

State reform in Arab Transitions

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»» The creation of sustainable democracies in Arab countries will require broad state reform. Past experience in other countries suggests that state reform is the most difficult task confronting Arab states in transition. It involves political reform in order to democratise institutions and establish the rule of law and the separation of powers, as well as a technical transformation to promote greater transparency and efficiency in the public administration. The outcome of the changes undertaken (democratic, fragile or authoritarian states) will depend on the manner in which the transitions came about – through rupture, reform or conflict –, on the level of cohesion of political elites and societies and on the balance of power between hawks and doves.

The main obstacle is the elite's reluctance to give up power; another is the polarisation and/or exclusion of important groups. There are two options for resolving this: one is to negotiate and agree on a process of reform with the former regime, while another is to rebuild the state from scratch, overhauling the country's institutions and their representatives. In light of past transitions, it seems that a hegemonic role for the new elite is an essential condition for successful state reform. This is the case in Egypt, Libya and Tunisia where a rupture with the ruling dictatorships took place. Another pre-requisite, less clearly present in these three countries, is a minimum consensus among the new governments on the form the new state should adopt.

Other transitions have shown how hard it is to reach agreement on the type of state that is desirable. In most regions, the way to proceed is by creating a democratic state with separation of powers and which fulfils the three basic functions of providing for security, well-being and

HIGHLIGHTS

- State reform is often the final step in a transition, but also the key to ensuring lasting and solid democracies.
- Efficient states that guarantee human rights, security and development require consensus and pacts among all political forces and society.
- It is important to distinguish between the reform of the state in Egypt and Tunisia and its construction in post-war Libya.

»»»»» citizen participation. But within this overall framework, differences emerge in terms of the size of the State and its role in the economy and development, the centralisation or decentralisation of the public administration, the separation of powers, the weight of the executive branch and the role of the military.

In Egypt, Libya and Tunisia there are additional issues: defining the relationship between the state and religion, including the rights of minorities and women; dismantling the authoritarian rentier state and decentralising power and state structures. The challenge is three-pronged: to transform the political, economic and social underpinnings of the state. Experiences in other countries show that the priorities and results of reforms will determine the degree and quality of the democracy that is achieved.

THE MAIN CHALLENGES IN EGYPT, LIBYA AND TUNISIA

As for the three countries in transition, it is important to differentiate between reforming the state (as is the case in Egypt and Tunisia) and building it (in post-war Libya). According to World Bank governance indicators, Tunisia is the most advanced of the three in terms of the functioning of the state, followed by Egypt, where there are major problems involving corruption and lack of transparency. In Libya, the task is to build a state while bearing in mind the polarised nature of the society that is emerging from a civil war. Whereas Egyptians and Tunisians have made progress in their transitions, the idea of reform – or, in this case, the building of a state – has not even been raised yet in Libya.

The three countries share an institutional weakness and a government structure that is authoritarian, patronage-based and/or of a rentier nature. Despite timid reforms undertaken in the 1990s, there continues to be a predominance of state-owned companies and the government remains a major employer. Therefore, the biggest challenges to transforming the state are limiting

executive power and shedding the model of rentier accumulation, in order to replace it with a model aimed at furthering development and serving its citizens. It will also be necessary to rid the government of senior officials loyal to the old authoritarian regimes, but without jeopardising the state functions or encouraging polarisation between new and old leaders.

State reform is usually undertaken during the second phase of a transition, once a new political framework has been created. A first step is to change the constitution. While Tunisia already held elections to a constituent assembly on 23 October, Egypt and Libya will hold parliamentary elections to form a new government before drafting their constitutions. The next stage for the people of Tunisia will be to design, over the course of a year, a new constitution that includes changes to the model of state. Egypt's transitional military government foresees concluding this process within six months after the parliamentary elections scheduled for 28 November.

In Libya the main challenge will be to build a democratic state in a post-conflict situation marked by major regional and tribal differences. The National Transitional Council (NTC) has already outlined a preliminary constitution that calls for territorial unification and a democratic model in which Islam is the official religion and jurisprudence stems from *sharia*, or Islamic law. The country is an exceptional case in which both the creation of new institutions and decentralisation and/or the creation of a federal system will be key. Given the fragmentation of power in Libya and the controversy surrounding the democratic legitimacy of the NTC, there are serious doubts regarding elite cohesion and the development of a consensus on state-building. These latter factors will determine how events unfold in Libya.

Egypt and Tunisia also lack a clear cohesion among the elite. In both countries, Islamists are a majority group and have potential veto power to thwart the creation of a democratic state. But they will have to

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be accountable to civil society, which demanded changes towards freedom and social progress. Although Islamists won a majority of the votes in the Tunisian elections, there is a general consensus over the legitimacy of their victory and the compatibility of democracy and religion. Tunisia is more likely to carry out a successful state reform as it has a better-functioning and more efficient government which is unencumbered by rentier

dynamics. In Cairo, the process could be slower and trickier if we take into account the co-existence of two potential veto-holding forces (the military and the Islamists) and the endemic weaknesses of a state beset by rampant corruption. State reform in Libya is possible but will

take longer as institutions have to be created and this requires time and determination as well as firm support from the international community.

Since the transitions began, debate has been underway in the three countries on the relationship between the state and religion, including the rights of minorities and women. Even if Islam comes to play an important role, that would not necessarily mean all citizens – and in particular women – would be subjected to strict religious rules or that religious or ethnic minorities would suffer from repression. The recent transitions are also a symbol of pragmatism, and Islam will continue to be an important reference point for these societies. In all likelihood the kind of state that will prevail will be more like that of Turkey than that of Saudi Arabia or Iran.

Aside from the lively debate over the state and Islam, where there are few experiences to draw on from other transitions, the reform agenda in Arab countries features four key points: 1) decentralisation of power and reestablishment of control by the Executive branch; 2) recovery of the monopoly on violence, including reform of the security

forces; 3) remodelling economic structures, including those of a rentier nature; 4) defining the size of the state and its role as a force for development.

LESSONS FROM OTHER REGIONS

Other countries in transition which have embarked on state reform show us this is a long, complex process which sometimes only half-succeeds, or suffers major setbacks because of a lack of political will and/or consensus. In the best-case scenario, the result is a democratic state governed by the rule of law, while in the worst-case scenario what emerges is a fragile state unable to guarantee rights and basic services, or ensure territorial unity and the monopoly on violence. The success of a reform drive depends on there being broad approval of the model being sought, and on changes being enacted in the three realms: political, economic and social. Delays or the absence of reform in one of those areas undermine the quality of democracy.

An issue that needs to be addressed in all transitions is that of the sequencing of reforms. Is it better to carry out political change first, then economic and then social, or is it necessary to move on all three fronts at the same time? And if so, with what resources? In other transitions, the so-called ‘dilemma of simultaneity’ has been resolved in one of two ways. In most post-socialist countries, state reform began with economic remodelling at the expense of social and political progress, while in Latin America top priority was given to political reforms. Economic change came in a later phase, and then finally social reforms.

Both cases exacted costs: traces of authoritarianism still exist in nearly all the countries of the former Soviet bloc, except those which have joined the European Union or plan to do so. And in Latin America, the lost decade and poverty of the 1980s were the consequence of delaying economic reforms that were finally carried out in the 1990s with enormous social costs that began to ease only in recent years. The result is also mixed in the four specific challenges that the Arab countries will have to address:



»»»»» **Decentralising power.** In Latin America, Brazil and Mexico offer evidence of mixed results from federal systems which, on one hand, guarantee checks and balances but also create local fiefdoms that block the reform agendas of the central government. In general, Latin American presidential systems and political parties which only serve as electoral platforms pose a serious obstacle to the separation of powers. At the same time, from a historical standpoint, Mexico with the PRI, Argentina with Peronism and Venezuela under Hugo Chavez have given rise to a system where a hegemonic movement or party always wins the elections. Other experiences in countries of Eastern Europe show that parliamentary models guarantee greater control over the executive branch and therefore higher quality democracy. At the other end of the spectrum are the former Soviet republics, most of them dominated by strong, authoritarian presidents. Belarus and Turkmenistan illustrate the old absolutist adage of “I am the State.” The main lesson for Arab states would be that parliamentary and federal systems guarantee greater decentralisation of power than presidential regimes.

Recovering the monopoly on violence. Latin America’s failures in this area reflect the importance of reforming and, at the same time, strengthening the security sector. High levels of impunity, homicide rates that are four times the world average and police complicity in drug trafficking show that restoring civilian control does not necessarily imply recovering the monopoly on violence. In many countries, a weak judicial and police system when it comes to fighting organized crime are symptomatic of a state with scant separation of powers. In Chile, where there is greater security, the (democratic) reform of the security sector was carried out by the security forces themselves and therefore had a greater impact. Another example of successful changes in this realm is offered by the former Soviet republic of Georgia, where, through a broad campaign against organized crime and reform of the police, the Saakashvili government managed to dismantle crime gangs and recover the monopoly on violence. South Africa is one of the few examples in which it was not the executive branch but NGOs

that pushed for a reform in this sector. As for the Arab states, it will be easier to achieve security sector reforms in Tunisia than in Egypt, where the military is in power, or in Libya, where the security forces were defeated in the civil war.

Overcoming the resource curse. Latin American countries with energy resources such as Venezuela have rentier, patronage-based governments with high levels of corruption and economic risk that state reform has been unable to reduce. In all of Latin America, there is not a single example of reform that has successfully dismantled this type of system, which undermines democracy. One can draw similar conclusions with regard to the *Dutch Disease* in other cases, such as Angola or the former Soviet republics, where the authoritarian, rentier state model persists. Norway is probably the only oil-exporting country that has eluded this problem, having done so by creating a small but efficient and democratic state with high levels of tax revenue and the administration of oil revenue in the hands of the independent Central Bank. The lesson for the Arab states would be that the only formula for creating non-rentier state models is to exercise independent control over energy resources.

Large or small, the state must encourage development. In the 1990s, following the prescriptions of the ‘Washington consensus’, Latin America and other regions of the world privatised state-owned companies, adopted austerity measures and knocked their economies off kilter. In 2001, the financial collapse of Argentina laid bare the costs of following neo-liberal policies and maintaining monetary parity for more than 10 years. At the other extreme is Venezuela, where intervention by the state has become the main hindrance to development and democracy. Brazil, which has opted for mixed economic policies with continuity, offers a more promising model. Many other countries have chosen this less orthodox approach, including Uzbekistan or South Africa starting in 2000, and posted high levels of growth. Chile and Georgia have shown that neo-liberal blueprints can succeed if they are backed up by states with streamlined but efficient public administration. As for promoting development, growth rates, macroeconomic stabili-

ty and social progress demonstrate that Latin American governments have been relatively successful as forces for development. The region has followed two paths: that of Brazil, which is based on broad consensus within the ruling elite on development via social programs and taxation, and that of Venezuela, where transformation is imposed through patronage networks. The results indicate that the social democratic option is more successful. Outside Latin America, Asian countries – in particular South Korea, Taiwan or Singapore – offer examples of productive, pro-development states with power and regulatory capability, social protection and investment in science and innovation. The political foundation for such achievements has been the cohesion between society and the elite, a tradition of strong, interventionist administrations and high rates of growth.

CONCLUSIONS

Few countries that made the transition from authoritarian rule to democracy have managed to form democratic governments with good living standards and safety for its citizens. Rather, examples abound of state-building reforms that failed or were delayed. The results are populist and patronage-based governments with lacking a monopoly on violence, or states that are fragile or failed. State reform can last for several decades. It is normally the last step in a transition but also the most important one in terms of guaranteeing lasting and high quality democracy.

The few clearly positive cases of reform in Latin America, such as Brazil, Chile, Costa Rica or Uruguay, and outside the region, such as South Africa, Georgia or Singapore, highlight the need for a social pact among the elite and society in general

as the main guarantor of a successful transformation. In the case of Arab states in transition, overcoming tensions with Sidi Bouzid in Tunisia, between Muslims and Copts in Egypt or among the many tribes and provinces in Libya is part of the challenge. The three countries need patience and unity to undertake the task of building models of democracy that work. However, they are not starting off at the same point: while Tunisia and Egypt have the ability to reform their existing institutions, the situation is different in Libya, where the state will practically have to be built from scratch.

From the outside, the main lesson to be drawn from the shared experiences of state reform is that before investing money in expensive technical assistance projects to decentralise and modernise the system of public administration, reform the security sector, judicial system or legislative branch, it is important to encourage consensus and agreement among all political forces and achieve cohesion in society. Without this, creating efficient governments that guarantee human rights, security and development is not feasible.

For this reason, the European Union should focus on forging minimum consensus among different political groups as this is the only way to sustain modern and democratic state models. Given the EU's recent experience with regional programmes centred on governance and democratic practices, it is well placed to support reform in the Arab states in transition.

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