

Winning in Transition

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Is the Arab Spring turning into a gloomy autumn? With brutal crackdowns in Syria, a bloody civil war in Libya, and Yemen teetering on the brink of chaos, the number of skeptics is growing. Although Egypt and Tunisia's pro-democracy movements achieved rapid regime change, uncertainties remain in those countries, too. After a brief period of hope, many observers now wonder whether the region is capable of producing viable, and economically vibrant, democracies.

Revolutions and their aftermaths, of course, are always fluid and fickle times, and the outcome is often perched on a knife's edge. Bridging the vast gap between high expectations and the reality of limited budgets and capabilities is a test in itself. Redressing past injustice and building an economy that offers opportunity to all are major challenges as well, fraught with volatility, uncertainty, and the dangers of political opportunism.

But transitions are also times of great opportunity. In the 1990's, I was among those Indonesians who demanded and celebrated the departure of our own autocrat, Suharto, and I joined the new government when he left. Many observers predicted that Indonesia, the world's most populous Muslim country, would be unable to sustain democracy and would ultimately decline into chaos. The task ahead of us was daunting. But we proved the skeptics wrong, and learned some fundamental lessons.

Perhaps most importantly, we learned that there is no one-size-fits-all solution for democratization. Each of the countries of the Middle East and North Africa will face unique challenges, which will have to be addressed on their own terms. Even so, they all must make a real and symbolic break with the past. The new authorities must send strong signals that the old ways are finished.

Change must be formally manifested, with new laws that are widely publicized. Legislation that empowers citizens with freedom of expression, free and independent elections, and freedom of association is crucial, and it must be made clear to the public that no one is above the law. Anything less will undermine the transition.

Moreover, corruption is the bane of development everywhere, so new governments should move fast to establish institutions and procedures to fight it. Transparency and accountability are powerful ideas with near-universal support, which means that new leaders should not give up when the fight becomes difficult. Civil-society organizations, local communities, representatives of the poor and vulnerable, and women play a vital role in this regard, and they should be included at every level of decision-making.

In Indonesia, we signed a hundred laws in less than 18 months, covering everything from media freedom to elections, corruption, decentralization, and anti-trust rules. We ratified new public-finance legislation and ensured the independence of the country's central bank.

New leaders must also expect and manage setbacks. In post-revolutionary times, expectations are high, and the obstacles to meeting them are enormous. I know from personal experience that we did not always have the luxury of getting the best outcomes. We had to compromise and settle for the best *possible* results.

Security threats are among the most serious setbacks in transitions. Nationalistic sentiment is strong, and politicians and interest groups can exploit it. Often, the security forces are holdovers from the old regime, and there is no independent judicial system. Reforms will take time, and the old bureaucracies may not be able to implement them.

In Indonesia, we used various innovations to work around such dilemmas. For example, we appointed an independent judge to take over the bankruptcy and corruption courts, because career judges were too tainted. Likewise, when we started cash-for-work programs as part of our pro-poor agenda, we asked communities to run these initiatives.

More broadly, new leaders are well advised to ensure that the economy performs well. It is important to restore economic activity and create a favorable environment for entrepreneurs, particularly small and medium-size businesses, which constitute the main engine of job creation. The recent revolutions, it should be recalled, started with the self-immolation of a Tunisian fruit vendor, who was harassed and insulted by the authorities.

But economic success without accountability and social inclusion is not sustainable, and new governments often must face tough choices in order to protect the poor and vulnerable. They might have to abolish mis-targeted subsidies to free up resources for more targeted and efficient anti-poverty and job-creation programs.

In Indonesia, we had to draw a line between the very poor and the near-poor. We could not afford to raise salaries or provide subsidies for everybody. Our help had to be targeted. So, while we helped the neediest, we excluded others who were not poor enough to benefit. This was a tough and unpopular choice.

Finally, countries in transition need support – not only money, but also technical know-how to implement highly complex reforms. When I became Indonesia's finance minister, I had 64,000 employees. But when we had to modernize our tax system, we could not find the required expertise anywhere in our country.

Yes, we needed external assistance, but we never surrendered "ownership" of the reform process; we made it work for us. If we Indonesians had not been in charge of our own transition, it could easily have failed. That lesson, too, is one that all countries in transition should bear in mind.

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