

## Chapter 1

# INTRODUCTION

### 1.1 BACKGROUND

In 1997, UNDP determined that a programme country with a per capita gross national income of \$4,700 or more would be considered a net contributor country (NCC).<sup>2</sup> The main implication for such countries is that they do not receive core UNDP funds through normal distribution channels.<sup>3</sup> Rather, they must finance their programmes almost entirely through their respective governments.<sup>4</sup>

Such a relationship has implications for the dynamic created between UNDP and the host country, in terms of ownership, partnership and accountability. This has prompted discussion of how UNDP can fulfil its mandate (see Box 1) to facilitate achievement of the Millennium Development Goals (MDGs) and other human development objectives in these countries, given their level of development, specific capacities and strong financial position. It has also stimulated discussion of what UNDP's future role should be in the NCCs. The articulation of this role is

especially important in light of the growing number of middle-income countries that will graduate to NCC status in the coming years. In response to this challenge, UNDP has established a task force to examine the issue and establish a corporate strategy for middle-income and net contributor countries.

Within this context, and as a contribution to that process, the Evaluation Office of UNDP conducted an independent evaluation of UNDP's role in the NCCs of the Arab region. UNDP plays a significant role in this region with 18 country offices, five of which are in net contributor countries.<sup>5</sup> The Arab region NCCs covered by the evaluation are:

- Bahrain
- Kuwait
- Libyan Arab Jamahiriya (Libya)
- Saudi Arabia
- United Arab Emirates (UAE).

#### Box 1. UNDP's Mission

The UNDP mission is to support countries to accelerate progress on human development. This means that all UNDP policy advice, technical support, advocacy and contributions to strengthening coherence in global development finance must be aimed at one end result: real improvements in people's lives and in *the choices and opportunities open to them*. UNDP has championed this integrative approach to human development since the 1990s, using the *Human Development Reports* launched under the leadership of the late Mahbub ul-Haq with Amartya Sen, as important tools in this advocacy. Central to the human development approach is the concept of human empowerment. In addition to income, it treats access to education and health care, freedom of expression, the rule of law, respect for diversity, protection from violence, and the preservation of the environment as other essential dimensions of human development and well-being.

Source: UNDP Draft Strategic Plan, 2008-2011: Accelerating Global Progress on Human Development

<sup>2</sup> The threshold has been increased to \$5,500 for the 2008-2011 programming cycle.

<sup>3</sup> The target for resource assignment from the core (TRAC).

<sup>4</sup> UNDP country offices have access to additional funds from a variety of sources, as described later in this report.

<sup>5</sup> Oman and Qatar also had UNDP country programmes and would also be classified as NCCs. However, the UNDP offices were closed at the request of the governments concerned in 1992/1993 and 1998, respectively.

**Table 1. Basic Indicators for NCCs in the Arab Region (2005)**

Country	Population (millions)	Land mass (thousands of square kilometres)	Gross domestic product per capita (US\$)	Gross domestic product per capita (PPP US\$)
Bahrain	0.7	0.7	17,773	21,482
Kuwait	2.6	17.8	31,860	26,321
Libya	5.8	1,759	6,621	7,600*
Saudi Arabia	23.2	2,000	13,399	15,711
United Arab Emirates	4.5	83.6	28,611	25,514

\* In 2002. World Bank Economic Report of July 2006, Report No. 30295-LY IBRD  
Source: World Bank, World Development Indicators database.

Although they share the same region, these countries vary significantly in their geographic size and population. Their levels of income also vary, both in nominal and PPP (purchasing power parity) terms, as shown in Table 1. In this evaluation, the five countries have been dealt with as a cluster purely for the convenience of analysing UNDP's role in a group of countries that share a similar relationship with UNDP, namely the fact that they are net contributors. Any trends or comparisons made through the distillation of data in this report is meant to serve only the analysis contained within the parameters of the terms of reference of this evaluation.

## 1.2 REGIONAL DEVELOPMENT CONTEXT

### 1.2.1 PROGRESS TOWARDS HUMAN DEVELOPMENT

All five Arab region NCCs are classified as high human development countries in the 2007/2008 *Human Development Report* (HDR). Libya and Saudi Arabia only graduated to that category in 2007 (though Libya had attained this status ten years ago and then lost it). Table 2 illustrates the changes in the human development index value, classification and rank over the last ten years. Of the group, Kuwait stands out as having made the most progress during this period. The table also shows that all five countries, apart from Libya,

are classified by the World Bank as high-income countries. Bahrain and Saudi Arabia graduated to this level from upper middle-income status during the last ten years, while Libya has remained an upper middle-income country.

All five countries are making good progress towards achieving many of the Millennium Development Goals. Poverty is known to exist in Libya, but in the absence of official figures there is no agreement on its magnitude. In Saudi Arabia, the government has recognized the existence of poverty and placed great emphasis on improving the welfare of its people. The extreme poverty line (food insufficiency) in that country was estimated at about \$2 per person per day, a situation affecting 1.6 percent of families. Alternative measures of poverty also reveal some problems. For example, according to the UNDP-Kingdom of Saudi Arabia website, the prevalence of underweight children under five increased from 5.1 percent in 2000 to 6.4 percent in 2004. An indirect measure of poverty is the extent of malnourishment in the population. Data from all five countries show low levels of malnourishment—ranging from negligible to a maximum of 5 percent—well below the levels prevailing in middle-income countries (11 percent). The percent of underweight children under five years of age is also very limited.

**Table 2. Basic Human Development and Income Indices**

Country	UNDP human development index*						World Bank income classification	
	1997 HDR			2007 HDR			Fiscal year 1997	Fiscal year 2007
	Value	Classification	Rank	Value	Classification	Rank		
Bahrain	0.870	High	43	0.866	High	41	UMI**	HI***
Kuwait	0.844	High	53	0.891	High	33	HI	HI
Libya	0.801	High	64	0.818	High	56	UMI	UMI
Saudi Arabia	0.774	Medium	73	0.812	High	61	UMI	HI
United Arab Emirates	0.866	High	44	0.868	High	39	HI	HI

\* The human development index measures average achievement in a country in three basic dimensions of human development: a long and healthy life, knowledge and a decent standard of living. For information on how the index is calculated, see <http://hdr.undp.org>

\*\* Upper middle-income country

\*\*\* High-income country

Sources: UNDP *Human Development Reports* (1997 and 2006); World Bank *World Development Reports* (1997 and 2007)

### 1.2.2 IMPLEMENTING THE MILLENNIUM DECLARATION AND THE MDGs

Bahrain, Kuwait, Libya and the United Arab Emirates achieved universal primary education by 2004 and Saudi Arabia is making significant progress towards this goal. There is some progress towards gender equality, but this remains a key challenge in these countries (see below). As a positive example, ten years ago only Libya and Kuwait had signed the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Saudi Arabia, Bahrain and the UAE signed in 2000, 2002 and 2004, respectively. As in education, substantial progress has also been made in terms of health. Rates of infant and child mortality have fallen dramatically (by more than 80 percent) in all five countries over the past 35 years, reaching levels above those of middle-income countries. All countries have a low HIV prevalence and are taking steps to ensure that the spread of the virus contained. The seventh MDG, ensuring environmental sustainability,

remains a challenge in all five countries (see below). There has been greater progress on the final MDG: achieving global partnerships for development. The four Gulf States have made attempts to harness the potential benefits of globalization for national development. They have also made significant progress in achieving their aspirations of becoming fully integrated in the world economy and important actors in the areas of trade and financial services. Moreover, the government and people in all five countries have provided generous support for development in countries in need of assistance. Among UNDP's programme country partners, the Arab region NCCs are unique as major suppliers of international development and humanitarian assistance. Kuwait, along with Saudi Arabia and the UAE, provide substantial aid through bilateral channels as well as through national, regional and multilateral funds; humanitarian aid also comes from private and official sources.<sup>6</sup> Most of the development aid and humanitarian assistance is channelled to

6 Obtaining detailed information on all these financial flows is difficult, partly because Arab institutional aid is directed through a multiplicity of channels, including bilateral official aid, aid from national aid funds, and aid from regional and multilateral lending institutions, not all of which are Arab (such as the Organization of Petroleum Exporting Countries, or OPEC, and the Islamic Development Bank). Finally, there are private non-governmental sources that channel substantial aid and humanitarian assistance.

Arab and Muslim countries. Libya also channels substantial aid, mostly to African countries, but little data is available. The emergence of Libya as a donor to Africa and the large increases in oil revenues in recent years in all Arab region NCCs suggest increased needs for programmatic assistance to a variety of regional, bilateral and private institutions providing aid and humanitarian assistance to developing countries.

All five countries have seen a significant evolution in the past ten years in terms of increased openness and participation in the political process. Elections were initiated in Bahrain at the parliamentary and municipal levels, for example. In Saudi Arabia, elections were also held at the municipal level and new consultative mechanisms were established for national dialogues. Women were allowed to vote and run for office in Bahrain, Kuwait and the UAE and assumed ministerial posts. The removal of all sanctions in Libya after more than a decade heralded the renewal of relations between Libya and the international community.

### 1.2.3 MAIN DEVELOPMENT CHALLENGES

Notwithstanding the notable progress in terms of human and economic development, all five countries face considerable challenges. These have been articulated in a variety of documents, including the National Development Plan of Saudi Arabia, annual programmes approved by the Kuwaiti Parliament, the Federal Development Strategy of the UAE, common country assessments for Bahrain and Libya, national human development reports and related documents in Bahrain, Kuwait, Libya, Saudi Arabia and the UAE, and in the *Arab Human Development Reports*.

The NCCs of the Arab region face many common challenges. Underlying them is the aspiration to deepen and strengthen their integration into the world economy and to find 'niches' of comparative advantage in which they can play a role that transcends their contributions to the energy sector and become important actors in such areas as trade, financial services, information and communications technologies, and tourism.

Among the more important challenges are:

- **Economic diversification:** The economies of these five countries are still over-reliant on oil in terms of economic activity, government revenue generation and export earnings. Recent increases in prices have only increased this reliance. In view of the limited supply of oil in the long term, the challenge for some time has been to diversify away from petroleum and related products. Diversification, together with social and political dialogue, is needed to reduce widespread inequalities among citizens of these countries.
- **Employment creation:** All five NCCs have a young national population that is growing, a large number and share of expatriate workers in the private sector, and stable public sectors with little room for expansion. Job creation for an expanding labour force has become the most pressing development challenge facing these economies. The rights of migrant workers raise sensitive social and human issues that need to be addressed. The challenge is to create an environment for sustainable employment opportunities for new entrants in the labour market, especially youth and women and, at the same time, to facilitate a gradual shift away from dependence on expatriate labour while addressing their concerns. Reform of the training and education systems to ensure that youth have the appropriate skills for employment in the private sector are related challenges. A strong role for the private sector is crucial for both employment creation and diversification.
- **Public administration and governance:** Related to the above is the challenge of strengthening and streamlining large public administrations while ensuring that employment opportunities exist outside government service. Further progress on governance reforms is desirable in the interest of co-opting disadvantaged segments of society into the political process as much as achieving the commitments to democratic governance envisaged in the Millennium Declaration.

The efficiency and effectiveness of public sector service delivery is an important concern for policy makers and has implications for important reforms in the future.

- **Gender equality:** Recent progress in this regard needs to be extended and deepened in the political, economic and social spheres, as outlined in the *Arab Human Development Report 2005*. Programmes to empower women are needed—for example, fostering employment opportunities especially at the managerial level and through ownership as well as providing greater access to knowledge through the Internet and other sources.
- **Protecting the environment:** All five countries face environmental challenges, the most critical of which is water. Rapid urbanization and development, especially along coastal regions, also pose environmental problems.

All of these challenges can be framed in terms of the need to increase national capacity to address them. The countries have the financial, natural and human resources to deal with the changing internal and external environment in which they find themselves. What are needed across the board are the appropriate institutional and individual capacities to address them in an effective and sustainable manner. This represents the overall challenge facing the Arab region NCCs.

### 1.3 OBJECTIVES AND SCOPE OF THIS EVALUATION

The focus of this evaluation is very much on learning and the future. A key objective is to assess UNDP's activities and programmes in these net contributor countries in terms of national development challenges and aspirations; and to assess the implications of this experience for UNDP's corporate policies and practices relating to NCCs worldwide, now and in the future. UNDP is engaging with these countries in rapidly changing internal and external

environments. This means that it needs to reassess its role as a development partner as well as its potential contributions, strategies and business models in these countries so as to be relevant, efficient and effective. To this end, the evaluation aims to:

- Support the UNDP Administrator's substantive accountability to the Executive Board with respect to UNDP's policies and practices towards the NCCs in the Arab region.
- Provide an input into the review of UNDP's strategies and policies in the NCCs to enhance UNDP's relevance and effectiveness in meeting the particular development priorities of these countries.
- Provide stakeholders in the concerned countries (governments, civil society partners, etc.) with an assessment of various UNDP activities in the NCCs and how these might evolve in future.

This evaluation covers the period of the last two programming cycles<sup>7</sup> for each country (approximately eight or nine years), as well as current cycles that have started recently. It covers the totality of UNDP's activities in those countries, whether carried out within or outside the context of the UNDP country programme, and includes advocacy, knowledge-sharing, partnership-building, resource mobilization and awareness-creation about UNDP's role and services. Since this is a forward-looking strategic evaluation, the main focus is on recommendations common to all five countries and that feed into corporate strategy and policy development.

The evaluation complements earlier examinations of NCC issues but adds a regional dimension. Most importantly, it includes national perspectives on these issues in addition to those of the UNDP and the United Nations family. Details of the methodology (including evaluation criteria and questions), data-collection methods used and process can be found in the terms of reference

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<sup>7</sup> Country cooperation frameworks, country programme outline or country programme document.

(Annex 1). Annex 2 lists documents reviewed and Annex 3 provides a list of persons consulted in the process of preparing this report.

It should be noted that examining country programme performance was made more difficult by the lack of comprehensive evaluative evidence in NCCs, since there are few thorough country programme reviews or project evaluations. The large number of projects over the time-span covered and the limited time in the field dictated a ‘top-down’ selective approach to the assessment of projects rather than an in-depth and comprehensive ‘bottom-up’ approach to the review of projects. The recent and ongoing nature of many projects also precluded addressing sustainability in a systematic and in-depth manner.

Further details on one of the key methods used to collect national perceptions—through National Stakeholder Perception Reports—are included in Annex 4. The following four areas were covered by the evaluation team, the first of which applies to corporate-level and the following three to country-level activities.

- **UNDP’s NCC policy and practices:** the specific policies related to NCCs and the corporate practices related to these countries. Are they appropriate?
- **Strategic positioning:** an analysis of how UNDP’s strategic positioning has contributed to meeting the development challenges of NCCs in the Arab region; and to identify and assess the business model used by UNDP in those countries. Is UNDP doing the right things?
- **Country programmes:** a review of the country programmes in terms of their effectiveness, sustainability, replicability and

UNDP’s value-added for the country. Is UNDP doing things the right way?

- **Efficiency of the country programmes:** key issues related to the efficiency of the country programmes and the major constraints in implementation. Is the country programme using its resources efficiently?

## 1.4 OUTLINE OF THE REPORT

Chapter 2 sets the policy context within which the evaluation is taking place and provides an overview of UNDP’s programmes in the region. The first part reviews the UN’s and UNDP’s presence in the region, followed by a review of the policy environment, which includes progress in UN reform and the organization’s strategic plan and, at the micro-level, UNDP’s policies and practices towards NCCs. A concluding section sets the context of UNDP’s programme presence in the NCCs of the Arab region, including the types of intervention, the funding amounts and the sources of funds.

Chapter 3 is the first of the analytical chapters, assessing UNDP’s contribution to national development results. It identifies selectively the contribution of key UNDP interventions to national development results and UNDP’s value-added in achieving those results. The focus is on how well UNDP’s programmes are being discharged. Chapter 4 examines the extent to which UNDP’s activities and programmes are strategically positioned to further the national development agenda of NCCs. Its focus is on whether UNDP’s activities and programmes are in the right areas. Finally, Chapter 5 covers various aspects of UNDP’s operational efficiency. Chapter 6 lays out the conclusions and recommendations of this report.