral negotiations then begin with a preferred bidder – the consortium that has obtained the highest score during the first phase. If the negotiations do not come to a satisfactory conclusion the committee may open negotiations with a second preferred bidder – the business or grouping that obtained the second highest calculated score during the first phase.

PPP data for Jordan

World Bank data indicate a clear increase in private investment in PPPs in Jordan in 2006 and 2007; private investment surpassed USD 1 billion for each of these years. Between 1990 and 2007, 13 PPP contracts were signed in Jordan with a total private investment of USD 4.21 billion. What was the sector-by-sector breakdown of these contracts over this period?

- Telecommunications: Five contracts totalling more than USD 2 billion, representing 49% of the cumulative investment.
- Electricity: Two contracts, representing 10% of the total investment.
- Transportation: Six contracts representing 37% of total investment.
- Water: Two contracts, equivalent to 2% of cumulative investment (contracts in this sector are mostly concessions or management and lease contracts which do not require high levels of private investment).

The terms of three PPP contracts have already been agreed in Jordan: i) the water treatment and irrigation services in Assamra; ii) Queen Alia Airport in Amman; and iii) the treatment of medical and industrial waste in the Amman region. The first contract is a BOT-type contract whose agreement was concluded in 2002. Private investment amounted to USD 169 million. The financial structure of the operation is particularly interesting – alongside the 10% of project funds contributed by the companies involved, there were also bank loans, the direct participation of the Jordanian treasury and financing brought in from the international development co-operation sector. The Amman international airport contract involves the modernisation of the airport and its management. The contract is a BROT-type (build- rehabilitate-operate and transfer) lasting 25 years, awarded in 2007 to a consortium including construction and public works sector operators, financial actors and the Aéroports de Paris. This consortium-based approach to PPP projects brings together the skills necessary for fulfilling the contractual objectives.

The third contract, for the treatment of industrial and medical waste, illustrates the complexities and length of time involved in implementing a PPP. The Council of Ministers decided to order preliminary feasibility studies in

June 2003 and approved the decision to seek a partnership in February 2005. It was decided to opt for a BOOT contract (build-own-operate-transfer) and a call to tender for was made in April 2007. In June 2007 ten submissions were received and three of the groups pre-qualified. In January 28 2008 a preferred bidder was chosen and bilateral negotiations were opened. In January 2009, the Council of Ministers approved the awarding of the contract to the private consortium, which then had six months to arrange financing in an international climate that had become much more difficult.

There are a few PPP contracts in the process of being awarded, mostly in the waste management and transportation infrastructure sectors. A project for a BOT contract for dealing with waste in the city of Amman was announced in December 2007. In the transport sector, projects are being planned for a ring road around Amman (decision of the Council of Ministers in September 2008) and for connecting Jordanian railway lines with those of neighbouring countries (to start in September 2008).

The Jordanian experience highlights two critical aspects in using a PPP policy.

- i) Reliance on groups of experts to advise and assist public contractors. Such support is necessary since PPP contracts cannot be awarded in the same way as traditional procurement. Instead they involve a phase of bilateral negotiation with potential contractors to make the terms of the contract even more precise, and to learn from the innovation expertise that exists in the private sector. Therefore, the public authority in charge of the contracting process has either to be able to depend on expertise within the administration, or the skills of external advisors. Until a PPP committee is created, the EPC handles this central role.
- ii) The difficulties involved in finalising financial arrangements for certain contracts. For example, contract negotiations on the Zarqa-Amman line failed at first because of demands made for public subsidies by the consortium selected to arrange financing. In fact, PPPs which depend on financial packages that are heavily leveraged in terms of debt (so as to reduce the extra cost of private financing relative to public financing, theoretically less burdensome) are particularly sensitive to the tensions affecting financial markets at this time.

8.4. Tunisia

Tunisia gives an example of how a legislative and regulatory framework can be developed so that it is favourable for the development of PPPs and takes into account the cost of private financing. The decision to choose the PPP path was part of a general policy intended to open up Tunisia's economy. In this sense the development of PPPs does not have a financial basis, but is part of a policy of transformation of the national economy and administrative reform.

Legal framework

The Tunisian legal framework for PPPs was completed in 2008 by a generally applicable law on concessions. The law was intended to clarify the legal framework and to unify practices and arrangements previously implemented at the sectoral level and governed by diverse pre-existing laws. The law on concessions helped increase the attractiveness of investing in PPPs by providing all stakeholders with a clear and coherent legal framework. The law on concessions emphasises transparency during the tendering process. It introduces a procedure involving competitive consultation: allowing a first phase of competitive bidding based on a call to tender, followed by a second phase of negotiation.

It should be noted that the Tunisian law uses the term “concessions” rather than PPP. This is partly because of its aim (to create a general framework that unifies various sector-related laws) and the concessionary nature of numerous contracts already concluded (especially in the water and electricity sectors and for urban building projects). However, the text was intended to cover all forms of PPPs. Similarly, in line with established practice, the Tunisian legal texts use the term “licenses” rather than concession or partnership when referring to mobile phone operators. The term PPP appeared for the first time in the law on the digital economy of February 19 2007, which outlines the set of recommendations and best practice for PPPs, including the preliminary evaluation of choices, procedures for setting up a tendering process or drawing up contractual clauses.

Institutional arrangements

However, the development of PPPs does not only depend on a legal framework. Legal texts cannot guarantee effective application. Thus, the development of a PPP policy must also be accompanied by public administration reforms.

The first step is for public contracting authorities to make procedural guidelines available to all concerned. This gives administrative personnel precise tools for evaluating projects, for composing calls for offers, for judging offers from various companies, negotiating with these companies, drawing up effective contracts and monitoring their implementation. All this requires new skills within the public sphere. These must be acquired quickly, since the consortia of companies with which the public contract authority must deal already has these skills, either internally, or by bringing in external financial, legal or technical consultants.

A decree in September 2008 therefore created the Concession Monitoring Unit for studying all concession projects set up by the Tunisian public authorities. The unit comments on whether a project will be a good opportunity

or not, and also comments at each stage of the procedure – from bidding dossiers, to the criteria for evaluating offers, the reports on the offer dossiers, contractual documents, the eventual propositions made by the groups submitting offers, reports concerning the granting of concessions and the monitoring of negotiations. This will be an opportunity to capitalise on experience, and as a tool for evaluation that the Prime Minister can use in supervising PPP contracts proposed by various public authorities.

In addition to this unit, implementing PPPs requires other new skills within the public sphere. An ambitious PPP policy can only be achieved through the evolution of human resource management within the public sector. This will include encouraging movement between public and private sectors, recruiting specialists through contracts, allowing personnel exchanges between different public bodies in order to exchange experience and expertise from one ministry to another, and implementing modernisation programmes to improve the quality of services public bodies provide to customers. Finally, and perhaps more importantly, is a commitment to widespread training programmes for staff within the public sector. At the same time a PPP policy cannot be successful unless it is accepted by the various stakeholders, whether customers or employees of the public authority in question.

The capacity to attract investment in a PPP depends largely on the degree of legal security offered to international investors. In this sense it is perhaps opportune to leave open, as Tunisian law does, the possibility of recourse to non-jurisdictional procedures for handling litigation. In Tunisia arbitration (*ad hoc* or institutional) is possible within the framework of regulations governing disputes between the public sector and its contracting parties. However, legal tradition in continental civil law prohibits this in principle if the parties are both public entities. But even before differences evolve into disputes, Tunisian PPP contracts contain a certain number of arrangements for allowing conciliation between the two parties via dispute boards. These are mixed committees that include legal experts and technicians from the two parties to the contract; their function is to manage, in a co-operative and friendly manner, the sort of incidents that commonly arise in the execution of a contract. This allows the parties to avoid their disputes being taken to court or arbitrators. Such procedures can strengthen the legal security of investors and thus reduce the risk premium they may demand if they are to involve themselves in long-term contracts with the administration.

PPP data for Tunisia

In this way, Tunisia has evolved from a legal tradition accustomed to handling concessions to an institutional framework able to handle the increasing use of PPPs. According to the World Bank database (World Bank and PPIAF, 2007), seven PPP contracts have been concluded in Tunisia. Four deal with

the energy sector (equally divided between electricity and natural gas), two are in telecommunications and one deals with airport infrastructure. The cumulative amount of investment in the telecommunications sector amounted to USD 3.17 billion between 1990 and 2007. For the airport, gas and electricity projects, the amounts of private investment were respectively USD 840, USD 657 and USD 291 million. In terms of contract type, USD 1.9 billion of cumulative investment went into Greenfield operations (four in energy, one in telecommunications). USD 2.2 billion went into privatising the historical telecommunications operator, and a concession in the airport domain received USD 0.84 billion in private investment.

Of these PPP contracts, the concession for Enfidha and Monastir airports and the project for wastewater treatment stations (El Allef and El Attar II) are particularly interesting. They combine a BOT (build-operate-transfer) operation for new infrastructure and a BROT operation for existing public infrastructure. This means that the new operator can modernise the management of existing infrastructure, while making use of resources drawn from this existing infrastructure in order to reduce the finance needed for constructing the new infrastructure. This allows the financial cost of the PPP operation to be very significantly reduced – such costs are one of the main disadvantages of the strategic partnering of BOT and BROT operations. This type of operation is all the more interesting at present because the financial crisis is making it more difficult to reach an agreement on PPP operations. The crisis reduces the financial leverage that can be used in partnership arrangements of this kind. In fact, before the crisis the project company to whom the contract had been awarded limited the amount of their own indebtedness drastically in order to limit as much as possible the average cost of such resources. Thus before the crisis, when liquidity was easily available on financial markets, ratios of 15% of consortium resources to 85% indebtedness were considered conservative. Since the crisis, however, external financiers are demanding better guarantees, and ratios have now shifted to around 30/70. This has consequences for the financial cost of the operation.

This strategic partnering for secondary infrastructure during the exploitation phase allows the financial cost of the operation to be reduced significantly. Strategic partnering is easier to set up when the private partner can observe the quality of the infrastructure to be transferred. Such mechanisms are more difficult in other sectors in which the state of infrastructure is harder to see, for example drinking water systems. In these situations other types of arrangements have to be used, such as management and lease contracts following new public investments for infrastructure maintenance. It is also appropriate to note that the contract for the airport concession for Enfidha and Monastir involved participation by the International Finance Corporation, an

affiliate of the World Bank, through a loan and a subordinate tranche. Once again, the crisis has led to increasing involvement of international financial organisations in the financial arrangements of PPP operations.

Other PPP projects now in progress in Tunisia include a project for a new deep-water port at Enfidha, in the framework of a BOT. This project is interesting because it is similar to many operations in progress in the MENA region: in Morocco (Tangier), in Egypt (Damiette, Ain Sukna, Alexandria) and in Jordan (Aqaba). Interestingly, a law for sector-related concessions (of July 2008, including a version of a Maritime Code) is now guiding this operation.

The Tunisian case highlights the importance of good quality public regulations adapted to international investment conditions in a PPP framework. Clear legal rules and their predictable application offers legal security to investors. This improves competition for contracts and reduces the risk premium required – two recurrent problems with PPP contracts. The Tunisian case also demonstrates how strategic partnerships in contracts for new infrastructure by renewing existing facilities can reduce the operator's need for initial financing and also quickly improve the quality of service offered to users.

8.5. Conclusions

The Tunisian and Jordanian cases clearly show that PPPs can be valuable techniques for accelerating the deployment of public infrastructure necessary for economic growth. PPPs should allow a nation to improve the effectiveness and the quality of its services.

Engaging in a PPP policy is also an effective instrument for modernising public service delivery. It allows innovation to be introduced into the public sphere and capacities to be developed in the private sector. It stimulates public authorities to reform administrative methods to accompany the implementation of the policy. These parallel reforms need to increase the administration's expertise, control and information resources. For example, effective development of PPPs must involve the progressive implementation of an accounting system that allows the cost of public action to be measured, compares public and private costs, monitors the contractual relationship, and allows information on different projects to be centralised, capitalised upon and used as centres of expertise for those responsible for market operations. However, these structures can not substitute for external expertise, which can be indispensable for contracts as complex as PPPs. External experts will eventually have a monitoring role (also involving validation of choices) and a counselling function to complement the internal expertise.

Steps towards building expertise include recruiting skilled workers in the private sector, developing wide-scale training programmes and creating support units at the inter-ministerial level. In the same way benchmarking

strategies and disseminating good practice are essential for an efficient use of PPPs in MENA countries. Thus, initiatives by international organisations like the OECD – especially developing principles guiding the involvement of the private sector in public infrastructure – play an important capacity-building role within the administration of MENA countries. The application of these principles can also guarantee the secure and effective involvement of each PPP contract party. Similarly, international fora for the exchange of experiences and training programmes are important. International institutions can also participate in preparing partnership projects (Box 8.1).

Box 8.1. International support for PPPs in Algeria

In recent years the World Bank has got involved with the Ministry of Water Resources in Algeria to prepare management contracts for water services and sanitation in Oran, Constantine and Annaba. Faced with a decline in the quality of service, large water losses across the network (40%) and difficulties in collecting water bills, the procedure involved preliminary investment to improve infrastructure quality and increasing resources for exploitation, before handing the simple management of the network over to the private sector. In this case, the efficient use of the PPP reduced risks for the operator while still inducing it to perform well through a payment formula based on the volume of water recovered (this both limited physical losses and improved commercial performance).

However, the success of PPP contracts also depends on external factors that are connected to the world economic situation. An effective PPP requires there to be sufficient competition in the market *ex ante* and that the extra cost of private financing in relation to public financing be limited as much as possible. The spread of the partnership model is heavily dependent upon the situation in the financial markets. Since the beginning of the financial crisis in 2008, risk premiums have increased and the crisis resulted in a “crunch” on credit markets, which was made worse by debt-reducing behaviour by economic agents. Under such conditions it became more and more difficult to market debt by borrowing from banks, and even more difficult to sell bonds in financial markets. Banks have become less and less willing to finance long-term projects. Not only has the cost of financing increased significantly, but the conditions of access to financing have become increasingly strict, whether for guarantees from the public sector or from companies that have collaborated in the formation of the project company (the sponsors); or for covenants or demands to reduce debt ratios by the project companies. Furthermore, the crisis has not only affected the capacities of private consortiums to put together the

necessary financing to conclude contracts, but the quality of the financial signature of the public partner is also in doubt. The reason for this has less to do with difficulties encountered by public authorities in meeting their payment obligations under existing contracts and more to do with a drop in their financial standing linked to rising budget deficits and public debt.

However, an evaluation carried out by the World Bank revealed that between July 2008 and March 2009, while the crisis did not halt the growth of PPPs in developing countries, there was a clear slowdown (World Bank, 2009). It appears that while the first quarter of 2009 showed a slight upturn, this consisted of a few major priority contracts supported by sponsors with excellent references. Between July 2008 and March 2009, 147 PPP contracts were concluded in all developing countries, accounting for a total of USD 55 million. However, the flow of private investment fell by 15% and contracts by 30%. The most apparent consequence of the crisis for PPPs in emerging countries has been significant project delays. The World Bank estimated that 14% of all projects in emerging countries experienced delays in March 2009 because of the crisis.

Despite the financial crisis, it is possible that we will see an increase in PPP contracts financed by the richest countries in the MENA region. For example, Egypt's third mobile telephony license was awarded to a group from the Gulf, Etilsat. Faced with breakdowns on the financial markets, PPP contracts may appear particularly attractive in terms of risk/reward ratios as soon as the legal security of investors is fully guaranteed.

It is nonetheless true that the repercussions of the financial crisis have led investors to become more demanding about the intrinsic quality of projects and the quality of regulatory frameworks. In other words, the ability of MENA countries to select good projects and to provide legislative frameworks that guarantee a high degree of legal security to investors will significantly contribute towards attracting new investment in PPPs. One indicator of success in these efforts is the small number of contracts "cancelled or in distress" recorded by the World Bank (World Bank, 2009). Between 1990 and 2007 for the entire group of MENA countries only six projects were cancelled. This represents only 4.8% of all contracts, and only 1.7% of total private investment. Certainly such results can partly be explained by the very recent development of PPPs in the MENA region. Nonetheless, they are also related to conducive legislative frameworks, especially in terms of protection for investors and the enforcement of contracts. World Bank evaluations of these frameworks, as part of the *Doing Business* reports, have been particularly favourable for the Gulf States and Tunisia.⁹

To conclude, it is apparent that the quality of legislative and regulatory frameworks – and the development of capacity within a public authority for selecting projects, guiding the selection phase, drawing up contracts and monitoring their execution – are all vital elements in the efficient and successful use of PPPs in MENA countries.

Notes

1. Private Participation in Infrastructure (PPI) Project Database World Bank, available at <http://ppi.worldbank.org>.
2. No. 54-05 of 14 February 2006.
3. Commercial concessions law, 28 December 1998.
4. For example, the Tunisian concession law of 1 April 2008 or the Jordanian decree of 12 August 2008.
5. However, it should be noted that while the government is locked into a monopoly supplier for the duration of the contract, competition may still be guaranteed indirectly through other companies who are involved in contracts to deliver the same type of service. In addition, the possibility of contestability implies that a competitor might enter the market.
6. For example, as provided for under Article 29 of Tunisian law 2008.
7. Decision No. 2026.
8. Based on their past references and their technical and financial capacity.
9. *World Bank Doing Business Reports*, available from www.doingbusiness.org.

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Chapter 9

Addressing Gender in Public Management

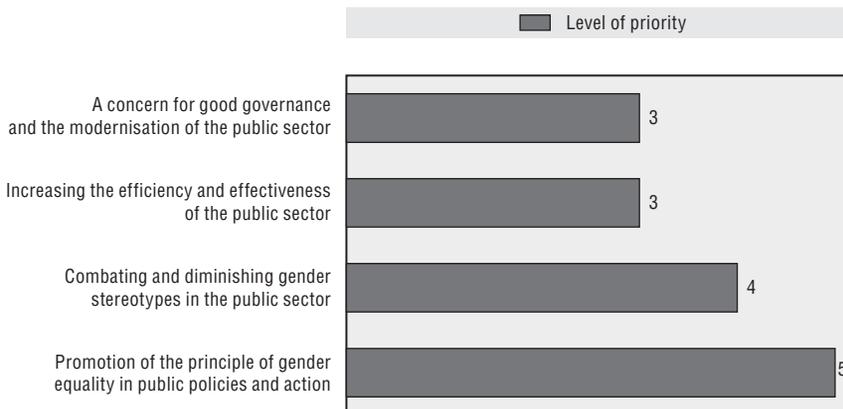
*Achieving gender equity has historically been seen as a particularly difficult challenge in the MENA region. However, within the broader reform framework, several MENA countries have analysed their institutions and processes from a gender perspective and have started to address gender imbalances in decision-making. This involves considering the different needs of men and women in setting policies and spending patterns, and implementing mechanisms to ensure equal treatment in public institutions and before the law. This chapter outlines progress being made in the region to address gender concerns in public management. The case studies selected, **Egypt, Morocco and Tunisia**, show how some countries are using consolidated strategies and whole-of-government approaches to make governance more gender-sensitive. Egypt and Morocco have both developed interesting strategies for promoting gender equality in the public sector, while Tunisia offers a noteworthy approach to enhancing women's status in society.*

9.1. Introduction

The principles of equity and inclusiveness in the public service link good governance to gender equality. Unless public policies, services, legislation and resources benefit all citizens – women as well as men – good governance cannot be fully achieved. Governments and public agencies must therefore analyse their processes and policies through a gender lens to ensure that they reach all citizens, respond to the specific needs of women, and are accountable and transparent.

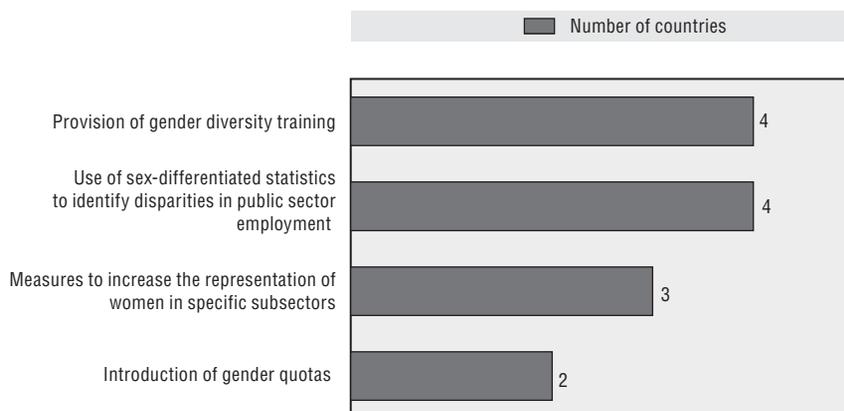
Achieving gender equity has historically been seen as a particularly difficult challenge in the MENA region. Nonetheless, within the framework of broader public sector governance reforms, several MENA countries have analysed institutions and processes from a gender perspective and have started to address gender imbalances in decision making, to take the different needs of men and women into account in policies and spending patterns, and to implement mechanisms to ensure both equal treatment in public institutions and equality before the law (Figures 9.1-9.4).

Figure 9.1. **MENA countries' reasons for developing gender policies in the public sector**



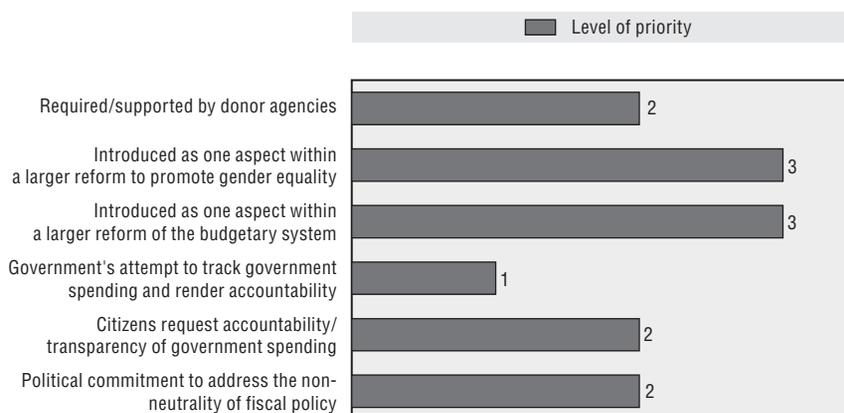
Source: OECD Questionnaire on Addressing Gender in Public Management, August 2009, replies from 5 MENA countries.

Figure 9.2. **Measures to address gender imbalances in the public sector workforce in MENA countries**



Source: OECD Questionnaire on Addressing Gender in Public Management, August 2009, replies from 5 MENA countries.

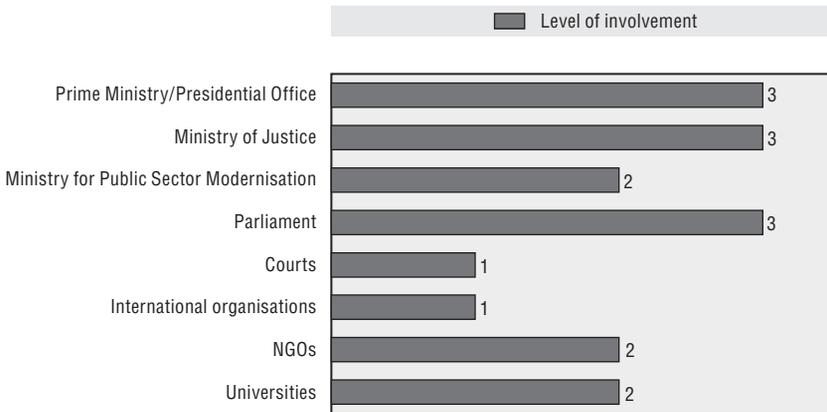
Figure 9.3. **MENA countries' reasons for introducing gender-responsive budgeting**



Source: OECD Questionnaire on Addressing Gender in Public Management, August 2009, replies from 5 MENA countries.

Based on case studies from Egypt, Morocco and Tunisia, this chapter outlines progress being made in the region to address gender concerns in public management. It explores the extent to which Arab women participate in government decision making, whether reforms have fostered a more gender-balanced environment in public management and whether programmes are considering women's specific needs as beneficiaries of public services and policies. Finally, it examines governmental strategies, action programmes and

Figure 9.4. **Institutions involved in introducing gender analysis in regulatory quality frameworks in MENA countries**



Source: OECD Questionnaire on Addressing Gender in Public Management, August 2009, replies from 5 MENA countries.

projects to promote gender equality in the public sector, including how they are implemented and financed. This chapter also draws on the findings of the OECD online *Questionnaire on Addressing Gender in Public Management* that was shared with MENA countries in July 2009 and to which five economies (Bahrain, Egypt, Morocco, the Palestinian National Authority, and Yemen) provided replies.

9.2. Overview

MENA governments have used two broad strategies to foster gender equity: gender mainstreaming and equal opportunities policies. Gender mainstreaming incorporates gender perspectives into public policies throughout government, at all levels and at all stages of policy making, in order to prevent gender discrimination. Several MENA governments are using gender mainstreaming to analyse the impact of government decisions through a gender lens and to integrate gender perspectives throughout the policy process. Gender equal opportunity policies work to eliminate inequality and discrimination.

Including gender perspectives in public governance is particularly important in the MENA region because the public sector remains the largest employer for both men and women. By pursuing gender-sensitive personnel policies, governments are working to ensure adequate representation of women in decision-making posts. These policies include promoting equal employment opportunities and equal pay, ensuring equal opportunities for advancement and promotion based on competence, and offering capacity-building to support women's professional development. These measures help to create a public

sector where suitably-qualified candidates are assessed, recruited and promoted on merit-based criteria and professional requirements, particularly when coupled with measures to reconcile professional and private life by providing family-friendly working arrangements that do not disadvantage women.

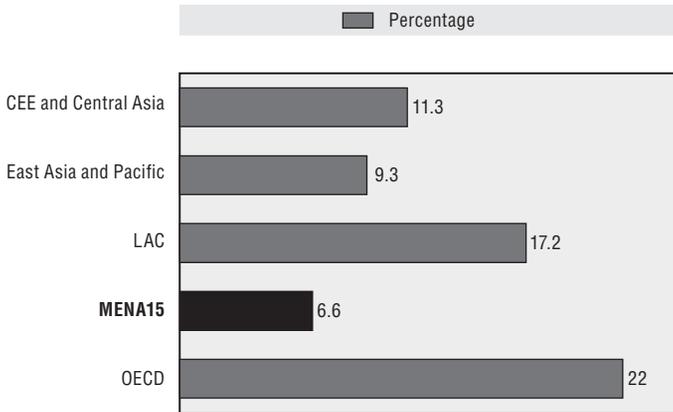
Some MENA governments are also integrating the gender dimension into public budgets using what is generally termed gender-responsive budgeting (GRB). GRB takes into account the different direct and indirect effects of government expenditures and revenues on women and men. It recognises that women and men have different needs, interests and priorities that should be addressed by fiscal policy and government budgets. Using GRB, governments identify what share of the national budget is benefiting women and men, respectively, covering both expenditures and revenues, sometimes at the sector level and sometimes more globally. GRB goes beyond *ex post* budget analysis, however: it implies a systematic effort to integrate a gender dimension into the budget process. It identifies areas where revenues or expenditures may need to be restructured to promote gender equality. For example, it may identify that police, justice, counselling and protection services are not directing an appropriate share of resources to assisting women victims of violence.

MENA governments are also progressively introducing gender analysis into regulatory frameworks. This implies reviewing existing and draft regulations to identify whether the impacts on women are directly or indirectly discriminatory. Governments can then take legal steps and use regulatory provisions to promote gender-friendly administration and analyse the effects of new and existing legislation on women and men.

The case studies selected for this chapter – Egypt, Morocco and Tunisia – show how some MENA countries are using consolidated strategies and whole-of-government approaches to make governance more gender-sensitive. They showcase exemplary, innovative and sophisticated policy tools that are also being trialled by OECD member countries. Egypt has used institutional and judicial mechanisms to introduce gender equality analysis and GRB. Morocco has focused on institutional transformation to ensure attention to gender concerns in public management, notably in gender budgeting, employment and decision-making practices. It has also collaborated inter-sectorally and with international partners and civil society to support the reform. Tunisia has transformed its legal system to promote women's equality under the law.

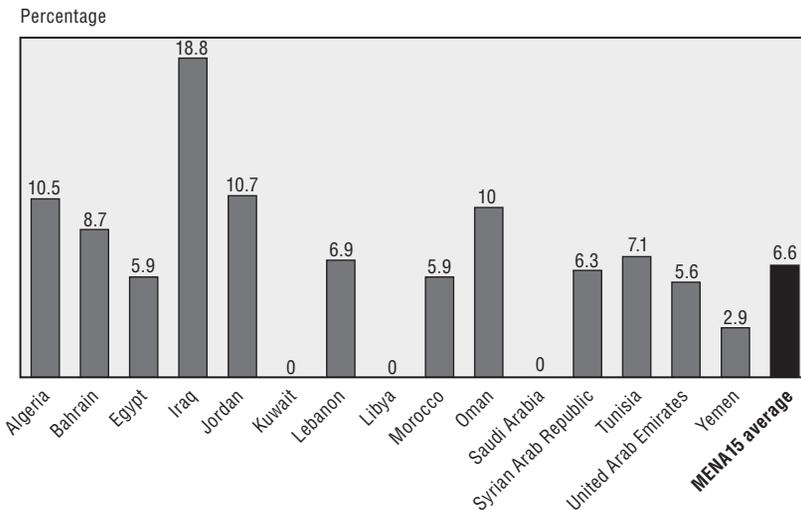
While these cases offer promising signs of reform in gender policies and programmes in MENA countries, many challenges remain in reaching international standards of equality and equity. Figure 9.5 illustrates the gap between MENA and other regions in the proportion of women holding top government posts, for example. These averages must be considered in the

Figure 9.5. **Women in ministerial positions per region in 2005 (as % of total)**



Source: Adapted from OECD Gender, Institutions and Development Database.

Figure 9.6. **Women in ministerial positions in 15 MENA countries, 2005 (as % of total)**



Source: Adapted from OECD Gender, Institutions and Development Database.

light of considerable variation within the region, however. Figure 9.6 offers one indication of this variation and demonstrates that, in terms of the proportion of ministerial levels held by women, a number of MENA countries are close to the average for other developing regions.

Although nearly all MENA countries have signed the Convention for the Elimination of all Forms of Discrimination Against Women (CEDAW), most of them refuse to enforce any clauses opposing national or Islamic law (Table 9.1). Upon signature, for example, 15 of the 16 MENA signatories introduced reservations to core provisions, in particular Articles 2 (on adapting policy measures and legal and institutional frameworks for equity) and 15 (equality before the law). These reservations significantly reduce the convention's potential impact in the region. Morocco ratified the convention in 1993 with reservations, but in 2008 it became the first and only MENA country to retract its reservations.

Table 9.1. **CEDAW signatories: The MENA region compared to OECD countries**

	Not signed	Signed with reservations	Signed with no reservations
MENA countries	1	15	0
OECD countries	0	10	20

Source: Adapted from United Nations CEDAW States Parties.

9.3. Egypt case study: Making budgets sensitive to gender

Egypt ratified CEDAW in September 1981, becoming the first MENA government to do so. Although some principles of gender-sensitive programming were already being applied before then, a more comprehensive approach was launched in 2000 following the formation of the National Council for Women (NCW) by presidential decree. Reporting to the President of the Republic and headed by Egypt's First Lady, NCW provides the high-level leadership needed to advance a complex and cross-cutting issue like gender.

NCW has taken on this challenge through initiatives to mainstream gender in the national budget, to incorporate gender more fully in public policy, and to strengthen the gender dimension in the Social and Economic Development Plan. The NCW has prepared two Five Year Plans for the Enhancement of the Egyptian Women, one focusing at the central level (2002-07) and one addressing the governorate level (2008-12). Preparation of these plans has involved close consultation with key line ministries, local government, international organisations, the private sector and non-governmental organisations.¹ After discussion by the two houses of parliament, the plans were integrated into the government's fifth and sixth Five Year Plans for Socio-Economic Development (2002-07 and 2008-12).

NCW has spearheaded several institutional changes to implement the plans. It recommended establishing Equal Opportunity Units (EOU) in each ministry to mainstream women's concerns and to track and combat workplace discrimination against women. In 2001, NCW also established an ombudsman's office, to which citizens can report all kinds of discrimination, whether in society at large, in public institutions, or in the workplace. This office manages

a free telephone hotline; maintains a database of complaints, which are referred to the relevant authorities; and provides legal counselling services free of charge. The ombudsman office organises periodic meetings with the representatives of the ministerial Equal Opportunity Units to follow up on complaints received from public sector employees. For example, since 2001 the ombudsman office has received 29 complaints from Ministry of Finance employees which have been referred to the ministry's EOU. An additional 25 employees of the Ministry of Finance complained directly to the EOU during this period. Women made most of these complaints, which related to unfair or unequal treatment in the workplace in terms of insurance payment, pensions, transfer of personnel within the ministry's headquarters or relocations to local offices, and dismissals. One complaint was about psychological and physical violence in the workplace.

The NCW has also provided training in gender participatory planning for 22 line ministries and 179 (of the 232) regional governments at district level. Reaching down to the local level has been a priority for the NCW, which worked closely with the Ministry of Local Development and UNIFEM to mainstream gender in local public policies, in line with the objectives of the Egyptian Decentralization Initiative.² Based on a Needs Assessment Survey carried out by the Information and Decision Support Centre, 27 Plans for the Enhancement of Women at the Governorate Level have been developed. In addition, a project entitled Gender Monitoring and Evaluation of the National Plan for the Enhancement of the Egyptian Women in the Governorates was launched in 2007 with the support of the United Nations Population Fund (UNFPA), the United Nations Development Fund for Women (UNIFEM) and the United Nations Development Programme (UNDP). This led to the release of a *Gender Monitoring and Evaluation Manual*, the provision of annual monitoring and evaluation reports and the creation of a standard monitoring and evaluation format. These initiatives reveal the government's belief in the significant impact of local policies on social development.

Adjusting the budget process

Egypt has focused special attention on addressing gender inequalities in public spending and in fiscal policies by modifying the public budget process, frameworks and allocations. Unlike Morocco (Section 9.4), Egypt has focused on revising the legal framework and has adopted a series of laws to institute gender-budgeting. In 2005, Egypt committed to restructuring the national budget and to adopting performance-based budgeting by 2010. In 2008, the Egyptian Parliament voted for the institution-wide implementation of gender-responsive and performance-based budgeting, based on a proposed law submitted by the Ministry of Finance and the NCW. The amended 2008 budget laws introduced gender concerns for the first time in the budget planning

and execution process. The 2008/09 budget circular paved the way for institutionalising gender-responsive budgeting and also suggested that data should be disaggregated by sex.³ The government also adopted two new gender-related budget instructions with the 2008/09 budget guidelines. Of these, Article 11 prohibits the transfer or use of surpluses and savings on budget lines that are dedicated to promoting gender-equality or women's concerns to another budget line without the explicit approval of the Minister of Finance. This innovative political statement underlines the government's high political commitment to complying with gender-budgeting regulations.

Parliament's role in the budgetary process has also been strengthened. An amendment to the Constitution in March 2007 requires the government to submit the budget proposal two months before the start of the financial year to the People's Assembly for discussion. The government can no longer implement the national budget without parliament's full approval. In 2008, a gender report containing specific budget allocations for women was annexed to the national budget for the first time, making it an official government document. The fiscal plan 2007-08 introduced a new code and accounting system to increase the flexibility of data presentation, which will help in preparing gender-responsive budgets. The 2010/11 budget will be presented to parliament in the form of a performance-based and gender-responsive budget. Following these changes in the legal framework, budget officers and employees of the Ministry of Finance have designed sex-disaggregated budget templates to be filled out by all 700 government agencies.

In 2005, the Ministry of Finance established an Equal Opportunities Unit (EOU).⁴ In November 2006 the EOU launched a pilot project on Equal Opportunities for Women in the National Budget with the technical and financial support of UNIFEM and the Embassy of the Kingdom of the Netherlands. This project consists of two pillars: i) developing a gender responsive budget programme (GRB); and ii) improving human resource development from a gender perspective.

In terms of GRB, the project's main objective is to promote social justice through an equitable distribution of public spending. To achieve this, the government plans to move from line-item budgeting to gender-responsive performance-based budgeting in all national budgets by 2010. The pilot project follows a gradual and decentralised approach,⁵ initially introducing gender-sensitive budgeting in 15 governorates in the 2009/10 budget.⁶ The project focuses on public spending in six target sectors: education, health, water resources and irrigation, labour, social security, and food supplies. The Ministry of Finance has carried out a budget analysis for each of these subsectors and is supporting the relevant line ministries in incorporating gender in budgetary planning, review and execution processes.

In order to clearly identify the share of women, children and men in budget allocations, the Ministry of Finance has developed gender indicators and collected sex-disaggregated data on beneficiaries of public services within five governorates,⁷ supported by the Central Agency for Public Mobilization and Statistics (CAPMAS). These data have been published in the ministry's 2008/09 statistical statement and gender indicators are currently being compiled for staff wages and remunerations.

Training and capacity building is another priority of the Equal Opportunities for Women in the National Budget project (Table 9.2). An expert group comprising representatives of the Ministry of Finance, Ministry of Economic Development, the NCW, the Institute of National Planning and UNIFEM developed a *Training Manual on Gender Responsive Budgets* in 2007. The Ministry of Finance translated it into a training curriculum and instructed a core team of 32 employees to become highly trained gender-budget experts. Since 2008 these experts have in turn provided training and support to 170 officials in the Ministry of Finance during 20-day training cycles. Two different "On the Job Training Plans" were designed to ensure that budget officers at the local and national level know how to apply GRB, and especially how to fill out the sex-disaggregated budget templates.

Table 9.2. **Practical measures to build gender capacity within the Egyptian public sector**

Measure	Introduced
Awareness raising seminars for public sector staff	✓ yes
Specific training courses for public sector staff	✓ yes
Specific training courses for female civil servants	✓ yes
Manuals/guidelines to put gender strategies into practice	✓ yes
Newsletters, brochures, flyers, publications	✓ yes
Information available on government intranets	✓ yes
Creation of databases on studies relating to gender	✓ yes
Creation of databases on gender experts	– no

Source: OECD Questionnaire on Addressing Gender in Public Management, August 2009.

South-South co-operation has been an important aspect of the GRB training module. MoF representatives have participated in several regional seminars and study visits to share experiences in gender-budgeting.⁸ Training seminars, including training of trainers and certified study programmes, are being prepared with support from UNIFEM. These will be incorporated into the work programme of the MoF's new Public Finance Training Institute (Chapter 3).⁹

In order to ensure the sustainability of the gender-budgeting initiative and to lessen the effort and time invested in training, the National Council for Women and the Ministry of Finance are considering developing a more

practical handbook (than the existing manual) on gender-budgeting for public sector employees throughout the country.

Gender and human resources

The Ministry of Finance has been focusing first on GRB. It has therefore not yet implemented the human resource development component of the project on Equal Opportunities for Women in the National Budget. For HR, the ministry has several objectives: i) to improve the efficiency of government employees; ii) to change the concept of leadership; iii) to empower women in decision making at work; iv) to increase the level of women in the administration; v) to develop a new concept of human resource management; and vi) to ensure gender-friendly HR planning, job descriptions, recruitment, selection and performance appraisal processes. To date, the ministry has developed three questionnaires to be distributed among three different job categories (top management, middle management and researchers) in order to identify training needs and measure satisfaction with the job description system. So far they have been distributed to approximately 1 000 of the ministry's 200 000 employees.¹⁰ Based on these questionnaires, the ministry plans to develop a training manual in Arabic as well as capacity building activities, again applying the "training of trainers" approach.

In conclusion, Egypt has made significant progress in institutionalising gender-responsive budgeting. Even though the gender budgeting initiative was originally very much initiated and driven by donors, the Ministry of Finance has succeeded in convincing its employees and parliamentarians of its importance. Media campaigns, informal meetings and lobbying helped mobilise the ministry's staff, who are now very supportive of the gender-budgeting initiative. The Equal Opportunities Unit of the Ministry of Finance has progressively taken over the ownership and leadership of the gender-budgeting process in Egypt and has ensured credible results, with the continued technical and financial support of UNIFEM and the Netherlands.

The National Council for Women and the Ministry of Finance plan to increasingly mainstream gender in human resource development and management, in close co-operation with the relevant line ministries. The NCW is also trying to define a major role for the Equal Opportunities Units and to strengthen their capacity – so far only the unit in the Ministry of Finance has performed to the expected level.

9.4. Morocco case study: Mainstreaming gender in public policies and institutions

Gender equality in public policies and institutions is hardly a new concept in Morocco. Indeed, the legal framework for equality goes back to the 1962 Moroccan Constitution and the even earlier 1958 Public Sector Statute.¹¹ Both

these core documents stipulate gender equality. The constitution was further strengthened in 1996 by the amendment of Article 12 to specify that “all Moroccan citizens have equal access to public functions and employment”.

Like many countries, though, Morocco had not fully translated these principles into practice until recently. The Moroccan experience briefly described in this case study shows how the governments of the MENA region are now going beyond rhetoric to implement effective reform. The basic elements in this process will come as no surprise: they include consistent leadership, development of a clear strategy driven down through the government from the ministry level and translated into specific action plans, engagement of key external stakeholders, and plain hard work. The Moroccan government has invested in solid research to provide a strong evidence basis for reform, in training programmes targeted to specific audiences within the government and broader society that disseminate gender tools and practices, and in gender-specific staff units to oversee these programmes and promote inter-ministerial co-operation. While it may be too early to characterise this as a whole-of-government approach to mainstreaming gender, the programme clearly demonstrates many of the key features of such an approach, particularly in its outreach beyond the “usual suspect” ministries to incorporate gender into budgeting and communications, and in its use of co-ordinated action plans to encourage collaboration and mutual learning.

The current round of reforms in Morocco builds on increased political commitment to promoting gender equality and good governance principles at the national level. Reforms in gender-related areas can thus be placed within the wider national context of increased government accountability, economic modernisation and the promotion of human development that have driven the overall reform process.

The voices of Moroccan parliamentarians and civil society organisations working to combat violence against women have also had a significant impact on national gender-aware policy actions and reforms. Whereas this issue used to be taboo, these actors have put it on the political agenda.

The Moroccan government has taken several institutional and political measures and judicial reforms to implement a comprehensive strategy for addressing gender inequalities in public policies and integrating gender concerns into public management. The range of initiatives demonstrates a serious commitment to making this strategy a reality (Box 9.1).

Morocco’s desire to promote gender equality has been further confirmed by its participation in global fora on this issue. The country has ratified several international conventions which include gender provisions: CEDAW in 1993, the International Covenant on Civil and Political Rights in 1979, and the Convention on the Political Rights of Women in 1976.

Box 9.1. Institutional, political and judicial measures for a comprehensive gender strategy

- In 2002, the government adopted a National Strategy for Fighting Violence against Women. In 2005 it adopted an operational policy plan to translate this strategy into concrete measures. In 2008 this plan became the basis for a multi-sectoral programme involving several ministries and UN agencies.
- The government has also introduced a number of legal reforms that provide a stronger basis in law to address gender issues and to strengthen the legal position of women in the family, society and the workplace.
- To enhance the representation and participation of women in political decision making, the government legally established quotas in 2002 (Law No. 06-02), reserving 30 seats (11%) for women in the parliament. Article 288 (bis) of the 2009 electoral law will further reserve 12% of the seats in local councils to women, where women currently hold only 0.54%. Each political party is required to present an electoral list reserved for women – for each woman elected the party will receive a government subsidy five times higher than for men.
- The 2003 reform of the penal code (Law No. 24-03) introduced several measures that protect women against violence, in particular against conjugal violence.
- The revised labour law in 2003 (Law No. 65-99) stipulates for the first time the principle of non-discrimination between women and men in terms of employment and remuneration, extends the duration of maternity leave from 12 to 14 weeks and defines sexual harassment in the workplace as serious professional misconduct that can justify sanctions.
- The 2004 revision to the family law (*Moudawana*) and the 2007 revision to the nationality law both seek to strengthen women's position in society, in particular regarding custody rights and the transfer of nationality to their children on an equal footing with men, in line with the provisions of CEDAW.
- In May 2005, Morocco launched the National Initiative for Human Development (NIHD), which led to the adoption in 2006 of the National Strategy for Gender Equality through the Integration of Gender Objectives in Public Policies and Development Programmes. This strategy was in turn translated into ministerial strategic medium-term action programmes.
- In late 2007, King Mohammed VI announced a new cabinet that assigned seven of a total of 33 ministerial positions to women, increasing the percentage of women holding ministerial positions from 5.9% to 21.2%. Most of these ministerial positions are, however, in the so-called "soft policy sectors" that correspond to women's traditional roles in society.

In 2006, Morocco signed CEDAW's optional protocol and started a CEDAW review process. King Mohammed VI announced the lifting of Morocco's reservations to the convention on 10 December 2008, marking the 60th anniversary of the Universal Declaration of Human Rights and making it the only MENA country to date to fully accept CEDAW. In 2004, recognising Moroccan commitment to substantive progress on gender issues, UNIFEM chose Morocco as one of the pilot countries for a Global Gender and Millennium Development Goal (MDG) programme. In 2005, Morocco submitted a report on progress toward the MDGs that analysed progress towards eight MDGs from a gender perspective.

The key step in Morocco's reform-acceleration strategy was the May 2005 launch by King Mohammed VI of the National Initiative for Human Development (NIHD). The NIHD seeks to reduce poverty, social vulnerability and exclusion by improving capacity development and access to basic public infrastructure and services. Women, in particular rural women, are one of the most vulnerable population groups in Morocco. The NIHD thus identifies the protection and empowerment of women as a key factor for improving human development.

Morocco's strategy to give substance to the gender objective of the NIHD has involved progressively translating the objectives into specific ministerial strategies and legal reforms. The first step was the adoption in 2006 of the National Strategy for Gender Equality through the Integration of Gender Objectives in Public Policies and Development Programmes. This strategy, carried out and co-ordinated by the Ministry of Social Development, Family Affairs and Solidarity,¹² aims to equalise the impacts and benefits of public policies and development programmes by gender.

The national strategy covers five areas that anchor gender objectives in institutions and public policies in Morocco: i) civil rights; ii) equal representation and participation in decision making; iii) respect of all social and economic rights; iv) changing social and individual behaviour (by fighting gender stereotypes, promoting gender equal values and behaviours, and allowing for the reconciliation of professional and family life); and v) anchoring gender objectives in institutions and public policies.

The next step was to translate the national strategy into ministry-specific plans. This process began with the issuance of a 2007 circular by the Prime Minister on mainstreaming gender in all sectoral public policies. This led several Moroccan ministries to develop strategic medium-term action programmes (Table 9.3). Some of the examples are drawn from ministries generally associated with gender-related issues (the Ministry for Social Development, Family Affairs and Solidarity and the Ministry of Education) or from ministries charged with leading the reform (the Ministry for Public Sector Modernisation), but other examples show how the main line ministries are also applying gender principles.

Table 9.3. **Integration of gender into ministerial work programmes in Morocco**

Ministry for Social Development, Family Affairs and Solidarity, Strategic Action Plan (2008-12)	
<ul style="list-style-type: none"> ● Mainstreaming gender in policies and development programmes: Implementation of the National Strategy for Gender Equality (2007-09) 	<p><i>Institutional measures:</i> Creation of: <i>i)</i> 5 regional centres that offer literacy programmes, reproductive health services, professional training and economic insertion programmes; <i>ii)</i> centres that provide psychological, legal, health and protection services to female victims of violence in six priority regions; <i>iii)</i> a Gender Co-operation Committee within the ministry to ensure co-ordination and harmonisation of projects carried out to implement the National Strategy for Gender Equality; and <i>iv)</i> a National Observatory on Violence Against Women in 2006.</p>
<ul style="list-style-type: none"> ● Promotion of women's representation in elected bodies 	<p><i>Capacity building and awareness raising:</i> The ministry: <i>i)</i> provides capacity building activities for representatives of ministries, local government bodies, NGOs and the private sector on women's socio-economic empowerment; <i>ii)</i> carries out annual sensitising and awareness-raising campaigns; <i>iii)</i> has created a free hotline in 2005 for women victims of violence; and <i>iv)</i> has developed a media strategy.</p>
<ul style="list-style-type: none"> ● Implementation of the National Strategy to Fight Violence against Women and the Multi-sectoral Programme to Fight Gender-Based Violence through the Empowerment of Women and Girls in Morocco, 2008-10. 	<p><i>Studies, reporting and evaluations:</i> The ministry has: <i>i)</i> carried out two internal gender audit analyses and prepared the launch of a gender audit analysis across ministries; <i>ii)</i> developed specific measurement indicators for each ministerial department in order to evaluate the National Strategy for Gender Equality; <i>iii)</i> created a statistical database on women's economic and social situations; <i>iv)</i> created in November 2007 an institutional information system and database on the detection of gender-based violence; and <i>v)</i> begun a study on the impact of the National Strategy to Fight Violence against Women.</p>
<ul style="list-style-type: none"> ● Fight against gender stereotypes 	
Ministry for Public Sectors Modernisation, Strategic Medium Term Programme for the Mainstreaming of Gender Equality in the Public Sector and Administration	
<ul style="list-style-type: none"> ● Institutionalising gender equality in the structures and practices of the Ministry for Public Sectors Modernisation through institutional capacity building 	<p><i>Institutional measures:</i> The ministry created a Strategic and a Steering Committee in charge of mainstreaming gender equality in 2005.</p>
<ul style="list-style-type: none"> ● Reduction of gender disparities in human resource management through capacity-building and counselling support for actors and decision-makers of the Ministry of Public Sectors Modernisation and all other ministries 	<p><i>Capacity building and awareness raising:</i> The ministry has provided capacity building and training and organises conferences on the integration of gender equality in HR recruitment, selection, nomination and evaluation processes and in the job and employment handbook (<i>Référentiel des emplois et des compétences</i>) since 2006.</p>
<ul style="list-style-type: none"> ● Increasing the representation and participation of women in decision-making positions 	<p><i>Studies, reporting and evaluations:</i> The ministry carried out: <i>i)</i> a study in 2008-09 on a new payment and job classification system to be based on merit and the principle of gender equality taking into account notably the employee's level of qualification, the complexity of the tasks and the performance of the job; and <i>ii)</i> a study in 2006 to identify gender inequalities inside the MMSP and the entire public sector. The MMSP plans to carry out a study on the needs of female and male civil servants in terms of reconciling family and professional life.</p>
<ul style="list-style-type: none"> ● Promoting the conciliation of family and professional life 	

Table 9.3. **Integration of gender into ministerial work programmes in Morocco (cont.)**

Ministry for National Education, Higher Education, Training of Decision-Makers and Scientific Research, Strategic Medium Term Programme for the Mainstreaming of Gender Equality in the Educational System (2009-12)	
<ul style="list-style-type: none"> ● Developing institutional capacity to ensure the anchoring of gender equality in the governance of educational systems 	<p><i>Institutional measures:</i> The ministry has set up a gender project team and a gender equality committee in charge of the implementation of the Strategic Medium Term Programme.</p>
<ul style="list-style-type: none"> ● Ensuring equal access of girls and boys to qualified and qualifying education 	<p><i>Capacity building and awareness raising:</i> The ministry: <i>i)</i> provides capacity building and training to the members of the gender project team, the gender equality committee, the Regional Education and Training Academies, the provincial delegations, the pedagogical staff, professional organisations, trade unions, parents' and students' associations; <i>ii)</i> is working towards developing by 2012 an internal and external communication strategy that supports cultural change in terms of gender equality in the education system; and <i>iii)</i> is organising a yearly award to recognise innovative gender initiatives at regional/provincial level.</p>
<ul style="list-style-type: none"> ● Teaching gender equality values and gender-aware behaviour in schools 	<p><i>Studies, reporting and evaluations:</i> The ministry develops institutional measures and carries out studies to: <i>i)</i> ensure girls' equal access to preschool, primary; and secondary education; <i>ii)</i> prevent children dropping out of primary or secondary education; <i>iii)</i> eradicate gender stereotypes and images from schoolbooks, the curriculum, pedagogical tools and daily school life; <i>iv)</i> enforce the representation and leadership of women and girls in the educational sector; and <i>v)</i> eradicate gender-based violence in the educational environment and system.</p>
Ministry of Communication, Strategic Medium Term Programme for the Mainstreaming of Gender Equality in the Communication Sector	
<ul style="list-style-type: none"> ● Enforcing the institutional capacity of the Ministry of Communication and partner institutions to mainstream gender equality in structures and practices 	<p><i>Institutional measures:</i> The ministry: <i>i)</i> has created a gender committee; and <i>ii)</i> helps set up gender instances in key partner institutions of the communication sector.</p>
<ul style="list-style-type: none"> ● Enforcing the capacity of stakeholders in the communication sector to improve the image of women in the media 	<p><i>Capacity building and awareness raising:</i> The ministry provides: <i>i)</i> training and capacity building; and <i>ii)</i> supporting tools (flyers/guides/CD ROMs) in order to integrate gender awareness into the plans of leaders and managers. The ministry launched a yearly award ceremony in 2008.</p>
<ul style="list-style-type: none"> ● Promoting gender equality and women's access to decision-making inside the Ministry of Communication and media institutions 	<p><i>Studies, reporting and evaluations:</i> In 2008-09 the ministry set up: <i>i)</i> a national charter for the improvement of women's image in the media; and <i>ii)</i> a declaration on the equality of female and male journalists. The ministry plans to carry out by 2010 a study on the existing institutional mechanisms to promote gender equality, and studies on women's image and role in the media.</p>

Sources: Ministère de l'Économie et des Finances (2009), *Rapport sur le budget genre 2009*, Rabat; donor agreement between the Government of Morocco and UNDP on the Multisectoral Programme to Fight Gender-Based Violence through the empowerment of Women and Girls in Morocco, Rabat, 2008; ministère de la Modernisation des Secteurs Publics (2006), *Programme stratégique à moyen terme pour l'institutionnalisation de l'égalité entre les sexes dans le secteur de l'administration publique*, Rabat; ministère de l'Éducation nationale, de l'Enseignement supérieur, de la Formation des cadres et de la Recherche scientifique (2008), *Plan d'action stratégique à moyen terme pour l'institutionnalisation de l'égalité entre les sexes dans le système éducatif (2009-12)*, Rabat; ministère de la Communication (2008), *Programme à moyen terme pour l'institutionnalisation de l'égalité entre les sexes dans le secteur de la communication*, Rabat.

For example, the Ministry of Communication has engaged civil society and several of its main stakeholder groups (the journalists union, and the Superior Institute of Information and Communication, for example) in an effort to achieve gender equality in the newsroom and to combat press reports that reinforce stereotypes. Going beyond training, the ministry has become a partner in the overall reform, for example by developing a communication strategy to promote adoption of the law against violence towards women. Another key ministry, Economy and Finance, has implemented gender budgeting – one of the earliest examples of this strategy being applied in the MENA region. The OECD survey revealed that Egypt, Yemen, and the Palestinian National Authority have also used this approach.

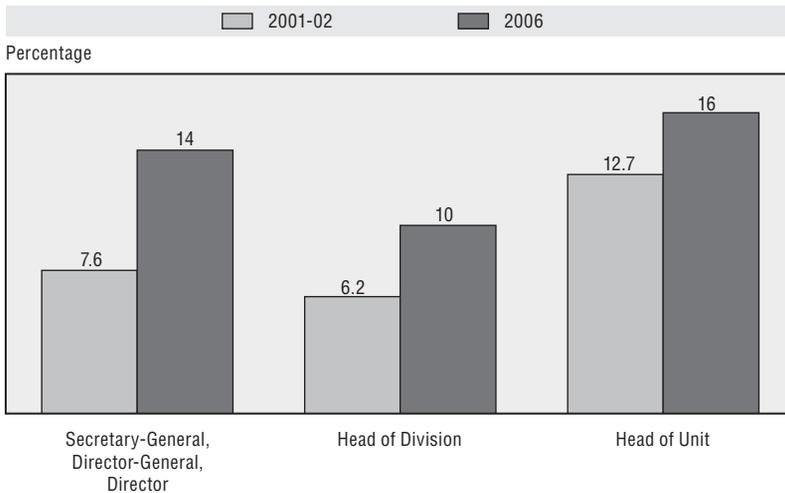
The Moroccan government's broad, multi-sectoral and concerted approach to addressing gender in public management has involved inter-ministerial co-operation and the close involvement of civil society to build momentum for change. Most activities and initiatives have been carried out in consultation and co-operation with civil society and women's associations, as mandated by a Prime Minister's Circular in June 2003 on the partnership between the state and associations. This shows how a whole-of-government approach to reform can generate a mutually-reinforcing process of change.

Gender and public sector employment

In the key area of public sector human resource management, the Ministry for Public Sector Modernisation (MMSP) took the lead. The MMSP began with a 2003 stock-take of women's representation in the public sector, particularly in decision-making positions, to identify gender inequalities. A report developed with support from the École Nationale d'Administration (ENA) and the University of Quebec revealed that women represented 31% of the total public sector workforce but only 10% of decision makers (covering positions from head of unit upwards) in 2001-02 (Figure 9.7). It pointed to recruitment and promotion practices, as well as traditional cultural patterns, as the root of these gender imbalances, and drew attention to Moroccan legal texts that instead constitute a strong framework for gender equality.

A 2006 MMSP study (MMSP, 2006) and recent figures provided by the Ministry of Economy and Finance demonstrate that some progress is being made in moving women into higher levels (Figure 9.7). While the percentage of women in the total public sector workforce has remained stable (rising slightly to 31.8 % in 2007),¹³ women are somewhat better represented in decision-making positions in those ministries that have actively pursued gender-aware human resource policies over the study period. In MMSP itself, for example (which includes the staff of ENA), women represented 43% of the total workforce and 22% of decision makers in 2008. In the judiciary system, 44.5% of the civil servants are female and women in decision-making

Figure 9.7. **Women in decision-making positions in the Moroccan public sector, 2001-02 and 2006 (%)**



Sources: Data for 2001-02 from ministère de la Modernisation des Secteurs Publics, École nationale d'administration publique, et Université du Québec (2003), *La femme fonctionnaire dans l'administration publique, La femme aux postes de responsabilité*, Rabat. Data for 2006 from ministère de la Modernisation des Secteurs Publics (2006), *Bilan social des fonctionnaires et agents de l'État et des collectivités locales*, Rabat.

positions reached 34.4% in 2008, although a lower share of judges nationwide (18.9%) and judges employed by the central service of the Ministry of Justice (24.6%) were women. Less surprisingly, women were highly represented in the traditional social service fields, reaching 37% of all staff in the Ministry of Education and 52% in the Ministry for Social Development.

Numbers do not tell the whole story, however. To tackle structural barriers, the MMSP has worked to mainstream gender in human resource management, addressing four potential sources of inequality in: i) pay and job classification; ii) recruitment; iii) promotion and evaluation; and iv) access to professional development.

In the first area, an upcoming MMSP study will inform a new payment and job classification system to be based on merit and gender equality and to take into account employee qualifications, the complexity of the assigned tasks and job performance. The existing payment and job classification system defines 68 general job descriptions that, while determining pay and grading scales, do not consider either job requirements or individual performance. Drawing on experience from Tunisia, Turkey, France and Canada, the MMSP published a new *Job and Employment Handbook (Référentiel des emplois et des compétences, REC)* in December 2006. This handbook explicitly considers whether current requirements or job descriptions disadvantage women or discourage their application, so that these sources of

discrimination can be corrected as part of the broader reform to pay and classification. This is the type of review that converts mainstreaming from a slogan into concrete action.

Article 22 of the Public Sector Statute governs recruitment practices in the public sector. In order to become a civil servant, all applicants have to pass an admission test (*concours*) that guarantees equal access to the public sector (ministère de l'Économie et des Finances, 2009). In practice, a growing number of public sector staff are hired on a contractual basis. Managers are relying more on aptitude tests and individual interviews for specific, short-term and contractual job openings. In addition to being less time-consuming and more demand-oriented, the contractual recruitment procedure was found to encourage women to apply for senior management positions.

In 2005 the government adopted a new public sector promotion system based on merit and performance evaluation that was more gender-responsive.¹⁴ However, the government recognises that the performance evaluation system remains a work in progress because it still relies too much on seniority rather than merit and does not yet incorporate specific sanctions or rewards.¹⁵ Recognising that eliminating discriminatory practices requires sensitising supervisors to gender equality, MMSP will develop a gender-aware evaluation practice guide in 2010.

In the fourth area, professional development, MMSP is working to upgrade training opportunities.¹⁶ The first step is to establish general guidelines for professional training and continued education, leading to specific training and capacity-building programmes for each subsector, and finally to creating an inter-ministerial co-ordination and oversight commission for professional training supported by MMSP. Morocco has pursued its strategy of first marshalling evidence and then developing new procedures in this area as well. In this context, MMSP conducted a study to identify female civil servants' needs in leadership development and management capacity building and will also carry out a study on reconciling family and professional life as the basis for developing gender-responsive training programmes in 2010. This institutional approach demonstrates Morocco's commitment to going beyond one-off programmes.

The Ministry of Economy and Finance shows how these measures, in combination, can lead to a significant improvement in gender-responsive human resource management. Between 2000 and 2007, 44% of the staff hired by the ministry have been female, compared to just 5% in 1956. Although this still falls below Morocco's public sector average, the percentage of women holding decision-making positions reached 12% in 2008. This progress can be traced to the commitment of political leaders and the creation of a working group for women's empowerment within the ministry in 1999. The working group produced studies on working conditions for women (2001) and on female

management (2002). Together with the contractual recruitment procedure discussed above, which was introduced in 2001, the ministry encouraged more women to apply (in 2008, 18% of applicants were women) and also raised the proportion hired (in 2008, 20% of new employees were women). By 2009, 38% of the women in decision-making positions had been hired under the contractual recruitment procedure, according to an internal study.

High-level support for this reform has continued in the ministry. In a 2008 celebration of International Women's Day, the minister emphasised the need for capable women and his personal commitment to this aim. Citing the ministry's cadre of 5 264 women in decision-making positions, he announced the creation of a special committee to recommend actions to raise gender responsiveness in promotion procedures.

Gender in budgeting

Morocco is also a pioneer in integrating the gender dimension into the budget. Morocco's gender budgeting initiative is an integral part of the broader gender mainstreaming strategy. Public budgets are not neutral policy instruments, but provide information on how governments intend to address various social and economic challenges. Government budgets indicate development priorities and can measure to what extent government's spending has an impact on social inclusion, poverty reduction and equality.

Morocco's gender budgeting reform has gained further impetus from the recognition that it can help achieve the Millennium Development Goals (particularly MDG 3 on the promotion of gender equality and the empowerment of women). The Moroccan government also considers that the gender budgeting initiative helps fulfil the provisions of the internationally agreed OECD Paris Declaration on Aid Effectiveness, in particular the principle of ownership.¹⁷ At the national level, the drive to combat persistent social, geographical and gender-rooted inequality gives further impetus to gender budgeting.

In keeping with Morocco's mainstreaming and institutionalisation approach to gender, gender-budgeting is tied to the broader budget reform framework. As discussed in Chapter 3, Morocco began to implement a decentralised, deconcentrated, results-based and performance-oriented budgeting approach in 2002. This structural budget reform has presented an opportunity and strategic point of entry for gender-responsive budgeting. Morocco is currently evolving from input budgeting to more results-oriented budgeting: adding a gender dimension to results-oriented budgeting brings the principle of gender equality into the process.

The first step was a Ministry of Economy and Finance feasibility study in 2002, carried out with support from the World Bank (ministère des Finances et de la Privatisation, 2002). This study, applied to the 1997/98 budgets,

identified key elements for introducing gender into budgeting. These were then used in capacity-building sessions for budget officials from 12 key departments, organised by the Ministries of Economy and Finance and Social Development, Family Affairs, and Solidarity, the High Commission for Planning and UNIFEM.

Next, the government developed tools for each stakeholder group, reaching beyond budget officials to include parliamentarians and representatives of civil society.¹⁸ The Ministry of Economy and Finance and UNIFEM released a *Guide on the New Performance Budgeting Approach: Integrating the Gender Dimension* (ministère des Finances et de la Privatisation and UNIFEM, 2005) followed by a *Manual on Integrating the Gender Dimension in Budget Planning and Elaboration* (ministère des Finances et de la Privatisation and UNIFEM, 2006). The ministry also launched a web portal to raise awareness of the gender-budgeting initiative, which regularly includes gender budgeting updates in its newsletter *Al Maliya*. To take its capacity-building programme to a larger number of budgeting officials, as well as to reach other stakeholders, the ministry is developing e-learning training modules for gender-budgeting.

A key element of institutionalisation is to maintain pressure for results. To be effective in maintaining pressure, however, both external and internal reform advocates must have good access to information. An important strategy for reformers is therefore to institutionalise results reporting, including information which tracks results. The Moroccan gender programme has applied this principle by developing gender-sensitive performance indicators of the social and economic disparities to be rectified by public policies and spending. The Ministry of Economy and Finance has led this collaborative exercise, bringing together the departments concerned for a three-year effort (2005-08) to hammer out a set of indicators. Table 9.4 itemises some of the sex-disaggregated indicators that the different ministries have introduced in budget planning and analysis.

In 2007, the ministry published a study entitled *Comprehensive Examination of Gender-Sensitive Indicators in Morocco* in order to support gender-responsive budgeting and policy analysis (ministère des Finances et de la Privatisation et UNIFEM, 2007). This collection of statistics reflects the gender data available for underpinning demographic, health, educational, economic, social and political development. It is an essential element for developing, monitoring and evaluating any sectoral policy for promoting gender objectives.

The development and implementation of instruments for institutionalising gender budgeting and the increasing involvement of ministerial departments demonstrate once again the government's concerted approach to gender mainstreaming. Moving outward gradually from the core effort within the Ministry of Economy and Finance, the government has introduced a gender

Table 9.4. **Examples of sex-disaggregated indicators introduced by Morocco into budget planning and analysis**

Ministerial Department	Indicator	Objective
Justice	<ul style="list-style-type: none"> ● Number of female/male victims of violence. 	<ul style="list-style-type: none"> ● Reduce violence against women and children.
Public sector modernisation	<ul style="list-style-type: none"> ● Number of female/male public sector officials benefitting from professional training. 	<ul style="list-style-type: none"> ● Reinforce capacity of staff to improve public sector efficiency.
Social development, family affairs, solidarity	<ul style="list-style-type: none"> ● Number of females/males benefitting from social protection services. ● Number of female/male participants attending workshops, training sessions, awareness-raising events to implement the national gender mainstreaming strategy. 	<ul style="list-style-type: none"> ● Reduce poverty. ● Implementation of national gender mainstreaming strategy.
Trade	<ul style="list-style-type: none"> ● Number of female/male participants present in international trade negotiations. ● Number of trade licences delivered to women/men. 	<ul style="list-style-type: none"> ● Trade liberalisation. ● Open the national economy.
Water	<ul style="list-style-type: none"> ● % of female/male, rural/urban population with access to clean drinking water. 	<ul style="list-style-type: none"> ● Ensure access of all to clean drinking water.
Education	<ul style="list-style-type: none"> ● Female/male, rural/urban literacy/enrolment/graduation rates. 	<ul style="list-style-type: none"> ● Improve access to education.
Health	<ul style="list-style-type: none"> ● % of female/male, rural/urban population having access to basic health services. 	<ul style="list-style-type: none"> ● Enhance access to health services.
Employment	<ul style="list-style-type: none"> ● Female/male unemployment rates; female/male representation in sectors/grades. 	<ul style="list-style-type: none"> ● Women's economic empowerment.

Source: Ministère de l'Économie et des Finances (2009), *Rapport sur le budget genre 2009*, Projet de loi de finances pour l'année budgétaire 2009, ministère de l'Économie et des Finances, Rabat.

dimension into ministerial department budgets gradually, so as not to overrun its support capacity. Starting with five pilot departments in 2005 (Finance, Education, Health, Agriculture, and Planning), the government progressively expanded the gender-budgeting initiative to 12 ministerial departments in 2006, 17 in 2007, 20 in 2008 and 21 in 2009.¹⁹

The reform has now progressed to the point where gender budgeting capacity itself can be decentralised, consistent with the overall push towards budget deconcentration. Since 2007, five ministerial departments have created their own programmes to incorporate gender into budgeting at the local level.²⁰

From the beginning, the government has adopted a participatory approach and has involved civil society and parliamentarians in the gender-budgeting process. These stakeholders form a constituency to maintain progress. In 2008, about 20 non-governmental organisations came together to form a collective organisation that will press for gender-budgeting. The group participated in two 2008 capacity-building training programmes, emphasising the role of civil society in maintaining progress.

To maintain the focus on results, the Ministry of Economy and Finance has published an annual *Report on the Gender Budget* since 2005 as part of the report accompanying the finance law. The government submits this report to parliament to present the policies being pursued and their impact on social and economic disparities. The report collects data on all participating departments grouped into four categories (central institutional services, basic infrastructure, human capacity, and economic opportunities). Within each category, the report details progress in participating departments in developing and applying gender indicators in their budgets; improvements in data availability; progress toward mainstreaming gender in policy, strategies and actions; and what remains to be done.

The first positive impacts of the gender budgeting initiative on social and economic development are now tangible in Morocco, in particular when it comes to rural poverty reduction and equal access to basic public infrastructures and services. Since the 1980s, the Moroccan authorities have been aware of the need to promote the socio-economic development of rural women, as several social and economic indicators revealed their high level of vulnerability. From 2005, the Ministry of Agriculture has participated in the gender budgeting initiative, creating a gender unit and introducing several policy programmes for improving the living standards and revenue of rural women. In 2007, the government increased the global budget allocation to the Ministry of Agriculture and raised the ministry's budget expenditure on women's activities from MAD 6.3 million (Morocco dirhams) in 2006 to MAD 8.3 million.

Despite the progress achieved, consolidating gender-budgeting in Morocco faces many challenges. The first is to refine the indicators shown in Table 9.4, which were developed to track progress on gender-related issues. This will require not only re-examining the initial set of indicators, but also making a concerted effort to ensure that the data give a full and clear picture of the situation without overwhelming those responsible for developing the data or their users. All parties agree that the indicator sets have to be reliable, measurable, coherent, and comprehensible, but the devil is in the details. What may seem to be an unnecessary level of detail to one group is perceived as critical by others. It has proven difficult to select an indicator set that provides enough information while remaining manageable and affordable. This task is made even more complicated by the need to integrate gender with other concerns, such as income levels, and the urban-rural divide. The formation of the consolidated NGO group discussed above may help in setting realistic data collection parameters and developing a revised set of indicators.

A second challenge is somewhat more daunting. As the foregoing discussion makes clear, Morocco has pursued a gradual and experimental approach to institutionalising gender budgeting (see the Morocco financial reform case study in Chapter 3 for a broader discussion of this approach on

the level of the overall budget reform). While this pragmatic approach has been successful, it has moved forward by making exceptions to the underlying budget law. These exceptions have been justified by the budgetary guidelines in the official Prime Ministerial budget letter²¹ and the 2007 circular of the Prime Minister on gender mainstreaming. With considerable experience as to what works and what does not, it is now necessary to regularise the process so that it can be extended more broadly. This will require modifying the organic law on finances – not an easy task. A third challenge involves accelerating the introduction of gender into local budgets in order to improve the living conditions and revenue of the rural population.

9.5. Tunisia case study: Promoting gender equality through the legal framework

Tunisia has been amending its national legal framework and complying with UN conventions to ensure gender equality.²² The legal measures taken by the government address the status of women in the family, society, the workplace and before the law. They aim for equal access to public services and public functions and equal participation in social welfare improvements and economic growth. The government's action is founded in the rights argument, which considers that women are entitled to the same democratic rights as men.²³ It also reflects the government's broader objective of enforcing human rights. Tunisia has revised articles 5 and 8 of the 1959 Constitution to feature the principle of gender equality more prominently and to combat gender stereotypes.²⁴

Other actions which underline Tunisia's status as the first MENA country to strengthen the legal status of women in the society and the workplace include enacting the Code of Personal Status in 1956,²⁵ a law regulating allowances and alimony payments in 1993,²⁶ the Nationality Code, the Labour Code and the Penal Code. These acts inspired similar legal reforms in Morocco and Egypt.

Tunisia was also the first MENA country to introduce measures for reconciling family with professional life (Table 9.5). Law No. 58 of 2006 gives Tunisian mothers working in the public or private sector the option of working part-time while receiving two-thirds of their salary and enjoying full social coverage, as well as maintaining unaltered promotion and retirement benefits.²⁷ However, in the public sector only a few women have taken advantage of this regulation; most women have continued to work full-time in order to maintain their salary level.

Article 11 of the General Statute for Public Sector Staff stipulates equal access to the public sector; equal treatment in terms of hiring, capacity development, and promotion; as well as equal remuneration of men and women. In practice, equal access to public sector positions is ensured by an

Table 9.5. **Measures for reconciling professional with personal life in the public sector, Tunisia**

Measure	Introduced
Flexible working hours in order to balance work and personal life	✓ yes
Opportunity to work part-time and have a career at the same time	✓ yes
Leave arrangements that are sufficiently flexible to enable women and men to handle important family issues	✓ yes
Opportunity of taking paid maternity leave	✓ yes
Guarantee that women who take maternity leave can return to equivalent positions	✓ yes
Specific measures in favour of pregnant women	✓ yes
Specific measures in favour of breastfeeding women	✓ yes

Source: OECD mission.

aptitude and admission test (*concours*). However, inequalities persist in career development: women are often promoted at a slower pace because of maternity leave, which puts them at a career disadvantage compared with men. However, the impact of the various legal provisions and measures is reflected in the relatively high representation of women in the total public sector workforce (39%) and in decision-making positions (23%). This compares well to other MENA countries. In political decision-making, women currently make up 29% of staff in the headquarters of the leading political party (*Rassemblement constitutionnel démocratique*, RCD), 27.6% of staff in local councils, 22% of parliament and 14% of government members.²⁸ The government has introduced a 30% quota for women in parliament, which took effect during the 2009 presidential and parliamentary elections.

At the institutional level, the government has created the Ministry of Women's and Family Affairs, Children and Handicapped Persons; a National Consultative Council on Women, Family and Elderly People, composed of representatives from the different ministries and non-government organisations; and a public Research, Documentation and Information Centre on Women that among other assignments provides training to women working in the public sector. The gender dimension has also been integrated into the government's strategic planning. Since the 8th Economic and Social Development Plan (1992-96), the Tunisian government has paid continued attention in its five year plans to promoting women's economic participation, empowerment and capacity development. In order to implement the development objectives of the five year plans, the government has established a National Commission on Women and Development and launched several sectoral programmes, mechanisms and plans. These include the National Plan for the Promotion of Rural Women, a Support Mechanism for Women's Access to Micro-Credits, and a National Plan for the Fight Against Violence.

In terms of capacity-building and exchange, Tunisia actively co-operates with other countries from the MENA region on women's empowerment in all economic sectors, including public administration. The government was one of the first countries to ratify the convention for the creation of the Arab Women Organisation in March 2003. Since March 2009, Mrs Leila Ben Ali, the President's wife, has held the (rotating) presidency of this intergovernmental organisation established under the umbrella of the League of Arab States. It seeks to improve women's participation in public decision-making and in all economic sectors.

To conclude, Tunisia has chosen a legal approach to addressing gender in public management. However, the country has made fewer efforts to mainstream gender awareness within human resource management strategies and practices, in the budgeting process and in the institutional setting. In policy areas such as these, the government considers affirmative action to be a step backward. The government instead frames its approach within a wider political discourse. It notes that Tunisian society passed from the female liberation movement in the 1960s (*tahrir*), to the notion of equal gender opportunities in the early 1990s (*moussawat*), and has finally reached in this decade the stage of partnership (*charaka*) which is conceptually opposed to affirmative action (République Tunisienne (2008), *Dynamique de l'Initiative Privée et la Micro-Entreprise en Tunisie – Approche Genre*).

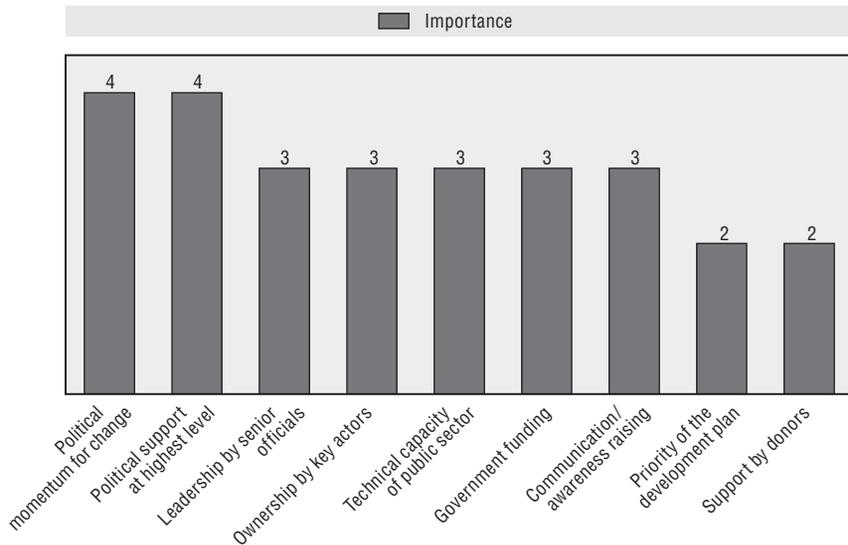
9.6. Conclusions

Gender mainstreaming is an issue of good governance. It seeks to ensure that public institutions, policies and programmes respond to the needs of men and women on an equal basis. Gender mainstreaming aims to enhance the accountability of government to serve all citizens.

The increasing commitment of MENA countries to mainstream gender strategies in public administration is bound up with a number of current reforms in the public sector. The notions of good administration, transparency, efficiency, effectiveness and accountability are high on their political agendas. This chapter has provided insight into national strategies to address gender in public management.

What are the success factors for mainstreaming gender policies in the public sector in MENA countries (Figure 9.8)? Changes in institutional settings have improved gender equality. Egypt, Morocco and Tunisia have succeeded in establishing national machinery for gender equality by setting up ministries or national institutions for gender affairs. In addition, Egypt and Morocco have set up inter-ministerial co-ordination mechanisms and working groups, in order to mainstream gender across ministries and policy areas. These inter-ministerial co-operation structures allow for information sharing and capacity

Figure 9.8. **Success factors for mainstreaming gender policies in the public sector in MENA countries**



Source: OECD Questionnaire on Addressing Gender in Public Management, August 2009, replies from 4 MENA countries.

building and alleviate the risk of marginalising gender concerns as one ministry's affair. Tunisia has created a gender policy research centre to strengthen the profile of gender issues within governance. Other success factors include the following:

- **Using political momentum for change:** The timing of gender reforms has been a crucial success factor in MENA countries. Egypt, Morocco and Tunisia all tapped into political momentum. Support from political leaders, NGOs and public opinion had been built up and used as a springboard for institutional change. Governmental stakeholders used this political momentum to develop public policies. In Morocco, better understanding of the need for gender equality measures resulted in a national gender mainstreaming strategy and practical ministerial action plans, which set new benchmarks for addressing gender in public policies.
- **High-level political support:** Egypt, Morocco and Tunisia secured and maintained support for gender reforms at the highest political level. Heads of state, their spouses and ministers displayed highly visible commitment and support to gender questions. They announced and personally led gender initiatives, using their political power and prestige to gain attention from civil servants and the media.

- **Leadership by senior officials:** The case studies confirm that strong leadership from the top management levels increases the impact of gender mainstreaming. Consistent commitment of senior management and a clear vision on gender equality provided incentives for civil servants in Egypt and Morocco to integrate gender into budgeting. Senior managers played a decisive role in backing up reforms with adequate capacity building, resources and operational tools.
- **Ownership by key stakeholders:** In the three case study countries, the gender approach was also grounded in ownership by key stakeholders. Civil servants, civil society groups and donors were involved in identifying gender priorities, activities and capacity-building needs. They participated in setting up a framework of gender targets, actions and policy planning.
- **Strengthening the gender-based competencies and capacities of public sector staff and parliamentarians** has been another essential concern in Egypt and Morocco. Parliamentarians and civil servants have received training to raise their awareness of equality gaps in public policies, actions and legislation. They have been encouraged to “gender proof” policies and legislation.
- **Government funding:** Government funding for gender equality initiatives remains limited in MENA countries. The Egyptian and Moroccan governments are increasingly making funding available for gender equality initiatives, but bilateral and multilateral donors still provide the majority of funding. In order to ensure the long-term sustainability and reach of the current gender initiatives, governments need to raise allocations for gender initiatives.
- **Communication strategies:** MENA countries have developed successful communication strategies for informing various stakeholders about the existence, progress and results of their gender initiatives. They use electronic and printed media to disseminate information on gender rights or grievances. Tunisia for example makes use of a gender policy research centre to spread awareness and information, while Egypt and Morocco prepare annual reports on the outcomes of their gender budgeting initiatives.
- **Development priority:** Government commitment to gender equality in the development plan has been significant for reform success. The Moroccan government has explicitly made gender equality a development priority. Several policy documents, in particular the 2006 *National Strategy for Gender Equality through the Integration of Gender Objectives in Public Policies and Development Programmes*, provided the political mandate for enhancing gender equality in sectoral policies and public management.
- **Support by donors:** The case studies reveal that a number of bilateral and multilateral donor agencies have supported gender initiatives in MENA countries. These include UNIFEM, the World Bank, the Canadian International Development Agency (CIDA), the Swedish International

Development Co-operation Agency (SIDA), the Netherlands and the German development co-operation agency (GTZ). With considerable financial and technical support from donor agencies, Egypt and Morocco were able to design sustainable gender initiatives. Even though these initiatives were originally very much driven forward by donors, the government took over ownership and leadership at an early stage in both countries.

There is of course no uniform blueprint for mainstreaming gender objectives in public management and it is essential to ensure that expectations are realistic: addressing gender in public management does not automatically lead to more equality between women and men. However, it is a promising way of ensuring more effective and gender-responsive public service provision and management.

Notes

1. Notably involved were the ministries of Planning, Health, Education, Environment, and Social Solidarity, as well as representatives of the governorate, *markaz*, district and city levels, UN agencies and the World Bank.
2. The Egyptian Decentralization Initiative was launched in May 2006 by the Government of Egypt. It is led by the Ministry of State for Local Development with the technical and financial support of the United States Agency for International Development (USAID).
3. The circular states that: "Justice in allocation of national resources is required, as it is the proper way for the efficient use of national resources and the distribution of budget allocations according to the actual needs of each citizen, in a way that achieves social justice. Mainstreaming the needs of the Egyptian family, man, woman, and child in the national budget is required to promote social justice and safeguard the rights of the child. This comes as part of Egypt's obligation towards the international conventions and treaties concerned with women and child and paving the way to applying gender responsive budgets in the future."
4. The Equal Opportunity Unit consists of nine members and has placed 18 focal points in the 18 different departments of the Ministry of Finance.
5. In line with the 2007/08 Budget Circular that identifies financial decentralisation as a key priority.
6. The Embassy of the Netherlands finances the pilot project in five governorates, while UNIFEM finances project implementation in ten governorates.
7. Cairo, Giza, Alexandria, Fayoum and Minia.
8. Some of these capacity-building activities were organised by the OECD, such as the Meeting on Addressing Gender in Public Management, held in October 2009 in Paris and the 7th Meeting of the DAC Network on Gender Equality held in June 2009 in Paris.
9. Following a feasibility study supported by the OECD in 2006, Egypt established a national training centre in 2008, the Public Finance Training Institute (PFTI), supported financially by the Netherlands. This national centre could be transformed into a Regional Tax and Financial Management Centre in the long term.

10. The Egyptian Ministry of Finance has approximately 90 000 employees based in Cairo, and 200 000 in Egypt overall.
11. *Statut général de la fonction publique*, No. 1.58.008, *dahir du 4 chaabane 1377* (24 February 1958).
12. The ministry's current mandate was established in 2007 with decree No. 2-07-1278 du 4 Dou Al Kaada 1428 (15 November 2007) on the responsibilities of the Ministry for Social Development, Family Affairs and Solidarity. In 1998, the government assigned the (former) Ministry of State in charge of Social Protection, Family Affairs and Children with the task of co-ordinating and promoting gender initiatives in the public sector. The Ministry of State was then transformed in 2000 into the Ministry in charge of the Feminine Condition, Family Affairs, Children and the Integration of Handicapped People, which then became the Ministry of State in charge of Family Affairs, Children and Handicapped People in 2002.
13. Figure provided by the Ministry of Economy and Finance and the Ministry for Public Sectors Modernisation.
14. Decree No. 2.04.403 of 2nd December 2005.
15. Circular of the Prime Minister No. 1/99 of 7 January 1999.
16. Based on decree No. 2.05.1366 of 2005.
17. In March 2005, ministers and other senior officials from more than 100 countries, including Morocco, endorsed the Paris Declaration on Aid Effectiveness. This international agreement commits governments of developing countries and donor agencies to improving the management of public finances – including the use of donor aid – to reduce poverty, and improve the transparency and accountability of public institutions. According to the principle of ownership, developing countries set their own strategies to manage public finances (including aid) for results, guided by a set of monitorable actions and indicators.
18. In line with the provisions of the Prime Minister's circular No. 7/2003 of 27 June 2003 on the partnership between the state and associations.
19. Ministerial departments of Justice, Modernisation of Public Sectors, Economy and Finance, Social Development, Foreign Affairs, External Trade, Water and Environment, Energy, Equipment and Transport, Housing, Health, Education, Literacy, Employment, Professional Training, Youth, Agriculture, Fishing, Industry, New Technologies, Social Economy.
20. Ministerial departments of Professional Training, Literacy, Health, Employment, Economy and Finance.
21. *Lettre de Cadrage du Premier ministre* 2006 regarding the preparation of the Finance Law 2007.
22. In 1985 Tunisia ratified the UN Convention of the Elimination of all forms of Discrimination Against Women (CEDAW), the Convention on the Political Rights of Women in 1967 and the International Covenant on Economic, Social and Cultural Rights in 1969.
23. According to Kerstin Kolam, Professor at Umea University in Sweden, there are three important arguments to address gender equality in public administration: the rights argument, that women are entitled to have the same democratic rights as men; the resource argument, that women bring different experiences than men; and the interests argument, that men as a group can never represent women's interests.

24. Article 6 of the Tunisian Constitution, promulgated by law No. 59-57 of 1 June 1959 (25 *doul kaâda* 1378), guarantees gender equality. Article 5 of the 1959 Constitution was amended by Article 2 of the constitutional law No. 2002-51 of 1 June 2002 and Article 8 was amended by constitutional law No. 97-65 of 27 October 1997.
25. The Code of Personal Status, which came into force on 1 January 1957, has been revised several times, notably by the amendment No. 93-74 of 12 July 1993 to provide women with the right to transmit their nationality to their children and to pass their belongings on to their children. The code notably abolishes polygamy, defines the judiciary procedure for divorce and prohibits the conclusions of marriages that are not based on the mutual agreement of the both partners.
26. Law No. 65 of 5 July 1993 on the creation of a guarantee fund for allowances and alimony payments.
27. Law No. 58 of 28 July 2006 on special part-time work arrangements guaranteeing two-thirds of salary, full social coverage and retirement benefits for mothers. The law entered into force on 1 January 2007 by presidential decision.
28. Figures provided in *Union nationale de la femme tunisienne* (2009), Revue bimensuelle, No. 154 of January 2009, Tunis.

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Chapter 10

The Challenges of Water Governance in MENA Countries

*In a global context of rarefaction of water resources, climate change and economic recession, many challenges can be overcome through efficient governance. Peculiarly, there is a need for better co-ordination among actors in charge of water policy design and implementation at central and sub-central government levels. Despite the diversity of national systems, MENA countries' experiences in reforming water policies have underlined common concerns undermining the efficient implementation of water policies, i.e. unclear, fragmented and overlapping responsibilities; lack of capacity and financing; and insufficient stakeholders' participation. Even with the need for locally tailored policies, a regional shared vision is required to benefit from common understanding. This chapter analyses water governance challenges in the MENA region and discusses the reforms underway in four countries in terms of regulation and private sector participation (**Egypt**), river basin organisation and citizen's involvement (**Morocco**), development of a legal framework (**Palestinian National Authority**) and integrated water resources management (**Tunisia**).*

10.1. Introduction

Access to safe water represents one of the greatest challenges in a world that is increasingly urbanised and that has a growing population to support. According to the World Water Council, by 2025 about 3.5 billion people could be living in water scarce or water stressed areas (World Water Council, 2009). As the 5th World Water Forum (Istanbul, March 2009) reminded us, 1 billion people still do not have access to clean drinking water worldwide, and 2.6 billion people are not connected to adequate sanitation services. The Middle East and North African (MENA) region faces the most severe water shortage of any region. As climate change will worsen the situation in the near future, water emerges as a central issue for economic development and poverty reduction in the MENA region.

Many MENA governments are well aware of the urgency of reforming water policies. Some countries, such as Morocco and Tunisia, started to reorganise their water sector almost two decades ago, while others are just beginning the process. But in many countries, whatever their institutional settings and contexts, water reforms face important difficulties when it comes to implementation. This is explained by the limitations of some key actors and more general governance challenges in both OECD and non-OECD countries striving to achieve integrated water resources management (IWRM). Four questions provide a basis for accelerating action:

- i) How can governments move beyond sectoral approaches to ensure coherent management of water and reduce regulatory complexity in a sector where competing environmental, urban, energy and food system demands are both vital and interconnected?
- ii) How can governments mobilise sufficient and sustainable funding to improve services in a sector where investment and operating costs are high, costs fall disproportionately on underfunded local governments, and investors are scarce?
- iii) How can governments implement a coherent country-wide approach that responds to local needs?
- iv) How can governments develop mechanisms for consultation and citizen participation to support water management?

This chapter begins with an overview of the main water governance challenges in the MENA region and a brief analytical framework for addressing these challenges. A discussion of reforms underway in four MENA countries illustrates how governments are tackling four crucial challenges:

- Regulatory reforms to encourage private sector participation (Egypt).
- River basin organisation and citizen's participation (Morocco).
- Development of a legal framework (Palestinian National Authority).
- Shift to an integrated water resource management paradigm (Tunisia).

10.2. Water governance in MENA countries: Common challenges despite local differences

Over the past two decades, MENA countries have experienced major changes that have had considerable impacts on the availability and quality of water. Their population has doubled, economic development has proceeded rapidly in some countries but lagged in others, income disparities have increased, demand for water has grown rapidly in response to the heavy development of coastal areas, urbanisation has accelerated and agriculture (which alone accounts for more than 70% of total water consumption) has expanded even more. These trends have increased pressure on both surface and groundwater resources, leading to environmental degradation, increased pollution and other sustainability challenges. The region faces equally great institutional challenges, particularly the difficulty of balancing a tradition of low, fixed prices with massive infrastructure investment needs; and the perennial difficulty of balancing competing demands from residential, industrial and agricultural users. In this context, institutional reform becomes imperative, especially given the changing climate and increasingly scarce water resources. However, in the MENA, as elsewhere, water is among the sectors most resistant to comprehensive reform.

Despite the institutional challenges, the region's governments have recognised the need for action on water. Many are working to update or establish a national water agenda and to take water policy initiatives, although government action has remained mainly focused on investment to develop networks and build infrastructure such as dams, irrigation systems, urban water treatment and sanitation plants. These investments have moved the region's countries closer to achieving the 2015 Millennium Development Goals (MDGs) for water, *i.e.* reducing by half the population without access to clean drinking water and sanitation systems by 2015. Governments have used education and other tools to raise efficiency and have instituted system improvements to develop networks, reduce losses and enhance groundwater management.

However, to date, increased attention to water has not always translated into assigning priority to institutional and regulatory reforms within either the water agenda or the broader national governance agenda. Such reforms will be vital to foster investments, put in place strategic water policies and ensure coherent implementation.

This chapter argues that many of the most pressing challenges to water quality and supply can be overcome through efficient governance. Good governance of the water sector is essential to achieving sustainability, whether in terms of economic growth, environmental health or social well-being, and to finding a balance among them. By “water governance” we mean the rules and practices for decision-making on water, and how these decisions are translated into action. Governance is distinct from water management, which refers to operational, on-the-ground activity to align water resources, supply, consumption and recycling. Water governance encompasses the range of political, institutional and administrative processes through which stakeholders articulate their interests and governments consider their concerns, take and implement decisions and are then held accountable for the development and management of water resources to deliver vital water services.

Several MENA countries have taken on the challenge of water governance reform, reorienting priorities and practices to achieve a coherent approach to water. Their experiences have underlined common concerns and obstacles despite their very different national systems. The list of water governance challenges to be addressed includes:

- Limited enforcement of water policies and laws due to weak or absent monitoring tools and mechanisms.
- Overlapping responsibilities between different institutions with unclear roles, not only in operations but also in regulation and strategic planning.
- Unclear legislative and regulatory frameworks at the national level, creating management barriers to co-ordination at the local, regional, and national levels.
- Absence of an effective strategy to limit demand growth, to prevent rising incomes, urbanisation and population growth from outstripping resource availability.
- Inadequate human resource capacity in government agencies and insufficient awareness of water issues among the general population.
- Insufficient mechanisms to ensure stakeholders’ participation in the design and implementation of water policies, including mainstreaming of gender considerations.

As there is no blueprint or one-size-fits-all model for “optimal governance” in the water sector, good practices can only emerge from examining national experiences. But solutions must be designed at the local level, based on a clear political will and commitment to integrate water as a priority in the national agenda and to improve government accountability. This process must begin with identifying the critical governance and co-ordination “gaps” characteristic of the water sector, before moving on to design and adopt mechanisms to help bridge them (Tables 10.1 and 10.2).

Table 10.1. **Governance gaps at the horizontal level**

Dimension	Description
Policy framework	Different political agendas, visibility concerns and power rivalries across ministries and agencies at central level.
Allocation of roles and decisions	Unclear and overlapping roles and responsibilities among government ministries. Differences in organisational cultures, etc.
Capacity resources	Asymmetry of knowledge, enforcement capacity and technical expertise across ministries.
Funding resources	Asymmetry of revenues and resources across ministries related to water.
Time frame and strategic planning	Different schedules and deadlines might occur between ministries involved in water policies.
Evaluation	Without evaluation, governance practices cannot be assessed but very often feasibility is limited.

Source: OECD (2010, forthcoming), *Water Governance across Levels of Government*, OECD, Paris.

Table 10.2. **Governance gaps at the vertical level**

Dimension	Description
Administrative gap	Geographical “mismatch” between hydrological and administrative boundaries.
Information gap	Asymmetries of information between policy making and/or implementation authorities and between public and non-governmental actors.
Policy gap	Sectoral fragmentation of water-related tasks across ministries and agencies. Need to take advantage of synergies and to exercise political leadership and commitment.
Capacity gap	Insufficient scientific, technical and implementation capacity on the part of local water management actors (size and quality of the infrastructure and resource they must manage).
Funding gap	Unstable or insufficient revenues undermine effective implementation of water responsibilities at subnational level.

Source: OECD (2010, forthcoming), *Water Governance across Levels of Government*, OECD, Paris.

As a multi-purpose resource, producing and delivering water requires a variety of competencies and these are often shared among different stakeholders. The water sector therefore mobilises a range of actors (public and private) across sectors (several ministries and agencies) and institutions

(national administration, subnational governments if existing, agencies, deconcentrated bodies etc.). Besides, water is not an isolated sector; the influence of water on other development areas (education, health, environment, economic growth, etc.) requires consideration by an extended list of actors (e.g. civil society) to allow for a coherent approach to water policies.

Water governance interacts with other governance reforms, such as decentralisation or delegation of water responsibilities to lower levels of governments (municipality or region). However, it is complicated by governance structures, such as watershed bodies, that cut across administrative boundaries, as well as the presence of non-public actors (users' associations, civil society, etc.) in the decision-making process.

Whatever the country's specific institutional structure, water actors and their interaction raise significant co-ordination challenges both vertically (within the multiple levels at which water is used and managed) and horizontally (among different ministries and subnational authorities).

The following framework of co-ordination gaps enables us to categorise common weaknesses in water governance (Tables 10.1 and 10.2), even though in practice many of these gaps overlap, as do solutions to address them. Action by governments in the MENA has addressed some of these gaps, although they rarely tackle all five in a co-ordinated manner, as shown by the case studies that follow.

One approach used in some MENA countries and elsewhere is to create river basin-wide watershed management agencies to foster vertical and horizontal co-ordination in the water sector. The need to co-ordinate horizontally across different watersheds as well as vertically within watersheds implies a new governance model that takes into account nationwide or even regional supply and distribution of water and treatment of wastewater. Water agencies must reconcile hydrological and environmental views with national and subnational administrative ones, so that they can help foster coherent water policies and sustainable resource management at the appropriate scale.

Morocco has adopted a model that shares some of the characteristics of the powerful centralised watershed agencies developed in France, Spain and some other OECD countries. Indeed, river basin management organisation in France was instituted by law in 1964 in order to allow for solidarity between different hydrological units, to combat pollution and to increase understanding of local concerns and issues. France was therefore divided into seven units corresponding to hydrological basins and five overseeing departments where administrative and hydrological boundaries are mixed. The role of these bodies is to facilitate common interests. They benefit from financial autonomy based on the polluter pays principle: water users pay a tax to local actors and planners. In Spain, a single authority is responsible for a single natural river

basin (or group of small river basins). This dates back to 1926 when a Royal Decree-Law created the River Basin Confederations as autonomous bodies.¹ Water users were allowed to participate in the management bodies and the confederations' tasks included the creation of a general co-ordinated and methodical plan for the use of the water in the river basin.

Apart from watershed agencies, other types of mechanisms can address vertical and horizontal co-ordination challenges. Some of these are broader co-ordination mechanisms that include water among their objectives and shared responsibilities. For example, governance structures can promote inter-municipal co-operation, or contractual arrangements between levels of government or between municipalities in order to optimise the scale of implementation of water policies, water partnerships and performance-based contracts. Such arrangements may help address overlaps and gaps in governance. Other complementary strategies should also be considered, such as the use of performance indicators (conditioning financial transfers for instance) and the establishment of minimum water quality standards by central government (or at the supra-national level).

Policy coherence can also be fostered by the creation of horizontal co-ordination mechanisms such as ministries of water, *ad hoc* structures, central agencies, inter-ministerial commissions, inter-agency programmes, co-ordination groups or joint initiatives of different ministries at local level.

Regional strategies which include several countries can also limit the "ecological footprint", that is the impact on water supply chains. Through such strategies, governments can work to limit water use, control water quality and apply spatial planning strategies that reduce demand on scarce water resources. Examples of such strategies include urban densification, industrial clustering (bringing together related industries in zones where complementary production processes can support water reuse), and promoting reuse by strengthening urban-rural linkages.

Private partnerships have the potential to generate significant financial resources and bring technological improvement, as discussed in Chapter 8. However, such partnerships are more difficult in the water sector. Water's special characteristics promote natural monopolies, create the need for sector-specific technologies and expertise, and raise distribution and transport costs. The need to develop networks connecting sometimes distant water sources with millions of consumers requires large-scale systems involving tremendous financial resources. These requirements very often exceed the capacity of local governments, hence the funding gap. Despite this need for funds, political and social constraints make it difficult to apply full cost recovery to users. Tariffs in the MENA rarely cover the total costs of service delivery, water treatment and maintenance of infrastructure, much

less investment. This raises concerns over transfers between different levels of government and the feasibility and potential of private sector participation.

Table 10.3 presents six of the key options available for combining private and public management of water, five of which have been applied to date in the MENA region.

Private water services are relatively recent in the MENA region. The first public-private partnership (PPP) was introduced in 1992 to expand wastewater services in Cairo. The countries most actively using PPPs include Morocco (concession contracts in Tangier, Tetouan and Casablanca), Jordan (management contracts and build-own-transfer arrangements) and Algeria (a management contract in Algiers). Private water operators have been working in these three countries since 1997, 1999 and 1999, respectively. Other countries, such as Egypt and Lebanon, currently have low levels of private sector participation but use of these models is expected to increase in the coming years. Despite their geopolitical problems, Lebanon and Palestine are starting to outsource water supply. A management contract was awarded in 1996 for water supply in Gaza and two contracts were awarded in Lebanon for water supply in Tripoli and Baalbeck (Perard, 2008). Box 10.1 summarises Algeria's experience.

In the MENA region, few countries have actually undertaken utility privatisation to any degree. Jordan, the West Bank and Gaza have signed four-year management contracts with Suez and Vivendi. While these contracts may be intended as an introduction to privatisation and a prelude to a more lengthy concession arrangement, they are relatively low risk for the firms involved and do not constitute a major shift of responsibility to the private sector. Only in Morocco has the government instigated a major shift to privatisation, signing three long-term concessions. The picture is dominated by Suez and Vivendi. Saur, a big player in sub-Saharan Africa, is noticeably absent in the MENA region.

Expansion of PPPs in the MENA is supported by global efforts to make more use of such mechanisms, although public ownership and management remain the dominant pattern. This global expansion has encouraged entry by more diverse private actors, the emergence of regional players and new businesses and the blurring of distinctions between public and private. The continuum of risk-sharing arrangements creates new opportunities and challenges for public action, although there have been some high profile cancellations in other regions and the expected surge in investments has not fully materialised. Water is still perceived as a risky sector for PPPs; this complexity requires careful policy consideration.

Good governance requires that authorities develop a clear vision and a set of prioritised principles for water decision-making before launching into PPPs or other business model restructuring. When considering a possible

Table 10.3. **Public, private and mixed models for managing water systems**

Options	Setting performance standards	Asset ownership	Capital investment	Design and build	Operation and maintenance	Commercial risk	Oversight of performance and fees	Duration (years)	Location in the MENA region
Service contract	Public	Public	Public	Public	Shared public private	Public	Public	1-2	Algeria, Tunisia...
Management contract	Public	Public	Public	Public	Private	Public	Public	3-5	Algeria (Algiers), Jordan (Amman), Lebanon (Tripoli), West bank and Gaza (Bethlehem, Gaza)
Lease contract	Public	Public	Public	Public	Private	Shared public private	Public	10-12	
Build-operate-transfer	Public	Private Bulk services	Private	Private	Private	Private	Public	20-30	Algeria, Egypt, Jordan, Lebanon, Morocco
Concession contract	Public	Public	Private	Private	Private	Private	Public	25-30	Morocco (Rabat, Casablanca, Tangiers and Tetouan)
Joint venture	Public	Shared public private	Shared public private	Shared public private	Shared public private	Shared public private	Public	Indefinite	
Divestiture	Public	Private	Private	Private	Private	Private	Public	Indefinite	

Source: Model: Adapted from Bradford Gentry, Yale-UNDP Collaborative program, 1998. Data: Institutional communication and press releases.

Box 10.1. Private sector participation in Algeria's water sector

In Algeria, the government has opted for privatisation in the long term and has restructured the water sector to reflect this. In 2001, the Algerian government established a new utility operator, *Algérienne des Eaux*, to focus on water management and supply and will set up a National Office for Wastewater Treatment to operate water treatment plants.

The country has suffered from unprecedented drought since 1999. The government has started several private desalination projects in the water sector. There have been contracts awarded for the first IWPP (Independent Water and Power Production) at Arzew (to Black and Veatch) and a desalination plant at Bredeah (to Degrémont). These have not been supported by the World Bank, but by export credit agencies of countries whose companies have won the contracts, such as France and Japan (Hall and Lobina, 2002).

Algiers

In November 2005, Algeria's National Office for Wastewater Treatment and the Algerian Water Authority awarded *Suez Environnement* a contract to manage water and wastewater services for the 3.5 million inhabitants of the city of Algiers. This EUR 120 million contract was to run for an initial term of five years. The contractor is required to upgrade and modernise the Algiers water and wastewater utilities to make them more reliable. A major priority is to improve service quality to provide water on a 24-hour basis within 3.5 years. *Suez Environnement* will also transfer expertise and train the 3 000 employees of the local water company, *Société des Eaux et d'Assainissement d'Algiers* (SEAAL). The entire investment is funded by the Algerian authorities, as part of a national investment of EUR 200 million per year to modernise water supply and sewage treatment facilities. The mission of the private operator is essentially to manage the company and transfer knowledge, to improve the quality of the public service (to achieve a 24-hour supply, improve customer service, etc.) and to develop the company's expertise while investing in new technologies (real time monitoring to end water leakages, etc.). By September 2008, 71% of the population had 24-hour access to quality water, meeting international standards (compared to 16% in May 2006). Significant progress has also been made in sanitation, proven by the increase in the number of beaches open to bathing in Algiers, which is a seaside resort.

Oran

In 2007, the Agbar Group and the Algerian water authorities (ONA, *Office National de l'Assainissement* and ADE, *Algérienne des Eaux*) signed a contract for more than five years to manage water and deliver sanitation services to the 1.5 million residents of Oran, one of Algeria's three largest cities, located on the Mediterranean coast in the north-west of the country. This management contract complements the Algiers contract, won in 2006 by *Suez Environnement*, and synergies can therefore be expected.

Degrémont – the Suez water treatment subsidiary – has been present in Algeria for nearly 50 years. Its most recent achievements include the construction of seven drinking water treatment plants for *Algérienne des Eaux* and the *Agence Nationale des Barrages et des Transferts*, including the Taksebt plant (610 000 cubic metres per day – m³/d), the transfer plant in Mostaganem-Arzew-Oran (520 000 m³/d) and that of Athmania (263 000 m³/d), whose operation will be under Degrémont's responsibility for five years.

transition from one business model to another, governments must carefully consider the implications for the structure of incentives and sanctions, achievement of goals, accountability mechanisms and the role of consumers in decision-making.

This is the reason why the *Private Sector Participation in Water Infrastructure Principles: Checklist for Public Action* (OECD, 2008a) was designed. It is a tool to support governments' efforts to build a shared understanding of risks and opportunities in private sector participation and to harness private sector contributions more effectively. This instrument aims at assessing countries' private sector participation framework conditions, allowing country-specific challenges to be identified. It is based on the experiences of 30 developing and emerging countries in Africa, Asia and Latin America, as well as practices in OECD countries. The checklist considers five areas for public action: deciding on the nature and modalities of private sector participation; enhancing the enabling institutional environment; developing goals, strategies and capacities at all levels of government; making the public-private co-operation work in the public interest; and encouraging responsible business conduct. Its principles consist of clarifying public sector responsibilities, developing sound regulatory frameworks, bridging water sector segmentation, understanding private sector contributions, rooting the PPP in strong accountability principles, and strengthening ownership and public participation.

The second phase of this work seeks to implement the *Checklist for Public Action*. This will involve helping governments to better understand the risks and opportunities associated with involving the private sector in the development and management of water systems and to identify the country-specific challenges. The Egyptian authorities have expressed their interest in collaborating with the OECD in this area and a policy dialogue is underway based on the checklist (see Table 10.4).

Table 10.4. **Regulation of water resources in the MENA: Some examples**

Sub-indicators	Algeria	Egypt	Jordan	Morocco	Tunisia
Presence of regulatory agency?	Not yet, however it has been planned in the Article 65 of the new water law.	Yes: Since the Presidential Decree 136 of 2004.	Yes: The Water Authority of Jordan and Programme Management Unit.		
Real independence of the regulatory agency?		No: Agency headed by several ministers.	No: Agency headed by the Minister of Water and Irrigation.	No.	No.

Without adequate institutional arrangements, delegating water services to private operators does not necessarily improve efficiency. Thus, designing a regulatory system is the most essential step in the process of reforming the water sector. If a sound regulatory framework is to be credible it needs a certain degree of independence. An independent regulatory agency provides political stability and a safe environment for both private and public water operators. The water sector has certain intrinsic characteristics: natural monopolies, inelasticity of customer water demand, economies of scale, large sunk investments in networks and infrastructure, local scale of service delivery, externalities on health and environment, etc. These imply a low degree of competition, few international players and therefore high risks of abuse of dominant positions, hence the need for a strong regulator to balance the interests of all parties and prevent opportunistic behaviour. That means protecting consumers from private sector abuses, protecting the private sector from politically-driven decisions, enabling the public sector to carry out long-term policy objectives, seeking outcomes consistent with those from competitive markets and guaranteeing sufficient flexibility in contracts, regulations and standards to adapt the form of service delivery.

In OECD and Latin American countries, most regulators in the water sector were created in the 1990s, in parallel to experiences of private sector participation. The MENA region has a wide variety of institutional arrangements (Table 10.4). There are similarities between Jordan and Egypt, which both created water regulatory agencies that are not really independent since they are accountable to different ministries. Morocco and Tunisia have no regulatory agency in the sector at all, whereas Algeria planned to create one in its 2005 Water Law, though so far it has not been established.

It is not enough to set regulatory frameworks for private sector participation to be successful. Regulatory agencies are also required, and they must be credible, legitimate and efficient. But evidence from OECD and non-OECD countries alike shows that most regulatory agencies face tremendous challenges:

- i) Setting up a regulatory agency is costly. This must not be underestimated when it comes to contemplating private sector participation since it raises the issue of how such entities are going to be financed to avoid the economic and financial “capture” of the regulator by the granting authority or the operator.
- ii) Very often, the agencies lack the required technical capacity and information (see the above list of governance gaps), which prevents them from fully assuming their roles and responsibilities. They often lack the competence and information to monitor contractual arrangements, investment plans, etc. The issue of accountability to and independence from the political power is also important to prevent decisions based on vested interests.

- iii) Citizens' participation is generally limited in such agencies and consultation mechanisms integrating civil society and users in the regulatory process are very rare.

In the MENA region, access to water is expected to diminish unless significant reform occurs. Some MENA countries lack basic water institutions – others display fragmented institutional structures or overlapping decision-making structures, which often exclude users' demands and civil society. Moreover, water is a matter of regional co-operation with many MENA countries facing similar challenges, and many sharing basins and rivers. Thus, water sector reform requires not only the adoption of integrated approaches and modern water policy guidelines, but also the promotion of regional and international co-operation (see Section 10.7). Participation of all stakeholders concerned is another core element for keeping the region's waters flowing. This includes capacity building and empowerment of the public and private sectors and community organisations to enable them to fulfil their roles.

The following case studies focus on major reforms undertaken in four countries in the region: Egypt, Morocco, the Palestinian National Authority and Tunisia.

10.3. Egypt: Regulatory frameworks and PPPs

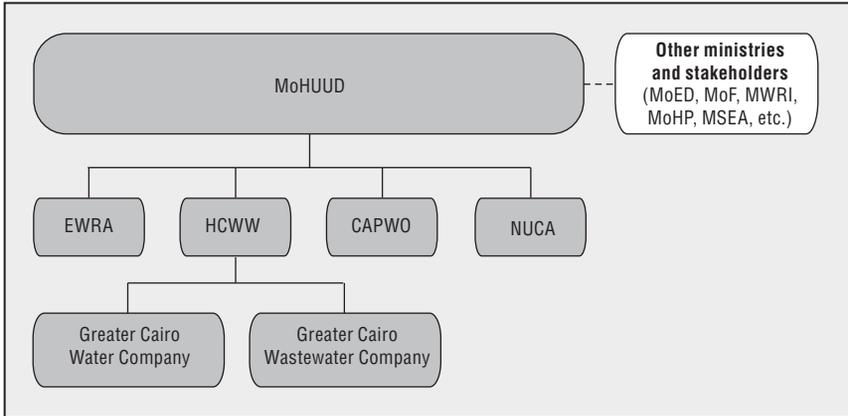
Institutions and responsibilities

After decades of investment, Egypt has now achieved 100% coverage of clean drinking water in both urban and rural areas. Wastewater services have received less attention, and their coverage is 55% in Egypt as a whole, but only 15% in rural areas. The gap between water and wastewater coverage has undesirable effects on the environment and public health; these can only be remedied through major capital investments to extend the wastewater treatment plant network.

Municipal water supply and sanitary services are carried out by a set of authorities affiliated to the Ministry of Housing, Utilities and New Communities (MHUNC). Under MHUNC, the National Organisation for Potable Water and Sanitary Drainage (NOPWASD) is responsible for planning, designing and constructing municipal drinking water purification plants; distribution systems; sewage collection systems and municipal wastewater treatment plants throughout Egypt.² Operational and maintenance responsibilities are delegated to local agencies in 29 governorates, structured as economic/general authorities, public/private companies or utilities.

The New Urban Communities Authority (NUCA) is in charge of planning new urban developments to cope with Egypt's strong demographic growth. It is responsible for comprehensive physical and infrastructure planning and for managing infrastructure design and construction supervision. On completion,

Figure 10.1. **Key institutions in the water and sanitation private sector, Greater Cairo, 2008**



Source: EUWI (European Union Water Initiative-Mediterranean) (2009c), *Development of a Financing Strategy for the Water Supply and Sanitation Sector in Egypt*, MED EUWI Secretariat, Athens.

infrastructure management is transferred to the designated governorate. Figure 10.1 gives an example from Cairo of the water and sanitation institutional set up.

In 2004, the Egyptian government decided to rationalise the public water sector and to centralise all water activities. Presidential Decree 135 (2004) groups all drinking water and sanitation entities across the country under a single holding company: the Holding Company for Water and Wastewater formed in 2004 (Presidential Decree No. 135), which employs 70 000 public workers and is responsible for a total debt estimated at EGP 13.8 billion (Egyptian pounds). Its first mission is to seek new financial resources to sustain its operation and maintenance budget and to relieve the burden on the government, which carries almost 90% of the development, operation and maintenance cost for water services. In this context, the idea of using private sector participation strategies has gained momentum over the past five years. Along with the holding company, the Egypt Water Regulatory Agency (EWRA) was also created to provide economic regulation for the sector.

Institutional and regulatory reform to enhance private sector participation

Creating an appropriate PPP policy framework can be done by cherry-picking the most appropriate and successful features of international PPP models, providing supportive legislative, and creating a new legal framework for PPP projects. This framework must be supported by standard PPP contracts, procurement documentation and procedures and the creation of regulatory

bodies for post-contract implementation. The Ministry of Finance has been charged with overseeing this work and has established a PPP Central Unit and Satellite Units in the major line ministries. These ministries' five-year strategic plans have identified suitable projects for PPPs. The Ministry of Finance has collaborated with other agencies to develop budgetary and accounting practices to manage PPP transactions. The government has used pilot projects to define best practices, giving particular attention to such key financial issues as the use of credit enhancement mechanisms and ways to encourage the domestic banking sector to offer longer tenders and more competitive pricing.

The Egyptian experience of establishing a regulatory body and PPP in the water sector deserves particular attention as it was a pioneering experience in the MENA region. Parliament is expected to finalise water legislation that establishes a firmer legal basis for concession agreements, clarify the regulatory responsibilities and functions, and provide sanctions for non-compliance. This legislation will build on the initial experience of the Egyptian Water Regulatory Agency (EWRA), which began operating in 2007. EWRA will report to the Minister of Housing, Utilities and New Communities, and link government, society and the water/wastewater holding company to ensure that national policies and regulations are followed. EWRA is not fully autonomous: the Minister of Housing heads the governing board and the Ministries of Finance, Health and Population, and Environment are also represented on the board.

EWRA's strategic goals are to ensure that national water sector policies are implemented by the relevant entities, to control service delivery, to strike the balance between service cost and tariffs and to promote PPP projects. To date, EWRA has implemented a water quality monitoring programme, developed performance indicators and a benchmarking plan for utilities, and designed a water balance action plan. Work underway includes a cost-of-service study and a customer satisfaction survey programme. These institutional development steps, supported by training and capacity building activities, have enabled Egypt to accelerate the adoption of PPP in the water field.

The Ministry of Finance PPP unit was chosen from among all the Euro-Mediterranean countries for the PPP 2008 Award. The ministry has issued a PPP implementation guide and developed a bilingual website to improve communication with potential bidders and other stakeholders. As of late 2009, one tender had been awarded (for the New Cairo Wastewater Treatment Plant Project, Box 10.2), three tenders were scheduled to close by the end of 2009, four were under preparation and ten projects were in the pipeline across various sectors (Box 10.3). Beyond the water sector, pilot PPP projects were also launched in the education, hospitals and utilities sectors.

Box 10.2. **New Cairo Wastewater Treatment Plant**

In 2008, the New Urban Communities Authority (NUCA), with the technical assistance of the PPP Central Unit of the Ministry of Finance, invited bidders for the creation and operation of a wastewater treatment plant in New Cairo through a public private partnership. The project is for the design, financing, construction, operation and maintenance of a 250 000 m³/day wastewater treatment plant in New Cairo, a new urban community. Ownership will transfer back to NUCA after 20 years or upon early termination of the contract.

The PPP contract was awarded through a competitive tender process open to both local and international bidders, conducted under the Egyptian Tenders Law (Law 89/1998). Five bidders were pre-selected – a consortium including the Egyptian company Orascom and the Spanish company Aqualia won the tender. The project will broadly follow the United Kingdom Private Finance Initiative (PFI) model.

Box 10.3. **Water projects currently in the pipeline in Egypt**

- Upgrading from primary to secondary treatment for Abu Rawash plant with a capacity of 1.2 million m³/day (to be put out to tender during September 2009).
- Raising the capacity of 6th of October treatment plant from 150 000 cubic m³/day to 450 000 cubic m³/day (to be put out to tender during July 2009)^p.
- Raising the capacity of West Alexandria treatment plant by 200 000 cubic m³/day to 480 000 m³/day and upgrading from primary to secondary treatment for the total plant capacity (to be put out to tender during December 2009)^p.
- Tendering out Rod El Farag access by mid 2010 upon completion of due diligence as well as technical, legal and financial studies.

Next steps

Key challenges for future Egyptian institutional reforms include establishing a modern PPP policy and legal framework, improving co-ordination with relevant stakeholders, developing a realistic list of viable PPP projects, improving communication to overcome public perception of PPPs as privatisation, building the capacity of central and satellite PPP units, and strengthening PPP financing capacity by consolidating local financial markets, developing project bankability, and improving affordability to the government (Box 10.4).

Box 10.4. The national policy dialogue on private sector participation

The Egyptian authorities have been collaborating with GWP (the Global Water Partnership) and the OECD in the framework of the Mediterranean component of the EU Water Initiative to support policy dialogue on financing the water sector. The recent launch of the tender for the New Cairo treatment plant and the development of a master plan for water supply and sanitation infrastructure to 2037 have renewed interest in the potential involvement of the private sector in the development and management of water infrastructure.

The policy dialogue is now focusing on the reforms needed to harness private sector contributions more effectively. It builds on the recently published *Private Sector Participation in Water Infrastructure: OECD Checklist for Public Action* (OECD, 2008a), which aims to support governments' efforts to build a shared understanding of the risks and opportunities related to private sector participation. A questionnaire based on the checklist was sent to the various actors in the water sector to help assess the country's private sector participation framework conditions, and allow the identification of country-specific challenges. A first dialogue event took place early January 2010 and brought together different ministries and public agencies with representatives of the private sector to discuss a first draft assessment based on the checklist and to identify possible ways forward.

The Egypt case illustrates the intermediate stage of PPP project development in the region. More experience and institution-strengthening measures are needed to expand PPP capacity so that it can make a real contribution to meeting the region's growing urban water service needs. Five major regulatory development gaps must be addressed to consolidate early progress:

- i) Financing gap: Meeting the financial cost of setting up regulatory agencies and ensuring their viability.
- ii) Capacity gap: Raising the technical expertise and competences of staff.
- iii) Policy gap: establishing regulatory agencies' autonomy and independence from the executive power.
- iv) Information gap: Reducing the asymmetry of information between the regulator and the operator.
- v) Participation gap: Establishing real citizen involvement in the work of the regulatory agencies.

10.4. Morocco: river basin organisation and citizens' participation in water management

Institutions and responsibilities

The Moroccan government considers water supply and sanitation to be strategic issues for national development. This is in light of its semi-arid geography and socioeconomic characteristics, including low income, heavy reliance on agriculture, and dispersed population in the rural areas. In contrast to the generally high level of centralisation of other administrative functions, water management is relatively decentralised and key functions are allocated to specialised organisations. The General Directorate for Water takes the lead in planning and developing water resources. The National Office of Potable Water (ONEP), created in 1972, both treats and distributes water on a retail basis to households and industries and supplies bulk water to municipal and provincial governments. ONEP is legally and financially independent and is the major water supplier, distributing water to 416 urban centres, 3 656 villages (*Douars*) and 198 small rural centers. Nine Regional Authorities for Agricultural Development (RAADs) also serve the rural areas, developing and maintaining water distribution networks, managing and distributing water, collecting water charges and providing other farm inputs and extension services. This structure is shown in Table 10.5.

Table 10.5. **Institutional framework of the water sector in Morocco**

Policy and regulatory roles
<ul style="list-style-type: none"> ● The Ministry of Energy, Water and Environment. ● The Ministry of Interior. ● The Ministry of Agriculture and Fisheries. ● The Ministry of Economy and Finance. ● The Ministry of Economic and General Affairs. ● The State Secretariat in Charge of Water and Environment. ● The High Commissariat for Waters, Forestry and Combating Desertification.
Co-ordination bodies
<ul style="list-style-type: none"> ● The High Council on Water and Climate. ● The Interministerial Water Commission.
Policy implementation and service delivery
<ul style="list-style-type: none"> ● State Secretariat of Water and Environment in charge of water resources development planning, dam construction, operation and maintenance. ● Seven River Basin Agencies (RBA). ● Nine Irrigation Development and Management Agencies (ORMVA). ● The National Agency for Potable Water (ONEP) in charge of water supply strategy, bulk potable water production, distribution and sanitation in small towns and rural water supply. ● Multisector utilities responsible for distribution in Morocco's largest cities, including private concessions and 13 municipality controlled <i>Regies</i>.

Source: EUWI (European Union Water Initiative-Mediterranean) (2009b), *Annual Report*, MED EUWI Secretariat, Athens.

In 2002, the Moroccan government decentralised responsibility for water supply and sanitation services to the municipalities, which can now choose among four options for managing water services: i) they can manage water services themselves under a “*régie publique*” contract; ii) they can create an independent public provider to which they can delegate water services; iii) they can delegate water services to the ONEP; or iv) they can contract out water services to private firms.

Morocco’s water reforms aimed to increase efficiency and sustainability in water management and service delivery while addressing central issues in sector governance. They aimed to do this by strengthening intrasectoral co-ordination and establishing medium-term expenditure frameworks and performance contracting for all public operators. Subsectoral reforms have been carried out in the areas of resource management, irrigation and water supply and sanitation, guided by the principles of integrated resource management, with emphasis on demand management and operator efficiency. The national government also worked with river basin agencies to improve water quality and aquifer management strategies.

Seven years after this reform was put in place, Morocco has 13 independent public operators and 4 private operators working under concession contracts. Two of the larger concessions were awarded before the decentralisation: Casablanca (awarded in 1997 to Lydec [Suez] by direct negotiation), and the capital city, Rabat (awarded in 1999 to Redal [Veolia] also by direct negotiation). With experience, the government moved to a more formal and transparent process based on public tendering. Under this procedure, the government awarded two concessions in 2002 to Amendis (Veolia), for the cities of Tangiers and Tetouan.

Table 10.5 illustrates the complex institutional line-up involved in managing water in Morocco.

Vertical and horizontal co-ordination mechanisms

The 1995 Water Code reforms led to significant changes, creating nine river basin agencies (and six delegations) as nodal agencies for water administration at the regional level. These river basin agencies are legally and financially independent. Their mission and financing mechanisms are very similar to French basin agencies. They are financed through users’ fees (*redevance*) and they can lend money for different local investment programmes in water. The first river basin agencies were created in 1997 (Agency *Oum Er Rbia*) to guarantee sustainable water management while acting on three fronts: the availability of water resources (management of existing volumes); the financing dimension of infrastructure; and the technical knowledge, requiring the involvement of local

actors. This reform was therefore based on the principle of proximity and the need to involve local actors and users further, as they are more likely to identify challenges and workable solutions.

The river basin agencies can adopt contractual arrangements such as *contrats de nappes* (river contracts) with the state, the regions or even foreign agencies, to enhance co-operation with countries that have been pioneers in river basin organisation. Their role is also to develop an integrated hydrological plan at the basin level (PDAIRE, *Plan Directeur d'Aménagement Intégré des Ressources en Eaux*) and guarantee its enforcement. They grant authorisations and concessions for water in the public domain, and provide subsidies, service delivery and technical assistance to prevent pollution. They also conduct hydrologic and hydrogeologic studies, build infrastructure to prevent floods and design and implement certain regulatory tools.

River basin agencies are overseen by a Council of Administration representing the state (33%); public providers of water, irrigation and hydroelectricity (25%); and other actors such as the Chamber of Commerce, Industry and Services, prefectural and provincial assemblies, ethnic groups and water users' associations. This council, chaired by the Secretary of State of Water and Environment, meets twice a year. At the local level, the direct interlocutors of river basin organisations are 60 provincial and prefectural commissions, in charge of contributing to the integrated hydrological plan, encouraging economies of water and prevention of pollution, and raising awareness about water scarcity. A technical co-operation agreement for achieving targeted actions was signed in 1996 (renewed in 2002) between the French and the Moroccan ministries in charge of water. This agreement also outlines co-operation at a decentralised level between French and Moroccan basins.

The 1995 Water Code also created the Higher Council for Water and Climate as an interministerial committee to reinforce horizontal and vertical co-ordination among different actors in the water sector. Half of its members represent the state, agencies, and public operators (*Office National d'eau Potable*, *Office National de l'Électricité*, *Offices Régionaux de Mise en Valeur Agricole*), and the other half represent non-government stakeholders, including water users, prefectural and provincial assemblies, academic and research institutions, and scientific or professional associations. This council, chaired by the King of Morocco, is in charge of assessing the national strategy on climate change and its impact on water resources; the national hydrological plan; and integrated water resources planning.

Reducing consumption and increasing access to water in rural areas

The creation of local expertise also includes citizens and civil society (NGOs, women, youth, etc.) because the challenge of sustainable development

– conserving resources for future generations – involves a process of local education and awareness-raising, carried out through citizen participation.

Since 1980 the annual growth of water demand in Morocco has decreased from 8% to 3% thanks to legal and institutional measures (law on water, river basin organisations, sanctions for overconsumption), technical progress (investment in infrastructure, reduction of leakages, etc.), financial incentives (stepped progressive tariffs to rationalise water consumption) and communication tools (education, information campaigns, etc.).

In 2001, during the 9th session of the High Council for Water and Climate, a series of reforms for the water sector were put in place to supply drinking water to rural areas by January 2004. The responsibilities of the National Agency for Potable Water (ONEP) include the planning and implementation of new water projects to supply 90% of people in rural areas with drinking water by 2007, as well as the co-ordination of the public and private local operators engaged in water supply to rural areas. So far, under the programme for small rural centres, ONEP has supplied drinking water to 750 peripheral settlements with a population of 450 000 people, and 44 small rural centres and main rural communities with a population of 222 000 inhabitants.

One of the initiatives to achieve this expansion, PAGER (*Programme d'Approvisionnement Groupé en Eau potable des populations Rurales*) has used a very innovative management programme. This involves the population benefiting from the service and makes them responsible for managing water sustainably. At present, there are more than 5 500 users' associations in rural areas who are responsible for more than 40% of local infrastructure.

Over the past 10 years, the ONEP has gradually integrated social communication and engineering into its strategy with the aim of developing a participatory approach to sustainable water resource management nationwide, as well as in rural water projects. The major focus of the communication strategy is to raise local awareness and promote a new “culture of water” to foster voluntary conservation of Morocco's scarce water resource. Building on early experience dating back to the 1950s and to the first organised public communication campaigns in the early 1980s, ONEP introduced a “participatory dynamic” approach in 2004. This approach involves the population in identifying and diagnosing water problems as well as designing local solutions to tackle them. To be effective, this approach requires the support of a broader national strategy that involves users in water policy decision-making and implementation. The approach recognises that the general population, once organised and educated, is an essential partner in water programming, which cannot be the sole prerogative of governments.

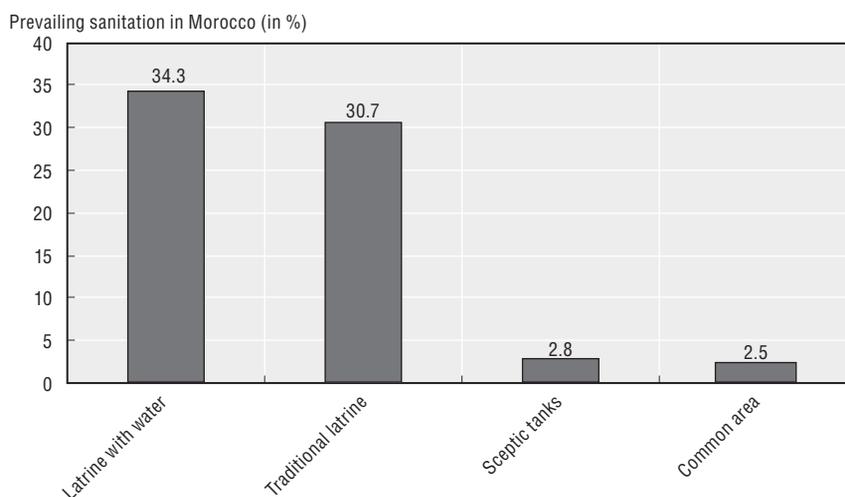
ONEP has been particularly successful in its rural community projects, based on its recognition that sustainability requires more than funding investments in infrastructure. It has put in place mechanisms that provide for the sustainable implementation, management and maintenance of projects. Morocco's rural population of 13.4 million, 44% of the total population, is spread across some 39 000 rural localities, 18 000 of which have fewer than 200 inhabitants and 19 000 have between 200 and 400 inhabitants. In these small communities, with per capita water use of only 5-40 litres per day, the active participation of users is essential for system viability.

ONEP works to develop the necessary local capacity through three main strategies: i) it involves the local population through the management of public standpipes (*bornes-fontaines*) and a system of local water managers (*gardiens gérants*) chosen by the community; ii) it uses financial incentives to stimulate the creation of drinking water users' associations; and iii) it mobilises the expertise of local micro-enterprises for system maintenance. To date, 45 000 *gardiens gérants* have been chosen to manage more than 5 000 standpipes and around 6 000 drinking water users' associations have been created to manage water facilities serving more than 2 million inhabitants. These two services cover 46% of the population who have water access in rural areas. In addition, 600 micro-enterprises have been created in partnership with young graduates.

These initiatives contribute to the coherence of government rural programmes while mobilising local actors around new participatory water projects and raising awareness of water-health interactions. The ONEP strategy incorporates local people's viewpoints and expectations, as well as their local skills and knowledge.

Next steps

In spite of these achievements, Morocco now faces new challenges: the degradation of water resources; increasing water scarcity due to population growth and economic development; groundwater depletion; the increasing cost of water mobilisation; and dam capacity losses due to climate change and siltation. The water sector also needs to renew, rehabilitate and strengthen existing infrastructure. Last but not least, while the implementation of appropriate drinking water programmes has raised rural people's quality of life, sanitation has not received the same attention. According to the UN Food and Agricultural Organization (FAO, 2009), only 40% of the population has access to sanitation, a percentage that varies according to the location and the socio-economic conditions. As shown in Figure 10.2, 30.7% of the unserved population in rural areas have traditional latrines, 34.3% have latrines with water, 2.8% have septic tanks and 2.5% have common areas.

Figure 10.2. **Sanitation in Morocco**

Source: UNDP (United Nations Development Program) (2006), *Reaching the Poorest: Rural Water Supply in Morocco*, UNDP, New York.

10.5. The Palestinian Water Authority: Legal developments and challenges

Institutions and responsibilities

The Palestinian National Authority faces unique legal challenges. The underlying legal structure for water dates back to the Ottoman period. New laws and regulations were implemented under the British mandate, were further modified under the Jordanian administration (in the West Bank) and Egyptian administration (in Gaza), and modified again under Israel. This has left the Palestinian National Authority with a complex overlay of laws. Islamic law (*Sharia*) defines water as God's property, which should be free and available to all. In practice, use rights to water have been allocated for drinking and irrigation, though acceptable payment structures are not clearly defined.

Under the British Mandate (1922-48), issues related to sewerage, drainage and use within municipalities were regulated and legislated in an effort to control scarce water resources, ensure adequate supply for domestic use, define the resources in the public domain, and regulate their use. In the Jordanian Period (1948-67), water management laws and concepts required registration and licensing of water access and use under established water allocation principles. On the West Bank, a specialised water department was created to supply water to Jerusalem, Ramallah, Bethlehem and neighbouring towns and villages.

Subsequently, following the signing of the Oslo Agreement in 1995, the Palestinian Water Authority (PWA) was established by presidential decree. In 1996, Law No. 2 set out the PWA's objectives, functions, duties and responsibilities, which included managing water resources, preparing and executing a national water policy, supervising or monitoring water projects and ensuring co-operation among water stakeholders. This mandate was the basis for another presidential decree in 1997, which established the sector's regulations, rules and procedures.

In 2000, the PWA prepared a National Water Plan to set strategic directions for the sector up to 2020. The plan lays out a series of actions to achieve sectoral goals, describes the role of service providers and shifts the functions of the PWA to regional utilities that will be in charge of operations, maintenance, repairs, wastewater collection and treatment, bulk water supply, water reuse, and water allocation for industrial and agriculture use. Regional water utility assets remain government-owned with community representation on their boards. The PWA retains the authority to license and monitor well-drilling, withdrawal and discharge and also to set water tariffs, although the regional utilities are defined as fiscally and administratively autonomous.

In 2002, the PWA developed a new comprehensive water law to strengthen sector governance, a key goal of the PWA. The law covered all core aspects of water management: developing and managing resources, increasing capacity, improving quality and preventing water pollution and depletion. It establishes a Water Council chaired by the President of the PWA with representation from water user associations, ministries, academics and regional utilities. Its 13 members include 9 governmental officials from the ministries of planning, finance, health, regional administration and environment and four representatives of the private sector, universities and other local bodies, such as the Union of Water Development Services. The council sets policies for the water sector and ratifies PWA plans and reports. The role of the Palestinian National Water Authority is to plan and oversee implementation of these policies through legislation, laws and management systems to ensure sustainable water use.

Next steps

The PWA has made good progress in implementing its mandate. It manages water resources, plans for the future, and repairs and maintains the system. It has well-trained professionals who work to harmonise the activities of the municipalities and village councils and co-ordinate donor assistance. But significant challenges remain. The PWA still needs to strengthen institutional capacity, develop human resources, improve national policy implementation, revise water regulations and procedures, and enhance information services. It also sees a need to enforce water pollution control and

production of water resources, regulate and co-ordinate integrated water and wastewater investments and operations, promote regional and international co-operation and focus on water resource availability to balance supply with domestic, commercial and industrial demand for water.

10.6. Tunisia: Private sector participation and gender in water policy

Institutions and responsibilities

Tunisia has made water management a top priority, and its approach has been quite successful to date. National water policies are defined by the Ministry of Agriculture and Water Resources (responsible for the overall supply and use of water) and the Ministry of Environment and Sustainable Development (responsible for impact studies and monitoring of environment systems). Other actors, including the Commission of Public Hydraulic Domain and a national Water Council, assist both ministries in their mission. The government develops short, medium and long-term water plans and strategies, plans the water infrastructure needed to meet demand, ensures monitoring and oversight, and guarantees the protection of resources and ecosystems. It establishes related legal and institutional frameworks and guarantees the separation between public service provision and the regulatory functions performed by the administration under the Water Code.

Two centralised agencies manage Tunisia's water and sanitation systems; both are totally within the public sector. SONEDE, the National Company for Water Development and Distribution (*Société Nationale d'Exploitation et de Distribution des Eaux*), is the autonomous national public water supply utility. Since 1968 it has been responsible for delivering potable water to 2.1 million customers (8 million individuals) by building, operating and maintaining the water infrastructure. While its mandate traditionally focused on urban areas, in recent years SONEDE has expanded operations to rural areas as well. The agency, which employs more than 6 900 people, is overseen by the Ministry of Agriculture and Water Resources. ONAS, the National Sanitation Bureau (*Office National de d'Assainissement*), is the autonomous national public sewerage utility, responsible since 1974 for sewerage collection, treatment and disposal in about 157 urban centres, industrial and tourist zones. The agency employs 4 800 people to manage 80% of the sanitation sector in Tunisia (serving 1.4 million clients or a total of 6.1 million residents: 85% of the urban population). Since December 2004, ONAS has been overseen by the Ministry of Environment and Sustainable Development, which sets policies and investment priorities for the sanitation sector. In addition to these two major national agencies, the General Directorate for Major Waterworks (*Direction générale des grands travaux hydrauliques*) is responsible for constructing large dams and irrigation infrastructure, while the General

Directorate for Rural Engineering and Water Resource Development (*Direction générale du génie rural et de l'exploitation des eaux*) is responsible for water resources management and irrigation supply, as well as drinking water supply and sanitation in rural areas not covered by SONEDE or ONAS.

SONEDE and ONAS are under state contract to achieve specific service and infrastructure goals. Over the past ten years, their performance has been impressive despite a recent deterioration in their financial results because of deferred tariff adjustments and an ambitious capital programme for rural service expansion. Tunisia boasts one of the lowest rates (18.2%) of unaccounted-for water in the region (that is, water that left the treatment plant but did not result in payment, whether because of leakage, other physical losses, or non-payment of the water rate).³ Moreover, urban household connections are 98%, while 43% of rural households also have individual connections. Tunisian cities also suffer very few interruptions to water supply. Due in part to this high level of service, SONEDE's bill collection rate (which also covers ONAS), exceeds 99%. Indeed, the overall payment rate is currently about 95% and the average bill payment rate for private individuals does not exceed 40 days, which is considered acceptable by the utility. On the other hand, state and local administrations have poor payment records, equivalent to one year's consumption for the state administration, and two years' consumption for local administrations. The state administration is in arrears because the annual water budget always falls short of actual expenditure. To address this, the government intervened in 2000 and 2005 to reconcile the administration's water bills and the redemption dates of outstanding loans (TND 24.4 million and 14.4 million respectively – approximately USD 17.1 million and USD 10.1 million). In 2006, to address local administrations' arrears, the state implemented a debt rescheduling contract for a total of TND 10.9 million over five years (WSP and PPIAF, 2009).

The sector's strong performance is due to the vision and experience of the operators, to the institutional framework, and to the sustained growth of the Tunisian economy over recent decades. These very good results can also be explained by other factors:

- The operators have gained technical experience in integrating proven technologies into their operations and adapting these to local conditions (e.g. handling iron in rural areas, adapting water treatment techniques in desalination plants, pipeline corrosion control, odour control in treatment plants and ventilation in activation basins).
- The existing institutional framework has allowed for sector development, although it encourages urban water supply and sanitation monopolies at the national level.

- Training competent operators on a national scale has remedied an earlier lack of adequate water service delivery and specialised skills.
- SONEDE and ONAS were created as industrial and commercial entities governed by legislation tailored to their respective mandates. The main government actors also participate in these organisations' board of directors. Strict control over operators, and financial and administrative discipline, are ensured by the responsible ministry, the Prime Minister's office and other specialised ministries such as the Ministry of Finance, the Procurement Commission, and the Accounting Commission.
- SONEDE's success is also attributable to its governance structure and management expertise. SONEDE has been operating in Tunisia for over 30 years, over which time it has improved operations through short, medium, and long-term strategies, coupled with budgets that match planned programmes. Overall, the utility has adopted a staged, conservative approach, with a long-term view that accommodates new ideas.

Water sector reform, implemented in tandem with broader sector reforms, has created a chain reaction and nurtured synergies. For example, financial sector reform has made it easier for a water utility to access funding. Legal and regulatory frameworks must also be supportive to evolving water sector and financial services sectors. Tunisia's first strategic plan (1990-2011), which sets out short and long-term objectives, aims to establish and implement a strategy for water sector regulation and mobilisation, whether through dams, catchment ponds, spreading of flood waters, treated wastewater, artificial refilling of aquifers, borehole drilling, surface wells, or desalting. Through this plan, the rate of water resource mobilisation increased to 88% in 2004 from 67% in 1996, and is expected to increase to 95% by 2011. A second plan is currently being developed and will cover strategy and projections up to 2030.

Private sector participation in the water sector is currently limited to subcontracting technical services for the extension of water networks and installation of connections. However, there is capacity in Tunisia for a wide range of private sector involvement by both domestic and international companies. Examples of possible activity include: building treatment centres, desalination works, constructing water pumping stations, building storage tanks for safe drinking water, and laying pipes. Maintenance, leak detection, and engineering studies are currently partly subcontracted. In 1999 SONEDE conducted a study of the potential role of the private sector in supplying safe drinking water (SONEDE, 1999). As part of the study, SONEDE developed a list of activities for which subcontracting could be possible and analysed constraints to the development of contracts. One area identified was desalination capacity. SONEDE recently completed a more detailed study of the construction of a

desalination facility on the island of Jerba with a total capacity of 50 000 m³ per day, scheduled to begin in 2008. Investment for this facility is expected to take the form of build-operate-transfer (BOT) or build-own-operate (BOO).

In the sanitation sector, after strategic sectoral studies to identify private sector participation and financing opportunities, tenders were called for in 1995 (signed in 1997). Today, private sector participation accounts for 13% of infrastructure operation and maintenance in the sanitation sector, and is expected to represent 40% by 2016. ONAS has thus been a pioneer in mobilising private capital for sewerage services. Recent regulatory reforms have encouraged new investment in sanitation infrastructure. Decree 2005-3280 set new conditions and procedures to delegate the financing, construction and operation of infrastructure and Law 23-2008 clarified the regime for concession contracts. As a result of these and other reforms, the trend is now towards longer contracts (20-30 years) with private operators, using BOTs or related mechanisms to extend networks and finance new installations. ONAS expects that 4 100 km out of the 13 600 km national network will be operated and maintained by private partners by 2010, given them responsibility for 45 out of 112 treatment plants nationwide. According to ONAS, private sector participation allowed for an increase of the dewatering rate from 60 to 80%.⁴

ONAS has set several strategic objectives and directions for 2009-18, including developing and extending sanitation infrastructure to meet increased demand; extension and rehabilitation of low-capacity and run-down treatment plants and waterworks; rehabilitation of pipelines and deteriorated infrastructure; BOT financing for the construction of two treatment plants (Attar II and El Allef); design and implementation of a national sanitation programme serving poor neighbourhoods; a rural sanitation programme serving 4 000 inhabitants; optimisation of treatment plants' capacity; enforcement of energy-saving programmes; treatment of industrial wastewater; and, finally, transfer of treated wastewater from Tunis to be used for irrigation in arid and semi-arid regions.

SONEDE will also expand private participation, using sub-contracting and BOTs for new investments in desalination. Sub-contracting is an established practice in SONEDE, going right back to its inception, and enables the agency to separate service operation from its regulatory functions, improve the quality and productivity of service delivery and reduce costs. SONEDE has used subcontracting primarily for facility maintenance, leak detection, new service connections and the preparation of hydrological studies. These experiences are generally judged a success in allowing for efficient management. However, SONEDE management are aware of the need for further development of contract management for procurement and tenders, as well as reinforced control and monitoring. SONEDE is currently working on three major

concession-based projects, in Djerba, Zarat and Sfax, as part of the National Desalination Programme to ensure adequate water resources in urban areas.

Table 10.6 summarises key challenges in the water and sanitation sector in Tunisia.

Table 10.6. **Key challenges in the water and sanitation sector in Tunisia**

Water
<ul style="list-style-type: none"> ● Increasing costs of water resources due to longer transfer periods. ● The need for desalination facilities to increase the volume of water resources and improve water quality. ● Ensuring the sustainability of water supply, especially for large urban areas. ● Managing extreme climate variations, especially drought. ● Supplying rural and peri-urban areas. ● Increasing demands of a well-informed population for water quality. ● Over-staffing and management of human resources. ● Managing demand modernising institution management (SONEDE). ● Reducing service provision cost. ● Full cost recovery of tariffs and associated regulations. ● Upgrading/rehabilitating and expanding existing infrastructure. ● Future sector financing. ● Upgrading autonomy and management tools. ● Delays in project implementation periods. ● Compensation for implementation delays of new information technology methods and new management tools.
Sanitation
<ul style="list-style-type: none"> ● Expanding the service delivery area to small towns where costs are higher than revenues. ● Rehabilitation and expansion of sanitation infrastructure, <i>e.g.</i> wastewater treatment plants and pumping stations. ● Over-staffing issues. ● Delays in project implementation, hindering closer project phasing which would ensure better use of financial resources. ● Modernisation of facility management (ONAS). ● Tariff/cost recovery and oversight. ● Service delivery at a lower cost.

Citizen participation and integrated water resources management

Since 2000 Tunisia has put in place an integrated water resources management (IWRM) approach, having completed a large number of essential water control structures between 1990 and 2000. These investments were carried out as part of a national strategy to mobilise water resources and improve networks, through which the government built 21 barrages, 203 hillside barrages, and 580 small catchment ponds, mobilising 85% of the country's water resources potential. The underlying goal of IWRM will be to achieve more efficient use of water, promote demand management, reform tariffs, encourage PPPs and reinforce regulatory frameworks for environmental protection. IWRM will involve more balanced participation by the state and end-users and greater protection for water resources to minimise environmental damage and optimise socioeconomic gains from water use. Box 10.5 summarises the main objectives of Tunisia's IWRM system.

Box 10.5. IWRM objectives in Tunisia

- Continue to mobilise new water resources.
- Make use of non-conventional water resources.
- Improve efficiency of infrastructure and water saving.
- Manage water quality, preserve the resource and protect ecosystems and the environment.
- Reduce the effects of extreme events (floods and droughts).
- Optimise data collection systems, expand user access to information and develop a system of information on water.
- Encourage PPPs.
- Design and enforce legal instruments and institutions governing water and develop their capacities.
- Research innovative and diversified sources of financing.

Since 2001, two main projects (PISEAU 1 and 2) have helped to meet IWRM objectives in Tunisia, targeting irrigation, groundwater management, conservation of water and protection of the environment, access to drinking water in rural areas, and building institutional capacity. The operators and the General Directorate of Rural Works and Water Resources (DGGREE) have measured regional water demands and have developed long and medium-term measures to ensure a clear vision for the sector. Through successive five-year plans, the DGGREE and operators have also improved the targeting of quantifiable objectives, water resource mobilisation and investment optimisation.

As part of the shift towards IWRM, the Tunisian government has engaged citizens and local stakeholders in decision-making processes and in designing water policies. The Ministry of Water Resources and Agriculture has initiated dialogue between the government agencies in charge of water management and water users. It has established mechanisms for co-ordination and consultation with water users to integrate their interests into the decision process. Civil society has been a key partner in this effort, through organisations such as the *Association de la conservation des eaux*, *Association de dessalement des eaux*, *Association de recherches et d'études de la mémoire de Sousse* and the *Association du festival de l'eau*. These organisations actively build awareness at the local level and support efficient management, conservation and protection of water resources.

Although women are often the main users and managers of water resources in the household and the community, they have frequently been excluded from decision making and planning processes in the MENA. When

governing bodies and structures fail to recognise women's particular needs and contributions to water resource use and management, policies and programmes ignore gender dimensions and do not reflect women's realities, concerns and priorities.

For several countries in the MENA region, gender mainstreaming in water resources is not well defined and is characterised by lack of clear objectives for gender equality, gender analysis, resources and capacity, monitoring and reporting, tools and dialogue.⁵ The socio-economic disparities between men and woman, the absence of inclusive strategies to consider women's views in planning and implementation of water projects, the non-systematic incorporation of women into water resources management, the limited involvement of women in water decision making and maintenance, the gender imbalances among water organisations in particular and society in general, are all problems seeking appropriate solutions.

Tunisia's IWRM initiative has integrated gender into its implementation, recognising the relationship between water and women's socioeconomic conditions, particularly among the poor. Nine governmental institutions have joined CAWTAR (Center of Arab Women Training and Research), a leading regional advocate for gender issues in the Arab world, based in Tunisia. Established in 1993, CAWTAR works to empower Arab women and to build social capital for good governance and prosperity in the region. Its core mission is to generate knowledge and enhance the capacity of Arab institutions to use this knowledge to enable Arab women's empowerment and exercise of their rights to participate in the development of their communities. CAWTAR recognises the linkages among weak water governance, persistent poverty and inadequate access to water for vulnerable groups, which together stunt community development. Improved water governance can lead to equitable water resources development and greater access for all, particularly if it does not overlook water's gender dimensions.

Fair and effective water governance can be fostered by:

- Incorporating gender dimensions in policies, projects, and programmes relating to water management.
- Ensuring women are represented in inclusive decision-making mechanisms.
- Using consultative planning approaches.
- Identifying and integrating gender-sensitive analysis into development policies.

Social equity and economic efficiency can only be achieved by taking into account women and men's needs at each stage in the water management process and by all stakeholders (end-users, planners and policy makers).

In 2008, CAWTAR launched a pilot project to enhance women's role in management positions, develop better data and progress indicators in this area, and to assist the FAO in developing methodological tools for gathering gender sensitive indicators in water management in North Africa, particularly in agriculture. This initiative will produce data disaggregated by sex, age, ethnicity and other socio-economic variables relevant to the project or programme context. This will help support gender mainstreaming in planning, implementation and, most important, monitoring and evaluation of water activities. Filling the knowledge gap on gender in water programming will help monitor progress toward gender equality in the sector. It will also deliver more efficient and sustainable projects and programmes.

Other relevant CAWTAR initiatives in the Mediterranean Region include promoting country-level dialogue, building co-ordination structures to promote gender sensitive policies, and creating a common knowledge base. For instance, regional workshops bring together interested stakeholders to share good practices on gender in water management, particularly in agriculture. Reports synthesising available knowledge provide input to the global information system (AQUASTAT), supported by regional and national websites. The need to co-ordinate and disseminate information at a national level has led to the establishment of several National Central Focal Points in the Southern Europe and Mediterranean Region countries, including one in Tunisia.

Next steps

Despite this progress, the local capacity of women, including through their organisations, still needs to be built to allow them to become effective users and active contributors to planning and policy application. In the rural areas, where most such problems exist, very few women are active in water users' associations and water co-operatives. This is a consequence of women's restricted land ownership in many MENA countries. Water sector activities, such as irrigation, can generate direct income for women and help them save, capitalise and purchase local assets. Strengthening women's representation in stakeholder processes will drive improved water services and water management.

10.7. Conclusions

Main challenges for water governance in the MENA region

As their populations and economies have grown, the scale of water management efforts in the MENA countries has also increased. Considerable progress in securing supply and improving water resource management has been achieved in many countries. With the advent of modern construction and treatment technologies, the scale of organisation and investments has

increased exponentially. The public sector has played a leading role in managing huge investment programmes.

Despite the impressive progress demonstrated by these case studies, the challenges facing water management in the region remain daunting. This was recently stressed by the Global Water Partnership's initiative in the Mediterranean Region (GWP, 2008), which made the following observations:

- Policies for sustainable water management have been developed, but they face considerable obstacles in their implementation and there is a lack of monitoring tools.
- Legislation and regulation still have to be strengthened and enforced to meet current and future challenges. In many countries the legal and regulatory framework is still inadequate and there is a need to provide better financial and technical support to water.
- An overlapping multiplicity of water institutions continues to make sectoral management complex, which prevents policy makers from striking an appropriate balance between the water supplies from the various sources and the demands for the various users.
- Establishing and maintaining good water governance is a long and costly process. Developing national and local plans, establishing and operating co-ordination mechanisms and new institutions at the national and local/watershed level, training and capacity building, stakeholders' consultation, etc. could easily reach millions of euros. However, all reviews show that the benefits from such an investment will be many for the specific country and, when shared waters are involved, its neighbours, too.
- Corruption remains one of the least addressed challenges in the water sector. As a symptom of deficient governance in both the private and public spheres, an effective battle against this tough enemy requires measures that go beyond regulation and enforcement to tackle issues of integrity, which are central to equitable and sustainable development.
- Capacity building, training and the development of the skills will be needed to meet current and future challenges. More attention is needed on the technical capacity building of the institutions participating in drafting and monitoring national and local IWRM plans, especially at the local level.
- Access to reliable data and exchange of information to bridge the "information gap" is needed. In most cases, data collection and monitoring programmes are carried out by a variety of authorities without co-ordination and integration. Access to data and information sharing also need to be based on existing mechanisms (international systems, databases, etc.).
- The involvement of local actors in water management needs to be further strengthened. Unless authorities and all stakeholders are involved in

structured and meaningful participatory processes to develop and monitor national policies and plans, sustainable water management will not succeed. Participation helps to ensure that stakeholders support the measures taken to address water problems, to find the most effective and efficient solutions by drawing on local experience and knowledge, and to solve potential conflicts before decisions are taken

Potential solutions to the region's water problems are well known but have often not been implemented because of constraints in the broader political economy. A wealth of technical reports exist containing investment plans, financing strategies, legal analysis, and policy recommendations for each country in the MENA and for the region as a whole. However, most of them remain on the water ministers' shelves because they are not politically feasible. Policy makers perceive the costs of reform to be greater than the benefits, at least in the short term. The key question is how to establish positive conditions to facilitate the implementation of such reforms.

The way forward for effective water governance

The water sector's intrinsic characteristics call for a multidisciplinary and whole-of-government approach reaching out to stakeholders, citizens and businesses. Water is not an isolated "sector" but part of wider economic, social and natural systems that include agriculture, trade, energy, real estate, finance, social protection and so on. Changes in these wider systems may even have more impact on water management than actions within the sector. Water reforms must be designed and implemented with full understanding of the changing realities of the political economy. Involving non-water decision makers, representing the sectors mentioned above, in water policy reform may increase comprehension and open new grounds for partnerships and action.

Water reforms will need political as well as technical champions to introduce and drive the new integrated water paradigm. Experience has shown that gradual change generally produces more sustainable results than attempts to completely overhaul a whole system in one go. Moreover, approaches that have had the most tangible results have started by focusing on specific water challenges at both national and local levels.

But while each country in the MENA region is attempting to tackle its water problems according to its local needs, there could be significant benefits from a common understanding, a shared vision and a Mediterranean-wide strategy for water resources management, especially if it included water governance. Various existing regional initiatives (*e.g.* the Global Water Partnership-Mediterranean) are working on related issues which are providing substantial assistance to national and regional processes and could help considerably with developing and implementing a coherent strategy on both sides of the Mediterranean.

A full role for MENA countries at the regional level would involve several steps: establishing an exhaustive and detailed Arabic information system on water policies; expanding scientific research and modern technology; acknowledging the effects of climate change on water resources; raising local technical capacities in the different areas related to the water sector, as well as the water and environmental awareness of all citizens; and establishing partnerships between private and public sectors for water management. Realising these goals and executing these strategies remain the responsibility of the public sector, but also depend on the effectiveness of the private sector, civil society and ultimately each citizen.

Notes

1. Article 1 stated that “A Syndicated River Basin Confederation (Confederación Sindical Hidrográfica) shall be set up in all the river basins in which the government declares it necessary or in which at least 70% of its agricultural and industrial interests affected by the use of the water flows so request”.
2. With the exception of some urban areas (Cairo, Alexandria and the Suez Canal cities), for which the Cairo and Alexandria Potable Water Organisation (CAPWO) is responsible.
3. See the website of the Tunisian *Société nationale d'exploitation et de distribution des eaux*: www.sonede.com.tn.
4. “Dewatering” is the removal of water from solid material or soil by wet classification, centrifugation, filtration or similar solid-liquid separation processes.
5. Gender refers to the roles and responsibilities of men and women and the relationship between them. These socially-determined roles are influenced by historical, religious, economic, cultural and ethnic factors.

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Conclusion: Where Next for the MENA-OECD Governance Programme? Lessons from the Review of MENA Public Governance Reform

This review demonstrates that the governments of the MENA region are making progress towards more effective, transparent and accountable governance. While some governments are moving more quickly than others, each state has adopted measures to improve public financial management, to build a more productive civil service, to strengthen the rule of law, and to improve policy-making capacities. In doing so they have taken on several areas that until recently were not even open to discussion, such as integrity, gender equality and active consultation with citizens.

Overall, public governance reform in the first decade of the 21st century has concentrated primarily on putting in place the key building blocks for effective, efficient and responsive governments. Reform programmes from Morocco to the Gulf States have strengthened the heart of government by improving public finance management tools and increasing financial management capacity, by modernising public services to increase flexibility and accountability, and by reinforcing the rule of law by improving law drafting, administrative simplification and enhanced institutional capacity. Governments in every country must work to maintain and reinforce these essential systems.

MENA governments have also taken steps to improve citizen services. They have used information technology and e-government methods to establish new ways of working with citizens. They have tackled age-old challenges, such as improving management of the region's scarce water resources. And they have tapped into the expertise and financial resources of the private sector to provide urban services, power and other infrastructure to citizens through public-private partnerships.

As the region's economies and societies have become more integrated into the global context, governments have realised that weak governance poses a barrier to economic growth. They have identified better public sector governance

as the key to a more competitive economy that can deliver jobs for the region's millions of young job entrants, that can attract foreign investment, and that can support the growth of local businesses.

A core finding of this review, however, is that the region's public sector leaders now also see a direct link between good public governance and better lives for their citizens. The drive to accelerate economic growth has been the primary impetus for governance reform, but MENA governments are increasingly making the links between increasing integrity, fairness, accountability and transparency on the one hand, and doing a better job of meeting citizens' needs for higher quality education and health care, for a safer and cleaner environment, and for a responsive government on the other.

Equity and sustainability will thus become increasingly important drivers of better public governance in the second decade of the 21st century and beyond. Indeed a start has been made in addressing some of the most difficult challenges: ensuring equality for women within society and within government; sustaining water, air and land to provide for the needs of present and future generations; and fighting corruption to ensure that government is transparent, accountable and able to deliver essential services to citizens from all walks of life.

How can the very real gains made in the previous decade be built upon to improve citizen services in the second decade? The experiences described in this report suggest four strategies for moving forward:

- i) *Taking a whole-of-government approach:* Initially led by prime ministers' offices and ministries of finance, MENA's reform efforts have now gone well beyond the pilot project phase. The time is now right to deepen engagement with the line ministries – education, health, housing, commerce, and others – and to reach out to the judicial and legislative branches of government to extend the reform process and build on the gains made to date.
- ii) *Adopting a citizen-centric perspective:* Successful reforms in the MENA have often involved consultation with stakeholders both within and outside government, engaging them as partners in the search for solutions through a process of experimentation, and gradually extending successful models by collaboration across sectors. This successful approach can be strengthened by engaging with citizens and putting them at the centre of the reform process. Civil society can play a role in this process, as can the private sector, but the key to success is more likely to be found in basing the relationship between government employees and citizens on trust and shared national objectives.
- iii) *Using evidence-based analysis to drive policy:* The Governance for Development Initiative has successfully adapted established OECD models to create new tools to support reform, most notably the joint learning studies. Other OECD

approaches, such as government-at-a-glance,* can also help shape policy that is based on a complete and accurate picture of current conditions. To use such evidence-based tools effectively, the region needs three resources: a) disaggregated information on government performance and citizen needs; b) analytical capacity to turn this information into realistic policies, programmes and policy instruments; and c) the political will to engage in sustained problem-solving with both passion and objectivity.

- iv) *Empowering initiatives at the local level*: Change at the central level is necessary, but not sufficient, to close the performance gap. Whether governments choose to decentralise or not, governance reforms must engage with the local administration. This is where citizens receive their most essential services and where they can be directly engaged. Local economic and social development are essential to achieving nationwide progress, whether through collaboration with civil society and the private sector, with the citizens of the MENA region's growing towns and cities, or with local-level government officials and line workers.

The progress made in the past decade is considerable, especially given the region's accumulated deficit in good governance following decades of insufficient investment in public systems. However, the region's governments cannot afford to rest on these achievements when so much still remains to be done. This report demonstrates that the region has the capacity to reform. The progress made by country after country over the past decade opens the door to further and more rapid progress in the decade ahead. The challenge now is to walk through this door and sustain the momentum for reform. The MENA-OECD GfD Initiative will accompany the countries of the region on this critical next stage.

* See www.oecd.org/gov/indicators/govataglance.

ANNEX A

Details of Case Studies Contained in this Report

Chapter number and theme	Bahrain	Egypt	Jordan	Lebanon	Morocco	Palestinian National Authority	Tunisia	United Arab Emirates	Yemen
2. Reform of human resources management	<ul style="list-style-type: none"> ● Competency-based model. 	<ul style="list-style-type: none"> ● Increasing delegation of HR decision-making. ● Restructuring job classifications. ● Tools for improving workforce planning. 			<ul style="list-style-type: none"> ● Integrated workforce planning system. ● New job classifications. 		<ul style="list-style-type: none"> ● National consultation process for new legislation incorporating performance management policies. 		
3. Improved management of public finances		<ul style="list-style-type: none"> ● Creation of the Public Finance Training Institute (PFTI). 	<ul style="list-style-type: none"> ● Elimination of oil and food subsidies with complementary measures to absorb social impact. 		<ul style="list-style-type: none"> ● Performance-based budgeting. 		<ul style="list-style-type: none"> ● Review of debt management. 		
4. Integrity in the public sector			<ul style="list-style-type: none"> ● Code of conduct for civil servants. 		<ul style="list-style-type: none"> ● New transparent procurement system. 				<ul style="list-style-type: none"> ● Public procurement reform, using a code of conduct.
5. High quality regulation and law drafting		<ul style="list-style-type: none"> ● Egyptian Regulatory Reform and Development Activity (ERRADA). 	<ul style="list-style-type: none"> ● Development of two legal databases, one established by the government and the other by the private sector. 			<ul style="list-style-type: none"> ● Development of a systematic plan for the preparation of government legislation (The higher National Committee on the Legislative Plan 2007). 	<ul style="list-style-type: none"> ● 11th National Development Plan (2007-11): Improving the business environment through the modernisation of laws and regulations, and investing in the training of legal specialists in ministries. 		

Chapter number and theme	Bahrain	Egypt	Jordan	Lebanon	Morocco	Palestinian National Authority	Tunisia	United Arab Emirates	Yemen
6. Administrative simplification	<ul style="list-style-type: none"> Creation of the: <ul style="list-style-type: none"> Civil Service Bureau. Bahrain Investor' Centre (BIC). Municipal One-Stop Shop. Central website portal. 			<ul style="list-style-type: none"> New Administrative Simplification Unit. 			<ul style="list-style-type: none"> Re-engineering process through a National Strategy for Administrative Development. Reform to eliminate traditional licenses and permits. Regional Centre for Expertise on Regulatory Quality. 		
7. E-government	<ul style="list-style-type: none"> Assistance for making the public amenable to using e-government services. 	<ul style="list-style-type: none"> Back-office functions for government departments. 	<ul style="list-style-type: none"> Financial accounting system of the Ministry of Finance of Jordan. 		<ul style="list-style-type: none"> A new five-year plan, bringing. E-government into the context of broader ICT industry support. 			<ul style="list-style-type: none"> Company-registration scheme by the Dubai Economic Development Agency. 	
8. Use of public-private partnerships			<ul style="list-style-type: none"> Specific legal framework for PPPs. Creation of the PPP Committee. Executive Privatisation Commission. 				<ul style="list-style-type: none"> New legal framework for PPPs in 2008. Creation of a Concession Committee in the Prime Minister Cabinet. 		

Chapter number and theme	Bahrain	Egypt	Jordan	Lebanon	Morocco	Palestinian National Authority	Tunisia	United Arab Emirates	Yemen
9. Gender approaches in public management		<ul style="list-style-type: none"> ● Use of institutional and judicial mechanisms to introduce gender equality analysis and gender responsive budgeting. 			<ul style="list-style-type: none"> ● Gender budgeting, and employment and decision-making practices. 		<ul style="list-style-type: none"> ● Transformation of the legal system and public sector services. 		
10. Water management	<ul style="list-style-type: none"> ● Integrated water resources management (IWRM). ● Hydrological plans and strategic orientations in the short, medium and long term. 	<ul style="list-style-type: none"> ● Regulatory reform to enhance private sector participation. ● PPP in water sector. 			<ul style="list-style-type: none"> ● 9 River Basin Organisations for Water set up. ● Administration at the regional level. 	<ul style="list-style-type: none"> ● National Water Plan 2000. ● Comprehensive water law. ● Establishment of a Water Council. 		<ul style="list-style-type: none"> ● Shift towards the integrated water resources management (IWRM) paradigm. 	

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