

Reforms Can Wait, Trust Can Not

Towards a more inclusive, transparent, and balanced policy agenda for
the State of Kuwait's current context

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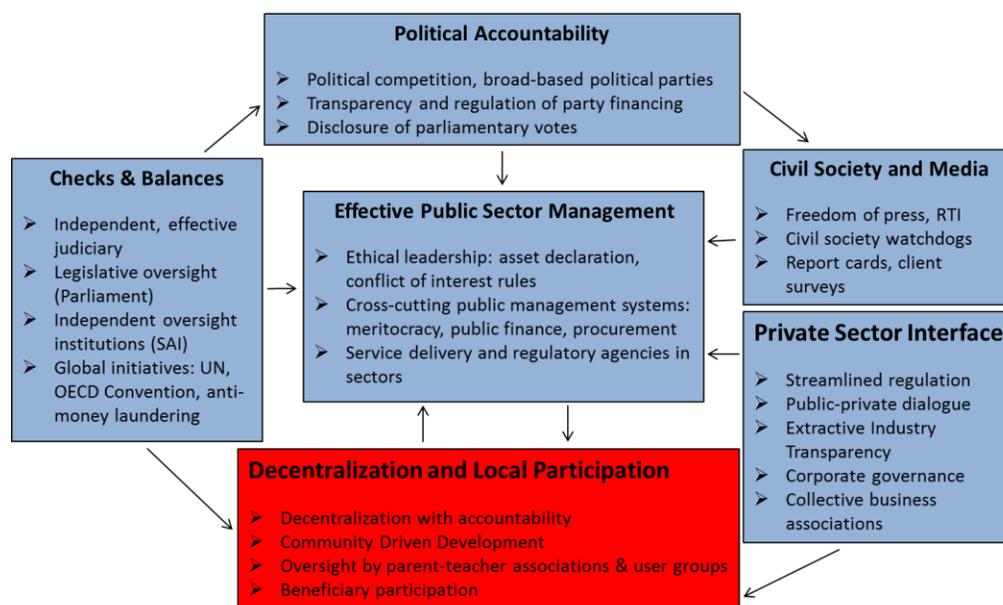
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Sustainability model for reform in a fast moving world

Kuwait's Sustainability model for reform in a fast moving world should enjoy tight linkages to the country's culture, the pertinence of State policies, the quality of Kuwaiti institutions, and the ability to unleash the potential of Kuwaiti human capital. Since domestic investment venues are too narrow and too few, and due to the inadequacy of HR and governance practices, Kuwait has generally turned its back to sustainable investments at home. However, the time to turn the admiration of the strong infrastructure of industrialized world into effective action at home to bridge the gap has arrived.

Segregation of power and pluralism leads to better citizen's articulation of the issues

Segregation of power and pluralism can lead to better citizen's articulation of the issues. This will support steps such as effective public sector management through attitudes such as meritocracy and effective service delivery. The private sector too will benefit from measures like ease of doing business and actionable governance codes. Various institutions interlocked in a system of checks and balances can engender better frameworks for accountability throughout the entire system.



Source: The World Bank

Reforms are not new, and are dictated by Oil Prices and Geopolitics

Reforms are not new, and are usually dictated by oil prices and geopolitics. High oil prices means that institution-building efforts face setbacks and projects suffer lack of accountability. Low oil prices, meanwhile, see efforts at reforms; but are accompanied by serious economic and political uncertainties. Fluctuations in reforms can dent the level of trust. In the absence of trust, the partnership spirit between the citizen and the State will be generally undermined.

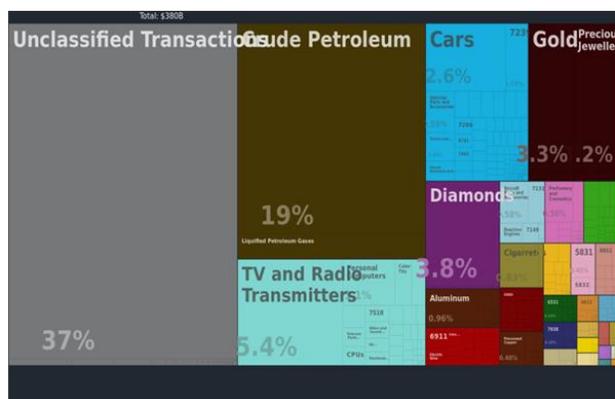
A sense of mission to cascade to the economy

A sense of mission has to cascade across the economy so that reforms can be preceded by a mission debate with private sector and civil society stakeholders. The current Vision 2030 calls for attracting investment, restoring Kuwait's previous leading financial, commercial and regional role. However, Kuwait is perceived to lack international competitiveness that hampers the spread of the message that Kuwait is ready to become a sustainable export industrial base. In that sense, the newly created Policy Center of Supreme Council for Planning and Development (SCPD) can be an effective platform to monitor and comment upon the challenges of Kuwait's policy and execution agenda.

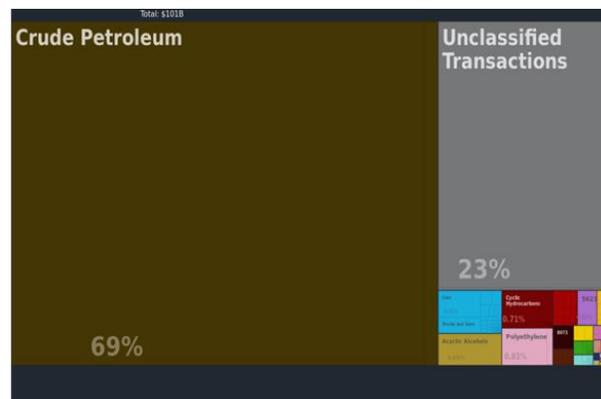
Kuwait and the rest of the GCC countries need to consider the diversification of tradables as a policy priority. The GCC countries face the difficult task of refocusing their growth models toward creating more diversified economies, with less reliance on hydrocarbons to support growth as well as less reliance on the public sector to absorb new entrants in the job market. Lessons have to be drawn from the diversification experiences of oil exporters, in particular from the few relatively successful ones—Indonesia, Malaysia, and Mexico.

ECI (Economic Complexity index)

ECI (Economic Complexity index) also indicates that Kuwait's economy hosts lesser complexity than those of regional peers such as the United Arab Emirates (UAE). It is simple logic that a low complexity oil paradigm dominates the Kuwaiti economy, and that the increase in economic diversity will create a more sustainable GDP growth.



ECI UAE



ECI Kuwait

Reform Bill pillars

Reform Bill pillars have to be formulated to sharpen focus on building consensus and strengthening capacity based on Kuwait's specific national context. The pillars will have to capture and study the following themes precisely—

- Financial Reform (increase revenues/decrease expenditure).
- Increase participation of private sector.
- Role of state in economy.
- Increase participation of citizens in owning projects.
- Reforming the labor market.

Trust is undermined by Kuwait is lowest in GCC on Ease of Doing Business Rankings

Trust is undermined with respect to Kuwaiti economic reform efforts because Kuwait ranks the lowest in GCC in terms of Ease of Doing Business Rankings. Despite the financial muscle that Kuwait enjoys, it is not able to channel its resources effectively to improve the situation of low competitiveness. Some of the factors impeding are fluctuating regulations, weak capacity in terms of execution, and limited accountability among various stakeholders. It is vital to remember that continuing failures and dysfunction can lead to systemic risks. Public sector reform through institutional capacity building, meritocratic HR policies, and better governance is the gateway to better Trust.

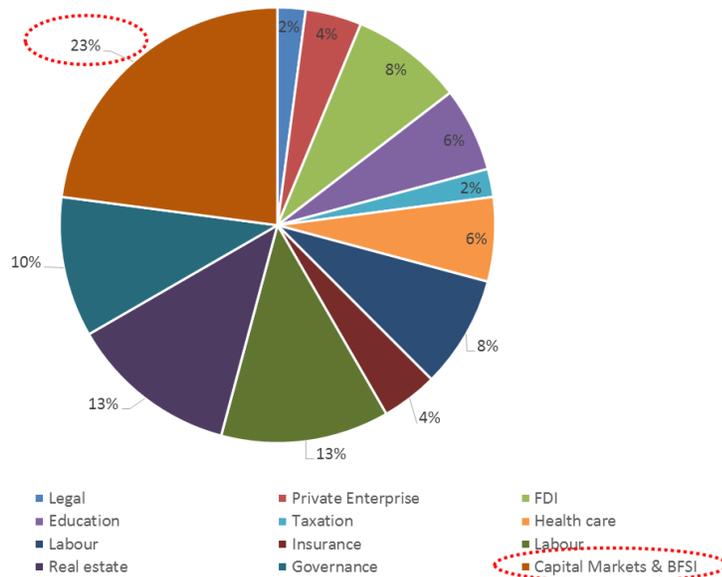
Country	Ranking
UAE	26
Bahrain	63
Oman	66
Qatar	83
Saudi Arabia	94
Kuwait	102

Ease of Doing Business (2017 Rank)

Source: World Bank

Drawing on previous successes

Drawing on previous successes can help support the process of building trust that is vital for effective reforms. An example is the financial sector reform under Capital Markets Authority (2010). However, it is also noteworthy that a regulatory gap in favor of the financial sector in comparison with other sectors is evident in Kuwait. Between 2013 through the first half of 2016, research reveals that close to a quarter of the reforms announced or enacted in Kuwait targeted the financial services sector.



Source: Marmore Research

The weak accountability of our public institutions

The weak accountability scenario prevalent among Kuwait’s public institutions can limit chances of achieving policy objectives. In the absence of a deep pool of Human capital in Kuwait’s public institutions, any talk of privatization and public private partnership is unrealistic. Moreover, in the absence of strong institutional governance systems, corruption can be a serious risk. The net effect is that erratic HR policies relay to Kuwait’s youth a damaging message that undermines their assumptions and expectations with respect to the place of education and knowledge in career planning.

A template of civil /public partnership governance capacity building

A template for civil/public partnership governance capacity building is acutely necessary in Kuwait. The template should encompass the following areas in order to be comprehensive—

- Citizen’s rights to obtain services meeting his needs and its relation to sound governance.
- Charter of governance and transparency for public institutions.
- Conflicts of interest as an obstacle to good governance in the institutions.
- HR policies required for good governance.
- Inaugurating leaders according to merit neutrally and following a methodology without social or political considerations.
- Measuring performance.
- Accountability.
- Building capabilities and deepening institutions.
- Ease of doing business and its relation to administrative reforms.
- Internal audit and risk management.
- The importance of good governance and institutions efficiency and its relation to the decline in oil prices in GCC.
- Fighting Corruption and its relations to administrative reforms.

Credible NGO’s and other community platforms can play a Significant Role

Credible NGOs and other community platforms can play a significant role as well. Currently, NGOs are underfunded, under-empowered, and weakly regulated. Yet, some of them have filled huge void left by

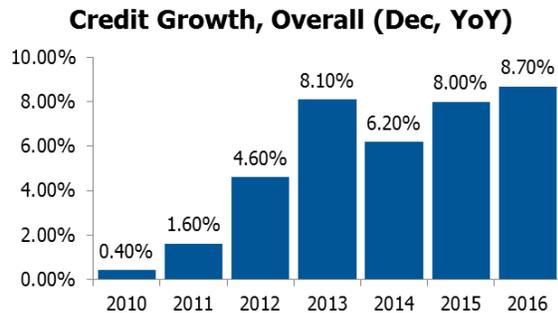
the state in areas like arts, youth education, and monitoring of public agencies. NGOs can help to better organize civil society to mount effective scrutiny of public service delivery. Fortunately, there are new forms of funding permitted by law, such as the Ministry of Finance Act No. 58 of 2007 and Law No. 46 of 2006 (concerning Zakat and public shareholding).

Record fiscal spending on infrastructure in 2015 and 2016

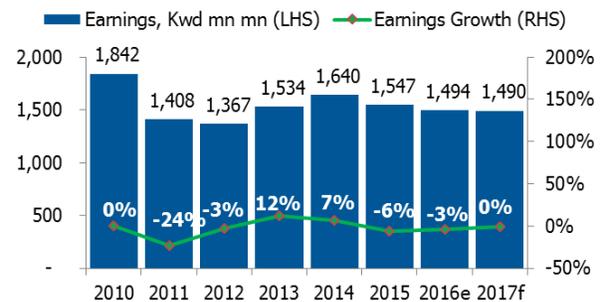
Record fiscal spending on infrastructure was registered in 2015 and 2016. However, 97% of KD 9bn worth of contracts in 2015 went to foreign contractors and their banks. This means that until there is a balance between a contracting vs public-private partnership (PPP) involving public companies, a black hole will remain in Kuwait's economy and huge sums will flee our system.

Yet spending not tricked down on stock market, banks, and job creation

Moreover, the spending has not trickled down to Kuwaiti stock markets, banks, and job creation. Even as Kuwaiti banks are risk averse, the contracting businesses are predominantly family owned, which means that the Kuwait Stock Exchange (KSE) is not geared to benefit from mega contracting efforts. In sum, the private sector (and hence job creation) is not positioned to benefit from the State's generous fiscal spending.

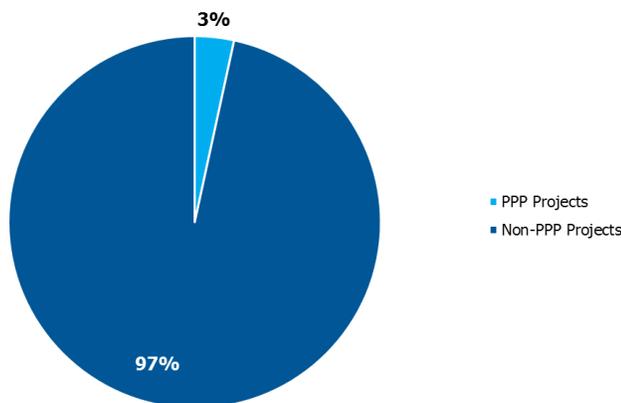


Source: CBK and Marmore



PPP Yet to gain traction

PPPs are yet to gain traction as well, which is reflected by the fact that they are a negligible part of ongoing projects. This underlies, in part, the weak reinvestment of fiscal spending and the sluggish multiplier effect on job creation, publicly listed corporate earnings, and bank credit.



Trust and Slogans: honest communication is key

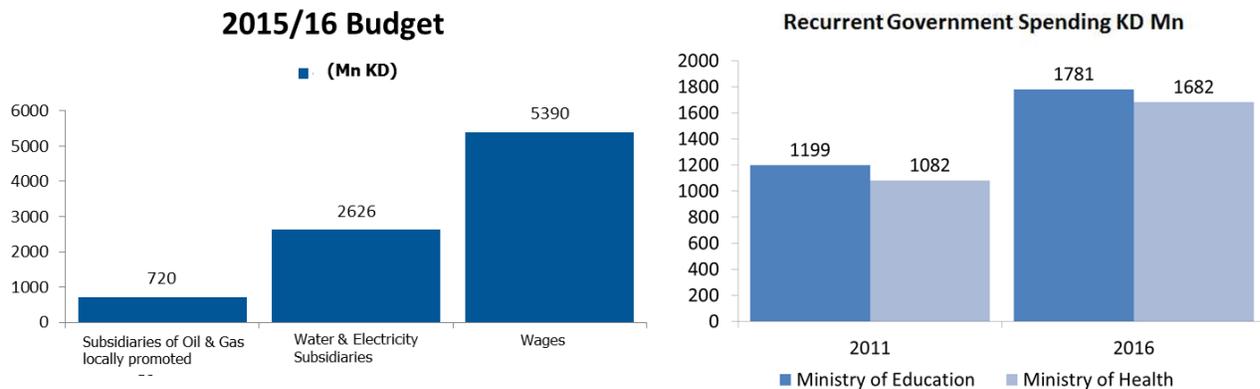
Trust and slogans have to form the platform of honest communication. Slogans have to convey meaning and definite purpose. Also, there are no clear national metrics to support youth in public, private and small

and medium-sized enterprises (SMEs). For e.g., what does Enabling the Youths slogan mean? Does it mean any of the following? –

- Fast tracking of promotions at the expense of experience?
- Job creation?
- Equal opportunities?

Trust and Promoting Policies: Conflicting policies seriously undermine trust

Trust and promoting policies effectively can be encouraged by looking into the issue of conflicting policies. An example of conflicting policies is inefficient spending on health and education exceeds significantly savings achieved by cutting fuel and electricity subsidies—seriously undermining therefore the effectiveness of reforms.



Trust and Innovation: Innovation remains more and abstract concept rather than a societal value that can all embrace

Trust and innovation too have a close link. In Kuwait, innovation remains more an abstract concept rather than a societal value that all can embrace. For e.g., institutions and leaders are not incentivized to take risks. Worryingly, confusion between calculated risk-taking and corruption has led to delayed development efforts. Weak accountability situation and absence of proper key performance indicators (KPIs) are the source. The fine line between rent-seeking risks and innovation risks can only be managed through strong institutional capacity.

Other Kuwaiti policy context related issues

Other Kuwaiti policy context related issues include the phenomenon that international consultancies have failed to improve national capacity building due to conflicts of interests, which means that many studies lead to procrastination in decision-making that further lead to weaknesses in accountability. Rent seeking behavior continues to pose a serious threat to sustainability policies. In times of strong pressure to Kuwaitis labor force, such risk will be only higher.

Also, whilst there is still much effort needed to accommodate more Kuwaitis into private sector jobs, some sectors actually need more and not less foreign expatriates. Hence, there is the need to develop objective metrics on Kuwaitization requirements / potential in each sector. Failing to adopt an objective approach can lead to damaging consequences that can undermine the competitiveness of the private sector due to forced/arbitrary Kuwaitization. It can also allow a drift in national sentiment towards human rights abuses in terms of expatriate pays and/or benefits.

Drawing on international and regional successes to build trust

Drawing on international and regional successes to build trust strategies will be effective as well. For e.g., Tunisia and Morocco allocate 20% of public procurements to SMEs. Examples of the type of institutions that need to be built comes from the case study of the Mohamed Bin Rashid Government Excellence Award Program in Dubai. Participatory decision making strategies can benefit from studying how involvement of stakeholders in decision making in coastal zones managements in Turkey is conducted.

What can the UNDP do to help create participatory responsible private sector our current context's policy agenda?

What can the UNDP do to help create a better participatory environment for the Kuwaiti private sector? UNDP can facilitate a strong platform of constructive dialogue between the Kuwaiti government and the private sector so that honest, dynamic, and independent views can be exchanged for facilitating Vision 2030. UNDP can help build the governance/capacity of such a platform as a role model for NGOs (to replicate at a later stage). Such a platform shall serve to design programs/projects for bridging the gap between aspirations and reality of agenda 2030. UNDP can help define areas of policy improvement and design programs/initiatives.

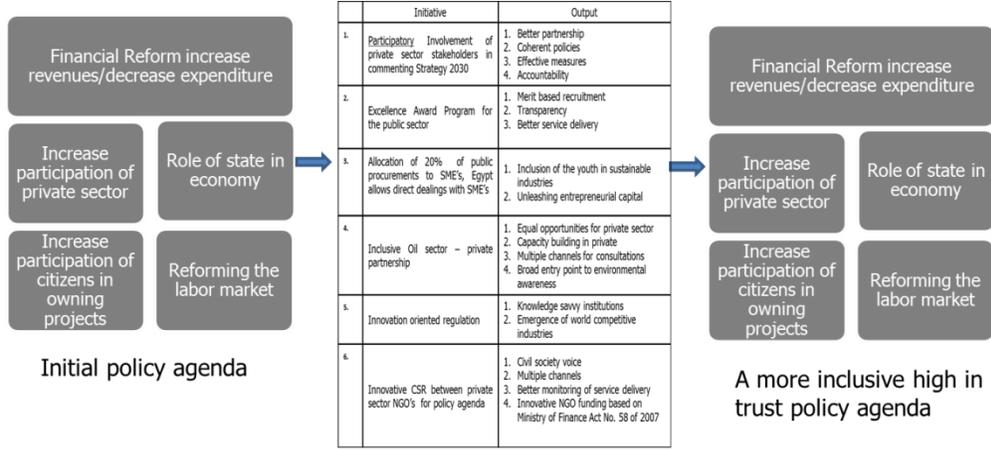
A public private board; an honest, competent, and independent sounding board for public policy agenda- an indicative program

A public-private board can come into fruition with the facilitation of UNDP. The board can come up with public policy agendas. An indicative or illustrative list of initiatives and outputs is provided below.

	Initiative	Output
1.	Participatory Involvement of private sector stakeholders in commenting Strategy 2030	<ol style="list-style-type: none"> 1. Better partnership 2. Coherent policies 3. Effective measures 4. Accountability
2.	Excellence Award Program for the public sector	<ol style="list-style-type: none"> 1. Merit based recruitment 2. Transparency 3. Better service delivery
3.	Allocation of 20% of public procurements to SME's, Egypt allows direct dealings with SME's	<ol style="list-style-type: none"> 1. Inclusion of the youth in sustainable industries 2. Unleashing entrepreneurial capital
4.	Inclusive Oil sector – private partnership	<ol style="list-style-type: none"> 1. Equal opportunities for private sector 2. Capacity building in private 3. Multiple channels for consultations 4. Broad entry point to environmental awareness
5.	Towards an innovation oriented regulation	<ol style="list-style-type: none"> 1. Knowledge savvy institutions 2. Emergence of world competitive industries
6.	Innovative CSR between private sector NGO's for policy agenda	<ol style="list-style-type: none"> 1. Civil society voice 2. Multiple channels 3. Better monitoring of service delivery 4. Innovative NGO funding based on Ministry of Finance Act No. 58 of 2007

Output; a high octane trust policy agenda

The output, in essence, should be a high-octane trust policy agenda. By introducing the element of trust in Kuwait's 2030 policy agenda, the initial policy agenda or scope can be transformed into a more inclusive and high in trust policy agenda.



Introducing Trust in our policy agenda 2030