The World Bank has stated that “weak governance has led to weak growth in MENA [the Middle East and North Africa]. . . . Indeed, simulations find that if MENA had matched the average quality of administration in the public sector for a group of well-performing Southeast Asian countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand), its growth rates would have been higher by about one percentage point a year.”¹ Economic institutions and governance arrangements affect growth in many different ways, but excellent economic plans, programs, and projects are not of much use if they are not implemented. Weak institutions and inadequate governance arrangements in Arab countries lead to the adoption of plans and policies that while they may be technically sound, do not necessarily reflect the needs of different stakeholders. Those institutional and governance weaknesses imply that the plans, programs, and projects are often not implemented.

Governance is a complex concept, and I present different definitions in the following section. Throughout this book I focus on just two pillars of good governance: inclusiveness and accountability. Good governance requires institutions that are both inclusive and accountable. I focus on those two components of good governance because they have been identified by several authors as areas where Arab countries are particularly weak and lag behind other nations of similar per capita

¹. World Bank (2003, pp. 8–9).
Such lack of inclusiveness and weak accountability affect implementation of projects and programs.  

**Governance, Institutions, and Economic Growth**

According to Keefer (2004, p. 3), “Governance is the extent to which the institutions and processes of government give government decision makers an incentive to be responsive to citizens.” That is, good governance is about putting in place institutions and processes that ensure that economic decisions reflect the citizens’ will. This view of what is good governance seems to be also the one adopted by the United Nations Development Program (UNDP). Its website states that “more countries than ever before are working to build democratic governance. Their challenge is to develop institutions and processes that are more responsive to the needs of ordinary citizens, including the poor, and that promote development.”

The agency’s definition of good governance goes beyond that presented by Keefer, because it specifically mentions democratic governance, and it specifies that institutions need to be responsive to ordinary citizens, including the poor.

The World Bank’s Worldwide Governance Indicators computes systematic measures of governance. It looks at six groups of governance indicators: voice and accountability, political stability, government effectiveness, control of corruption, regulatory quality, and rule of law.

This reflects the breadth of the concept of governance and the general view that a system of good governance should give more voice to citizens, hold governments accountable, lead to more effective bureaucracies, lower corruption, improve the regulatory framework, and respect the rule of law.

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2. For example, the United Nations Development Program (2002).
3. This chapter is based on research carried out by a team of JICA and Brookings scholars, and particularly Sakamoto (2013), Matsunaga and Ragheb (2015), and Tanaka and Yoshikawa (2013). The work of those authors has focused on Egypt and Iraq, and hence most of the examples presented here are from those two countries. However, lessons drawn from this work are relevant across the Arab world.
5. See Kaufmann, Kraay, and Mastruzi (2008).
In its 2003 report on governance in the MENA region, the World Bank stresses the importance of inclusiveness and accountability. It defines an inclusive institution as one that guarantees certain basic rights to all citizens. This means that all citizens have the right to participate in decisionmaking processes on an equal basis. It also means that government must treat all citizens equally. An accountable institution is defined as one in which leaders are answerable to the people for their decisions. Accountability requires transparency, for people need to know how the government is functioning to hold it accountable. It also needs contestability, for people should be able to choose among different entities on the basis of how well they perform. It also implies the existence of recourse mechanisms, for it is hard to achieve full accountability by simply putting in place internal accountability mechanisms within the public administration, especially in countries where the executive is able to overpower other branches of government. That is why accountability usually requires inclusiveness so that citizens have voice and can express their views on government performance.

The development literature has focused mostly on the relation between governance and growth. Most studies show a positive correlation between different governance indicators, particularly those relating to the security of property rights and government effectiveness and to growth. However, the direction of causality is not always clear. Good governance facilitates growth, but it is also true that growing countries with higher incomes demand better governance. That is, governance is also endogenous to growth. The ideal is to achieve a virtuous circle where governance reforms support growth, which, in turn, leads to better governance and even faster growth.

Acemoglu and Robinson (2012) argue that the main (or even only) explanation for different economic outcomes among countries is different institutions. Economic institutions are important in determining economic outcomes. Inclusive institutions lead to the creation of inclusive markets that support growth and equality of opportunity. On the other hand, extractive institutions stifle entrepreneurship and creativity and thus lead to low growth and high inequality. According to Acemoglu and Robinson, it is political institutions that determine what kind of economic institutions develop in a country. Hence a country’s

6. For example, see Calderon and Chong (2000); Easterly and Levine (2002).
economic development is driven by its politics. Relatively open political systems that provide voice for their citizens and allow them to hold governments accountable naturally lead to inclusive economic institutions. In their discussion of Egypt, Acemoglu and Robinson argue that “Egypt is poor precisely because it has been ruled by a narrow elite that has organized society for their own benefit at the expense of the vast mass of the people. Political power has been narrowly concentrated, and was used to create great wealth for those who possess it.”

Sakamoto (2013) argues that lack of transparency and low accountability in Arab countries has led to greater corruption and the emergence of “a soft state.” A sense of alienation and exclusion, especially among youth, contributed to popular dissatisfaction, which continues even after the revolutions. That is why, he argues, there is a need to improve participation in policymaking and economic planning in the Arab world. The experiences of Japan, Malaysia, and Indonesia indicate the importance of achieving a national consensus on an economic vision for the future and the policies and programs needed to achieve it. Successful East Asian countries have put in place consultative processes (in different government departments, the private sector, and civil society) to agree on national development plans and monitor their execution.

Arab countries are aware of this lacuna, and some of them are starting to take steps to improve inclusion and accountability. For example, articles 12–15 of the new Moroccan constitution set out inclusive participation in government decision making as a fundamental principle. Morocco asked for World Bank support to put in place a legal and regulatory framework for access to information to enhance transparency. Morocco is also introducing reforms to extend the scope of public consultations and enable citizens to petition the government and make legislative proposals. Similarly, Egypt has been receiving support from the Japan International Cooperation Agency (JICA) to introduce inclusive planning.

Enhancing the planning function is essential to improving the allocation of public investment and to raising its efficiency. Inclusive planning

7. See Acemoglu and Robinson (2012), preface.
could also increase ownership of the investment program by different stakeholders. Widespread buy-in helps improve implementation rates and thus could lead to an increase in overall investment levels.

### Low Investment Rates in the Arab Countries in Transition

Economic growth usually requires the accumulation of physical capital, whether as infrastructure or as new buildings, factories, machinery, and equipment. Table 4-1 shows the evolution of the ratio of investment to GDP in the Arab countries in transition (ACTs) and three comparator countries. Two points are worth noting. First, in 2013 investment rates in the ACTs were comparable to those of Brazil but much lower than those of India, which invests about a third of GDP, and especially China, which invests nearly half of GDP. Second, on average, ACT investment rates seem to be stagnating or declining (with the notable exception of Morocco), while investment rates in China and India (but not Brazil) have been increasing.

To catch up with the emerging economies, the ACTs will probably need to raise their investment rates. This would require an increase in both public and private investment. Public investment that improves the quality of infrastructure would encourage greater private sector investment, through a crowding-in effect.

Figures 4-1 and 4-2 show the evolution of public and private investment in Jordan and Egypt over the past thirty years. They tell a similar

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**TABLE 4-1. Gross Fixed Capital Formation as Share of GDP, Various Countries, 1980–2013**

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Source: World Development Indicators.

Percent


Public investment

Private investment


FIGURE 4-2. Public and Private Investment as Share of GDP, Egypt, 1982–2012

Percent


Public investment

Private investment

Private investment has stagnated at around 20 percent of GDP in Jordan and 10 percent of GDP in Egypt, while public investment has declined dramatically from about 20 percent of GDP in both countries to less than 5 percent. This is very different from the experience of countries like India and China, where both private and public investment increased.

The quality of institutions affects private as well as public investment. Noninclusive institutions have a negative impact on the business environment and therefore lead to a reduction in private investment. Experience in some ACTs indicates that simply reforming the rules on the books may not have an impact, because the reforms may be poorly implemented or not implemented at all. It is important that the institutions responsible for implementing the regulatory framework affecting the private sector be reformed to become more inclusive (so that the private sector has a say in how regulations are implemented) and accountable (so that the institution is judged on its results and the quality of service it provides).

Not all public investment is good for growth. In a weak institutional framework poorly designed or implemented public investment could be counterproductive, introducing distortions and inefficiencies in the economy and providing opportunities for corruption. Moreover, if the macroeconomic framework is weak, increasing public investment could lead to more serious fiscal imbalances and debt problems.

**Inclusive Planning in Egypt and East Asia**

Sakamoto (2013) studied the planning process in Egypt and compared it with that of East Asia. He found that during the period 1982–2000, Egypt had fourteen plans, three visions, seven strategies, and three programs, among others. In total there were forty-one schemes individually drafted by ministries and relevant organizations with support from international donors. They do not seem to have been related or systematically linked to one another. The national five-year plan was supposed to be the guiding document for economic policy.

10. For an example from Egypt, see Ghanem (2013).
11. This section draws on the work of Sakamoto (2013).
Egypt had six national five-year plans between 1982 and 2011. Budget allocations were determined before drafting the economic goals and strategies. The first planning step was the production of the investment budget allocation sheet, which was put together by the Ministry of Planning, based on the investment budget request prepared by each line ministry. The contents of the five-year development plan were then drafted by the Ministry of Planning based on the budget allocation sheet. This system was simple, with drafting being fully completed inside the ministry without official outside contacts. On the other hand, the system led to the exclusion of major stakeholders, such as the private sector, civil society organizations, labor unions, and the media. This does not mean that there was no interaction between government and the private sector. But communication and cooperation occurred without an institutional dialogue mechanism. This led to numerous collusive relationships and hence the risk of corruption. Some privileged private companies benefited, while others were left in the lurch. Sakamoto (2013) describes this situation as the emergence of the soft state.

None of the plans had a strategy for implementation. Since the five-year plans in Egypt were drafted inside one department of the Ministry of Planning without building consensus among major stakeholders, including line ministries, which were the real implementers, the national plan was viewed as a concept paper that did not call for execution. Plans, visions, and strategies were well prepared but never implemented. To deal with those problems, Handoussa (2010) proposed a mechanism, based on uniform and fair rules, for including academics and civil society organizations in the planning process. However, those proposals have so far not been implemented.

The situation in many other Arab countries is similar to that of Egypt. Plans have been developed that are technically sound but are not necessarily implemented, and the public investments that are included in those plans are not fully realized.

But is planning really needed in today’s market economies? Experience from successful East Asian countries indicates that the answer is yes but that planning today plays a different role from the one that it played in the 1950s and 1960s. In the twenty-first century, economic planning plays two roles. First, it introduces a mechanism for a societal dialogue on economic issues; and second, it develops consensus
on a medium- to long-term vision for economic growth. That is, the plan should be the result of an inclusive process and should present a guiding vision for economic development. Former Indonesian president Susilo Bambang Yudhoyono, in his presentation of the 2011 economic plan, stated that "it is impossible to achieve our long-term economic goals without the master plan. We also can’t rely wholly on market mechanisms. The government’s role, as a ‘visible hand,’ is important."12

Successful East Asian economies were the first group of countries to develop strategies for inclusive growth. To achieve this, they put in place systems of inclusive planning. Arab countries could benefit from the experiences of countries like Japan, Malaysia, and Indonesia.

Since the end of World War II, Japan has developed fourteen economic plans as follows: the first plan targeted reconstruction and independence, the second and third plans aimed for high economic growth, the fourth, fifth, and sixth tried to balance economic growth with social development, and the seventh to fourteenth strived for stable growth.

Japan’s Economic Council was created to build national consensus on economic issues and to draft the five-year plans. It was established in 1952, under the Ministry of Economy, Trade, and Industry, as the advisory body for the prime minister. It includes government officials, academics, private sector representatives, labor unions, the media, consumer representatives, and civil society. Thus it plays a key role in coordinating interests and resolving conflicts among stakeholders. Line ministries (the implementers) participate actively in the planning process. Thus they own the outcome and are bound by the results, which is one of the reasons why all the Japanese plans were fully implemented ahead of the original schedule.

An effective system for planning, monitoring, and evaluation contributed to Malaysia’s socioeconomic success.13 Malaysia’s Economic Planning Unit, which functions as a superministry, is attached to the prime minister’s office. It takes the leading role in formulating the coordination plans with the National Budget Office. It is also in charge of drafting the five-year plans as well as their mid-term reviews. The Implementation Coordination Unit, also under the prime minister’s office, is responsible for supervising plan implementation, working

with the line ministries. By placing the Economic Planning Unit and the Implementation Coordination Unit under the authority of the prime minister’s office, the government created a strong administrative body that enhanced the efficiency of the planning process and ensured effective implementation.

The implementation function is further strengthened by the inclusion of various stakeholders and the institutionalization of public-private dialogues, at regional as well as federal levels. Thus the Malaysian system is comparable to the Japanese Economic Council, with a strong focus on plan implementation. While impact evaluation at the project level was undertaken by each of the ministries, it was the Implementation Coordination Unit that conducted the impact evaluation at the macro level. The agency also developed various monitoring systems, which involved the periodic collection and analysis of physical and financial data.

Inspired by the Japanese and Malaysian experiences, Indonesia changed its economic decision, after the fall of the Suharto regime, from a top-down planning process to a bottom-up approach. The Development Planning Committee was strengthened in 2004 and expanded to include citizen representatives. Thus coordination between stakeholders became institutionalized, allowing the voices of citizens to be reflected in policies and helping build consensus around economic policies. Moreover, starting in 2009, national dialogues with the thirty-two governors and chief executive officers of the chambers of commerce were organized once every several months to build consensus and ownership of the major implementers (local government and the private sector) of the economic plan.

**From Plan to Implementation in Cairo’s Urban Transport**

Cairo is one of the most congested cities in the world. The World Bank estimates the cost, mostly because of fuel and time lost in traffic, at about 4 percent of GDP.¹⁴ A 2002 study carried out jointly by the Egyptian government and JICA concluded that if no major reforms and new

¹⁴. See World Bank (2014a). This section relies on the work of Matsunaga and Ragheb (2015).
investments were implemented, by 2022 the average trip speed would decline from 19 kilometers an hour to 11.6 kilometers an hour and the average home-to-work trip time by car would increase from 37 minutes to 100 minutes. Recent updates of the study by the Egyptian Ministry of Transport yield worse results. Trip speed is expected to drastically worsen to reach 5 kilometers an hour and trip time to reach 240 minutes, or four hours, by 2022 if nothing is done to improve the situation. That is, this study implies that, under a business-as-usual scenario, in less than ten years the average Cairo resident will spend at least as much time in traffic as at work.

Faced with this disastrous situation the Ministry of Transport formulated the Transport Master Plan in 2002 and carried out feasibility studies—the Cairo Regional Area Transportation Study (CREATS)—for selected priority projects in 2003. The ministry also tried to formulate the plan in an inclusive way. Key stakeholders were invited to participate at the planning stage. These included the Ministry of Transport, the Egypt National Institute of Transport, the National Authority for Tunnels, the Egyptian National Railways Authority, the General Authority for Roads Bridges and Land Transport, and Cairo and Giza governorates as well as private sector and civil society representatives. The planning process was supported by JICA and appears to have been carried out efficiently and achieved good results.

Yet the plan was not implemented, and Cairo’s traffic situation continues to deteriorate. The plan recommended fifty-nine actions, including new investments and policy reforms. About thirteen years later, only four of those fifty-nine actions had been initiated. Matsunaga and Ragheb (2015) identify five possible reasons for the failure to implement: lack of proper authorization for the plan, weak coordination among the concerned agencies and lack of a focal point, insufficient institutional capacity, budget limitations and lack of private sector participation, and inability to reduce fuel subsidies.

In Egypt, sector or regional master plans and strategies are approved by the concerned minister. They do not necessarily receive cabinet or parliamentary approval. Ministers change often in Egypt. Hence the minister who approved a plan or strategy is often not around when

implementation is expected to start. New ministers are often not committed to their predecessors’ plans and strategies and do not push for implementation. The transport plan was approved by a so-called higher committee chaired by the minister of transport. But the minister and many members of the committee were replaced after the plan’s approval, and the committee itself stopped meeting, even though legally it still exists. Thus the legal status of the transport master plan is unclear, and the Ministry of Transport does not feel obliged to implement it. In other words, no one in government seems to be held accountable for dealing with Cairo’s traffic problems.

Coordinating the various stakeholders is another big problem. The Ministry of Transport supervises twelve entities: six service authorities and six economic authorities, each of which is in charge of a specific transport subsector. The coordination problem is not only in vertical coordination within the Ministry of Transport and its affiliated entities or between central and local levels but also in horizontal coordination and linkage among concerned ministries and agencies beyond the realm of the Ministry of Transport. In the case of the urban transportation, other ministries and agencies such as the Ministry of Housing, the Ministry of Interior, and Cairo and Giza governorates are key stakeholders. In 2013 a regulatory agency for urban transport was created, partly to act as a focal agency that can mediate among all stakeholders and help improve coordination. However, it is still not functioning and has only one professional staff working there.

Other countries are facing similar coordination problems. The situation in Thailand is even more difficult than in Egypt. More than thirty institutions are involved in urban transport development in Thailand, but the country has somehow managed to develop the infrastructure since the early 1990s. Manila was quite the same until it formed the Strategic Metropolitan Transport Planning in 1995 (Mandri-Perrott 2010). Jakarta is trying to manage the adverse impacts of institutional fragmentation by establishing a metropolitan transportation authority, known as the Jabodetabek Transportation Authority, at the central government level with participation of more than fifteen relevant entities to facilitate the implementation process through coordination of activities while avoiding any overlap. Many other countries (for example, India, Singapore, and China) have established focal or
lead institutions for managing urban transport development. Hence Egypt’s new Agency for Urban Transport could benefit from those countries’ experiences.

Institutional capacity is a major constraint on implementation. Leadership is one of the factors that affect the capacity of any organization. In the case of the Ministry of Transport, frequent changes of ministers (there have been seven ministers over the past three years) have negatively impacted continuity. The Ministry of Transport is a hierarchical top-down organization, with a relatively weak back office. Therefore, ministerial changes typically lead to changes in direction and strategy.

The lack of a technical back office with qualified staff is another important constraint. Although the ministry, like the rest of the Egyptian civil service, has a huge number of administrative staff, it has few technical specialists. An exacerbating factor is that instead of focusing on its key strategic and policymaking role, the ministry is often excessively involved in operational issues, spreading itself too thin.

It is useful to compare Cairo’s experience with that of New Delhi. Cairo was one of the first cities in the developing world to introduce a metro system, in 1987. The system has seen little extension, and after twenty-five years it consists of three lines with a total of 69 kilometers. The metro system in Delhi started to operate in 2002, fifteen years later, but it already has six lines for a total of 190 kilometers. Differences in institutional capacity could explain the different outcomes. In Cairo, the weak capacity of the National Authority for Tunnels may be behind the weak performance. In New Delhi, an executing agency, Delhi Metro Rail Corporation Limited, was established in 1995 and was a driving force in implementing the development of Delhi Metro as scheduled. Construction work on the New Delhi metro has not suffered from the long delays experienced in Cairo.

Could the difference in performance between the Cairo and New Delhi metro systems be explained by factors other than institutional capacity (for example, availability of financing)? It does not seem so. The Japan International Cooperation Agency has funded both the Delhi Metro and the Cairo Metro No. 4 under its soft-loan scheme. Construction of the Delhi metro did not face any delays, whereas the Cairo Metro No. 4 is facing a two-year delay and a new extension of Cairo Metro No. 3 is six years late.
Ministry of Transport staff complain that tight budgets are the most important reason for the weak implementation. It is true that the urban transport system needs huge investments and that resources are scarce. One way of dealing with tight budgets is to improve cost recovery. Very little was done in this area. Currently, the price of a metro ticket is about US$0.14, far below what is needed to recover the cost of investment.

Another way of dealing with tight budgets is to attract private sector participation, but Egypt has not been successful in this regard. This is very different from the experience of Asian countries, who were able to mobilize large amounts of private capital. In Manila, a public-private partnership was used to develop an expressway and the city’s Light Rail Transit. Metro Manila Skyway was developed by a joint venture, and the Southern Tagalog Arterial Road is a build-own-transfer project. In Bangkok, the Second Stage Expressway System was built using a build-transfer-operate scheme. Two lines of the elevated railway system and one line of the subway were built by public-private partnerships.

It must be noted, however, that these Asian experiences were not without their own problems. While they succeeded in attracting private investment to build the urban transport infrastructure based on private participation, several projects faced financial sustainability challenges. In the Philippines, government kept fares very low and had to make large subsidy payments to the private operator to ensure a minimum return on his investment. Similarly, in Bangkok, low tolls on the expressway reduced the profitability of the foreign investor, who ultimately sold his shares to a local company.

The lesson from the Asian experience is that it is possible to mobilize large amounts of private investment for the transport sector. However, the long-term sustainability of those investments depends on the adoption of pricing policies that reflect the cost of the service and ensure an adequate return on investment.

In addition to investments to expand the transport system, most countries adopt measures to restrict demand and reduce congestion. For example, to restrict car use and encourage reliance on public transport, Jakarta initiated the so-called three-in-one scheme, requiring that vehicles entering the city carry at least three passengers during peak hours. Manila had introduced a color coding program in 1996 that
does not allow cars with certain number plates to drive in the city within certain hours on weekdays. Manila also introduced truck bans and bus priority lanes to reduce traffic congestion. Bangkok’s Intelligent Traffic Information System provides drivers with traffic information in order to avoid congested areas.

Proper pricing, through car licensing fees, parking fees, toll prices, and fuel prices, is probably the most effective demand management measure. By increasing the cost of vehicle operation, this measure promotes greater use of public transportation and hence less traffic congestion. In Egypt, fuel prices are heavily subsidized, which encourages greater car use, congestion, and pollution. The government started reducing fuel subsidies in July 2014. As subsidies are reduced further and fuel prices increase to reach world levels, more people will start using public transportation instead of private cars, which should lead to less congestion and less air pollution.

**Involvement of Donors in Iraq**

Implementation is a serious problem in Iraq, an example of a fragile country that is reconstructing in a context of political instability and weak governance. According to the World Bank’s Worldwide Governance Indicators, Iraq is ranked twentieth from the bottom, after Liberia and the Republic of the Congo, in government effectiveness and fifth, after Sudan and Afghanistan, in political stability. In addition, owing to decades of economic sanctions, Iraq’s government officials have limited knowledge and experience in international commercial activities, further discouraging foreign businesses. Even official donors avoid implementing large-scale projects.

To address these difficulties, JICA and the Iraqi government agreed to introduce a unique monitoring platform composed of three pillars: increased interaction, a multilayer structure, and the presence of the UNDP. A first priority was to build the capacity of Iraqi staff, who had little experience implementing donor-financed projects. Project entities set up a project management team for each project, and the Iraqi

16. This section relies on the work of Tanaka and Yoshikawa (2013).
17. Worldwide Governance Indicators, 2011 data.
government decided to limit staff rotations so as to encourage capacity development and knowledge sharing. Each team has to submit a monthly project progress report. The Japan International Cooperation Agency reviews the report and provides feedback. The progress report and feedback cover important aspects of project management and contribute to establishing the project management framework. Regular and structured interaction between the relatively inexperienced Iraqi staff and their JICA counterparts is designed to build capacity and help Iraqi staff identify the main constraints on project implantation and develop ways of resolving them.

Second, a multilayered monitoring system was introduced, and a committee including representatives from high-level oversight agencies such as the Prime Minister’s Advisory Commission, the Ministry of Finance, and the Ministry of Planning was established to periodically oversee the various projects. Quarterly monitoring meetings that included all the relevant actors were introduced. In those meetings, project entities discuss best practices and common problems, while JICA and the high-level oversight agencies evaluate project entities based on measurable factors of their performance. They praise project management teams that had good performance records and encourage those that have bad performance records to improve.

Third, JICA and the Iraqi government agreed to partner with the UNDP to provide additional support to project implementation. The UNDP staff had easier access to projects in areas affected by strife than JICA officials and thus were better able to capture actual implementation problems through direct access rather than via emails or phone calls. Based on the findings, they provide analyses and evaluations in monthly reports and quarterly monitoring meetings. In addition, the presence of the UNDP alleviated an unequal relationship between donor and recipient. Such imbalanced relationships or feelings between donors and recipients are often observed in implementation of aid projects. But being a recognized international organization, the UNDP’s assessments are considered to be an independent third-party’s opinion, which contributes not only to maintaining a well-balanced relationship among stakeholders but also to improving monitoring effectiveness.

This system has led to an improvement in the implementation efficiency of JICA’s projects in Iraq. For example, during the course of
implementation, the average lapse of JICA’s review of documents on each procurement process has become shorter, suggesting that the quality of the documents prepared by the government has improved and that aid projects will be completed sooner.\footnote{In each step of procurement, JICA requires project entities to submit procurement documents and reviews the documents against JICA’s procurement guidelines, which indicates basic guidance in international bid procedure. Prequalification documents’ average lapse and bidding documents’ average lapse mean the number of days taken by JICA for review of prequalification documents and bid documents, respectively. In case of prequalification result and bidding result, JICA reviews the evaluation process and the result described in the evaluation documents.}

Tanaka and Yoshikawa (2013) compare the efficiency of JICA projects across different countries, using the time taken to complete the project as a proxy for efficiency. They conclude that the Iraqi government manages JICA projects more effectively than the average country. They also compare the efficiency of JICA projects in Iraq with those of the World Bank. They conclude that efficiency rates improve over time for both JICA projects and World Bank projects. However, the efficiency rate for JICA projects exceeds that for World Bank projects over time, while the efficiency rate for the World Bank’s projects is better at the beginning. Thus JICA’s projects in Iraq could be considered an example of successful implementation. But what are the causal factors behind this success?

Three mechanisms were introduced in Iraq by JICA: increased interaction (a knowledge-sharing mechanism), a multilayer structure (a social recognition mechanism), and the presence of the UNDP (a mediation mechanism). The three mechanisms were introduced at the same time. Hence it is difficult to disentangle them and measure the impact of each mechanism separately.

Increased interactions with Iraqi officials were aimed at knowledge sharing and capacity building. Tanaka and Yoshikawa (2013) focus on two aspects of interactions: quality and quantity. Increased interactions and knowledge sharing should in principle enhance the implementation capacity of the Iraqi teams. But what is more important, the quantity of interactions or their quality? To reduce misunderstanding and help Iraqi officials accumulate relevant knowledge, JICA increased
communications with them at all levels. At the same time it improved the content of monitoring and gave the officials more detailed feedback.

Social recognition was also used to improve performance. The UNDP and JICA published a project-entity ranking based on their performance every year. Using the ranking, Iraqi authorities praised project entities that performed well and criticized those that failed to achieve their targets. Thus project teams that received good evaluations were motivated to work efficiently to maintain their record, and teams that received bad evaluations tried to improve to avoid social punishment and become recognized as good achievers.

The UNDP partnered with JICA to help with capacity development and to provide a mediation mechanism between donor and recipient institutions. According to Tanaka and Yoshikawa (2013), the UNDP’s participation had two positive impacts. First, UNDP officials’ ability to move easily across the country while introducing UNDP-facilitated project management allowed face-to-face interactions that resulted in more efficient project management. Second, since Iraqi officials consider the UNDP a neutral third party, the Iraqi officials seemed to have more frank conversations with UNDP officials, leading to early detection of problems and more efficient project management.

Tanaka and Yoshikawa (2013) carried out econometric analyses to see how the different mechanisms affected implementation capacity. This analysis indicates that project teams that received more feedback from JICA or the UNDP tended to improve their work effectiveness over time, but that the number of interactions or communications may not be as important an indicator as the quality of interactions—that is, the quality of interaction is more important than its quantity. The analysis also shows that the more negative evaluations a project team received in the previous year, the more likely its work effectiveness was to increase. This implies that the social recognition mechanism works better for those who receive negative evaluations than for those who receive positive evaluations.

Hence it would appear that donor agencies have a role to play in enhancing implementation capacity, even under the difficult situation of a fragile state facing civil conflict and widespread unrest. Mechanisms for knowledge sharing and for social recognition could be powerful tools for enhancing institutional capacity and improving the efficiency of project implementation.
Suggestions for Improvement

The analysis presented here indicates that successful implementation requires inclusive planning to help build support for the economic program, the development of implementation strategies while formulating plans and strategies, and a process for the legitimization of plans. In addition, there is a need to reform and strengthen economic institutions and hold them accountable for implementation and to ensure that sufficient resources are mobilized to cover implementation and finally strengthen monitoring and evaluation systems.

The Egyptian case study demonstrates that often, though a great deal of resources and energy are exerted in the planning phase, after the formulation of a plan less attention and fewer resources are directed toward implementation. But is there value to a plan that is not implemented? It may have some political value. Announcing good intentions could attract some support, at least initially, until citizens realize that nothing has really changed on the ground. It could also have some bureaucratic value. Writing and rewriting plans and strategies is one way for civil servants to justify their jobs and salaries. But it certainly has no economic value. A plan to build a new metro line would not reduce traffic congestion. It is the actual building of the new metro line that reduces congestion.

Though a great deal of effort is often exerted, planning in the ACTs could still be improved. The experience of East Asia underlines the importance of involving all stakeholders. Presumably listening to the voices of all concerned citizens would help improve the quality of the plan by making sure that it responds to real needs. Moreover, buy-in at the planning stage by all those involved in implementation could help improve execution, as all stakeholders would cooperate to ensure that the plan they developed together is actually implemented and actually bears fruit. It is important to ensure ownership of the plan by those who are supposed to implement it.

Plans and strategies must be complemented with implementation plans that clarify in detail how to execute the plan with identified actions, timelines, and concerned stakeholders. These drivers can be consolidated into an execution or implementation plan. Executing agencies often complain that they have difficulty figuring out how to realize the strategies, since the strategies tend to describe overall
direction and broad visions and projects with little or no guidance on how they could be achieved.

Plans and strategies need to be seen as legitimate by various stakeholders if they are to be effectively implemented. Legitimization is important for any policy action since it will provide priority, momentum, and support for implementation, especially when there is a strain on the budget resources. If legitimacy is not appropriately secured, the stakeholders will not recognize the need to comply with the plan and to work on achieving it.

How can a plan be legitimized? In some cases legitimacy is conferred on a plan by the top political leadership, the president or the prime minister. The project to expand the Suez Canal in Egypt provides an example, as it was identified as a priority by the president, who obtained support of the cabinet for the project. Parliaments can also legitimize economic plans, for example by voting on five-year plans as well as on the budgets to implement them. Plans and strategies that are simply approved by the sector or line ministry are rarely fully implemented.

A plan could also be seen as legitimate because it attracts a high level of public support. In addition to acquiring authorization and legitimation from the government, the support of final beneficiaries is needed to ensure success. In other words, getting buy-in from the public is another key factor for the success of implementation.

Constituency building to obtain public support for economic plans is a weak area in nearly all Arab countries, as they tend to rely on top-down legitimization processes. Plans or policy reforms need to be marketed and promoted, and they need to acquire public support to be implemented successfully. The wider public should be well informed about the benefits and demerits from the implementation of a plan or public reform since there will inevitably be both winners and losers once some kind of change takes place. The general public needs to understand why policy reforms are being implemented and how the majority of the population will benefit from them. Communication is essential to building trust and credibility for the government and to keep citizens involved, increase their sense of ownership, and reduce information asymmetries among stakeholders involved. It is easier to persuade people to accept the new strategies when they feel they are part of the decision and implementation process.
Reforms of public sector management and institutions are often needed to solve implementation problems. A comprehensive civil service reform is usually politically difficult and time consuming. However, some changes, those that do not require use of a great deal of political capital, can be introduced to improve the public sector’s implementation capacity. Improving coordination among public sector institutions is one such change. This would include vertical coordination to improve the line of command inside a ministry, between a ministry and subordinated executing agencies, and between upstream core economic ministries such as the Ministry of Finance or the Ministry of Planning and downstream bodies, including sector ministries and nonexecutive state institutions. It would also include horizontal coordination across different ministries and departments.

Some countries (for example, Malaysia) have created a focal organizational body to improve horizontal coordination. An organization that includes various government and nongovernment representatives such as a national economic council might become a good mechanism for promoting an economic reform program. Following the Japanese example, such a council can become an authorizing body for plans and strategies, and it can strengthen coordination among various stakeholders to enhance implementation efficiency.

What should be the role and functions of central economic agencies like the ministries of planning and finance and the central bank, and how could they improve coordination? Countries’ institutional designs for central economic agencies are diverse, reflecting different political, economic, and social contexts. This introduces a subset of questions that need to be addressed: What would be the optimal organizational setup for conducting strategy formulation, budget planning, and budget execution? What would be the relationship between recurrent and capital expenditures? What would be the relationship with sector ministries and other stakeholders?

After the ouster of President Suharto, Indonesians started a national debate on the type of planning system that would be a consistent move toward decentralization and more inclusive economic and political systems. New laws were passed to restructure the roles and functions of the Indonesian ministries of planning, national development planning, and finance. Similarly, Prime Minister Modi of India on
January 1, 2015, scrapped the powerful planning commission of India and replaced it with a policy think tank, NITI Aayog, which involves states in economic policymaking. The moves in Indonesia and India to reduce the role of central planning agencies reflect a trend toward greater decentralization, as well as the bigger role of the private sector in the economy. Decentralization is not advanced in the Arab world, and there are few structured public-private dialogues. Therefore, it may make sense to first concentrate on making the central economic agencies function more effectively and efficiently while becoming more open and inclusive.

Effective implementation needs accountability. Naturally, each executing agency in charge of a particular sector or policy issue should be held accountable for implementation. But there also needs to be a supervisory mechanism that secures the accountability of the institutions and ensures that things happen. The Iraq case study has shown that peer pressure can be a powerful tool for encouraging responsible agencies, policymakers, and leaders to accelerate implementation. Reviewing implementation progress with peers provides an incentive for institutions to improve performance to avoid public embarrassment.

In addition to pressure from their peers, institutions could respond to pressure from the top (president or prime minister) and from the bottom (citizens). In Morocco, the execution of sector strategies (for tourism, industry, agriculture, and so on) has been boosted by the direct involvement of the king in the supervision of the implementation process. Beneficiaries of government programs could also exert pressure to ensure implementation, but they need to be organized so that their voices are heard. In Brazil, nongovernmental organizations were encouraged to help organize the various stakeholders and citizen groups who benefited from the Zero Hunger Program.

The insufficiency of resources is often blamed for inadequate implementation. Effective use of financial and human resources is essential for effective and efficient implementation. The case study of urban transport in Egypt suggests ways of dealing with financial resource constraints through better prioritization, improved cost recovery, and private sector participation. Constraint on financial resources tends to be highlighted as a major implementation gap in developing countries, but as this discussion indicates, there are ways of dealing with this problem.
The Iraq case study highlights capacity and knowledge constraints. The solution to Iraqi officials’ lack of experience in implementing donor-supported programs was to intensify contacts between donor and recipient to facilitate knowledge transfer and to share experiences. Moreover, international agencies (the UNDP, in the case of Iraq) can be helpful in building capacity and providing technical support.

Effective monitoring and evaluation systems are needed to increase the impact and quality of public investment and to promote better service delivery to the public. Such systems help improve institutional capacity and accountability. Some countries (for example, the Philippines, Indonesia, and Malaysia) have been trying to strengthen monitoring and evaluation through the introduction of results-based management and budgeting as well as through the adoption of key performance indicators for the public sector.

Both the Philippines and Indonesia made significant progress in establishing results-based public sector management and performance-based budgeting, where linkage between planning and budgeting was strengthened. Both installed a medium-term expenditure framework and set performance indicators to be monitored during implementation. In the case of Indonesia, the president established a unit to monitor the progress of achieved results, and incentives and sanctions were set to enhance performance. As noted earlier, in Malaysia a whole machinery for monitoring and evaluating the implementation of five-year plans has been set up and is managed by the Implementation Coordination Unit, a special unit that reports directly to the prime minister.

Successful political and economic transitions require renewed institutions that are responsive to citizens’ demand and are able to efficiently implement plans and projects. The Arab countries in transition need to pay particular attention to the development of effective economic institutions that are responsible for project and program implementation and public service delivery. Experiences from East Asia and Latin America indicate that successful implementation of economic development programs almost always requires institutional strengthening and renewal.