

FINAL REPORT

THE DEMOCRATIC INSTITUTIONS SUPPORT PROJECT

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ACRONYMS

ANE	Asia and Near East
DG	Democracy and governance
DIS	Democratic Institutions Support project
DSS	Decision Support Services project
GDP	Governance and Democracy program
LOE	Level of effort
MENA	Middle East/North Africa
MIS	Management information systems
NE	Near East
NGO	Non-governmental organization
PE	Political economy
PNA	Palestine National Authority
PTU	Project technical unit
RHUDO	Rural Housing and Urban Development Office
UN	United Nations
USAID	United States Agency for International Development
WID	Women in Development

SECTION I

OVERVIEW OF THE DIS PROJECT AND THE POLITICAL ECONOMY APPROACH

A. The DIS Project: An Overview

The Democratic Institutions Support (DIS) project was established in 1992 as part of USAID's democracy and governance (DG) initiatives. Originally administered through the Near East (NE) Bureau, its principal mandate was to improve the capacity of missions to undertake DG activities in the NE region. It did so by designing and implementing a political economy (PE) approach for analyzing the development process in specific countries and identifying strategic opportunities for promoting democratic reform. During the course of the project, DIS was transferred to the Global Bureau's Center for Democracy and Governance.

To establish contextual parameters for subsequent democracy and governance programming, DIS prepared PE reviews for Jordan, Lebanon, Morocco, Tunisia, and Yemen. It also completed a PE review of Egypt that had been started under another contract. These reviews examined the roles and resources of key political actors and institutions and the interaction of political and economic factors. They also analyzed prospects for sustained democracy in these countries.

Building on this PE analysis, a core team of technical specialists provided conceptual frameworks and sectoral assessments to help USAID missions consider both constraints and opportunities in identifying promising democracy and governance activities in countries of the NE region. The DIS project technical unit (PTU), for example, produced institutional assessments of several Arab legislatures. Following the project's reassignment to the Global Bureau in 1994, the PTU also worked closely with the Global Bureau's Center for Democracy and Governance through conferences, workshops, and information sharing.

In the third and fourth project years, DIS developed a conceptual framework for assistance programs to enhance the participation of civil society in local decision making in the NE region. This effort has led to the implementation of a number of projects throughout the Middle East and North Africa as part of the Center for Democracy and Governance's technical leadership mandate. The DIS conceptual framework is premised upon the mutually reinforcing links between the democratization process and the transition to sustainable development. Through a combination of analysis and field testing, DIS has used its conceptual framework to design and implement civil society programs in several countries in a region characterized by the slow pace of transition from authoritarian rule to democracy.

B. The Political Economy Approach

The PE approach highlights connections between political and economic development, both of which are targets of USAID programming. The PE approach was found to be a useful analytical tool to assist DG programming in the NE region, providing a macro-systemic view of the polity rather than a more narrowly focused view. It also permits assessment of the internal functioning of institutions as well as the broader context within which they operate. Because the PE approach focuses on the strategies and resources of political actors, it was particularly useful for revealing obstacles to change and the potential for new political coalitions through which change might eventuate. Finally, the PE approach assisted in pinpointing critical areas in which DG programming might achieve significant breakthroughs, in part because of synergies that could be realized through that programming.

The DIS project used the PE methodology to determine which democracy-building strategies and activities might best be suited to countries in the Near East. The PE reviews conducted early in the project served as background analyses to assess a particular country's stage of transition from authoritarian to democratic rule. This assessment involved identifying important political actors and key institutions and describing the formal and informal rules governing political processes as well as the underlying forces or dilemmas that drive politics in each country. This approach illuminated both opportunities for and obstacles to democratization.

Following completion of the PE reviews, assessments were conducted that examined more closely the potential for DG activities in certain sectors, such as grassroots groups, legislative bodies, or local government. The PE reviews and assessments then provided the bases from which DG strategies were developed and programming opportunities identified. For more detail on the DIS PE approach, see Annex A.

C. The DIS Project and NE Bureau's Democracy and Governance Program Strategy

C1. Project History

In late 1990, USAID established the Democracy Initiative to promote democratization worldwide. Further guidance on the purpose and limitations of the initiative was subsequently issued in the Democracy and Governance Policy Paper. The NE Bureau's Democracy and Governance Program (GDP) consisted of various project activities that would directly support USAID's Democracy Initiative in the countries of the Middle East and North Africa. The DIS project was designed to serve as the key vehicle for GDP-instituted change in the Middle East and North Africa. The project as designed was composed of three components:

- **Technical support.** This component included most DIS project activities, i.e., a broad range of technical support services under close supervision of the USDH NE/DR project manager.
- **Bilateral program support.** This component provided an additional funding source to catalyze mission development and implementation of bilateral governance programs. It was implemented by USAID independently of the DIS project's technical unit.
- **NGOs.** This component was to provide grants to selected U.S. NGOs in the region for institutional strengthening activities. It also was implemented by USAID independently of the DIS project's technical unit.

Originally, the GDP officer of the NE Bureau was to direct the DIS project. However, following the reorganization of USAID under the Clinton Administration, the DIS project was placed under the management of the Global Bureau and was directed by a project manager from the Global Bureau's Center for Democracy and Governance. Because the DIS PTU worked closely with the project manager and the Center for Democracy and Governance, DIS was able to structure its programs and activities to reflect USAID's shifting technical emphasis. This flexibility, built into the structure of the DIS contract, allowed the project's focus to expand and evolve over the life of the project. The evolution of the DIS project also reflected changes and refinements in USAID's DG strategy.

C2. Operational Refinements

The pace of implementation of the DIS project was accelerated as a result of USAID's new Democratic Initiative and reorganization in 1994. The reorganization of the agency resulted in the project being asked to provide ongoing input concerning relevant regional processes and events, country-specific analysis, as well as evaluations of proposed interventions. When the agency

re-engineering was completed and the Center for Democracy and Governance finalized its DG design, the DIS project provided additional support for the Global Bureau's new projects and back up for its support to missions. Having already completed numerous analyses and assessments and developed a roster of short-term area specialists, the PTU was prepared to rapidly and effectively respond to the challenges presented to it by the Global Bureau. Major substantive changes that accompanied USAID's reorganization were greater emphasis on civil society and the status of women, to which DIS responded by assisting in the understanding of the evolving roles of civil societies and women's political organizations in countries of the region.

The PTU's adaptability enabled it to contribute to a smooth transition following USAID's re-engineering. By working with the NE Bureau and its successor, the Asia/Near East (ANE) Bureau, as well as the Global Bureau, DIS was able to contribute to the operations of both and facilitate working relations between them. DIS also provided technical assistance to other bureaus within the agency, including RHUDO, WID, and G/ENV. In May 1995, for example, DIS provided technical support to a RHUDO conference in Tunisia, where prospects for a DIS regional initiative on civil society participation in municipal decision making were examined. In late 1995, DIS assisted G/ENV in preparing a proposal for an activity to fuse attempts to improve environmental health conditions and community participation in Jordan. Staff from both the Global and ANE Bureaus participated regularly in DIS-sponsored workshops. For example, staff from both bureaus contributed significantly to a review of the DIS project at its Lessons Learned Workshop in June 1996. Perhaps the most significant example of DIS cooperation with another bureau was the DIS/WID buy-in, an activity designed to provide technical assistance to promote the role of women's NGOs in fostering democratization in the Near East.

C3. Technical Refinements

The DIS project was designed to proceed from an analytical to an implementation stage. In the first phase of the project, a framework was developed for analysis of the political economy of NE countries in which USAID operated. This analysis served as the basis for programming choices. The next step was to carry out assessments of particular institutions or processes that had been identified as potential windows of opportunity.

The evolution of the DIS project from broad conceptualization to more specific assessments and contextual analysis, followed, in some cases, by implementation, meant that the project became increasingly focused on programming. Such programming, for example, dealt with the challenge of improving the responsiveness of units of local government while facilitating expanded participation by NGOs in decision making at that level. Through empirical work on this topic in various country settings, DIS developed a broader model for civil society/local government partnerships, a model that subsequently has served as the basis for programming in several countries. This model is intended to integrate efforts to invigorate civil society organizations and increase the capacity of local government, so that grassroots groups are empowered while local authorities become more responsive.

C4. Recommendations for USAID Approaches to Key Issues

Resource constraints demand that USAID seek to achieve multiple impacts, synergies, and linked changes from most if not all of its DG activities. Otherwise, there are simply too few resources to generate significant movement toward democracy and/or improved governance. DG programs can achieve broader impacts when they are based on an accurate understanding of the macro-political system within which particular actors, institutions, and processes are embedded. In the absence of a good analytical "map" of a country's political system, any synergies or multiple impacts that are achieved will be largely fortuitous, because interventions will be made without adequate knowledge of the linkages and networks that exist within that system.

The DIS phased approach of first conducting a broad PE analysis, followed by more focused assessments that in turn lead to program development and, ultimately, implementation, revealed several areas in which targeted activities are most likely to have broad and linked impacts. One area is local government/decentralization/NGO participation. Interventions that provide incentives for local governments to encourage participation by citizen action groups and service-oriented NGOs also encourage national governments to decentralize decision making and enhance its quality and implementation. Furthermore, establishing linkages between local political actors and grassroots organizations results in programs with a higher degree of sustainability. DIS also found multiple impacts to be likely when interventions to further DG objectives were formulated to simultaneously promote other mission objectives, such as economic liberalization, a sustainable, healthy environment, or ecologically sound tourism. Indeed, by “piggybacking” DG interventions on efforts primarily intended to facilitate economic reform or other aspects of development, the likelihood of attaining both DG and other development objectives is enhanced rather than reduced.

The cumulative experience of DIS in countries at different stages of transition to democracy showed that higher returns on investments in DG programming are more likely to be achieved in countries that have already made some advances toward democratization. The physical law of democratization appears to be that polities at rest in an authoritarian stage are more difficult to move toward democratization than are polities that have already begun to democratize. Thus, from the perspective of resource maximization, it is better to invest in more, rather than less democratic polities.

But there are occasions when foreign policy or other imperatives dictate that resources be expended in countries with relatively authoritarian polities. In those cases DIS determined that prospects for success were much greater if interventions were intended to facilitate dialogue, negotiation, and hopefully compromise between incumbent elites and other political forces. USAID generally lacks the resources to force democratization on reluctant governments, and such an approach, even if resources were plentiful, is unlikely to succeed. Governments in the Middle East and North Africa sought opportunities to exchange broadened participation by elements of civil society for increased support for specific policies as well as prolonged incumbency. In most cases, however, the process of negotiating such tradeoffs is fraught with difficulty, because lack of trust has long characterized relationships between civil society and government. In these situations USAID interventions, by facilitating negotiation and confidence building, can make significant contributions to initiating and then supporting democratization.

The DIS experience emphasized the need to base programming on careful analytical work that makes possible broad impacts for even relatively small, targeted interventions. Its experience also pointed to the fact that investments in polities that have begun to liberalize are more likely to pay significant dividends than investments in rigidly authoritarian polities. However, beneficial impacts can be attained even in authoritarian polities through interventions that are carefully tailored to facilitate a more productive climate within which negotiations between incumbents and potential challengers can occur.

More detailed policy guidelines can be found in Annex A.

SECTION II PROJECT METHODS, IMPACTS, AND LESSONS LEARNED

A. DIS Project Systems

A1. Work Method

As envisioned by the DIS contract, the PTU performed an advisory function to the NE Democracy and Governance Program, working closely with the project manager. This advisory function continued following the transfer of the project to the Global Bureau's Center for Democracy and Governance. This close working relationship allowed the PTU to develop a flexible, rapid-response capability, with the project manager interacting directly with project staff on technical matters. The PTU was therefore able to provide the center with technical information and evaluation as needed. For example, the PE approach was applied to the ongoing monitoring and analysis of current events to keep abreast of evolving opportunities and constraints.

As initially conceived, the permanent PTU based in Washington, D.C. consisted of a senior social analyst/technical coordinator, a democratic institutions specialist, an MIS specialist, and a legal judicial institution specialist, assisted by various junior technical and administrative staff. To reduce costs, however, greater flexibility was introduced over the life of the project. Rather than maintain a large and costly full-time senior technical staff, it was deemed more efficient and effective to maintain a roster of experts in the various functional areas of democracy and governance, as well as regional experts, who could be hired on a short-term, as-needed basis. Because DIS maintained this consultant database, it was able rapidly to identify, hire, and field highly qualified technical experts to respond to center and mission requests for technical assistance.

A2. Use of Project Funds

Partly as a result of cost-cutting measures introduced during the DIS project, the project was completed significantly under budget. When it became evident that the PTU of DIS was not going to be responsible for the Bilateral Program Support or NGO components of the contract, the LOE of core PTU personnel who were to have been most involved in implementing those components was reduced. Moreover, the re-engineering of USAID, which included moving DIS from the NE Bureau to the Global Bureau's Center for Democracy and Governance, resulted in a reconceptualization of DIS's role. Instead of being asked to provide a wide range of services, including implementation, regional coordination, and selection of NGOs, the project was required to provide considerably more analysis and assessment than originally envisioned. To respond to this new requirement, the PTU was kept as small as possible, yet maintained access to consultants with significant expertise in countries, institutions, and processes for which USAID was seeking analyses and/or assessments. With a smaller PTU than provided for in the contract and flexibility provided by intermittent access to consultants, the project was able to deliver the assistance requested by USAID with fewer resources than originally budgeted.

Another reason DIS did not use all project funds was its less-than-anticipated interaction with the missions. Extensive work with missions as envisioned in the contract would have been relatively expensive, in part because of travel costs. However, USAID decided that DIS would interact with the missions primarily through the NE Bureau and then through the Center for Democracy and Governance, which took responsibility for direct dealings with the missions. The cost of interacting

with Washington-based USAID offices was of course considerably less than interacting directly with the missions.

Some DIS technical work was performed by relatively junior staff. For example, the WID regional activity was administered primarily by a junior technical support specialist, while various research and writing tasks were completed by project assistants. Although junior, these staff were well trained to perform such technical tasks, and they were closely supervised by the PTU's senior core personnel. By integrating the contributions of junior staff into its technical functions, DIS effected considerable economies with regard to specific assignments. For a detailed breakdown of DIS project expenditures, see Annex B.

B. Project Impacts

Countries of the Middle East are undergoing a difficult, gradual transition from authoritarian traditions and practices to democratic processes and institutions. USAID DG activities in the region are intended to facilitate this transition in sectors and countries where it is under way, and to sow the seeds of democratization in other potentially fertile settings. To this end, DIS has provided technical assistance to USAID, primarily to the Global Bureau's Democracy and Governance programs, and to the USAID missions in the NE region. DIS has thus been able to impact USAID DG programming in two ways:

- The Global Bureau's Center for Democracy and Governance has been able to demonstrate its technical leadership in the NE region through the DIS project, which assisted in analyzing development dynamics in the region and identifying strategic opportunities for promoting democratic reform.
- USAID NE missions have received support from DIS in conceptualizing and undertaking successful DG activities in what is generally considered to be the most challenging region for such programs.

The functional impacts of the DIS project can also be broadly divided into two categories:

- Identification of political constraints to political and economic reform
- Promotion of sustainable democracy and good governance

B1. Identification of Political Constraints to Political and Economic Reform

The transition to sustainable development has been impeded by political constraints that have delayed the implementation of economic reforms in many NE countries. DIS was able to identify such constraints in specific countries by using the DIS political economy framework, which incorporates into project design a sensitivity to the impact of democratization activities upon the material interests of "winners and losers." This approach proved highly effective in addressing the difficulties of DG programming in the NE region, and facilitated an examination of the feasibility, cost-effectiveness, potential impact, and ancillary benefits of various types of democratization activities.

The DIS project's reviews of the development dynamics of specific countries impacted favorably on mission efforts to conceptualize and undertake DG activities. In Tunisia, the PE review was used by the mission as the basis for dialogue with the government regarding the establishment of a training institute for municipal officials. In Jordan, the PE review helped the mission better perceive the political context within which the country's tourism potential could develop. In Yemen and

Morocco, the DIS PE approach provided the basis for the design of DG strategies and action plans, although their implementation was suspended because of a shortage of resources. In Lebanon, DIS analyses led to the provision of training and technical support for the legislature and the civil service, despite the lack of a USAID mission in that country. In the West Bank and Gaza, DIS provided analytical input to USAID that helped render the mission DG strategy more reflective of its dynamic environment.

B2. Promotion of Sustainable Democracy and Good Governance

Development of parliamentary capacities. The results of DIS technical analysis have been valuable in the development of general USAID DG strategies and programs. With regard to parliaments, DIS analyses revealed that they are now playing more active roles in national dialogues on democratization that are taking place in many Middle Eastern countries. Moreover, while the executive is still dominant in most Arab countries, parliaments are starting to emerge as representative institutions that contribute to the formation of public policy and the oversight of its implementation, and also perform other functions, such as educating the public regarding specific policy issues. DIS technical assistance to USAID in the form of studies, presentations, and workshops has helped highlight the importance of parliaments in national political processes and craft appropriate assistance programs.

Broadening participation of NGOs in the making of public policy. By focusing activities in areas in which local government and citizen groups have common interests, considerable progress can be made both in empowering civil society through greater participation in decision making and in enhancing the responsiveness of local government by strengthening its capacity to address community needs and demands. This DIS civil society/local government framework was first implemented in Tunisia, where its adoption by the national government's Directorate of Local Authorities signaled the appeal and sustainability of this community outreach model. The broader applicability of the framework was established at a regional workshop, which contributed to the Egypt mission's development of its civil society strategic objective and to the adoption of some of the framework's elements by NGOs in Lebanon in their efforts to increase access to decision makers. The DIS framework was further elaborated in the context of Morocco, where the Rabat mission integrated community participation components into other strategic objectives. The Jordan mission considered adopting this framework in a program with three municipalities.

Empowerment of women through political participation. Women's NGOs play a key role in supporting broad social, economic, and political reforms in their countries and building support networks for the empowerment of women in the Arab world. Such organizations are strong advocates of women's rights, human rights, and democratic principles in their countries. As part of its civil society approach, and in an attempt to strengthen the democratic potential of women's organizations, the DIS project joined forces with USAID's Women in Development office to increase the capacity of women's NGOs in the region. DIS was involved in a program to provide technical and administrative support for increased gender awareness, enhanced women's leadership skills, greater advocacy capacities of women's NGOs, and larger networks of women's NGOs, both within countries and across the region. By tapping into this dynamic element of civil society, USAID has helped render national political processes more relevant to the populations in the countries concerned.

Enhancement of the rule of law. The DIS project provided assistance to the judicial sector of the West Bank and Gaza within a rapidly evolving context. It demonstrated the analytical applicability of the PE approach in situations of extreme political fluidity and institutional ambiguity. DIS judicial training activities helped highlight the need for legal and court administration reform as essential components of efforts to encourage democratic processes in Palestinian self-rule areas.

These activities also revealed how even such comparatively apolitical activities are impacted by political interests and shifting institutional contexts.

Further discussion of impacts of activities on a country level follows in Section III.

C. Lessons Learned

As the DIS project neared its conclusion, a Lessons Learned Workshop was held to review its cumulative experiences. This workshop allowed USAID representatives and technical experts who have contributed to the DIS project to discuss project conclusions regarding the development dynamics of the NE region. The foci of the workshop were the PE method and its possible applicability within the region and beyond; the Middle East/North African context for DG programming; the relationship between political and economic liberalization; and the relevance of the DIS project methodology for future USAID DG programming. Some key points that emerged from this workshop are as follows:

- **Understand the political context in which DG activities will occur.** To most effectively and efficiently foster the democratization process, an understanding of the political context in a specific country must first be developed. As the starting point for realistic, effective democratic programming, DIS methodology has stressed the need to understand the nature of political actors, their interests, the distribution of power among them, and the rules by which they play the game. DIS has found the PE approach useful in providing linkages between assessment and programming by revealing the development dynamics of a certain nation and identifying potential obstacles to democracy and governance activities.
- **Consider impacts on all sectors.** In deciding among possible activities, one should think carefully about their impact on the entire political system rather than only on the particular area or institution that is being targeted for assistance. Impacts on other sectors can be positive or negative. Strategies and activities should be explored that will allow for multiple, positive impacts, such as those that create linkages between economic reform and democratization.
- **Remain flexible and anticipate refinement of activities.** Projects should be divided into self-contained phases that allow programming to be adjusted to reflect changing circumstances. The first phase should consist of short-term interventions that are relatively easy to implement, noncontroversial, and have a reasonable chance of success. Such an approach can help create the confidence and momentum that may allow more difficult tasks to be addressed. Initial activities should help lay the foundation for interventions during subsequent phases, which should involve longer-term, more complex activities. Contingency planning should accompany all stages of programming, but should be particularly acute in the earliest phases.

- **Be consistent with broader U.S. policy objectives.** Strategies and activities that are being considered should be consistent with the priorities of other U.S. agencies active in the host country; hence, USAID DG programmers should work closely with the country team.
- **Seek synergies.** Programmers should seek synergies with the mission portfolio to maximize coherence, economies of scale, and returns on investments. A close review of the mission's portfolio should be undertaken prior to programming, with a view to determining the most promising areas for linkages.

Further conclusions of the DIS Lessons Learned Workshop can be found in Annex A.

SECTION III

INDIVIDUAL COUNTRIES AND THE REGION: IMPACTS AND LESSONS LEARNED

The DIS project began in 1992, just when USAID missions in the Middle East and North Africa were first developing their strategies and portfolios in support of democratization and improved governance. Through various interactions with these missions, staff of the DIS project assisted in designing strategies, assessing specific institutions and processes, and developing activities. This section reviews country by country the contributions of DIS to these mission activities, the lessons learned from them, and their impact. A detailed listing of DIS activities by country can be found in Annex C.

A. Egypt

DIS sustained interactions with the Egypt mission throughout the life of the project. The PE review of Egypt completed before DIS began lacked an institutional analysis component, which DIS added as one of its first undertakings. The technical coordinator and the institutions specialist visited the mission within three months of project start-up to introduce the PE approach to mission personnel and formulate a DG strategy appropriate to the Egyptian context. Shortly thereafter, DIS supplied a team to the mission to help design what ultimately became the Decision Support Services (DSS) project, a major undertaking to help develop the Egyptian parliament. As the mission was developing its portfolio of activities with civil society, DIS fielded consultants to assist in evaluating the capacities of NGOs. Similarly, as the mission was developing its project with the legal/judicial system, it called upon DIS to provide a specialist in the use of electronic technologies by lawyers, judges, and court personnel. DIS organized a workshop on Egypt for the Global Bureau's Center for Democracy and Governance, which was attended by a representative of the mission, to clarify various issues associated with strategy development. Throughout the life of the project, the DIS PTU interacted intermittently with mission personnel to provide information, commentary, and back-up support. The PTU also provided technical support to the center in its review of mission strategic objectives.

The impact of these activities varied in indirect proportion to the level at which they were targeted. DIS interaction with the mission regarding major, high-level policy issues, such as strategy design, tended to have relatively little impact. Interactions regarding specific activities, however, tended to be more directly incorporated into mission undertakings. For example, the teams that helped draft the project identification document and project papers for the DSS project contributed substantially to the final form of that project.

The inverse correlation between impact and level of activity probably resulted from the interaction of two factors. The first is the challenging and difficult environment in Egypt for successful work on democratization and improved governance, while the second is the large size and relative autonomy of the Egypt mission. Given political sensitivities surrounding USAID involvement in Egypt's political institutions and processes, and given the substantial number of mission and embassy personnel involved in DG activities, DIS was not in a position to have a major impact on such issues as policy dialogue, overall approach to DG work, or strategy development. What DIS could and did contribute was technical expertise, the output of which was incorporated into specific activities. Typically, this work did not shape the overall approach of those activities, but did provide input into technical design and implementation.

In sum, DIS's most tangible contribution to the Egypt mission was to assist in the design of specific activities, while intangible contributions included assistance in understanding political processes and institutions in the country and suggestions for approaching the challenge of furthering democratization and improved governance.

B. Jordan

DIS had only intermittent interaction with the Jordan mission. The mission director participated in the DIS-sponsored regional DG workshop and requested that a PE review be drafted. The document provided the basis for considerable discussion between the country team and DIS personnel. The mission later requested an update of the document. The mission also requested DIS assistance in designing various components of its portfolio, including support for a think tank at the University of Jordan in Amman, support for tourism sites, and support for the development of a policy to encourage sustainable water use practices. In each case DIS analyzed the political context for potential undertakings, thereby seeking to avoid potential political obstacles while maximizing chances for success.

Other than enhancing the mission's understanding of the political and economic context of Jordan and helping design activities in its broad portfolio, the impact of DIS on the mission was limited. This was largely because the mission determined that DG work was risky in Jordan, because the peace process had rendered the political context extremely sensitive. The mission thus turned to DIS for a broader understanding of the political economy and an appreciation of political obstacles to development in specific areas. It did not, however, invite DIS to work closely with it in developing a DG approach or specific activities. One exception was the mission's request that DIS explore the applicability of its civil society/local government framework in collaboration with the Environmental Health project.

C. Lebanon

DIS made a substantial contribution to the design of the Strengthening Governmental Institutions component of USAID's Lebanon Relief and Redevelopment project. This component has been the principal DG activity conducted in Lebanon since 1992. That contribution included the organization of a conference in Nicosia, Cyprus in February 1993 to solicit input from representatives of the Lebanese cabinet, executive branch, and legislature. Views expressed at the conference were subsequently incorporated into a project paper prepared by DIS. The ensuing Strengthening Governmental Institutions component of the Relief and Redevelopment Project was implemented by the State University of New York at Albany, and the project was renewed in 1996 for three years after a review of its progress.

In addition to playing a key role in the design and structuring of USAID's primary DG undertaking in Lebanon, DIS assisted USAID personnel in Washington in the ANE Bureau and the Center for Democracy and Governance in their efforts to continually monitor developments in Lebanon and assess prospects for further DG work. To that end DIS organized a workshop in June 1993 attended by leading experts on Lebanon and its governmental and political institutions. The workshop and the document based on it provided both information relevant to the implementation of the Lebanon DG project and a conceptual framework within which the potential contributions of the project could be understood. Some six months later DIS provided ANE with an update of developments in Lebanon. DIS staff intermittently advised USAID personnel on political events in Lebanon and their implications for USAID activities. DIS was able to make a major contribution to USAID's DG efforts in Lebanon, in part because it filled a vacuum that resulted from the absence of a mission in Beirut.

D. Morocco

Following a commitment by the government of Morocco to a series of economic and political reforms that provide new opportunities for public participation, Morocco has become a promising arena for DG activities. The DIS PTU focused much attention on sector analysis and strategy development in this country. DIS involvement in Morocco grew steadily over the life of the project, and the mission has continued with its plans to implement activities based on DIS recommendations even after the DIS project ends. A PE review provided to the mission in early 1993 laid the groundwork for the development of a DG strategy, to which DIS contributed later that year. When it appeared that the legislature might be a focus of the mission's DG efforts, DIS sent a team to assess it. Ultimately, however, the mission decided against making a commitment to the legislature, choosing instead to focus scarce resources on civil society.

DIS responded to this new emphasis by conducting a comprehensive assessment of Moroccan NGOs, analyzing the political economy context to evaluate the potential role of NGOs in contributing to democratization and sustainable development in Morocco. More specifically, the DIS Morocco team assessed the capacity of 42 selected NGOs to serve as effective development partners. In accordance with the report's recommendations, the mission is now planning an NGO strategy workshop to develop a cooperative framework within which assistance to NGOs can be provided by a pool of interested donors. The workshop is being co-hosted by the Ministry of Population and the Ministry of Economic Incentives.

DIS made a major contribution to DG work in Morocco because it facilitated the mission's engagement with the country's newly energized civil society. It was generally agreed that Morocco provided fertile ground for DG work, but the various actors did not necessarily agree on the most receptive and productive targets for that work. This resulted in delays and an inability to follow through on activities for which considerable preparatory work was done. However, it is hoped that the positive response on many sides to the DIS NGO assessment will lead to concrete activities facilitating growth opportunities for Moroccan civil society. That the mission ultimately became committed to the DIS-initiated civil society endeavor testifies to the soundness of that approach, but also to the confidence that the mission developed in DIS over the life of the project.

E. Tunisia

As in Morocco, many opportunities for DG programming were found to exist in Tunisia, especially in the civil society arena. DIS provided the mission with a PE review and organized a workshop on the Tunisian political economy in the spring of 1993. The analysis that resulted from these activities demonstrated the close ties between economic and political reform in that country. The PE review showed the link between obstacles to Tunisia's structural adjustment and a lack of investor confidence based on the arbitrary nature of the Tunisian bureaucracy, combined with doubts about the future political stability of the country. DG activities such as improving bureaucratic accountability, the rule of law, and the capacity of representative institutions were all identified by the PTU as means to both encourage private investment and improve the regime's political legitimacy.

Although DIS encountered some delays and difficulties with its work in Tunisia, the project ultimately was able to make a significant contribution to formulating the major DG undertaking in the country. Uncertainties over the mission budget and the future of the mission itself delayed decision making with regard to follow up. While DIS was interacting with the mission it was also working closely with RHUDO to develop an activity that would facilitate participation by civil

society in local government decision making. To that end DIS assisted RHUDO in an assessment of the potential for fruitful work with NGOs in several locales.

The NGO assessment contributed to the development of the Local Government Support project, to which DIS contributed funding and technical advice and information. That project has been the sole DG activity undertaken by the U.S. government in Tunisia since 1994. Many of the recommendations formulated in this activity became part of the DIS civil society approach, which was also used in Morocco (see above). For example, the PTU recommended that components of USAID civil society programs include improving relations between government officials and NGOs and enhancing the credibility of NGOs at the grassroots level through the strengthening of their technical capacities. It is believed that this civil society framework, which evolved from the DIS PE analysis, can be used as a basis for DG programming in other countries and perhaps other regions.

F. West Bank and Gaza

When the NE Bureau began to anticipate the possibility of DG work in the West Bank and Gaza in early 1993, it turned to DIS to provide assessments of the political affiliations and capacities of NGOs. Between May and September 1993, a DIS West Bank and Gaza specialist conducted two background studies, resulting in a number of recommendations on ways USAID might enhance Palestinian economic and social development. These included evaluations of the political capacities, structures, and alliances of Palestinian institutions in the health care, agriculture, industrial, and educational sectors. The PTU also continued to monitor the evolving political situation in the West Bank and Gaza, providing the Center for Democracy and Governance with ongoing analysis of the unfolding transition to Palestinian self rule.

In 1995, the mission approached DIS for assistance in the design and implementation of a judicial sector assessment and training activity. DIS assisted in the design of the project, which began in September 1995 and resulted both in an assessment of the legal/judicial system, as well as in the actual improvement of case handling procedures in courts in the West Bank and Gaza. The mission and ANE Bureau judged this activity as highly successful, in part because it attracted the energetic participation of a large number of Palestinians from the PNA and the legal/judicial sector. DIS also provided the mission and USAID/Washington with a draft DG strategy, which both used in preparing a mission strategy.

G. Yemen

DIS began its work in Yemen with a workshop on that country's political economy. The workshop in turn led to a PE review. The mission, in consultation with USAID/Washington, then requested that DIS provide a facilitator to solicit suggestions and advice from Yemenese individuals and groups regarding appropriate DG work, such as political and economic reconstruction following the 1994 civil war. As the mission was developing its strategy, based partly on these DIS inputs, it requested further DIS assistance in assessing the prospects for DG work in various sectors, including the legislature, legal/judicial system, and civil society. Ultimately, the mission, under severe budgetary and personnel constraints, decided to initiate only a DG activity with women's NGOs. DIS was asked to assist by providing technical assistance to Yemeni women's NGOs to develop their capacity to contribute to democratization at the grassroots level. A DIS consultant also assisted in incorporating NGO input into the Yemen National Report on Women that was presented at the Beijing Conference.

In sum, DIS provided the mission with considerable background material relevant to DG programming, as well as more hands-on assessments of specific components of the political system. Severe budgetary and personnel constraints were the primary reason that more activities did not result from DIS engagement with the mission.

H. Regional

DIS provided several services that were directed at all missions in the region as well as to USAID/Washington personnel engaged with the Middle East and North Africa. For example, DIS hosted several well-received workshops, including one on Democracy and Governance for DG officers in the region, and the final Lessons Learned Workshop, which brought together DIS technical experts and USAID employees from several bureaus to synthesize project accomplishments and extrapolate guidelines for future DG programming. In addition, the region-wide applicability of the DIS local government/civil society framework was explored in a regional conference held in Tunisia. DIS provided information (for example, through brown bag seminars) on regional political processes and phenomena, such as the role of religion in politics or the use of computer technology in courts, to USAID/Washington personnel. DIS PTU members also provided regional institutional assessments, such as a study on the role of legislatures in Arab democratic transitions.

One of the most extensive DIS regional activities was the DIS WID buy-in. Under this activity, DIS supplied consultants to work with women's organizations in Egypt, Tunisia, Jordan, Yemen, Lebanon, and the West Bank and Gaza. Activities were designed to increase gender awareness, enhance women's leadership skills, and enable women's NGOs in the region to share information, resources, and strategies within countries and throughout the region as well as participate in the NGO Forum on Women. This preliminary activity was successful in facilitating interaction between the participating organizations. It is hoped that it will lay the foundation for a network of women's NGOs across the region.

SECTION IV RECOMMENDATIONS REGARDING FUTURE WORK

A. General Recommendations

USAID should expand DG programming in the Middle East and North Africa, not only for its potential in this sector, but also as part of the agency's broader support for the peace process in the region. Political liberalization and democratization are virtual prerequisites for peace, stability, and prosperity in this region. The pace and ultimate outcome of the peace process depend at least partially upon the political legitimacy of several Arab governments. USAID can assist these states in developing their capacities to be more responsive and accountable, thereby enhancing their legitimacy. Responsiveness and accountability are also necessary to encourage private investment, without which unemployment will continue to grow, further feeding political radicalism. Wise investments in democratization and improved governance in this region have the potential to provide substantial dividends and help avert costly political disasters.

Everything else being equal, USAID should support democratization more or less in proportion to the pace with which it is occurring in potential host countries. The more authoritarian the political systems, the more difficult it is to propel them toward democratization. But in virtually all cases, and especially in the Middle East, facilitating a gradual transition to democracy is both a safer and surer course for USAID than a more dramatic, high-risk approach. The potential for backlash, breakdown, or the coming to power of anti-democratic elements is simply too great for USAID to experiment with risky ways of propelling democratization rapidly forward in this volatile region.

DIS had considerable success in promoting development partnerships that involve public/private cooperation in the formulation and implementation of public policy at the community level. Such cooperation facilitates interaction between incumbent elites and components of civil society, thereby fostering dialogue and the evolution of new rules of the political game. Efforts by USAID to link support for local government with assistance to NGOs have proved successful in several countries. These initiatives have been well received by host governments, local decision makers, and members of NGOs.

DIS represents USAID's most sustained, conceptually oriented, and broadly focused undertaking to promote democratization in the Middle East and North Africa. The conceptual framework it developed and its lessons learned are, therefore, likely to impact USAID DG programming in the region. DIS experiences with project implementation, which have identified both constraints to and windows of opportunity for facilitating transitions to democratic governance, may also affect future USAID activities. The conceptual framework and its various applications, as well as lessons learned through both analytical studies and implementation, are contained in technical papers produced by the PTU. They are also summarized in the DIS Lessons Learned document.

The DIS project's undertakings should be relevant not only to USAID missions in the region, but also to missions in other regions in their efforts to design and implement DG programs. The realities of the DG sector in the NE region provide a rigorous test of efforts to develop more globally applicable approaches to DG programming. It is hoped, therefore, that DIS documents will be widely circulated within USAID, particularly among missions, so that the

experiences of the project can be widely shared and inform future undertakings. A list of DIS project documents is provided in Annex D.

B. Country Specific Priorities

DIS identified two excellent windows of opportunity for USAID to encourage democratization. These opportunities were partially pursued by DIS, but their further development is strongly recommended. They are in Morocco and in the West Bank and Gaza.

B1. Morocco

To better address Morocco's pressing development needs, the Moroccan government has been relinquishing control of the economy to the private sector and encouraging greater participation by NGOs. This process has been enhanced by international factors, including a trend among development donors favoring NGOs as delivery mechanisms. As a result, a highly favorable environment has emerged for NGOs to participate in democratization and sustainable development initiatives in Morocco. USAID can use this improved atmosphere—in which NGOs, the government, political parties, and consultative councils are gradually beginning a search for common ground, and the general public is becoming increasingly interested in the invigoration of civil society—to encourage the development of a vibrant civil society.

DIS advised USAID to seize this opportunity by facilitating the creation of development partnerships, such as joint initiatives involving the Moroccan government and civil society actors, to resolve community problems or address public needs at the local level. To further this goal, it recommended that the mission undertake a series of activities to strengthen NGOs and encourage cooperation between private and public organizations. These included a workshop; the creation of an NGO database/information center for donors, the government, and the NGO community; two or more demonstration projects to maintain the interest, momentum, and consensus already generated by the assessment and the workshop; technical assistance to develop the capacity of umbrella organizations that could in turn impart relevant skills to grassroots groups; and activities to strengthen local government to better contribute to development partnerships. The mission is now proceeding with plans for a workshop to bring together representatives of the government, civil society, and donors to obtain input and craft a framework in which relevant actors may participate in such partnerships.

As articulated in the DIS NGO assessment, Morocco demonstrates extremely favorable conditions for development partnerships between civil society and local government. It benefits from a dynamic NGO sector that provides channels of participation for grassroots groups, and from a state committed to facilitating their participation through such partnerships. By linking the development partnerships with the community participation components of the mission's portfolio, USAID could accomplish its DG objectives in a synergistic and cost-effective manner. It is hoped that the mission will build upon the consensus of the workshop to continue to build development partnerships that will form the foundation for a sustainable civil society.

B2. West Bank and Gaza

DIS has contributed to mission efforts to design DG activities appropriate for the transition period in which Palestinian self-rule institutions are being developed. A phased approach is recommended, with interim activities that set the stage for subsequent implementation of a comprehensive DG strategy. This phased approach provides a framework for channeling DG assistance. It also includes recommendations for high-impact, self-contained interim interventions that can be implemented during the transition period to take advantage of a window of opportunity for exerting positive influence while the foundations of Palestinian government are being laid. Examples of those interventions are provided in relevant DIS documents that have been supplied to the Center for Governance and Democracy and to the mission.

ANNEX A
LESSONS LEARNED WORKSHOP REPORT

A. Preface

A1. Background

Initiated in 1992, the Democratic Institutions Support (DIS) project assists USAID/ Washington and USAID missions in formulating and implementing democracy-building strategies and activities in the Arab world. Beginning as a key component in the Near East Bureau's Governance and Democracy program (GDP), the project was later transferred to the Global Bureau's Center for Democracy. During a workshop in Washington, D.C., on June 24 and 25, 1996, participants discussed the lessons to be derived from the four-year project. The workshop brought together senior advisers in USAID's Center for Governance and Democracy, members of the DIS Technical Unit, and other consultants who participated in the project's activities. This report presents the developments of that workshop.

A2. Purpose of the Document

This document provides a framework to analyze democratic transitions and develop appropriate supporting activities. Its objectives are to:

- Describe the method used by the DIS project, broadly known as political economy (PE) analysis
- Demonstrate that this method can help missions to:
 - Identify the most cost-effective activities in support of the political reform process
 - Avoid disruptive, unintended outcomes which could easily flow from excessively *ad hoc* approaches
 - Measure and monitor the impact of democracy and governance (DG) programs and adjust assistance activities accordingly
 - Identify activities with a high likelihood of success
- Establish that the PE method has relevance outside the Arab world

In short, this document seeks to facilitate analysis, assessment, and programming for DG assistance. It is designed to erect bridges between analysis and programming, and integrate theoretical and empirical approaches to DG activities.

A3. Outline of the PE Method

Three key assumptions underpin the PE methodology used by the DIS project:

- To determine which democracy-building strategy and activities are best suited to country X, one must first assess that country's experiences and accomplishments in moving from authoritarian to democratic rule, as well as what remains to be done. All countries are different and have their own idiosyncrasies, even those that appear to be at the same point in transition. However, categorizing them according to the stage they have reached in the transition to democracy is useful for analytical purposes.
- To make this assessment, a background analysis of country X must first be conducted taking into account the socioeconomic context and the dynamics of political change. An effective and cross-regional way of doing so is by applying the PE approach.
- Once the theoretical stage of transition of country X has been determined through empirical analysis, strategies and tactical rules can be applied to maximize returns on investments.

In short, the DIS project used a method driven by three key words: **Where** does the country find itself in the process of transition? **How** does one know where it is? and **What** are the programmatic implications of where it is? These questions provide the basic structure for this report:

Section B examines the **where** by describing processes of transition in the Near East region and explaining how a simplified model of transitional stages has facilitated comparative understanding of political processes in that region. Although this model of idealized stages was generated through the analysis of the dynamics of change in a single region, its capacity to effectively aggregate the experiences of many Near Eastern countries suggests its usefulness in informing the design of models relevant for other regions or countries.

Section C looks at the **how** by explaining the mechanics of conducting a political economy review of a given country. It also highlights the strengths and the limitations of the political economy approach, and provides guidelines on how other approaches can be complemented by political economy analysis.

Section D concentrates on the **what** by providing rules of thumb derived from the connection between conceptualizing the process of transition and selecting appropriate strategies and portfolios of activities that maximize the prospects of sustainable development through democratic governance.

Section E provides some suggestions for USAID's implementation of this method.

B. The Process of Democratic Transitions

B1. Causes of Democracy

Democratization can occur in various ways because its causes are not the same everywhere. In East Asia, for example, the critical causal factor appears to be increasingly robust and complex economies, which are in turn creating the demand for more pluralistic political systems. In Eastern Europe and the NIS, on the other hand, dramatic democratic change did not result from economic success, but from communism's profound economic failure, coupled with the resurgent nationalism that swept through the region after the USSR's collapse. In Latin America, the restoration of civilian rule was often forced upon the military by civil societies seeking to impose accountability upon governments that had failed to provide rapid economic growth and had, in many cases, violated human rights. Democratization in Eastern Europe and Latin America, therefore, has tended to be dramatic and definitive, whereas in East Asia it has advanced incrementally.

In the Arab world, the relatively languid pace of democratization stems primarily from the fact that it is caused by a slow but steady decline in state control of material resources. Because of Arab socialism and the oil boom, Arab states captured shares of societal resources at least equivalent to those controlled by Eastern European communist states. As a result, the imbalance in resources between the state and Arab civil society rendered the latter incapable of constraining the arbitrary exercise of state power. But over the last decade or so, governmental shares of total societal resources have declined to the point such that governments are now unable to fulfill their social contracts that allowed them to exchange the provision of resources for acquiescence to their rule. Forced to find new sources of revenue through taxation, those states are now having to concede increasing representation to Arab civil societies, which are in turn slowly but steadily imposing accountability upon government.

Because there are multiple causes of and paths to democracy, models of democratization need to be firmly grounded in the empirical reality of regional and country circumstances. The DIS project team, for example, working in North African and Middle Eastern countries, gradually became aware of the similarities in the countries' political processes. Each country passes through well defined stages as authoritarian rule is gradually liberalized and even partially democratized. A political lexicon has in fact grown up around these processes. Arab political actors themselves use the words "pact" (*al-Mithaq*) and "national dialogue" (*al-Hiwar al-Qawmi*) to characterize the developmental stages of their country. They refer to **pacting** between rulers and ruled and to the conduct of **national dialogues** between incumbent and opposition elites. Headlines in Arabic newspapers frequently contain the terms *al-Mithaq* and *al-Hiwar*, while election coverage and parliamentary reporting is expanding rapidly in the region, reflecting their growing political importance.

A model that incorporated insights from theories of democratization, as well as its practice in other regions, but which was adapted to the Arab world and integrated that region's own terms into the model, seemed particularly appropriate to the DIS project. Because it was informed by democratization experiences elsewhere and was formulated at a high level of generality to facilitate cross-country comparisons, it may have relevance to other regions and cases.

B1.1. Arab Transitions to Democracy

The **first stage** in Arab transitions to democracy may be termed **the Pact** (*al-Mithaq*). It is brought about by growing popular discontent with the performance of the regime and its authoritarian nature. In response to mounting opposition, including demonstrations and other violent forms of political protest, the incumbent elite declares new and somewhat more open rules of the political game.

When a pact is issued, the incumbent elite is still comparatively strong, believing that it can forestall further demands by declaring rather than negotiating new rules for political access. The elite offers consultation—not representation—in exchange for political quiescence.

A characteristic of the pact stage is the limited nature of pluralistic association and the weakness—or complete absence—of legal opposition parties. The government only allows relatively free political activity within organizations that are functionally organized, such as professional associations, chambers of commerce, and student unions, but it actively discourages open political competition in the society at large.

Political actors ultimately tire of this “club democracy,” which permits elections and freedom of speech in functional organizations, but does not tolerate little autonomous political participation or uncontrolled access to legislative and other decision-making bodies. Political actors also resent the government's use of co-optation and divide-and-rule tactics to maintain political control. Ultimately, participants may demand to negotiate with the government over the rules of the political game. If and when that process begins, the country enters a new stage of transition.

The incumbent elite initiates the **second stage**—**national dialogue** (*al-Hiwar al-Qawmi*)—to enhance its legitimacy and gain support for important but controversial policies, such as painful but needed economic austerity programs, or anti-terrorism measures. The regime essentially offers to negotiate more democratic rules of the political game in exchange for the opposition's willingness to work within the system and support the government's key policies. At the outset of this stage, civil society remains weak but gradually emerges as a political force. Its activation reflects pressure from below and the state's willingness to grant it greater latitude in exchange for its assistance in meeting popular demands for service delivery, thereby closing down potential political space that otherwise might be occupied by radical, politicized organizations.

Negotiations between regime and opposition revolve around rules that guarantee access to representative institutions, those institutions prerogatives, and the exercise of influence within them. Accordingly, negotiations focus on constitutional relationships between the executive branch and the legislature, on electoral laws, and on laws that protect civil rights and regulate political parties and the media. In addition, the regulatory framework for associations may be intensely debated, as it determines the extent to which civil society can become more autonomous and dynamic. The responsiveness of local government becomes a concern for citizens who begin to make the state, and tentative gestures toward decentralization.

When national dialogue succeeds in establishing accepted rules for access to decision making and participatory arenas, the country enters a new phase. In this **third stage** of transition, representative institutions (primarily the national legislature, but also locally elected bodies) and civil society institutions (including the media) seek to assert their authority. They endeavor to enhance their capacities, modernize their procedures, and gain greater influence and visibility. The legislature, for instance, may seek to supplant the informal or extra-legislative venues that were created to host the national dialogue, and become the principal arena for further modification of the rules of the political game.

The terminology which describes stages in the process of democratization in the Arab world, and the exact nature of those stages, may be particular to this region. But the concepts underlying those terms and the notion that political change passes through stages may have greater applicability. At the very least, they should stimulate thinking about the components of the democratization process; whether or not they occur in a predictable, sequential fashion, and which interventions would be most appropriate in facilitating the successful accomplishment of those tasks if democratization is to continue to a more sophisticated level.

B2. A Global Model of Democratic Transitions

Progress toward democracy can be conceptualized as a function of three variables:

- The extent to which the regime becomes more **inclusive** by broadening political participation and facilitating access to decision-making circles
- The extent to which regime and opposition have reached or are in the process of reaching **agreements on the rules of the political game**, particularly in constitutional provisions, protection of civil and human rights, prerogatives of the media, electoral laws, political space allotted to political parties and civil society, and decentralization and responsiveness of local government
- The extent to which political organizations and governmental institutions vital to the exercise of democratic rule have developed their **capacities**

Conceptualized along these dimensions, democratizing countries tend to pass through four stages: pre-transition, early transition, late transition, and post-transition/consolidation.

In the **pre-transition** stage, there is little or no autonomous political participation. Civil society is too weak to place demands on the state. Access to decision-making circles is tightly restricted. Calls for such access are rarely expressed openly. Because genuine opposition is not tolerated, negotiations over the rules of the game are not yet on the political agenda. The regime simply dictates these rules.

Programming options are most limited in this preliminary stage and are likely to have little impact. Their primary purpose is to induce incumbent elites and credible representatives of opposition forces to commence discussions about political liberalization. Interventions might accomplish this through various means, such as by signaling dissatisfaction with the status quo; assisting organizations of civil society to articulate demands to change the political balance between government and opposition; or assisting in the creation or strengthening of fora in which discussions can occur.

In the **early transition** phase, the regime initiates a controlled political opening. This process involves greater freedom of speech, new opportunities for autonomous political action, and more emphasis on consultation and dialogue with representatives from civil society. These concessions, however, remain limited in scope. They affect limited segments of society and can be taken back at a moment's notice. Violations of human rights, due process, and constitutional provisions still exist, albeit on a smaller scale than before. Elections are still marred by fraud and administrative interference. Civil society remains weak and fragmented, and the state is still unwilling to grant it genuine autonomy. Power remains concentrated at the center of the political system. The issue of negotiating the rules of the game is now on the public agenda, but is just beginning to be tackled. In this early stage of transition, the process of democratization is gradual and can be reversed easily.

Although still relatively limited, programming options have expanded at this stage. Their primary purpose should still be to facilitate negotiations between incumbent elites and opposition forces, but the ways in which this might be accomplished are now more numerous, in part because more actors are now more directly and visibly involved in politics.

In the **late transition** phase, a significant broadening of political participation and access to decision-making circles has taken place. In addition, serious and sustained negotiations between the regime and the opposition have yielded significant progress toward new, more democratic rules of the game. Despite continuing structural weaknesses, civil society is slowly emerging as a political force. Its activation reflects pressures from below and the state's willingness to grant it greater latitude. Elections have become freer and more frequent. The legislature plays a more influential and visible role in the political system. Some transfer of responsibilities has taken place from national institutions to locally elected bodies. There is far greater respect for constitutional rules, and the need for enhanced legal and administrative accountability is seriously addressed.

By this stage, the range of programming options has significantly expanded and has begun to shift from an emphasis on facilitating negotiations between competing political forces to assisting the institutionalization of agreements that those forces have reached. For example, the emphasis may now be on building the capacity of political organizations and governing institutions which have won or been accorded significant political roles.

The transition has been **completed** once three of the following conditions have been met:

- Legal and regulatory obstacles which hinder the ability of groups to take part in the political process have been removed
- The regulatory context that conditions the development and participation of civil society is premised on the freedom to associate
- Free and fair multiparty general elections have taken place and an elected government is in power
- The diversity of sources and quality of information flow is sufficient to permit an effective participation of an active citizenry
- There is widespread agreement on the rules of the game, and this agreement is enshrined in an official document, such as a new constitution.
- The principles of transparency and accountability are institutionalized to ensure that those in power continue to respect the rules of the game and provide a sustainable basis for political legitimacy

At that stage, it becomes imperative to **consolidate** the transition to democracy to reduce the possibility of an authoritarian backlash. This can be achieved by strengthening the governmental institutions and civil society organizations that make democratic governance function most effectively.

This model oversimplifies complex political realities and suits some situations better than others. Nevertheless, it helps us understanding the process of democratization, indicates the various “tasks” that need to be accomplished during the course of that process, and suggests ways in which programmers may design activities that assist in the accomplishment of those tasks. To make the model more useful, empirical reality would need to be taken into account. With regard to the Arab world, for example, the pact stage of democratic transition appears to correspond roughly to a situation between “pre-transition” and “early transition” in the global model. The national dialogue stage describes a situation that may range from “early transition” to an intermediate stage between

“early transition” and “late transition.” The third stage of Arab democratic transitions (the assertion of the authority of representative institutions and civil society organizations) represents the first few phases of the “late transition” stage of the global model.

C. Conducting a Political Economy Review

C1. The Method

The first step needed to determine which activities might be most cost effective in supporting a country's transition to democracy is to review the country's political economy. The purpose of that review is to illuminate both opportunities for and obstacles to democratization. The political economy approach concentrates on four central questions:

- Who are the most important political **actors** (including latent groups and constituencies which, if mobilized, could play a major political role)?
- What are the key **institutions**?
- What are the **rules of the game**, both formal and informal?
- What are the **underlying forces or dilemmas** that drive politics in that country? How might these lead to the identification of key constraints?

C1a. Actors

The first step in a PE review is to identify the key actors in the political game. These actors may be individuals (e.g., King Hassan II in Morocco), but most often they will be groups of individuals who are believed to share sufficient common interests and act coherently enough in pursuing these interests that they can be conceptualized as single actors. So, for example, “regime,” or “state,” or “government” are broad categories that in reality meld those with different interests and outlooks, who are too heterogeneous to be thought of as single actors.

The PE approach to identifying the key actor rests on three assumptions:

- Political actors—whether individuals or groups—pursue their interests rationally by weighing the benefits and costs of political action as they decide what to do.
- These interests, costs, and benefits are often material, but not always. For instance, shared religious ideals can bring individuals into a group, which may then be driven by the urge to spread their ideals. The PE approach does **not** assume that actors are motivated only by *material* interests.
- Politics is usually coalition politics: only to the extent that people come together and act collectively can they hope to have much impact on political outcomes.

The kinds of actors will vary from one country to another. For instance, in a society characterized by deep ethnic or religious cleavages, the typology of actors should reflect the divisions that exist between and within religious and ethnic communities. In general, though, actors' interests are defined by their economic roles, whether as a businessperson, public sector worker, or civil servant. Broad categories such as "workers," "the bourgeoisie," or "the middle class" are not usually helpful. Among "workers," for instance, one might distinguish between workers employed in the formal sector, and those active in the informal economy, or between unionized and non-unionized workers. Workers' interests and capacity for political action might also vary by sector of activity (agriculture, industry, services). Similarly, instead of "the bourgeoisie," one might focus on specific constituencies such as businessmen, industrialists, agricultural entrepreneurs (or "agro-capitalists"), and urban professionals. Likewise, an analysis of "the middle class" might differentiate between government employees, shopkeepers, the intelligentsia, and students.

Which categories are appropriate depends on the configuration of political and socioeconomic interests that exists in the country under review, and on the specificities of that country's political history and developmental dynamic. This is one of the reasons why a PE review calls for a high level of country expertise. The PE approach demands interpretive skills of an "artistic" nature and the rigor of scientific inquiry. The key challenge involved in the selection of actors is to reconcile the urge to offer a classification that is sufficiently detailed to do justice to the complexity of the situation on the ground, but broad enough to be analytically manageable.

Three sets of questions that the section on actors should aim to address, either directly or indirectly, are the following:

- Who are the most influential players, and what is the source of their power?
- What are the attitudes of these key players toward distinct components of the democratization process? Who are the actors that have the clearest commitment to liberalizing and democratizing reforms, and what is their relative power? Who are the actors that are the most opposed to such reforms, and what is their power? How is the balance of power evolving between those seeking to liberalize and democratize the system, as opposed to actors who support the status quo? To what extent do those liberalizing reformers have access to the political system? Is their access and influence increasing? To what extent can actors who support the status quo block the process of democratization?
- Which segments of the population are excluded from the political game? What percentage of the entire population do these groups represent? What is the source of their exclusion? How great is their potential for mobilization, and what impact would such mobilization have on the political system? How might the identification of winners and losers in the reform process be useful programmatically?

The final set of questions deserves particular attention, considering that the PE approach is sometimes unfairly criticized for focusing exclusively on elites, and for neglecting marginalized and excluded groups (the poor and women, for instance). In reality, one of the objectives of a PE review is to identify such groups and place them in the context of the broader political and socioeconomic environment that causes their exclusion/marginalization. The understanding that is gained through this analysis will be helpful when designing activities that target these constituencies. But the fundamental purpose of a PE review is to analyze, not to prescribe or pick social actors to support.

C1b. Institutions

A PE review pays close attention to a country's central political institutions for two main reasons:

- These institutions shape the way actors define their interests and go about pursuing them
- Selected institutions might be the target of USAID democracy assistance

A PE review should distinguish among seven types of institutions: national and local executive agencies, representative institutions, legal and judicial institutions, political parties, voluntary associations, professional associations, such as labor unions and chambers of commerce; and the media.

Executive agencies

Appropriate institutions might include the presidency or prime minister's office; informal policy-making arenas (e.g., the “inner circles” of the president or the king); the cabinet; the ministerial bureaucracy and other primary arenas of policy making; local administration; and those agencies that act as instruments of political control and manipulation (e.g., the military, the security and intelligence services, the Ministry of Interior).

Representative institutions

The national legislature and elected local government bodies should receive special attention. The PE review should identify the prerogatives of these institutions (both according to the constitution and in actuality), and assess their autonomy, internal capacity, the degree to which they are representative, and their visibility in the political process. The review should highlight the extent to which these institutions have come to play a more central role in the political system and how they have increased their internal capacities. The reader needs to be made aware of the relative ability of these institutions to influence policy formulation. Moreover, the degree to which the institution has become a focus for the loyalties and professional commitment of its members and a base of political support for them should also be convened because this is in turn a measure of the maturation of that institution as an actor in its own right. A concluding assessment of the main constraints on, and opportunities for, further development of these institutions should be provided.

Legal and judicial institutions

After identifying the institutions that fall under this category, the PE review should assess their independence and capacity, and the major obstacles that may hinder their development and autonomy. The section should conclude with an assessment of the extent to which the legal-judicial framework provides an environment conducive to political reform.

Political parties

The PE review should identify the primary political parties and assess their qualities in the following areas:

- Popular appeal and ability to articulate and aggregate collective interests
- Social base and membership (who they represent and their interests)

- Freedom from governmental control and manipulation
- Access to resources (material resources, information, expertise, and professional staff)
- Access to governmental institutions (particularly the legislature) and links to civil society organizations (including the media and NGOs)
- Willingness to adhere to democratic rules

Voluntary associations

The PE review should provide a broad picture of the country's associational network. The analysis should include:

- A typology of associations, distinguishing between service-oriented NGOs (in health, community services, and economic development) and advocacy groups (such as human rights, women's rights, and minority rights groups)
- An analysis of the political and economic interests to which those organizations are directly or indirectly linked, combined with an assessment of the degree to which they are a product of modern associational interests as opposed to “organic” solidarities, such as those based on ethnic, religious, regional, or other traditional ties
- An indication of the mobilizational capacity of those organizations, including their ability to use the media for that purpose
- An assessment of the capacity of those organizations to access resources
- An interpretation of the degree to which those organizations are committed to democratic rules and procedures.
- An assessment of the autonomy of the NGO movement and of the factors (such as the regulatory framework and administrative control and/or harassment) that limit its independence from the government
- An assessment of the internal capacity of NGOs, of their ability to articulate grass root demands and effectively represent their constituents, and of their ability to hold governmental agencies and personnel accountable for their actions
- An analysis of the linkages among NGOs, between NGOs and representative institutions (the national legislature and local government bodies), between NGOs and other civil society organizations (such as the media), and between NGOs and these executive agencies most likely to oversee their operations (e.g., the Ministry of Social Affairs, the Interior Ministry, or the Ministry of Public Health)
- An assessment of the government's general attitude toward the associational network (which may vary depending on the kinds of NGOs involved)

Professional syndicates, labor unions, and chambers of commerce, industry, and agriculture.

The review should assess the influence of these institutions, as measured by their membership, visibility, access to decision-making arenas, and their economic and political resources. Particular attention should be paid to the following questions:

- How free from governmental control are these institutions? Do they operate as channels through which their members seek to promote their interests and influence public policy, or are they primarily corporatized vehicles through which the state seeks to control key constituencies? Does the state seem primarily concerned with containing these associations, or with developing partnerships with them?
- How democratic is the internal functioning of these institutions?
- What are the links between these institutions and those found in the previous five categories? For instance, what are the links between trade unions and political parties? Are certain professional associations closely associated with specific political parties? To what extent do chambers of commerce and industry have access to representative institutions?
- Among those institutions, which ones appear to be strengthened, and which ones appear to be weakened, by ongoing processes of political and economic change?

The Media

The dimensions for analysis of the media are the degree of freedom under which they operate, their capacity, and the degree to which they are politicized. The legal/constitutional framework within which the media operate yields a significant influence on their freedom, but informal constraints on the media may be more important than formal ones. It therefore is necessary to investigate the informal context within which the media operate. This context includes such matters as possible extra-legal harassment and intimidation of journalists; government involvement in journalists' professional associations; manipulation of access to print media production and/or distribution facilities; discriminatory use of state-owned enterprises' resources for advertising; denial of journalists' access to information possessed by the state or consumers' reception of transmitted electronic media; lack of provision of equal time to candidates for political office by state owned electronic media; etc.

With regard to capacity, the ability of the media to gather, analyze, and report news and convey it to the public is determined by numerous factors, including professional competence of media personnel; material resources available to the media; institutionalized access to domestic and international information sources; organizational coherence of media organizations; and other factors. The degree of politicization of the media results primarily from the degree to which the media are connected to the government, political parties, or political interests.

The section on institutions should reflect on three sets of questions:

(1) How has the institutional framework shaped the country's political dynamic? How have the key actors identified in the previous section used the institutions to pursue their interests? The answer to these questions should provide the reader with a deeper understanding of the political game in the country under review.

(2) What opportunities and obstacles does the institutional framework create from the perspective of the country's ability to further progress toward democracy? For instance, is the

legislature assuming new visibility and prominence in the political system? Are NGOs becoming more dynamic? Do they display an enhanced ability to exact concessions from the state? Is their access to decision-making centers increasing? Is the state becoming more tolerant of NGO activities? The answers to these questions should help the reader analyze opportunities for institution-strengthening activities in the country under review.

(3) To what extent can outside assistance affect the country's institutional framework? For instance, could donors make a difference in strengthening the internal capacity of the legislature, elected local bodies, or selected NGOs?

C1c. The Rules of the Game

Designed to provide the reader with an understanding of how the game of politics is played in the country which is being analyzed, this component may be the most difficult of the PE review. A few general guidelines can help with the approach to this complex task. The first step is to distinguish between the formal and the informal rules of politics.

Formal rules can be divided into four categories:

- The constitutional framework
- Election laws
- Laws that regulate the formation and operation of political parties
- Laws that govern the media

The analysis of the **constitution** should highlight the most salient features of that document. How does the constitution affect the relationship and balance of power between state institutions? What are its provisions for resolving conflicts between these institutions? What is the potential for political deadlock or paralysis? Is power concentrated or diffuse?

The discussion of **election laws** should describe how the members of the various representative institutions are elected. It should also highlight which constituencies the law might favor (e.g., rural over urban ones), and how such potential bias affects the composition and credibility of representative institutions.

The overview of **laws that govern the media** should assess whether the regulatory framework allows for independent reporting. Finally, the examination of **party laws** should determine how easily existing rules make it possible for political parties to be created and operate without interference by the authorities.

The conclusion of this section on the formal rules of the game should discuss the degree to which these rules are accepted or contested, and whether they are being (re)negotiated between the regime and the opposition. If negotiations are indeed taking place, the review should include an assessment of the progress made toward reaching agreements on new rules. It should also identify those areas in which negotiations have been most successful.

Many polities are characterized by a significant discrepancy between their legal-formal political frameworks and the ways in which the political game is played. Formal rules thus provide only an incomplete and imperfect guide to political processes which, instead, are often driven by tacit understandings, informal arrangements, and longstanding practices for which there is no constitutional basis. These include old boy networks, glass ceilings, and informal methods of

discrimination. Also included is the widespread practice in transitional polities of the government's maintenance of a highly restrictive, formal legal/regulatory framework, at the same time allowing in practice much greater political freedom until it invokes formal rules to contain what it perceives a threatening political development. The formal legal environments that regulate NGO activities in Morocco and Egypt, for example, are very similar, yet the Moroccan government has for several years allowed considerably greater freedom of action to NGOs than has Egypt. The PE review must therefore provide an analysis of these unwritten rules, together with concrete examples of how they affect political outcomes.

The conclusion of the section on the rules of the game might address the following questions: how fast are the formal and informal rules of the game changing? Are they becoming more restrictive or more open? In what areas? For which aspects of the game have agreements between the regime and the opposition, or between the state and civil society, been reached? What issues remain objects of contention?

C1d. Underlying Forces/Dilemmas

Steps A1 to A3 should not be thought of as being equivalent to a shop manual for repairing an automobile or procedures to be followed in a scientific experiment. Politics is too obscure, complex and unpredictable to be reduced to simple, mechanistic formulae. To some extent, interpretation of politics is as much art as it is science. Political economy reviews need to reflect this. They should emphasize and carefully investigate those aspects of a political system that are of vital importance, while paying less attention to its more secondary features. The procedures outlined here should aid in understanding the political system, not obscure it. So, for example, political systems with deep ethnic or religious cleavages may be organized almost entirely around those cleavages, such that all significant actors, institutions, and rules are shaped almost exclusively by them.

A PE review, in sum, should identify the basic forces that shape the political game. Showing how the exercise of power influences the process of change, it should illuminate the central challenge(s) faced by the key participants in that game. Sometimes these challenges or dilemmas are immediately apparent, such as in deeply divided political societies, whereas in other cases they are more obscure and only become apparent through the process of investigation outlined here. In the case of the DIS project, for example, it rapidly became apparent while conducting the political economy review of Jordan that the intersection of international events impinging on the Kingdom, combined with the cleavage between Palestinian and trans-Jordanian citizens, was the central feature with which all political actors and institutions had to contend. In Yemen, on the other hand, the central challenge faced by that system was constructing mechanisms for authoritative, majoritarian decision making, but that only became apparent once investigations associated with drafting the political economy review were well under way. Since the implications for Jordanian and Yemeni politics of these basic dilemmas were so profound, it is worth describing them in somewhat greater detail.

DIS's **Political Economy Review of Jordan** highlighted the fact that Jordanian policy-making in all spheres is dominated by the need to respond to external factors, such as the Arab-Israeli conflict and inter-Arab politics. It also noted that the Jordanian government must constantly straddle a domestic divide separating Palestinians and native trans-Jordanians. A central force driving much of politics in the Kingdom was thus identified by the PE review as King Hussein's difficulty maintaining a balance between the trans-Jordanians and Palestinians and between domestic imperatives and external pressures.

Building on these observations, the PE review brought to light some of the central dilemmas faced by the Jordanian regime since 1989, after it had embarked on a dual process of political and economic liberalization. The traditional base of support for the regime remained the native trans-Jordanian community, which also dominated the military, intelligence, and civilian bureaucracies. Meanwhile, Palestinians occupied leading positions in the private sector. Thus, political and economic liberalization seemed bound to benefit Palestinians to a disproportionate extent, while they were potentially threatening to the trans-Jordanians, who historically had been the backbone of the regime. The PE review identified a central challenge facing the King: How far could he afford to move ahead with economic and political liberalization that might benefit detractors of the regime or increase potentially disastrous inter-communal tensions?

DIS's **Draft Political Economy Review of Yemen**—completed in March 1994, less than two months before a civil war broke out—observed that the May 22, 1990, unification of the Yemen Arab Republic (North Yemen) and the People's Democratic Republic of Yemen (South Yemen) had been incomplete. This failed merger, it argued, had accentuated deeply rooted and seemingly intractable problems of governmental immobility, institutional weakness, and hence inadequate economic performance. The key challenge facing Yemen was thus identified as how to reconcile the nascent democratization process with the need for authoritative decision-making. How could government be strengthened without undermining progress toward political pluralism? How could greater unity be created within the ruling elite, without one of the two main components of this elite prevailing over the other? The PE review concluded that resolution of these challenges was unlikely and that political breakdown was a real possibility.

The PE review should conclude with a statement which, based on the preceding analysis, identifies where the country is in the process of transition. That conclusion should also summarize the main obstacles to, and opportunities for, democratization.

C2. Strengths and Limitations of the PE Approach

PE is one of several methods of analyzing the processes of political and economic change. Those involved in analysis and programming should be aware of its strengths and weaknesses so they can capitalize on the former while compensating for the latter.

C2a. Strengths

A PE approach presents **a much broader picture** of the targeted country for assistance than does a more traditional, institutional analysis. This is a major advantage from a programmatic viewpoint, because one might unintentionally engage in ad hoc activities targeting one institution or one area, without understanding the impact of these activities on the broader political system and the country's political dynamic. That, in turn, might lead to activities that are inappropriate, too politically sensitive, or are at cross-purposes with the priorities of the host government or with each other.

Political economy can be used to understand the inner workings of a political system whereas institutional analysis offers only limited insight into the dynamics of an institution. In other words, the intricacies of a political system cannot be understood merely by focusing on the institutions that make up that system (i.e., by using an institutional analysis). By contrast, it is quite possible to understand how an institution operates, and the logic that drives that institution, by analyzing the political economy of that institution.

Unlike institutional analysis and other approaches, PE highlights the connections between political and economic change. This is an advantage to donors who seek to further political reform and economic liberalization and must remain aware of the inter-dependencies between these two processes.

PE reviews are particularly appropriate for “failed states” because the review focuses primarily on the exercise and pursuit of power by actors, rather than on formal rules or institutions. In those cases, rules are no longer enforced and institutions have collapsed or are about to collapse, yet political actors continue to pursue their interests, frequently in violent ways. To program activities (including relief assistance) in this type of Hobbesian environment, the key actors, their interests, and their methods of pursuing those interests must be identified.

PE reviews, because they focus on the strategies and resources of political actors, are particularly useful for revealing obstacles to change and the potential for new political coalitions through which change might eventuate. The absence of political actors may be as much a clue to the nature of the political system as the presence of others. The preclusion of certain groups from politics, for example, may suggest that political mobilization of those groups is likely to have a profound impact on the political system.

Finally, approaches that focus on rules and institutions are most easily applied to stable, developed systems with a high degree of institutionalization and relatively slow rate of political change. Those approaches, therefore, emphasize stability and permanence. PE analysis, on the other hand, is ideally suited for understanding dynamic, rapidly changing situations because rules and institutions are understood as products or outcomes of the actors pursuing their interests and are therefore subject to change as the actors’ balance of power or interests change. Because it specifically conceives of the actors’ interests in relation to the broader process of socioeconomic development and transformation, the PE approach emphasizing the process of change. As noted above, PE analysis, because it focuses on actors, can even deal with dynamic situations in which rules and institutions are in abeyance or are totally destroyed.

C2b. Limitations

The political dynamic of the country targeted for assistance may change so quickly that the initial PE review—and the strategy and activities derived from it—will rapidly become outdated. The method therefore calls for regular re-evaluations of the country's political economy, and for constant monitoring of the fit between the PE review and in-country activities. The extent of the re-evaluations needed will vary depending on the scope and pace of political and economic change since the last review was conducted. And because programming is driven by the findings of the PE review, the composition of recommended democracy assistance portfolios will be altered accordingly.

At one level, the need for constant re-evaluations is a sign of flexibility, indicating a method that is as dynamic as the process it analyzes. It also demonstrates an effort to tailor activities to a rapidly changing political situation. Yet, it is also a disadvantage, since it underlines that the PE approach is a management-intensive method that calls for close and constant monitoring. In general, though, the re-evaluation of the PE review should be far less time-consuming than the initial study. For example, it might not call for sending a new team back to the field (see Section IV for further guidelines on implementation).

The PE approach separates the analysis of the actors from that of institutions. In reality, as is well-known, the behavior of actors—and the way they define their interests—are heavily influenced by the institutions in which they operate. Those that use the PE approach must be aware of this problem, if only to mitigate its impact.

Not only is the PE approach relatively management intensive, it means that those involved in the evaluations have regional or even country-specific expertise. A knowledge of local political culture is necessary for accurate assessments.

D. Programmatic Implications

Once a PE review has been completed, the stage is set for sector assessments to be carried out. The identification of key players allows one to focus on the extrapolation of developmental dynamics, facilitating the conceptualization of a DG strategy. Programming can now begin. At that stage, certain rules of thumb should be of assistance. It should be understood, however, that these are not absolute guidelines that apply in every case. Indeed, it is better to evaluate possible alternative programming interventions in terms of their likely costs and benefits, as all interventions have both. The rules of thumb suggested here are derived from such calculations based on theoretical and empirical grounds. But they are intended more as starting points to stimulate thinking about and evaluation of proposed alternatives than as blueprints to apply universally. These rules of thumb pertain to both the strategy and tactics of programming.

D1. Rules of Thumb Regarding Strategy

D1a. Two Guiding Principles

A first guiding principle for strategy design which is suggested by the PE approach is that the most cost-effective strategy for assistance is suggested by the stage of transition. Depending on country's stage, certain strategies are likely to yield higher pay-offs than others. However, common sense and the DIS project's experience suggest that higher returns on investments are more likely to occur as a country moves into the process of transition. This is for two reasons:

- It is easier to help countries do what they are already doing than to try to get them involved in the process. USAID cannot “bring about” democratization; however, it can foster a reform dynamic or momentum that is already at work
- Activities are more likely to have multiple impacts in a political system that is democratizing rapidly and in several areas.

A second principle underlying the PE approach as applied to the Middle East is that wherever possible, program design should promote the process of economic liberalization at the same time it supports the democratization process. In today's Middle East, this is often possible. Indeed, this region offers a case where the processes of political liberalization and democratization and the process of economic reform tend to be inextricably linked.

The first assumption has been outlined in detail in Section I. A few words about the second assumption may be useful here.

The challenges facing the economies of the region include creating jobs for the world's most rapidly growing labor force; supplying food in an increasingly water-scarce environment; raising the level of human development, particularly of women; and providing the large sums of money required

for managing these challenges. Meeting the challenges of jobs, food, investment, and human resource development will require major changes in economic policy and the rules of governance. Near Eastern countries must export to eat and create jobs. Only the private sector, assisted and aided by government, can do this.

Three implications for accountability in governance follow:

Greater reliance on the private sector requires wider scope for the rule of law. The capital needed to provide food, jobs, and infrastructure in the Near East must largely come from local citizens. They, and foreign investors, will only take the risks associated with tying up money in illiquid industrial and agricultural investments if political systems cease to be arbitrary and capricious. At the same time, only the private sector can meet the challenge of increasingly sharp international competition in the age of information technologies. Such technologies further undermine arbitrary rule: the faxes that carry this morning's price data also may convey the latest statement of the exiled political opposition. A regime like Syria may outlaw faxes outside of its control but such a regime cannot compete effectively in international markets. Accordingly, it cannot solve the problems of food, jobs, and money.

The conclusion is inescapable: Only a more decentralized political economy with greater reliance on contract and rule of law has a chance of coping with the development problems of the end of the twentieth century and beyond. And the rule of law is best protected by constitutional government, that allows the public to hold agents of the legal/judicial system accountable.

Stabilization and structural adjustment reform packages can only be politically viable in the long run with expanded popular political participation. Economic reform “packages” must be credible: people must believe that the government has the will and resources to “stay the course” and must support the reforms. The old “social contract” between rulers and ruled is no longer viable, simply because governments' resources no longer permit the state to supply social welfare benefits such public sector jobs and consumer subsidies in exchange for popular political quiescence. Regimes need the support of the winners of the economic reform process to counterbalance the inevitable opposition of vested interests.

At the same time, governments need to persuade people that austerity is legitimate, which is especially difficult when the average citizen views the ruling elite as a corrupt clique, accountable only to itself, and who is responsible for creating the problems in the first place. Economically, a subsidy cut is equivalent to a tax increase. Political participation is necessary to “share the pain”; if the cry of Bostonians in 1776 was “No Taxation Without Representation!”, that of Arabs in the 1990s may be “No Subsidy Cuts Without Participation!” Only economic reforms which are accompanied by measured political reform can be successful in the long run.

Increased governmental responsiveness is needed to ensure that government supports private sector activity without stifling competition and spawning inefficient, corrupt “rent seeking” behavior. Economists increasingly recognize that governments must perform many tasks if a market-driven economy is to succeed. For markets to work properly, governments have to facilitate the emergence of secure property rights and widely shared information, possibly providing such through non-governmental actors. East Asian experience also strongly suggests that successful developmentalist states need to promote export drives while simultaneously fostering domestic competition. The difficult trick is to transform “crony capitalism,” with its inefficient and corrupt seeking of special favors, into “developmental capitalism,” which promotes national economic objectives. Empirical evidence suggests that some measure of accountability in governance is a

necessary condition for creating a developmentalist state. Ultimately, only publicly accountable implementation and adjudication agencies will be sufficiently responsive to cope with the development challenges of this decade and the next.

D1b. Applying the Two Principles: The Pre-Transition Stage

As described in Section I, the pre-transition stage is characterized by the extreme weakness of civil society, the absence of autonomous political participation, a state that still dictates the rules of the game, and a political system that lacks strong interconnections and linkages among its components, such that political institutions and organizations, especially those in civil society, tend to be segmented and isolated. These conditions also impede the private investment necessary to manage the key economic problems of jobs, food, water, and human development. These conditions render programming extremely difficult, partly because synergies and broadly based impacts are unlikely to be achieved in poorly integrated systems. In this stage more than others, therefore, programming should be flexible and based on the assumption that trial and error is likely to be necessary. Ongoing analyses should also be conducted of the costs and benefits of interventions.

In the pre-transition stage, negotiations between government and opposition, or between state and civil society, are yet to begin in earnest. Therefore, an objective of assistance throughout that phase should be to stimulate those negotiations. However, stimulating national dialogues that have yet to commence or are moving very slowly is extremely difficult. The most appropriate role for an external donor is that of impartial facilitator, akin to the role of mediators in international conflicts. Negotiated transitions are in fact analogous to resolutions of inter-state conflicts. Both sides are wary of one another and have little experience of productive negotiation. They may welcome impartial, third party efforts to facilitate resolution of problems that arise during negotiations and offer compromises. Donors can best assist negotiated transitions by taking appropriate steps to pave the way for, and then contribute to, the momentum of negotiations.

Initially, interactions between representatives of state and society will be beset by distrust and hostility. Neither side is likely to make a major concession before testing the intent and trustworthiness of its opponent. Therefore, during the pre-transition phase, negotiations can be facilitated by support for arenas within which representatives of state and society can interact in a way that will allow them to develop trust and some level of competence in the arts of political persuasion and compromise. At first, those arenas for state-society interaction should not be highly visible, vital institutions of policy making such as the national legislature. Otherwise, the stakes would be too high. The result might be public posturing and an unwillingness to make the necessary compromises. A more appropriate arena for assistance might consist of professional syndicates (such as those for doctors, journalists, teachers, lawyers, and engineers), business associations, and chambers of commerce and industry. As shown in Section I, these associations tend to be the first institutions in which political competition and autonomous participation is introduced. They also tend to present the state with the least threatening partners for dialogue. In the pre-transition stage, therefore, assistance for the purpose of facilitating negotiations between state and society might do well to concentrate on building the institutional capacity of these organizations.

Another possibility is to strengthen the rule of law by focusing on what the ruling elite will regard as relatively non-threatening, such as commercial codes. By fostering a level playing-field in the economic arena, legal/judicial institutions will be strengthened. Such institutions and the actors within them are rarely content to limit their actions to commercial areas alone. At this stage, supporting these institutions not only helps solve economic problems, but also fosters experience

with and support for the rule of law. In this way, synergies between the economic and political development process may be maximized.

Potential interventions at this stage should, therefore, be evaluated from the perspective of how they will contribute to or impede fruitful interactions between the actors in the political system. Facilitation of meaningful discussions between key actors may require judicious application of not only the carrot, but in selected cases, also the stick. Use of the latter may cause incumbent authoritarian elites to recalculate the cost of refusing to provide political access to non-incumbents, and may also encourage non-incumbents to redouble their efforts to engage incumbent elites in dialogue. By and large, however, providing incentives to the various parties to commence at least tentative interactions and discussions entails lower risks.

Based on these assumptions some appropriate rules of thumb are as follows:

- Strengthen civil society
- Engender support for the rule of law
- Assist decentralization efforts
- Support fora in which representatives of state and society can interact

Strengthening civil society. Where civil society's ability to place demands on the state is severely hampered by organizational incoherence and resource deficiencies, assistance should aim to strengthen NGOs, political parties, the media, and other agencies which, with more resources and organizational strength, can articulate demands. Providing support for civil society organizations that support human rights and advocate more general democratic political change, may signal dissatisfaction with the status quo. But in doing so, one should proceed carefully. Pre-transition regimes are likely to be wary of demand-side assistance programs. Therefore, if not properly conceived and implemented, strategies emphasizing demand can prove counterproductive and even backfire. They risk engaging the U.S. Government in sensitive political areas and can cause governments to become even more fearful of engaging in dialogue. Kick-starting interactions between civil society and incumbent decision makers may require judicious application of the stick to the latter, but programmers should be alert to the possibility that such pressure can be counterproductive. Moreover, they should be prepared to shift rapidly to the provision of positive rewards rather than negative sanctions, once it appears that fruitful interactions may commence.

By and large, therefore, assistance to civil society at this early stage is best concentrated on selected service-oriented NGOs. Unlike advocacy groups, service-oriented NGOs may be tolerated or even encouraged by the government, if only because they compensate for its inability to provide certain vital services. The DIS project has been particularly active in this area. Work here provides an excellent, concrete example of how synergies between economic development goals (e.g., public health) and political development aims (fostering of civil society) may be supported. These "technical" NGOs have an impact that goes well beyond service delivery. They also enhance prospects for democratization because they foster associational life, empower individuals, and provide them with skills and the attitudes to draw to engage in openly political activities designed to make the government accountable.

Service-oriented NGOs also provide channels through which partnerships can be built between government and civil society. Such partnerships may consist of joint initiatives to resolve community problems or address public needs at the local level. By creating avenues for dialogue between representatives of the state and those of civil society, they may pave the way for the transition to the next stage of democratization.

Engender support for the rule of law. Support for the rule of law can be provided to the demand and supply sides. As stated above, however, when applied to the former it needs to be done in a judicious fashion in order to avoid potential backlash. On the supply side, legal/judicial systems offer considerable potential for assistance at this early stage. In many authoritarian systems courts and legal systems enjoy considerably greater autonomy than the legislative branch or components of civil society. Typically, they are staffed by high status professionals who are best equipped to make and support demands for the rule of law and political pluralization. However, the staff often suffer from administrative and professional deficiencies. In addition, some minimal respect for the rule of law is a precondition for the commencement of meaningful interactions between state-based actors and representatives of civil society. As noted above, support for reforms of commercial codes may be an especially attractive target of opportunity at this early stage of the transition process. Another effective possibility might be incremental support to improve the administrative and procedural functions of the courts

Assist decentralization efforts. Unlike national politics, local politics tends to revolve around concrete issues of service delivery. Thus, ruling elites in countries that are still in the pre-transition stage are more likely to consider granting greater autonomy and responsibility to elected local government bodies than to the national legislature. Furthermore, support for decentralization initiatives and for service-oriented NGOs active at the community level might complement each other nicely and provide venues for interaction between government elites and civil society groups. Such local dialogues could help generate national ones.

However, in some situations incumbent elites are extremely concerned that their opponents may infiltrate local elected and appointed bodies. In these cases, hostility toward pluralization on the periphery may be even greater than it is to its equivalent at the national level, where the incumbent elite can keep a closer eye on developments. Programmers must thus determine the point in the system where incumbent elites might experiment with political opening, which is typically at the local level, but not always so.

Support fora in which representatives of state and society can interact. Local government is only one arena in which actors from state and society can experiment with political liberalization. Other arenas include less formal fora at a greater distance from the government. So, for example, professional associations, university governing bodies, think tanks, or other such organizations may provide venues in which relatively free interactions commence between actors who have previously been unwilling or unable to engage in any dialogue whatsoever. To provide assistance for such fora may in turn facilitate that dialogue and elevate its visibility and importance.

D1c. Applying the Two Principles: The Early Transition Stage

The activities appropriate to the pre-transition phase are relevant to the early transition stage. In that stage, steps toward greater openness are still tentative and can easily be reversed. Therefore, assistance should continue to refrain from activities (such as support for advocacy groups) that might threaten the regime. Too much emphasis on stimulating demand at that stage would be a risky strategy. At a minimum, it might increase polarization between government and opposition, and constrict recently opened political space. At the maximum, it could contribute to the collapse of the government and popular upheaval.

Instead, assistance should facilitate further progress in the incipient dialogue between the regime and the opposition. This means concentrating on the supply of venues through which this dialogue can proceed. One such arena is the legislature, which allows government elites and opposition leaders to test each other's intentions, experiment with new political rules, and learn to make policy decisions through bargaining and compromises. Even though in this early transition phase the legislature has probably not yet become the main forum for negotiations between state and society, it must be strengthened to pre-position it for the next phase, when it will assume added visibility and importance. Moreover, while less threatening to the host government than a demand-oriented strategy, the strengthening of the legislature will stimulate appropriate demand over time (for instance, through its impact on political parties and through press and media coverage of legislative debates). Therefore, an important component of assistance in this stage should be to increase parliament's institutional capacity. Relevant activities might include designing programs to familiarize MPs with parliamentary procedures; training the legislative staff; assisting reorganization efforts within the legislature; and providing commodities that can enhance legislative performance.

D2. Rules of Thumb Regarding Tactics

As one embarks on the complicated task of translating strategies into concrete sets of activities, the following rules of thumb should be kept in mind.

D2a. Look for Synergies

Give priority to activities likely to have multiple impacts. For instance, the DIS project designed assistance programs that enhanced the participatory role of civil society and the capacities of local government. This approach was premised on the mutually reinforcing links between democratization and the transition to sustainable development. Its intent was to empower grassroots groups while enhancing the responsiveness of local authorities to the needs and demands of communities. Also underlying this approach was the notion that the extent to which NGOs can empower communities is a function of their access to decision-making arenas. The prospects for sustainability are thus increased by improving the ability of local government bodies to interact with, and respond to, their constituent population.

D2b. Plan for Flexibility

Projects should be divided into self-contained phases that allow programming to be adjusted to reflect changing circumstances. The first phase should include short-term interventions that:

- Are relatively easy to implement
- Are noncontroversial

- Have a reasonable chance of success, to create the confidence and momentum that will allow more difficult tasks to be addressed
- Have easily measurable success
- Are self-contained, but lay the foundation for interventions during subsequent stages

The first phase should also plan for contingencies, by trying to anticipate problems that might arise during implementation and by outlining the effects of these problems on programming in the later phases. Programming also needs to be flexible enough to incorporate lessons learned in the initial phases of project implementation. The second phase should begin only after sufficient tangible progress has been made toward reaching the objectives outlined for the first phase. Phase Two (and above) should involve longer term, more difficult activities.

D2c. Think Systemically

In deciding among possible activities, one should think carefully about their impact on the entire political system and dynamic—not only on the area or institution targeted for assistance. As discussed earlier, one strength of the PE approach is that it provides the “broad picture” through which such calculations can be made. Taking advantage of this feature, one can systematically address the following questions:

- What are some of the potentially negative or counter-productive consequences of the activities considered?
- Do these activities take sufficient notice of the constraints and opportunities for democratization which the PE review identified?
- How far do they go toward reducing the key obstacles (as identified by the PE review) that prevent further democratization?
- How far do they go toward creating an environment that is more conducive to productive negotiations between state and civil society, or between regime and opposition?
- How effectively do they contribute to increasing the density of linkages that connect the various components of the political system?

D3. Rules of Thumb Regarding Strategy and Tactics

The strategy and the activities considered should be consistent with the priorities of other U.S. agencies active in the host country. Therefore, programming should not begin until input from the country team has been obtained.

The first draft of the PE review should be circulated among members of the country team, and their reactions should be incorporated into the next version of the document. Major benefits in terms of human resources can be derived from circulating the PE review broadly within the mission and among the members of the country team. These benefits include:

- Providing individuals in the field with an enhanced understanding of what actually drives their daily work

- Enabling them to make sense of the information they obtain
- Providing members of the country team with a shared outlook and common conceptual framework

Seek synergies with the existing mission portfolio, to maximize coherence, economies of scale, and returns on investments. This means that a close review of the mission's portfolio should be undertaken before programming, with a view to determining the most promising areas for linkages.

Explore strategies and activities that will create linkages between economic and democracy assistance programs. For instance, if an important component of the mission portfolio is support for privatization, and if the DG team is considering civil society activities, it might be fruitful to look into interventions that target chambers of commerce and industry or NGOs that encourage entrepreneurship.

E. Conclusion

This document summarized the conceptual framework that the DIS project used to:

- Analyze the political-economic context for democracy-building activities in the Near East region
- Suggest concrete interventions that might maximize returns on investments

The approach has been useful in providing linkages between assessment and programming. Although it has been applied mainly to Arab countries thus far, nothing prevents it from being used for assessment, strategy design, and programming purposes in other regions. In fact, considering that the Arab world is generally considered hostile to democracy-building activities, the fact that the model yielded positive results in that context seems to suggest that it might prove useful elsewhere.

The method stresses the need to understand political realities, particularly the distribution of power, the rules of the game, and the interests of major players as a starting point for realistic, effective democratic programming. The method is designed to construct a road-map, including the major obstacles to progress. The method is simply the application of common-sense to political realities: We cannot foster the democratization process if we do not understand the context within which that process unfolds on a country-specific basis. An understanding of actors, their interests, the rules of the game, and the institutional context of any country are prerequisites to realistic democratic programming. The PE approach provides a useful tool to providing USAID officers with that context, thus assisting them in formulating programs with a high probability of success.

With regard to its implementation, the method is relatively economical. Political economy reviews are best undertaken by a team possessing the following:

- Country expertise
- Knowledge of how to apply the model presented in this report
- An understanding of AID programming priorities, and of the bureaucratic constraints under which AID operates

These roles can be combined in single individuals, suggesting that at most a three-person team is required, but that in some cases political economy reviews can be produced by teams of two or, in occasional cases, by single individuals. The goal is always the same, however: to provide an analytical overview that can generate a road-map of the opportunities and obstacles to democratic programming.

ANNEX B
DIS REGIONAL CIVIL SOCIETY INITIATIVE

A. Conceptual Framework

Quasi-authoritarian political systems in the early stages of transition to democracy are typically characterized by weak and fragmented civil societies facing hostile governments. Such an environment poses a significant challenge to interventions to foster democratization through the invigoration of civil society. Interventions can be successful, however, if based on a proper understanding of the transition process and the opportunities for forging new relations between civil society and the state.

In many countries in the Arab world and elsewhere, authoritarian regimes are moving toward democratization not because of systematic pressure from civil society, but because of declining state capacities. The shift of resources from public to private sectors brought about by economic stabilization and structural adjustment measures undermines the abilities of states to service patronage networks or fulfill social contract obligations. Social contracts, which are informal agreements, are an exchange by citizens of their right to participate in public policy decision-making, for the right to receive material benefits from government. Frequently sanctioned by radical nationalist and socialist ideologies, such contracts depend on the state's direct control of material resources. Few states in the developing world now enjoy such control, and as a result, can no longer uphold their part of the social contract. Many governments are seeking new agreements with citizens that involve a trade of taxation for representation.

Renegotiation of agreements in which the ruled agree to submit to rulers has profound implications for local political processes. In the past, authoritarian governments directly controlled local government, primarily through finances. Now governments face challenges at the local level because their revenues have declined in proportion to privately held resources. Political opposition groups, typically inspired by radical Islam in the Middle East, have sought to fill the vacuum created by the failure of government to meet the everyday needs of citizens. These groups provide goods and services from their own resources and by mobilizing and organizing citizens. Having replaced governments as providers of basic services, these groups are also displacing governments as the object of citizen loyalty and support.

Lacking the resources to provide adequate local services or service patronage networks, central governments have been forced to develop strategies to outflank opposition groups that perform the government's former functions. One strategy is to encourage NGOs not tied to radical opposition groups to provide local services, by granting NGOs greater freedom and more access to local decision-making. In the political space thus provided, enterprising NGOs can expand memberships, fields of activities, and access to decision-making.

Although driven by the interests of government elites and NGO leaders, such a tradeoff can be difficult to achieve. Authoritarianism breeds distrust and governments are suspicious of any autonomous political activity. Civil society activists may be resent government interference, as local government officials have been rewarded in the past for monitoring and controlling political activity. In many cases, interaction between government and civil society has been extremely limited, and both sides are cautious and wary. In these circumstances, confidence-building measures are important in developing mutually beneficial relationships.

The DIS conceptual framework interprets negotiated transitions to democracy as those in which government elites and emerging civil society leadership gradually increase interaction and build trust. While much interaction is at the grass roots level, it proceeds only because the central government has decided to exchange representation for increased taxation, and has granted a degree of latitude to civil society organizations in return for providing goods and services to citizens. The early stages of this process are experimental, for government and civil society activists are wary of one another. Government does not want to test the intentions of potential opponents or democratic theories in vital arenas of public policy-making. Instead, it prefers to interact with civil society and test new approaches to governing in less vital venues. One such area may be local government.

Local government is an especially promising stage for increased and mutually beneficial interactions between state and civil society. The face-to-face nature of local politics facilitates interactions across the divide that separates government and opposition at higher political levels. Because local politics is concerned with less threatening issues, such as service delivery, rather than such state policies as national defense and foreign relations, incumbent elites may be more willing to experiment with liberalization and democratization at local level. Local government is also the arena where sector-specific bureaucracies and NGOs interact. The large number of actors provides for potential coalition formation to bridge the gap between state and society. Finally, in many developing countries, including the MENA region, governments are experimenting with local elections as the first step in opening up the national political system to legislatures through elections. Local elections thus provide citizens with opportunities for first-hand experience with democratic practices and opportunities for donors to facilitate democratization.

But, because local government is close to the grass roots, it can also make incumbent elites nervous. Opposition movements frequently seek to penetrate the system by first accessing local government. Governments may respond by welcoming increased participation as an opportunity to moderate radical opposition through dialogue and responsible participation, or move to close down this channel of participation, and possibly ease pressure at the national level.

The greater frequency and intensity of local elections in the Middle East/North Africa region and the growing budgetary and political power of local government bodies attest to the fact that the “periphery” of local government is becoming more central to national politics. With its grass roots, local government is of vital concern to both government and opposition. Local government can therefore be an ideal venue in which to foster democratization, or, conversely, can be too threatening to incumbent elites for external donors to play a productive role. Potential donors must carefully assess central government policy toward the periphery before working at the local level to facilitate democratization.

B. Programming Implications of the Conceptual Framework

In comparison to democratic breakthroughs in Eastern Europe, transitions to democracy negotiated between incumbent and opposition elites are less rapid and dramatic. These transitions, however, may be more viable in the long run precisely because they have involved protracted negotiations accompanying the gradual shift from limited access granted by government to improve services, to full blown citizen participation in public policy. Even if slow, such transitions are preferable to the status quo, and less risky than sudden democratization, which are likely to result in diehard, radical opponents of the status quo coming to power. Negotiated transitions therefore deserve support from external donors seeking to facilitate democratization.

The implication for donor support for a conceptual framework for understanding negotiated transitions is that donors must proceed as impartial facilitators, akin to mediators in international conflicts. Donors need to encourage confidence-building measures to help governmental elites and civil leaders to understand one another better and develop sufficient trust for useful negotiations and agreements. Such relationships can only be established when authoritarian governments realize that authoritarianism is doomed and at least some liberalization must take place. Once that decision is made—and donors must determine whether it has indeed taken place—the possibility is created for an expanded arena of activity and increased access to decision-making on public policy.

C. How DIS Operationalized the Approach

DIS has used a three-step procedure to turn this approach into reality. First, it undertook political economy reviews of relevant countries in the Middle East/North Africa region. The purpose of these reviews was to identify key political actors and their relationships, and determine where countries are in the process of negotiated transitions to democracy.

The second step was to undertake assessments of the demand and supply sides of political systems. Since the approach was based on the need to facilitate interaction between those in governmental institutions (supply side) and those active in civil society (demand side), it was necessary to identify key institutions that interact with civil society on the one hand, and the capacities of civil society on the other. A major component of civil service capacity is an organization's credibility among its potential constituents. The formal dimensions of this capacity is the entity's organizational, material, and professional ability to represent constituents in a participatory and democratic fashion.

Organizations' informal capacities may be even more important than formal capacities. Citizens seeking redress in non-democratic societies typically turn to those who have the ear of decision makers. The DIS approach builds on this search for decision-making access to foster democratization, even though it manifests a lack of functioning democratic institutions. The challenge is to enhance NGO access to decision-making by facilitating interactive dialogue and partnership between NGOs and government officials, encouraging individuals to participate in NGOs and seek programmatic rather than personal solutions to common problems.

DIS is now involved in a third step, to expand activities in various countries of the region. Tunisia was initially selected to evaluate the possibility of facilitating democratization through enhancing interaction between state and civil society at the local level. It was chosen because the political economy review indicated that the government was committed to improving services by granting NGOs more operating room, and because DIS could draw on the in-country expertise and regional orientation of RHUDO during implementation. The activity took the form of sequenced pilot projects to test the conceptual framework against the reality of local government/ civil society interaction in several locations. This activity is the LGSP (Local Government Support project), which began in 1993. Its initial success led to two follow-on activities, including a civil society assessment completed in August 1994.

The LGSP civil society pilot projects have formal and informal dimensions. Formally, the project has sought to enhance the ability of municipal officials, both elected and professional, to better respond to citizen concerns and demands. This component is intended to reinforce a governmental decentralization program that seeks to maximize the state's strained financial resources by making the municipal management of resources more efficient. The LGSP trains municipal

officials in the skills needed to respond to citizen concerns at the same time that the GOT is granting these officials the autonomy to do so.

The pilot projects have also sought to enhance the informal enabling environment, which typically plays an equally important role in such political systems. When NGOs team up with local government to resolve pressing community issues, the municipality is more likely to grant the freedom to mobilize citizen support. The Middle East/North Africa region has many examples of localized collaboration between civil society and the state, even though the formal regulatory environment is extremely restrictive. The strengthening of the informal enabling environment is a realistic and important objective at early stages of transition. Once informal channels are opened in societies that rely on personal contacts, such channels provide an intermediary link between state and civil society that citizens are likely to use to express and resolve their needs.

The second follow-on activity to LGSP was a DIS/RHUDO workshop recently held in Tunis which examined the potential for a regional civil society initiative based on the DIS conceptual framework and the LGSP experience. Specialists from Morocco, Tunisia, Egypt, Lebanon, Jordan, and Turkey prepared preliminary assessments of the potential for democratization in their respective countries by using the DIS approach. They concurred that despite a wall of obstacles to collective participation at the national level, a window of opportunity exists at the community level in each country to support democratization. This consensus has built momentum for interagency collaboration on a regional initiative in civil society empowerment and participation.

The purpose of interagency collaboration is not just administrative. To succeed, democratization must demonstrate that it can underpin improved governance and lead to better quality services. The skills and experience of different donor programs should therefore be mobilized to facilitate democratization and achieve each program's objectives.

The Tunisia pilot projects were made possible because four separate offices saw benefits to their own programs of civil society empowerment. The offices that conceived and implemented the Tunisian pilot projects were the Global Bureau's Center for Democracy, RHUDO, WID, and EHP. DIS(G/DG) endorsed the pilot projects because of their potential contributions to civil society empowerment and participation, and the opportunity to field test its regionally based approach. RHUDO assumed the lead role in implementation. Its commitment was based on the premise that municipal capacity in service delivery is dependent upon accountability to community interests and concerns. The WID office participated because the active participation of women in identifying and devising solutions for community problems is essential to its success. The EHP, which provided LGSP expertise in environmental health, had learned from previous experiences in Latin America that community participation is essential to the effective provision of this important service, and therefore sought another venue to demonstrate this relationship.

Shortly after the regional workshop that refined the DIS conceptual framework, the Rabat mission requested assistance from the Global Bureau's Center for Democracy to assess the democratizing potential of working with Moroccan NGOs. Using the DIS project technical unit to spearhead the effort, G/DG employed a participatory approach that integrated technical contributions from G/DG, the mission, ANE, and G/WID. RHUDO in Tunis also sent one of its officers to Rabat to participate in the planning stages by discussing lessons learned during the implementation of the two Tunis pilot projects.

Morocco proved to be the ideal context for the DIS civil society/local government framework. The processes of change described above are clearly evident in Morocco, where the financial capacities of the regime are outstripped by the developmental challenges of demographic growth combined with rapid urbanization. The country's leadership is experimenting with innovative ways to effectively engage private initiatives and resources in the development effort. The regime is accomplishing this through negotiating new forms of political participation and dialogue at the national level, while simultaneously seeking new means to increase local government's responsiveness. In both endeavors, invigoration of civil society is essential. Recognizing this, the government has informally permitted and even encouraged the opening of political space for collective political participation within interest-specific associations, especially at the grass roots level.

Downsizing prevented the mission from embarking on a new DG initiative. Nevertheless, articulation of the conceptual framework within the Moroccan context had a catalytic effect. The GOM, civil society leaders, and other donors have recognized the leadership role of USAID in helping to formulate a means to combine the energies of civil society and the government into a new model of popular participation remarkably similar to the Agency's New Partnership Initiative (NPI). Several ministries are co-sponsoring the USAID workshop intended to formally introduce the DIS model to Moroccan decision makers and activists. Leaders of the most viable and promising grass roots associations will also attend. While USAID's contributions to this experiment will probably remain at the conceptual level, the impact of its technical leadership has been recognized by European and multilateral donors, who have expressed interest in using the DIS framework in their own programs.

The application of the DIS conceptual framework in Tunisia indicated that it had considerable potential to facilitate democratization within the Middle East/North Africa region. Putting the Moroccan model into effect has exceeded expectations, enabling the mission to play a leadership role in the DG sector in that country. The success of the model reflects the analytical power of the political economy approach, which was used by the DIS project to identify key developmental dynamics of Near Eastern countries, including the potential to achieve synergies by linking grass roots groups to local government through assistance efforts.

In conclusion, the DIS approach is based on the idea that people learn about democracy by practicing it. Civil society is empowered by people taking an active role in decisions on the management of community resources. Greater access to decision making fosters effective participation, thereby generating greater popular demand for democratization. While participation will initially focus on specific development issues, participants will seek over time to ensure that the rules of the political game are fair and, in doing so, will democratize their polities.

**ANNEX C
PROJECT EXPENDITURES**

<i>Democratic Institutions Support Project Summary Project Expenditures (as of 7/31/96)</i>							
	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4 (7/31/96)</i>	<i>Years 1-4 Total</i>	<i>Budgeted Total</i>	<i>Remainder</i>
<i>I. Salaries</i>	\$407,959.02	\$260,783	\$245,524	\$231,198	\$1,145,464	\$1,425,523	\$280,059
<i>II. Fringe</i>	\$99,052	\$93,055	\$83,195	\$49,400	\$324,702	\$314,043	(\$10,659)
<i>III. Overhead</i>	\$356,338	\$273,131	\$229,102	\$172,860	\$1,031,431	\$1,067,896	\$36,465
<i>IV. Travel & Transportation</i>	\$85,199	\$37,925	\$22,034	\$28,727	\$173,884	\$614,120	\$440,236
<i>V. Allowances</i>	\$113,766	\$26,889	\$29,413	\$63,483	\$233,551	\$695,640	\$462,089
<i>VI. Other Direct Costs</i>	\$82,240	\$63,583	\$61,778	\$77,705	\$285,306	\$314,119	\$28,813
<i>VII. Training</i>	\$10,769	\$934	\$0	\$0	\$11,703	\$140,000	\$128,297
<i>VIII. Subcontractor Costs</i>	\$48,925	\$16,833	\$5,348	\$4,918	\$76,024	\$1,369,892	\$1,293,868
<i>Subtotal, Items I - VIII</i>	\$1,204,248	\$773,133	\$676,393	\$628,291	\$3,282,065	\$5,941,233	\$2,659,168
<i>IX. General & Administrative</i>	\$39,569	\$17,304	\$19,074	\$19,323	\$95,270	\$203,191	\$107,921
<i>Subtotal, Items I - IX</i>	\$1,243,817	\$790,436	\$695,467	\$647,614	\$3,377,335	\$6,144,424	\$2,767,089
<i>Fixed Fee</i>	\$99,381	\$63,294	\$55,637	\$51,809	\$270,120	\$491,800	\$221,680
<i>Subtotal, Items I - X</i>	\$1,343,198	\$853,73	\$751,105	\$699,423	\$3,647,455	\$6,636,224	\$2,988,769
<i>Total Disallowances</i>	(\$27,156.30)	(\$5,576.70)	\$0.00	\$0.00	(\$32,733)	n.a.	(\$32,733)
<i>Grand Total</i>	\$1,316,041	\$848,153	\$751,105	\$699,423	\$3,614,722	\$6,636,224	\$3,021,502

ANNEX D
LIST OF PROJECT ACTIVITIES BY COUNTRY

EGYPT

· **Egypt GDP Strategy: December 1992**

A draft background analysis for a revised GDP strategy/action plan for Egypt.

· **PID for Egyptian Parliament: January 1993**

The purpose of this paper/activity was to identify the Egyptian need for improvement in the flow of information, legal systems, government procedures, public information, and support for reform measures. This report was developed in preparation for the Egypt Decision Support Services project.

· **Egypt Decision Support Services Project Paper: May 1993**

This project paper was designed to provide a framework for the delivery of training and technical assistance in legislative systems development. It served to enhance relevance, quality, and availability of information provided to the Peoples' Assembly and Shura Assembly staff members.

· **Egypt Privatization Study: March 1993**

This report addressed program promotion, organization development, and decision-making support. In the privatization process, the analysis highlighted political constraints to development existing in Egypt at the time of the study.

· **Regional Computer Activity: July-December 1993**

A consultant performed a short-term assignment to brief AID and the DIS PTU on computer-based communication systems and databases for legal/judicial institutions and organizations in the Middle East/North Africa region in general and Egypt in particular.

· **Egypt PVO Assessment: May 1995 (mission buy-in)**

In response to a mission request, the DIS project fielded a short-term technical consultant to Egypt to conduct an assessment of indigenous PVOs. The assessment examined the work of 15 Egyptian civic organizations, including business associations, human rights and environmental groups, and non-profit and advocacy organizations. These PVOs were selected as a representative sampling of advocacy PVOs currently functioning in Egypt. Working with mission programmers, the consultant identified PVO strengths and weaknesses and assessed their institutional and representative capacities.

- **Egypt Workshop: July 1995**

This workshop was held in Washington D.C. on July 27, 1995. Its purpose was to analyze the contemporary political system in Egypt and elicit recommendations for a USAID program to support democratization and improve the quality of governance in Egypt.

- **Egypt Workshop II: August 1995**

This workshop was held in Washington D.C. on August 9, 1995. The purpose of this follow-up workshop was to get a U.S. NGO perspective on DG programs in Egypt.

- **NCSC Conference: May 1996**

The DIS project arranged to send participants from the Egyptian Ministry of Justice to the NCSC second judicial reform round table. The purpose of this gathering was to provide a forum for the exchange of ideas about and experiences with judicial modernization in Latin America. The conference was held in Williamsburg, Virginia from May 19-22, 1996.

- **NGO Planning Workshops: June 1996**

At the request of the Cairo mission, the DIS project hired a development specialist to plan, organize, and manage three workshops between July and September as part of the mission civil society strategy design. The mission anticipates these workshops will disseminate the background and specifics about the mission strategy, develop a working definition of “civil society,” and come to agreement on and prioritize a list of constraints facing civil society.

JORDAN

- **Jordan PE Review: February-April 1993**

The PE reviews provided background analysis to assess the stage at which particular countries were situated within phased transitions from authoritarian to democratic rule. This approach highlighted connections between political and economic development, and identified important political actors and key institutions as well as the underlying forces or dilemmas affecting politics in each country. This approach illuminated both opportunities for and obstacles to democratization.

- **Jordan Agricultural Sector Review: April 1993**

The report reviewed Jordan’s agricultural sector, examining water usage, steppe management and livestock, and rain-fed farming. There is also a note on Jordan valley water pricing, discussing water use and its opportunity costs.

- **Jordan Tourism: July 1993**

This is an assessment of the political economy of tourism development and management in Jordan. The DIS technical coordinator conducted a trip to Jordan in July-August of 1993 to assess the feasibility of tourism development and the political and economic implications for such development, especially in public participation.

- **Jordan Returnees (an annex to the Jordan PE Review): August 1993**

The paper discusses various consequences of Jordanians returning to the kingdom in the wake of Saddam Hussein's invasion of Kuwait. It covers economic impact, social tensions, and possibilities for collective action.

- **Jordan Election Fact Sheet: August 1993**

This fact sheet presented issues and candidates before the November 8, 1993 parliamentary elections in Jordan. The fact sheet identified the economy and the peace process as key issues discussed by candidates and voters.

- **Jordan LG-CIMEP (Community Involvement in Management of Environmental Pollution) December 1995**

DIS assisted USAID in the preparation of a proposal for an activity to fuse environmental action and community participation programs. This involved a systematic process for building the skills and capabilities of intermediaries within municipalities to impact environmental issues at the neighborhood level in an effective, efficient, and participatory manner.

LEBANON

- **Lebanon Conference: February 1993**

This workshop was held in Nicosia, Cyprus, on January 29-30, 1993. Its purpose was to review and finalize a preliminary project description for a public administrative support program for Lebanon.

- **Lebanon Relief and Redevelopment Project Paper: April 1993**

The paper describes a three-year project designed to aid the Government of Lebanon in the reconstruction of its economy and political system. One component is humanitarian assistance, and a second component addresses the need to improve the central government's administration of public policy in a consistent and effective fashion, to encourage reinvestment and private sector development.

- **Lebanon Workshop: June 1993**

The workshop was held in Washington D.C. on June 17-18, 1993. It provided an overview of how political actors affect specific governmental institutions and the relationships between them. Those processes were illustrated with reference to specific cases. The purpose was to increase awareness of the political situation in which AID institution-building activities will occur. Dr. Guilain Denoux wrote a report on the outcomes of the workshop titled "Strengthening Governmental Institutions in Lebanon: Constraints, Opportunities, and Implications for Assistance to Lebanon," July 30, 1993. A report was presented by the DIS-team for proposed assistance to Lebanon on August 11, 1993.

- **The Politics of Post-Civil War in Lebanon: January 1994**

This report was the fourth document that emerged from the workshop that was held on June 17-18, 1993. The initial reason for funding the various informative documents on Lebanon was a lack of information regarding the post-Civil War situation in Lebanon. The purpose of this paper was to provide background information for personnel of the ANE Bureau and other agencies that may be involved in the provision of assistance to Lebanon.

MOROCCO

- **Morocco Political Economy Review: January 1993**

The PE reviews provided background analysis to assess the stage at which particular countries were situated within phased transitions from authoritarian to democratic rule. This approach highlighted connections between political and economic development, and identified important political actors and key institutions as well as the underlying forces or dilemmas that drove politics in each country. This approach illuminated both opportunities for and obstacles to democratization.

- **Assessment of the Moroccan Parliament: May 1994**

The purpose of this paper was to produce an institutional assessment of the Moroccan Parliament. Both constitutional and political changes had made Parliament the main venue where the government and the opposition engaged in an ongoing dialogue on political participation and decision making in Morocco. Such changes made Parliament the primary institution within which the pace and extent of democratization would be determined. The report focused on the development of the institutional capacity of the Moroccan Parliament through a management information system (MIS).

- **Morocco GDP Strategy: November 1994**

At the request of the mission, a DIS team was sent to Rabat to assist in designing a DG strategy. The team produced a document that formed the basis for mission planning in the DG sector.

- **Morocco NGO Assessment: May-December, 1995**

The DIS project deployed a team to participate in an assessment of Moroccan NGOs and their enabling environment. This activity provided USAID/Rabat with a report that outlined ways in which USAID can assist Moroccan NGOs to build their capacities while improving the capacity of local government to respond to community needs. The document emphasized the concept of developmental partnerships between state and civil society involving public/private cooperation in the identification and resolution of concrete community developmental challenges.

- **NGO Strategy Workshop: June-August 1996**

USAID is planning a follow-up workshop to the NGO assessment in Rabat to allow the mission, international donors, the Government of Morocco, and Moroccan NGOs to develop mutually beneficial strategies for implementation of the NGO report's recommendations.

TUNISIA

- **Tunisia Political Economy Review: April 1993**

The PE reviews provided background analysis to assess the stage at which particular countries were situated within phased transitions from authoritarian to democratic rule. This approach highlighted connections between political and economic development, and identified important political actors and key institutions as well as the underlying forces or dilemmas that drove politics in each country. This approach illuminated both opportunities for and obstacles to democratization.

- **Tunisia Political Economy Review: Workshop: April 1993**

The workshop was held in Washington D.C. on March 18-19, 1993. The purpose was to develop GDP program objectives for USAID/Tunisia based on the preceding PE Reviews. Various discussion papers complemented the PE Review.

- **Assessment of Local Government and NGOs: July 1994**

The purpose of this assessment was to evaluate the potential of NGOs to participate in municipal decision making. The document contained the design for two pilot projects that were subsequently implemented by RHUDO in collaboration with EHP.

WEST BANK AND GAZA

- **West Bank and Gaza Background Studies: May-September 1993**

Two different studies were conducted through this activity. The first was titled “Palestinian Institutional Configurations in the West Bank/Gaza Under Four Autonomy Scenarios.” The purpose of this study was to explore the ways in which various autonomy scenarios in the WestBank/Gaza would impact the capacities of Palestinian institutions in selected sectors. The analysis concentrates on the political alliances of various institutions, their strengths, weaknesses, and structural characteristics.

The second study was titled “An Overview of Palestinian Institutional Capabilities and Development Requirements in the Health Care, Agriculture, Industrial, and Educational Sectors of West Bank/Gaza.” This paper provided an overview of current problems and relevant Palestinian institutions and their capacities in four sectors in West Bank/Gaza. The study made a number of recommendations that focus on ways USAID may wish to enhance Palestinian economic and social development during autonomy.

- **Review of West Bank/Gaza Background Study: July 1993**

This review complemented the above analysis by placing it in an overall institutional framework.

- **West Bank/Gaza Judicial Training Activity: September-December 1995**

The training activity was conducted between September-December of 1995. The purpose was to improve judicial administration under Palestinian self-rule, facilitating democratic development in Palestine. The outcome was a successfully implemented SOW in court administration training. DIS recommended that AID help Palestinians focus on overcoming administrative shortcomings revealed in the course of the activity. The report describes 11 eleven different projects that would enhance the courts' efficiency.

- **West Bank/Gaza DG Strategy: October 1995-March 1996**

This strategy represents an integral and necessary element of a broader mission strategy to channel assistance to the West Bank/Gaza. The report addresses the unique constraints and opportunities confronting Palestinian institution building, and the efforts of donors to facilitate that process. The report recommended a flexible, phased approach tailored to the rapidly changing Palestinian context.

YEMEN

- **Yemen Workshop: September 1993**

The workshop was held in Washington D.C. on September 14-15, 1993. It provided information on the current political situation in Yemen and assessed elements of AID's Yemen GD strategy. This was the third such workshop conducted by DIS. All workshops were intended to provide background for USAID on the prospects for democratization and the political constraints to development in each country. The workshop also served as preparation for a political economy review of Yemen.

- **Yemen Political Economy Review: March 1994**

The PE reviews provided background analysis to assess the stage at which particular countries were situated within phased transitions from authoritarian to democratic rule. This approach highlighted connections between political and economic development, and identified important political actors and key institutions as well as the underlying forces or dilemmas that affect politics in each country. This approach examined both opportunities for and obstacles to democratization.

- **Yemen Democracy Guidelines: November 1993**

The report responded to a request by AID/Washington for field input to the DG strategy implementation guidelines being developed.

- **Yemen DG Strategy: January-March 1995**

The purpose of this activity was to provide technical guidance to the mission in designing a DG program that would assist the Republic of Yemen in the process of political and economic reconstruction in the wake of the 1994 civil war.

- **Yemen DIS/WID Activity: (WID Buy-in)**

At the request of the Yemen mission, an institutional analyst provided technical assistance to women's NGOs on two separate trips. First, she assisted leaders of the NGOs in preparing for subsequent national workshops. Second, she assisted in the incorporation of NGO input into the Yemen National Report on Women that was presented at the United Nations Conference on Women, held in Beijing.

REGIONAL

- **GDP Workshop: January 1993**

A workshop for GD officers in the Near East Bureau was held in Nicosia, Cyprus, January 25-29, 1993. The purpose was to organize and review strategies for conducting PE reviews and GDP assessments on Egypt, Yemen, Morocco, Tunisia, Lebanon, and Jordan.

- **The Role of Legislatures in Arab Democratic Transitions: November 1993**

This paper is a comparative analysis of the legislative systems in selected Arab countries. The report served as a useful tool to assess the comparative level of transition to democracy in the Middle East/North Africa region. The countries studied were Egypt, Jordan, Lebanon, Morocco, Tunisia, and Yemen.

- **Regional Legislative Activity: January 1994**

The purpose of this activity was to conduct a comparative institutional assessment of Middle East/North Africa legislatures to identify their relative strengths, weaknesses, and needs with regard to the performance of key functions, such as bill drafting and indexing, provision of legislative reference materials, servicing constituents' interests, overseeing the executive bureaucracy, analyzing financial information and contributing to the budgetary process.

- **Islam and Democracy: June 1994 (film)**

This film was viewed and discussed by panelists and invited participants.

- **DIS/WID Activity: September 1, 1994-January 31, 1996 (buy-in)**

The Democratic Institutions Support (DIS) project and the Women in Development (WID) Office in the Global Bureau combined efforts to provide support to build the institutional capacity of Arab women's NGOs and facilitate their preparation and participation in the NGO Forum on Women, held in Huairou, China, in September 1995. Support was requested by NE missions in Egypt, Tunisia, Jordan, Yemen, Lebanon, and West Bank/Gaza to supplement the missions' efforts and complement activities funded by national governments and other donors in the region. Activities were designed to increase gender awareness, enhance women's leadership skills, build the capacity of women NGOs as advocacy groups, facilitate networking and coalition building, and enable women NGOs in the region to share information, resources, and strategies within countries and the region as a whole as well as enable NGO representatives to participate in the UN NGO Forum on Women.

- **DIS/RHUDO Conference: May 1995**

The conference examined prospects for a potential DIS regional initiative on civil society participation in municipal decision making. The DIS pilot project on involving local NGOs in municipal decision making formed the basis for discussions at the workshop.

ANNEX E
DIS PROJECT DOCUMENTS

Regional

- “Why Accountable Governance is Necessary for Development,” December 1992
- “Analyzing Political Constraints to Development,” January 1993
- “The Role of Legislatures in Arab Democratic Transitions,” February 1994
- “Why Accountable Governance? Development Challenges and Accountable Governance in the Near East,” May 1994

Political Economy Reviews

- “Tunisia Political Economy Review,” April 1993
- “Jordan Political Economy Review,” November, 1993
- “Morocco Political Economy Review,” January 1994
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