



Strengthening of National Capacities for National Development Strategies and Their Management: An Evaluation of UNDP's Contribution

Country Study – Saudi Arabia

By Wafa Al-Rushaid

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List of Acronyms

CCF	Common Country Framework
CDS	The Central Department of Statistics
CPAP	Country Programme Action Plan
CPD	Country Programme Document
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GTZ	German Technical Co-operation Agency
HDI	Human Development Index
KAUST	King Abdullah University of Science and Technology (KAUST)
LTS	Long-term Strategy (or commonly known as Vision 2024)
MDGs	Millennium Development Goals
MOEP	Ministry of Economy and Planning
MOFA	Ministry of Foreign Affairs
MOMRA	Ministry of Municipal and Rural Affairs
NDP	National Development Plan
NDS	National Development Strategy
SAGIA	Saudi Arabian General Investment Authority
SMEs	Small and Medium-sized Enterprises
TFP	Total Factor Productivity
UAE	United Arab Emirates
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme

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1. Introduction

This country study on Saudi Arabia¹ forms part of a larger thematic evaluation commissioned by UNDP headquarters through its Evaluation Office to explore the record of UNDP over the past 10 years in supporting partner countries to develop their capacities for formulating and managing national development strategies. The evaluation is particularly focused on appreciating the roles and functions of central agencies of Government in managing national development strategies and the contributions that UNDP has made to strengthen those roles and functions. This report summarises major findings and conclusions and was reviewed by the in-country stakeholders. A more detailed summary of the evidence assembled was collated into an evaluation matrix, for internal use by the overall team, and used to inform a cross case analytical workshop for the entire evaluation.

Based on initial discussions between the evaluation team, the UNDP country office and the Government of Saudi Arabia, it was agreed to focus this country study on the preparations of National Development Plans 7 and 8, which coincide roughly with the preparations of UNDP's Second Country Cooperation Framework (2001 – 2005) and UNDP's Country Programme Document (2007-2011). It is important to note that the study deliberately focuses on those parts of UNDP's country programme that have addressed national development strategies, whether in a direct or indirect way. Other areas of UNDP's assistance, be they sector-focused or thematic, have not been examined.

The country study was guided by a semi-structured questionnaire that focused on three core questions;

- i) What have been the successes and problems in developing and executing national development strategies in Saudi Arabia?
- ii) Is there evidence that (a) UNDP's country programmes and (b) the projects of UNDP's global and regional programmes enhanced national capacities to develop and execute national development strategies as identified as being needed by the country?
- iii) What is the capacity of UNDP to be an effective partner in capacity development at the country level?

Interviews have elicited mainly qualitative findings that focus in particular on "process" issues. These offer insights on how capacities at individual, organizational and broader systems levels have developed over time and the contribution that UNDP as a development partner have made to those processes of capacity development.

The study was carried out between May and June 2010 and involved interviews with respondents from the Ministry of Economy and Planning (MOEP), Ministry of Foreign Affairs (MOFA), The Saudi Commission for Tourism and Antiquities (SCTA), Saudi Arabian General Investment Authority (SAGIA). A review of selected documentation was also carried out.

The full evaluation report will be finalized in October 2010 and submitted to the UNDP Board thereafter for consideration. The five country studies, which should not be more than 15 pages in length each, will be submitted as annexes to the main evaluation report.

This Saudi Arabia country study report is divided into four main chapters. Following this introduction, Chapter 2 provides a brief country context. Chapter 3 then provides an overview of the evolution of national development planning in Saudi Arabia over the past 10 years. Chapter 4 examines UNDP's contribution to the NDP process. And finally, Chapter 5 concludes and raises lessons and recommendations.

¹ Three other detailed country studies are being prepared: Botswana, Paraguay and Togo

2. The National Context

The Kingdom of Saudi Arabia lies in the southernmost part of western Asia. With an area of 2,250,000 sq km, the Kingdom occupies 80% of the Arabian Peninsula. It is bordered by the Red Sea on the west; the Arabian Gulf, UAE, and Qatar on the east; Kuwait, Iraq and Jordan on the north and Yemen and Oman on the south.

The population of Saudi Arabia is 25.37 million accordingly to the official data for 2009², among which 18.5 million are Saudis and the remaining are expatriates. The average annual growth rate was 4.9% for the period from 1974 to 1992, based on the results of the latest census in 2004. However, the population grew by 2.5% for the period from 1992 to 2004. The most important demographic feature is that 55.9% of the population is in the age group 15-64 years. With this decrease in the growth rate, from 4.9 to 2.5%, Saudi Arabia is witnessing a demographic dividend as the number of persons entering the labor market increases whereas more women are capable of joining work outside their homes as a result of fewer children to care for. Consequently, sustainability of economic development could be maintained for approximately 3-4 decades.

Saudi Arabia is an absolute monarchy in which the executive and legislative powers are exercised by the King and the Cabinet. Recently, a Consultative Council (Shoura) was established to give advice to the King and the Cabinet with respect to issues of governance and public policies and decision-making. Late in 2004, elections were conducted to elect members for the 178 Regional Municipal Councils that were established across the thirteen regions of Saudi Arabia with the overriding objective of expanding citizens' participation in the public life.

Saudi Arabia is the biggest economy in the region. In 2007, for instance, GDP in current US\$ amounted to 384 billion³ with an annual growth rate of 4.2%. For comparison, United Arab Emirates, the second largest economy in the GCC countries, had a GDP of \$198 billion for the same year; whereas Egypt recorded \$130 billion. The economic performance during the last two 5-year development plans (for 2000-2004 and 2005-2009) was impressive. During the Seventh NDP (2000-2004), real GDP grew by 3.7% on annual basis; and for the period 2005-2009, it grew by 3.5% annually. This happened at a time of a severe global economic crisis.

The nation has undergone a substantial transformation over the past four decades. From a subsistence economy mainly dependent on traditional small scale agriculture and trade, about four decades ago, to a presently modern, albeit developing, economy, characterized by growing diversification of production and income, evolving inter-sector linkages, and expanding regional and global economic integration. This transformation was made possible by: (a) the substantial increase in oil export revenues brought about by the upward revision in the prices of crude oil and increased world demand since the 1970's; and (b) the national strategy that used this windfall of wealth in social and economic development. The development of the country has been guided since 1970, by well-prepared and comprehensive medium-term (5 years) plans that embodied the national goals and aspirations as they evolved over years.

Saudi Arabia ranked 59 in 2007 according to the UNDP Human Development Report, a result of good progress made on all the components of the HD Index. Life expectancy at birth reached

² The Central Department of Statistics and Information, 2009.

³ World Bank, World Development Indicators, updated in June 2010.

72.7 years rising from a modest average level of 53.9 years during the period 1970-1975. Over the same period, adult literacy registered 85 percent of those 15-year-olds and above, rising from 39.2 percent in 1970, while income per capita increased from USD1,006 in 1970 to USD 22,935 in 2007. The latter level exceeds the peak of USD16,880 reached back in 1980.

Since the early 1980s, persistent public efforts have been exerted to diversify the economic base in substitute of the sole reliance on hydro-carbon natural resources for economic output and public revenues. The government has earlier recognized the common assumption prevailing in the 1970s and early 1980s that “the economy was simply resource-based, and rentier in nature, with economic growth or contraction dependent on the price and output of oil”⁴. However, this prospect of the economy was no longer plausible. From the Seventh DP (2000-2004) onward, diversification has become a reality when the share of non-oil sectors in the GDP increased to 73.5% by the end of the plan term in 2004 compared to a benchmark of 71.7% in 1999, with an annual real growth rate averaging around 3.9%. Meanwhile, the private sector had been accorded a greater role in development to contribute to output, investment and employment. In line with this, the government adopted several policies and decisions geared to strengthen the private sector’s role in the economy. Such measures included privatization, support to SMEs, promotion of non-oil exports, improvement of the regulatory and investment environment, and encouragement of transfer of modern technologies and advanced know-how, as well as improvement of the competitiveness of domestic products in local and 20 foreign markets.

Since their adoption in 2000, the Millennium Development Goals (MDGs) have engendered a high level of political commitment in Saudi Arabia to achieve the globally set goals and targets and to monitor and report such achievement. In fact, the MDGs were immediately considered a convenient platform to induce development policy changes, particularly in the area of poverty reduction, which was hitherto untapped topic due to social and cultural sensitivities.

In this framework, the Government prepared and released four National MDGs Reports (2002, 2005, 2008, and 2009) to monitor progress in its achievement of the internationally agreed indicators of development. In the NMDGR⁵ for 2009, for instance, the Government boasts about achievements of most of the MDGs; yet it confirms an inability to monitor progress due to lack of data.

Notwithstanding, the Eighth NDP (2005-2009), which was the first five-year plan to be formulated and published subsequent to the adoption of the MDGs, embraced four policy frameworks that were closely related to the globally set targets. These were meant to: 1) improve the standard of living and quality of life, including the need to design population policies grounded in the Long-Term Strategy to 2024 as well in line with the MDGs; 2) contain and eventually eradicate poverty through formulation of a comprehensive national strategy to combat poverty; 3) rationalize water consumption with the priority to set a water pricing policy based on economic criteria and to ensure supplying potable water to all, at the most affordable cost, taking into consideration the purchasing power of low income groups; and 4) promote women’s participation and enhance their social role.

Also relevant was the accession to WTO in 2005. This was a milestone in the development process because gaining membership in WTO would certainly boost the national effort to

⁴ Beblawi, H. and Luciani, G. (eds) (1987) *The Rentier State*, London: Croom Helm.

⁵ MOEP, *National Millennium Development Goals*, 2009

diversify the economy through encouragement and promotion of competitiveness within the domestic industries with particular emphasis on petrochemicals, energy-intensive industries, such as aluminum, glass, ceramics, iron, and capital-intensive and high tech industries that maximize value added⁶. The Government also planned to provide incentives to activities and services that contribute to improvement of Total Factor Productivity (TFP), including those supportive of technology transfer and indigenization, R&D activities, high value added industries, and high-tech exports.

Against this background, United Nations Development Programme (UNDP) has been a major and trusted partner to the Government in its planning for development. Over three decades now, UNDP and UNDESA have been providing substantive and technical services to the processes of formulating, implementing, monitoring and evaluating the NDP. In addition, UNDP has been instrumental in developing sector strategies in areas of investment promotion, environmental management, trade and tourism. Remarkable achievements of Saudi Arabia over the last decades in these areas included accession to WTO; the 10x10 Strategy in investment sector⁷ and the ambitious projects of the economic cities presently under construction.

Presently, UNDP Country Office has 22 staff members and is structured into operations and programme units. The Programme Unit is divided into two sections: Environment and Energy and Governance. The office executes about US\$10 million per year through 15 projects (funded by the Government), most of which are supporting Government institutions.

3. Nature and Summary of Experiences of NDS

3.1 The National Development Planning Process

Saudi Arabia has a long tradition of planning for development. A five-year plan document is produced by the Ministry of Economy and Planning (formerly Ministry of Planning until its mandate was revised and broadened in 2003 to take over numerous macro-economic concerns from the Ministry of Finance). This document is to be used as an indicative guidance for public resource allocation and to enable the private sector devise better forecasting of where the public spending will go.

In this framework, the National Development Plan (NDP) for the period 1970-1974 was the first formal attempt to take prudent decisions concerning utilization and allocation of resources for certain development objectives that were mainly focusing on infrastructure investment. In the Second and Third NDPs (1975-1979; and 1980-1984, respectively), the Government was able to embark on ambitious plans in the areas of transport, electricity, water, housing and human resource development. These two plans reflected the windfall of revenues as a result of high oil prices of the time. However, the two NDPs followed a system of central planning and a project-based approach. The Fourth NDP (1985-1989) represented an ambitious move to a program-based approach, whereby a comprehensive view of development was dominant. In this Plan the Government also initiated dialogue for the first time with the private sector to engage it in development. The Fifth NDP (1990-1994) took further the priority of involving the private sector through the establishment of necessary public-private consultation mechanism.

⁶ MOEP, Eighth Development Plan, 2005.

⁷ SAGIA adopted the 10x10 strategy to position Saudi Arabia amongst the world's top 10 most competitive economies by the year 2010.

However, as a result of the Gulf War in 1991, and its aftermath, implementation of both the Fifth and the Sixth (1995-1999) NDPs was adversely affected as oil prices proved extremely volatile: warranting re-adjustments of the public spending targets. As some researchers rightly maintained, the NDPs, from the first until the sixth one, were more of a “shopping list”⁸ than an in-depth analysis of the underlying challenges of development such as unemployment, women’s empowerment, competitiveness, equitable regional planning, etc. That is, plan methodologies have undergone minor changes with the overarching objective of meeting priorities of the period. The key development theme that dominated three decades of planning was a specific socio-economic trajectory along with the required institutional setup to advance and achieve targets designed in line with such path.

The Seventh NDP (2000-2004) was somewhat different in that it adopted a long-term prospective to planning. It even outlined a long-term perspective to the year 2020 with the necessary projections of population growth and the demand for services and physical infrastructure. The Plan was also characterized by its emphasis on the need for more effective coordination with the private sector. It became obvious that the private sector should take a leading role in national development. This conviction was given credibility with implementation of a privatization policy that took diverse forms with an objective of ensuring wider participation of citizens in the ownership of productive assets. At the same time, domestic investment was encouraged by national and foreign capital, as competitiveness of the national industries was promoted.

The Seventh Development Plan achievements were demonstrated in quantitative economic indicators, including the growth of GDP from SR603.6 billion in 1999 to around SR714.9 billion in 2004, with the real growth rate averaging 3.4% per annum during the period⁹.

The Ninth National Development Plan, after several months of review and debate in the Shoura Council, was launched by the King in early August 2010. This was after this evaluation was completed. The Ninth NDP allocates \$385 billion for various development goals, a record amount and a 67% increase in spending under the Eighth NDP. Under the new plan, the largest share of government spending (50.6%) is set aside for the human capacity development including education sector and labor skills improvement. Social development and health care receive 19% of total allocations, economic resource development 15.7%, transportation and telecommunications 7.7% and municipal services and housing 7.0%. As noted by Minister of Economy and Planning, the Ninth NDP was prepared with the overarching goal of achieving sustained development towards the Kingdom’s 2025 Long-Term Strategy. An overarching theme of the Ninth NDP is therefore “sustaining development”. While the Kingdom has made remarkable achievement in rising to High Human Development status in recent years, various drivers of change pose risks for the sustainability of the Kingdom’s development results towards 2015 and beyond.

3.2 The Economic Long-Term Vision 2024

In October 2003, the Government convened a symposium with participants drawn from across sectors and all walks of life, from the public institutions to the private sector, academia, the

⁸ Wilson, Rodney, Al-Salamah, Abdullah, Malik, Monica and Al-Rajhi, Ahmed, *Economic Development in Saudi Arabia*, Routledge Curson, London, UK, 2004.

⁹ The Saudi Riyals remained pegged to the US\$ with an exchange rate of SR 3.75 for a dollar.

NGOs, international organizations, and the media. Around 130 experts delivered papers on issues divided into four broad themes: Human Development; Economic Diversification; Public-Private Partnership; and Drivers for the New Economy. Upon conclusion of in-depth deliberations, a draft Long-Term Strategy (officially known as the Economic Vision 2024) had been formulated. The vision was that, “By 2024, the Saudi economy will be a diversified, prosperous, private-sector driven economy, providing job opportunities, quality education, health care and necessary skills to ensure the well-being of all citizens while safe-guarding Islamic values and the Kingdom’s cultural heritage”.¹⁰ The LTS was designed to span over 20 years from 2005 to 2024, integrating four successive five-year plans, from the Eighth Development Plan (2005–2009) to the Eleventh Development Plan (2020–2024).

The LTS adopts two criteria in measuring achievement of its embedded vision. These criteria involve: a) doubling per capita GDP in real terms; b) inducing improvement in the quality of life as measured by a specifically devised index, which is commonly known as the Saudi Quality of Life Index¹¹. The document also puts emphasis on job creation as a key lever to realize the two criteria. According to the document, job creation has remained difficult to deliver due to: 1) lack of well-developed SME’s, 2) slow economic growth, that could only be overcome through the future growth in certain sectors: tourism, exports, the hydrocarbon sector, the service sector, and attraction of FDI, 3) lack of alignment between education and labor market requirements, 4) rigidity in hiring and firing Saudis, 5) free labor imports in the absence of wage policies, and 6) high population growth.

The launch of the Vision 2025 coincided with the preparation of the Eighth NDP for the period 2005-2009. On this basis, the Eighth Plan stated that its methodology was totally different from the previous plans because it was designed against the backdrop of an obvious long-term vision, and that it identified “specific policies and programs together with specific long-term targets to ensure effective follow-up and implementation”¹².

Further, sectoral plans that constitute the ‘raw material’ for the NDP and are developed at the sector’s level will be in line with the LTS. This alignment to an ambitious set of targets is seen by planners and researchers as a giant improvement in the national planning of Saudi Arabia. It is true that a national vision provides a common referential framework to stimulate consensus-building around priorities and their timing.

In devising quantitative targets for its five-year plans, MOEP has developed a set of economic models as follows:

- 1) The Century Model: as its name implies, the CM provides long term projections to analyze trends of prices of oil, water and human resources.
- 2) The Selection Model: this is a general equilibrium model to arrive at medium-term forecast and therefore recommend policies with respect to development priorities.
- 3) The Implementation Model: this will be used to explore sectoral trends and the necessary policies as a follow-up to implementation of the plan

¹⁰ MOEP, Long-Term Strategy, 2004.

¹¹ Ibid, p. 4.

¹² MOEP, The Eighth Development Plan, 2005.

- 4) Oil Model: this is used to develop projections of oil revenues under alternative scenarios on the world oil market.

The models are extensively applied in setting the macroeconomic framework of each plan.

3.3 Challenges of Planning

Despite the impressive progress realized by Saudi Arabia in terms of socio-economic development, the single most significant challenge facing resource-based economies everywhere is to diversify for the sake of sustainability and to avoid the 'Dutch disease' when revenues from natural resources lead to structural distortions in manufacturing industries. Fortunately, Saudi Arabia has capably employed planning process to rid of any such adverse impacts due to fluctuations in the international prices of oil and natural gas. This was possible through the success achieved so far in diversifying the base of the economy. As a result, the relative contribution of the oil and gas sector to the GDP remarkably decreased over the last 40 years from 55.8% in 1970 to 27.5% in 2004. In this connection, the LTS projected the relative of weight of the oil sector will dwindle to 17.9% by 2024. Meanwhile, the share of non-oil income in total government revenues will increase from 9.7 percent to 16.9 percent over the same period.

In addition to the economic diversification, the most important development challenges according to the Eighth DP are the following:

At the Local Level:

- The high rate in population growth and dependency rate and its implications for a demand in basic services such as education, health, transportation, public utilities and housing;
- Urgency for equitable economic growth across regions
- Depletion of natural resources, particularly water
- Inability of certain sectors to compete regionally and/or globally, especially after the accession to WTO in 2005
- The full development of national human resources.

At the global level, there are important challenges that should be considered by planners and decision-makers. These are as follows:

- The accelerating speed of globalization in all aspects of life
- Frequent appearance of international and regional economic blocks and free trade zones with consequent effects on the foreign trade activities of the Kingdom
- Increased importance of science and technology as an essential, decisive tool to achieving economic benefits under mounting competition locally and internationally
- The gradual change in the importance of raw materials as source of competitive advantage; with the parallel significance of knowledge-intensive manufacturing
- The severe worldwide competition in attracting capital and FDI.
- Saudi Arabia is a nation that is looking to and preparing for, a different kind of future, a future that's more inclusive, expansive, sustainable and integrated on both

economic and social levels to become one of the world's top 10 most competitive economies by the end of 2010. Today Saudi Arabia is ranked 13.

3.4 The MDGs: A National Perspective

During the period from 1971 to 2004, per capita income maintained a steady growth rate of 0.87% in spite of the high population growth of 3.9% in the same period¹³. Per capita GDP averaged \$11,547 in constant prices for the period. Although this was relatively high per capita GDP to supposedly indicate human wellbeing, but there was no official recognition of poverty prior to the Eighth NDP. In fact, upon a visit by the then Crown Prince (the present Monarch) to the outskirts of the capital city in November 2002, Saudi Arabia officially declared existence of pockets of poverty to warrant immediate actions by the Government and other concerned parties.

Against this background, a Royal Decree was issued in 2002 to formulate a comprehensive national strategy to combat poverty. A Task Team was set up at the Ministry of Social Affairs with broad representation of concerned public institutions and the private sector. MOEP was a member to take the task of providing think-tank functions. Parallel to that, the National Fund for Poverty Eradication was established, in which the Government provided much of the capital with donations from the private sector enterprises and individuals.

Whilst the National Fund for Poverty Eradication commenced its work focusing on the short-term solutions through expansion of the public cash transfers to the poor, the Task Team went on preparing for a national poverty strategy. This work commenced with the establishment of the necessary database as a tool for measuring poverty, applying various indicators. Studies were also conducted to investigate causes of poverty in order to recommend specific public programs and policies.

From the outset it was suggested that the national poverty strategy would focus on the following aspects:

- Avail the poor of the opportunity to develop and strengthen their financial and human resources through a set of mechanisms ranging from provision of credit to education, training and health services.
- Overcome obstacles faced by the poorest segments of society toward effective participation in their community
- Augment the social security system to provide cash and in-kind transfers

The Eighth NDP (2005-2009), the latest published plan to date, purports to cover fully the MDGs through mobilization of the human and financial resources necessary for achievement of the MDGs. However, with respect to Goal 3 (gender equality and women empowerment) the focus is confined to an increase of women participation in the labor market. Moreover, the Government issued four National MDGs Reports (for 2002, 2005, 2008, and 2009) to monitor progress in this respect. In the NMDGR for 2009, the Government boasts about achievements of most of the MDGs; yet it admits its inability to monitor progress due to lack of data.

In 2008, the Government analyzed costing of the MDGs with the objective of linking national processes, checking consistency of policies, probing public and political commitment, and to

¹³ MOEP, The Eighth Development Plan, 2005.

making strategic choices. The methodology adopted for costing MDGs was that of ‘needs-assessment’ taking into consideration various aspects such as the country-specific conditions in terms of socio-economic development and data quality; and actual trends of progress in achieving the MDGs.

It is notable that data quality needs considerable attention from the planners. For instance, the currently published “Household Expenditure and Income Survey”¹⁴ covering the period 2006-2007, while acknowledging that only 27% of Saudis own their homes, lacks necessary and critical features such as incidence of poverty (number and ratios), Gini coefficient; expenditure per person and household expenditure pattern; level of education of household head; ownership of assets and other indicators relevant to meaningful monitoring and evaluation of achievement of the MDGs at the national level.

¹⁴ The Central Department of Statistics and Information, Household Expenditure and Income Survey (2006-2007).

4. Broad Assessment of UNDP Contribution to NDP

4.1 Programme Intervention

The technical and substantive cooperation between Saudi Arabia and UNDP goes back to the early years of the country's initial move towards substantive development planning in the 1970s. The first Country Programme was developed for the period from 1972-1976. This five-year period was shared by all subsequent CPs until the Fifth CP for 1992-1996. From 1997, the cooperation was captured in a Country Cooperation Framework (CCF) for a cycle of four years. Two CCFs for 1997-2000 and 2001-2005 were implemented. From 2007 to date, UNDP and Saudi Arabia formulated one CP/CPAP for the period 2007-2011. A common feature in all these programmatic instruments was that the document was closely aligned to the relevant cycle of the NDP with the national priorities becoming the major themes for cooperation.

The current CDP/CPAP¹⁵ was formulated after reviewing the previous programme cycle and identifying possible areas of future interventions. The review process reached some lessons learned from past cooperation. These lessons included: (a) existence of a strong and long term UNDP-Government partnerships that were working well in building national capacities, sharpening national priorities and goals and extending the benefits of highly specialized technical expertise and advisory services; (b) a core set of programmes focusing on the corporate practice areas aligned with national development priorities was essential for optimal results; (c) national recognition of UNDP's value-added represented by its access to a network of expertise and best practices; and (d) the need to revisit the operational and implementation modality of national execution in order to enhance efficiency and speed up implementation.

In the process of developing the CDP/CPAP documents, a roundtable consultation was organized with the participation of the Government, UNDP and other stakeholders, including the private sector. The discussions were structured in line with the findings and recommendations of the review exercise. The CDP embraced five outcomes as follows:

1. Improving quality of life for Saudi citizens. In this context, UNDP will assist in reinforcing the Government's confidence in achieving the MDGs by widening policy options at its disposal.
2. Strengthened and diversified economy to the benefit of all citizens. This outcome incorporates targets to realize sustainability in the past economic growth and to maximize benefits of integration in the global economy including the benefits of accession to the WTO.
3. Enhanced public sector performance.
4. Enhanced partnership for development. This includes more involvement of the private sector in the national planning for development.
5. The role of women and youth in national development.

¹⁵ UNDP, Country Programme Document for Saudi Arabia (2007-2011).

It is apparent that developing national capacity for better and more effective planning is an intrinsic component in each of the five outcomes, but the documents do not mention capacity assessment as an important tool to establish a baseline for CD so that monitoring of progress become easier and meaningful. It is true that on ground, the Government considers capacity development as part and parcel of the public policy of Saudization – which calls for job creation for the nationals especially in the private sector by replacing expatriates. And there is an implicit hint that this issue should be handled without intervention by an external party, whatever neutrality that party claims.

For instance, no attempt was made to do needs-assessment for MOEP, especially in 2003 when it was restructured and given a new mandate. This is consistent with the normal approach of responding to the Government's explicit demand. This is the case in all NCC countries. However, UNDP could still have taken the initiative to demonstrate its corporate competence in the area of capacity development for national planning toward human development.

The assessment of the current situation of the national capacities for planning (at the three levels of the individual, organizations and environment) has not been considered at the side of the Government. In 2003, MOEP conducted a review of the planning methodology. The review arrived at four plausible recommendations to strengthen the planning document and its forecast. These recommendations are: a) providing a strong focus on analysis of issues and trends in the Saudi economy to making the plan documents more relevant for decision-making; b) putting more emphasis on private sector issues; c) presenting more information regarding current and projected future socio-economic conditions to support informed decisions throughout the national economy; and d) improving the existing 'standard' macroeconomic tables in the NDP documents to enhance their transparency.

In addition to the above, the NDP process faced some major constraints that should be addressed by the Government and UNDP in their joint cooperation at the programme level. These were: 1) lack of institutional capacity in terms of flexible and homogenous organizational structures to facilitate cross-sector coordination; 2) reluctance of the private sector to actively participate in the planning process; 3) the slow process of enacting rules and regulations; and 4) inability of the public sector to retain competent national professionals as the turnover was high among staff with the right mix of qualifications and experience in areas such as strategic planning, macroeconomics, econometrics, statistics, financial management, with more over the right connections and acceptability from government. Consequently, capacity development, at the individual level, has always been difficult to sustain in the long-term.

The latter constraint of inability to retain staff also applied to other line ministries and even to the senior management of the UNDP Country Office. In the Ministry of Foreign Affairs, for instance, officials directly handling UNDP's dossier tend to stay no more than 2 years in their posts. At the same time, senior managers in UNDP CO would stay for 3-4 years. This staff turnover does not permit the forging of strong relationship to contribute to NDP effectively.

4.2 Project-based Capacity Development for Planning

UNDP has been actively supporting MOEP through a nationally owned project for policy analysis and strategic planning. This two-year project was built on a six-year umbrella programme that started in 2005 to be completed in 2011.

Specifically, the programme has three objectives to: (a) building the capacity of the MOEP in the main areas of economic and social policy analysis, sectoral and strategic planning, regional and decentralized planning and plan monitoring and implementation; (b) integrating various capacity building and support initiatives into the institutional and organizational setting of the MOEP; (c) to conduct an effective and focused staff training programme for Saudi nationals through the medium of special technical support facilities in the selected technical/substantive areas. In this programme, UNDESA was assigned to provide technical assistance for those components that are designed to deliver substantive contribution with on-site inputs from seven international advisors.

Through this programme, the Government was able to address issues of energy, population policies, regional planning, social development, knowledge and technology, strategic planning and the economic modeling towards viable scenarios of future oil revenues for planning and budgeting. Much-needed technical and advisory assistance was provided to the various stages of the NDP's formulation, implementation, monitoring and following up. Special reference goes to the fact that senior officials at MOEP argued that the macroeconomic models developed, and continuously updated, under the project were the most advanced planning tool worldwide.

In the framework of the two-year projects, the successive phases of UNDP's engagement in the planning process were evidently well-designed to target capacity development at the individual and organisational levels. But in reality, only organizational capacity development was tackled: by establishing two implementation facilities, one for Human Development and the other for MDGs. At the individual level, the Government later decided to deal with capacity development mainly through its own HR department and without involvement of the UN (UNDP or UNDESA). Training funds have largely remained unused, although there has been ad hoc training carried out by long term technical assistance.

Capacity at the enabling environment level, on the other hand, was not integrated in the technical assistance programme between MOEP and UNDP. The responsibility for creating an enabling environment was at a hierarchical level higher than the mandate of any individual ministry. Probably for this reason that an independent review of the planning process that was conducted by a Malaysian expert in June 2002 maintained that, "if planning is still perceived as an important tool to guide economic agents throughout the economy and also steer sectoral Ministries to work towards national objectives, there may be a case for the elevation of the Ministry of Planning towards a Central Agency status that reports directly to the Head of State. Such a status will provide more clout and independence to the planning and monitoring function which now resides with the Ministry"¹⁶. A new role with such status could also possibly address the dilemma of planning without control on budget allocation (the present situation).

UNDP's project has been instrumental in confirming the aspired role of a think-tank that MOEP wanted to underscore. Through this role, MOEP was able to build advanced competence in conducting policy evaluation research on structural and cross-sectoral topics. For instance, the NDP process is commonly based on many studies as diverse as water consumption, energy

¹⁶ Rabbi Royan, *Planning Methodology in the Kingdom of Saudi Arabia: A Quick Review for the Way Forward*, 2002.

conservation, quality of education, financial analysis of sectors, labour market supply and demand, and many other areas of concern to decision-makers.

In preparing the Ninth NDP (2010-2014), for instance, the Government conducted research on the impacts of the globally unfolding triple crisis—food, finance, and climate change. This research resulted in modification of the suite of economic models used as the underlying tools for planning in line with projections of oil revenues and the impacts of the NDP implementation. As a result, the Government demonstrated its preparedness and its capability to use appropriate macroeconomic policies in place and at a timely manner.

In conclusion, the Government considered UNDP's support (and likewise UNDESA's) as crucial in supporting the continuous focusing and refocusing of Saudi Arabia's development efforts to address the challenges and issues of the day in the context of the longer term development priorities. For example, the Project has, according to some observers, been instrumental in helping the Government in its economic and social reform efforts and with the intended shift from the emphasis on GDP growth to a results-based development orientation based on the goal of upstream development results, human development and the necessary infusion of greater productivity, technology and innovation.

Moreover, UNDP's technical and advisory support had been equally important in changing the mindsets in favoring public policies geared toward improving the nation's ranking in the global HDR and other international rankings, such as the Global Competitiveness Forum and the World Bank Doing Business report. Consequently, the five-year planning process has undergone a paradigm shift to embrace the concept of human development in its broader sense instead of concentrating all public efforts on the economic growth per se. The Eighth NDP repeatedly refers to the urgency to enhance in all dimensions affecting the Saudi competitiveness.

4.3 UNDP's Contribution to NDP

UNDP's response to the Government was deemed relevant as national ownership was ensured through the project implementation modality and as the Government funded projects in full. Based on findings of a recent outcome evaluation, UNDP's advisory and technical assistance to the Government has been of great value in guiding economic and social development¹⁷.

The structure of partnership between UNDP and the Government, especially MOEP, was demand-driven in nature. Whilst this aspect ensured national ownership, UNDP remained unable to demonstrate its strength and worldwide expertise in the core issues of poverty and governance, despite its internationally recognized reputation for assisting countries to achieve progress along pro-poor growth policies, women empowerment, labor market strategies, etc.

UNDP was perceived to have a number of comparative advantages: neutrality and impartiality; extensive knowledge and expertise from around the world; a window to UN System; and carrying the UNDP imprimatur. Independent observers also see UNDP CO in Saudi Arabia as the most sophisticated and well organized office in the Middle East.

At the same time, commonly heard disadvantages included: lack of competent staff; slow and administratively complicated response to requests; tendency to spread itself and its activities too thin; and inability to assist the Government in engaging the private sector in development. At the

¹⁷ UNDP, Outcome Evaluation, 2010.

same time, UNDP deployed huge staff resources compared to GTZ and the World Bank. But, despite this the Government did not consider UNDP as the key development partner in developing capacities. It would surely be better if UNDP positioned itself with an eye to optimize available resources and emphasize results.

It seems paradoxical that UNDP's comparative advantage of knowledge and expertise was recognized by development partners, but was never sought or exercised to full potential. UNDP appears to have difficulty finding funds from its head office to field missions on core issues with the aim of demonstrating its competencies and relevance to the national development process at a more strategic level.

The World Bank in Saudi Arabia based its comparative advantage on its capability to mobilize expertise from around the world. It used to conduct short-term missions to deliver advisory services responsive to requests of the Government. In addition, it has a limited budget to bring speakers to events of national significance. In so doing, it has built an image of a highly specialized provider of development consultancy.

The Government has the choice to select from amongst three international providers of advisory services: UNDP/UNDESA, World Bank and GTZ. The exact type of service required would normally influence the choice taken. If support was sought for economic and financial issues, the Government would turn to the World Bank to deploy consultants. If technology and engineering expertise was needed, then the option would be the GTZ. If the request was for social and planning expertise, UNDP/UNDESA would be the choice. In this regard, the curriculum vitae database of UNDP was perceived as less comprehensive than those of other international consultancy service providers. They also reportedly reacted much more quickly to government requests. In addition, the response of the World Bank and GTZ was much more prompt, because UNDP/UNDESA encountered delays in obtaining necessary visas for their experts.

Furthermore, UNDP intervenes too little in project design and implementation. Although the different phases of the present Policy Analysis and Strategic Planning Project were signed by MOEP and UNDP, UNDESA was perceived to influence constructively the content and orientation. UNDP merely focused on financial management and other operational concerns. Of course UNDP could have capitalized on the strength of the partnership to recommend proactively several programme re-orientations. One new orientation is the need to support MOEP in developing its capacity to generate statistics that are consistent across sectors, up-to-date and adequately disaggregated to allow informed judgments on the status of development. This requirement is the only guarantee that development policies, targets and activities would be evidence-based.

UNDESA, in its capacity as the provider of technical support in the project with MOEP, has taken the lead in discussing substantive issues with counterparts in the Government. Discussions under the project took place during the early period of design and frequently during the annual Tripartite Project Review processes, when a senior programme manager from UNDESA would visit the project for two weeks. This relationship worked well until recently when there was re-orientation within UNDESA and the future role of the organization in the project became unclear.

Since 1990, when the first Human Development Report was published and the concept of Human Development Index was introduced, UNDP has capably drawn attention to the fact that

the primary objective of development is to benefit people. Although the technical considerations of the means to measure and monitor progress towards human development are important, these should not obscure other more important dimension of development¹⁸. In this regard, the present cooperation between MOEP and UNDP targeted the establishment of a development consultative network/policy think-tank on economic issues. This was to involve organizing consultative forums and workshops on economic/social issues and policies during the period 2007-2008 as a means of an ongoing monitoring/assessment of Eighth NDP and as advance inputs for the next NDP¹⁹.

These forums/workshops were not established as planned. Instead, MOEP organized several seminars and delivered lectures to officials of public sector and representatives of private sector on wide range of economic and social topics, including the global economic crisis and MOEP's follow-up system for NDP's implementation²⁰.

Some of the national development partners reiterated criticism that UNDP in Saudi Arabia was "spreading itself too thin" by implementing several projects that were not covered by the CDP/CPAP. In support of this argument, critics maintained that projects managed by UNDP were fluctuating in number from year to year. This was perceived as an indication of lack of focus. In any case, UNDP should find an innovative way to convey the message necessary to build an image of an organization that has a mandate focusing on five, interrelated practice areas.

5. Conclusions, Recommendations and Lessons Learned

As a case study, this report attempts to summarize the findings of the review of UNDP's contribution to capacity development for NDP process in Saudi Arabia. The following paragraphs present a set of conclusions, recommendations and lessons for consideration by all concerned parties in the future.

UNDP should elevate its engagement in the NDP process. Possible dimensions of the corporate capacities include the power of quantification in the MDGs and the broad concept of human development in the HDI. While both the MDGs and HDI have a rich component of measurement tools and statistical analysis, the core issues embedded in each should be brought to bear on the socio-economic development planning in Saudi Arabia. That is, work must go beyond the technicalities and measurement considerations to the core themes of development.

It might be necessary to mobilize funds from UNDP's head office to organize missions on core issues of development. The objective is to demonstrate UNDP's competencies and relevance to support the national development process at a more strategic level.

As regards the HDI, it would be undoubtedly useful for the Government to consider pro-poor policies and to review UNDP's experiences, especially in South America where there is considerable rich empirical evidence that pro-poor growth is an effective means to reduce poverty and eliminate income inequality, or at least ameliorate its negative impacts. This would build on the growing consensus worldwide that economic growth alone is inadequate to reduce poverty.

¹⁸ UNDP, Human Development Report, 1990.

¹⁹ UNDP/MOEP, Support for Policy Analysis and Strategic Planning in Saudi Arabia, Phase II, 2007.

²⁰ MOEP/UNDP/UNDESA, Tripartite Review Report, December 2008.

While both the MDGs and HDI have a rich component of measurement tools and statistical analysis, the core issues embedded in each should be brought to bear on the socio-economic development planning in Saudi Arabia. That is, work must go beyond the technicalities and measurement considerations to the core themes of development.

With regard to MDGs, and especially Goal 3 (gender equality and women empowerment), the focus should not be restricted to an increase of women participation in the labor market. Although economic empowerment of women is extremely important, an attempt to approach other social and legal aspects should be made. It is notable that Saudi Arabia is formally adopting a gradual path to reform.

Capacity assessment is a prerequisite to understand what capacity assets are there and what capacity needs exist within the different development partners. This step should precede formulation of capacity development plans or interactions. It is equally important to go beyond that step by using capacity development, and the numerous issues it involves, as catalytic to create consensus around the need for an enabling environment for NDP processes. This exercise will require that UNDP's staff enhance their understanding of the national context in addition to gaining full comprehension of practice area of their respective specialties.

It is advisable that the preparatory work for the next CDP/CPAP cycle should identify a public-private partnership strategy so that national agreement could later be reached in this regard. The last three NDPs placed emphasis on the engagement of the private sector in the development. But there is no measure taken at the level of the NDP, CDP/CPAP or the project between MOEP and UNDP.

The quality of statistics deserves special attention by the Government and UNDP. This problem should be dealt with from the very outset of the CDP/CPAP formulation. It is well recognized that generation and updating of accurate and adequately aggregated statistics are important to reach plausible judgment about achievement of targets. Fortunately, the Central Department of Statistics (CDS) is closely linked to MOEP. *This makes it more pragmatic to dedicate a component in the joint MOEP/UNDP cooperation to capacity development for statistics. However, a capacity assessment for this particular sector must be considered.*

Capacity development at the enabling environment level should be planned for in the process of formulating the new cycle of CDP/CPAP. Within the context of Saudi Arabia, the enabling environment is a responsibility which resides with the Cabinet or a higher authority to be designated the task and the necessary supervisory authority it involves.

UNDP should find an innovative way to convey the message necessary to build an image of an organization that has a mandate focusing on five, interrelated practice areas. The criticism that UNDP in Saudi Arabia is "spreading too thin" in terms of implementing several projects that were not covered by the CDP/CPAP should be taken seriously, whatever evidence is there to support the claim.

APPENDIX 1 - PERSONS CONSULTED

Last Name	First Name	Role	Organisation
Abu-Kharmeh	Dr. Suleiman	Senior Regional Planning Advisor	Ministry of Economy and Planning
Abu-Laban	Ayman	Representative	UNICEF
Al Mogrin	Haifa	Associate for Governance	UNDP, Saudi Arabia
Al-Ahmadi	Dr. Hannan	Director	Institute of Public Administration
Al-Ahmed	Reyad	Resident Coordinator	UNDP, Saudi Arabia
Al-Awwad	Dr. Awwad	Vice Governor for Investment	Saudi Arabian General Investment Authority
Al-Bukhayyet	Dr. Salah	Vice President for Investment National Project Coordinator	Saudi Commission for Tourism and Antiquities
AlDeraibi	Abdulrahman	Acting Country Manager	World Bank
Al-Mogel	Dr. Abdullah	Vice-Chancellor	King Abdullah University of Science and Technology (KAUST)
Al-Mubarak	Dr. Faisal	Advisor for Planning	Saudi Commission for Tourism and Antiquities
Al-Najai	Abeer	M&E Associate	UNDP, Saudi Arabia
Al-Nawwab	Dr. Nabil	Senior Social Planning Advisor	Ministry of Economy and Planning
Al-Saadoun	Dr. Yousef	Deputy Minister for Economic and Cultural Affairs	Ministry of Foreign Affairs
Al-Saud	HRH Prince Meshael bent Turki Alfaisal	Vice President	King Faisal Centre for Strategic and Islamic Studies, Riyadh

Last Name	First Name	Role	Organisation
Al-Saud	HRH Prince Saud ben Khalid	COO, National Competitiveness Centre	Saudi Arabian General Investment Authority
Al-Sheikh	Dr. Hissah	University Dean	Al-Yamama University, Riyadh
Al-Sheikh	Dr. Hind	University Dean	CPA University Jeddah
Al-Sheikh	Dr. Abdulaziz	Vice President for Support	Saudi Commission for Tourism and Antiquities
Alshiekh	Abdulelah	Senior Urban Strategist	International Urban Strategies
Al-Sullaim	Dr.Musaad	Director of International Economic Relations	Ministry of Foreign Affairs
Dinar	Hassan	Assistant Representative	FAO
Eltigani	Dr. Eltigani Eltahir	Senior Population Policies Advisor	Ministry of Economy and Planning
Hakami	Ahmed	Vice-Minister of Economy and Planning	Ministry of Economy and Planning
Hatim	Hatim G.	Senior Planning Adviser	MOEP
Khoday	Kishan	Deputy Resident Representative	United Nations Development Programme
Mrayati	Mohammad	Senior Adviser on Science and Technology	MOEP
Salah	Dr. Ahmed H.	Economic Advisor and National Project Manager	Ministry of Economy and Planning
Shammout	Nasser	Management Advisor,	UNDP

Last Name	First Name	Role	Organisation
		UNDOCO (ex DRR)	
Taibah	Maha	Head, Education Sector	Saudi Arabian General Investment Authority
Tamim	Mayssam		UNDP, Saudi Arabia
Yassin	Yassin	Senior Programme Associate, Governance	United Nations Development Programme

APPENDIX 2 – DOCUMENTS CONSULTED

AUTHOR	TITLE	PUBLISHER / DATE	NATURE OF DOCUMENT ²¹
UNDP	Country programme document for Saudi Arabia (2007-2011)	Paper presented at the Second regular session of the UNDP Executive Board, September, 2006 DP/DCP/SAU/1	
UNDP	Tripartite Review Report for Support for Policy Analysis and Strategic Planning (Phase II)	UNDP Country Office, December 2008	
UNDP	Second country cooperation framework for Saudi Arabia (2001-2005)	Paper presented at the First regular session of the UNDP Executive Board, January 2001 DP/CCF/SAU/2	
Government of the Kingdom of Saudi Arabia/UNDP	Support for Policy Analysis and Strategic Planning in Saudi Arabia – Phase I	Project Document for SAU10-43279, May 2005	
Government of the Kingdom of Saudi Arabia/UNDP	Support for Policy Analysis and Strategic Planning in Saudi Arabia – Phase III	Project Document for SAY10-43279, May 2009	
Government of the Kingdom of Saudi Arabia/UNDP	Outcome Evaluation of UNDP Support for National Strategies Reflecting Vision 2025	April 2010	

²¹ Official Government report; Development Partner report; Consultant Report; Book; periodical article; unpublished mimeo; UN publication; UNDP office circular / memo.

UNDP	UNDP: The Second Country Programme for Saudi Arabia (2001-2005): Analytical Review	July 2005	
UNDP	Evaluation of the Role of UNDP in the Net Contributor Countries Of The Arab Region	Evaluation Office, UNDP, NY, 2008	
Rabbi P. Royan	Planning Methodology in The Kingdom Of Saudi Arabia: A Quick Review For The Way Forward	Report prepared for Government of the Kingdom of Saudi Arabia, June 2002	