EXECUTIVE SUMMARY

INTRODUCTION

For UNDP, net contributor countries (NCCs) are a special group that bring together the UN principle of universality with that of progressivity: All countries are eligible to participate in UNDP programmes, but those with higher levels of income are affected by policies that limit the resources that can be provided by UNDP. The five NCCs within the group of Arab States—Bahrain, Kuwait, Libyan Arab Jamahiriya (Libya), Saudi Arabia and the United Arab Emirates (UAE)—are busily adapting to fast-changing internal and external environments. Internally, all five countries have recently experienced rapidly growing economies combined with moves towards greater political openness. At the same time, they have had to adapt to the onward march of globalization and the challenge of finding their role in this new external environment. This shifting context suggests that UNDP’s relationship with these countries also needs to evolve.

This independent evaluation of the role of UNDP in net contributor countries of the Arab region was commissioned by the Evaluation Office of UNDP. Its focus is very much on learning and the future role of UNDP in this group of countries. The key objective was to assess how well UNDP’s activities and programmes in Arab region NCCs addressed development challenges and supported national aspirations. It also sought to assess the implications of this experience for UNDP’s corporate policies and practices relating to NCCs and for its future activities in those countries. The evaluation is especially relevant in light of the growing number of middle-income countries that will graduate to NCC status in the coming years.

The UNDP Executive Board, in decision 2006/19, approved the 2006-2007 programme of work for the Evaluation Office, including the conduct of the evaluation of the UNDP role in the net contributor countries in the Arab Region. Following the resolution, the evaluation was conducted by an independent evaluation team in 2007 and included visits to all five countries. Many types of stakeholders, representing both government and civil society, participated in the evaluation process. To solicit a wider range of views about UNDP’s role than could be obtained from short missions by the evaluation team, National Stakeholder Perception Reports (NSPRs) were commissioned in three of the countries and undertaken by national research organizations. On completion of the final draft, a stakeholder workshop was held to bring together government, civil society and UNDP to examine the report and its recommendations, with the specific objective of finding ways to strengthen UNDP’s engagement in Arab region NCCs.

PROGRESS AND DEVELOPMENT CHALLENGES

With the exception of Libya, all the Arab region NCCs are classified as high-income countries; all fall into the category of high human development countries. Moreover, all of them are making good progress towards achieving many of the Millennium Development Goals (MDGs). Poverty is known to exist in Libya and Saudi Arabia, but it has largely been eradicated in the other three countries. Bahrain, Kuwait, Libya and the UAE have all achieved universal primary education, and Saudi Arabia is making significant gains towards that goal. There is some progress towards gender equality, but this remains an important challenge in these countries. As in education, tremendous advances have been made in terms of health. Rates of infant and child mortality in these countries have fallen dramatically over the last 35 years. All countries have a low prevalence of HIV/AIDS and are taking steps to ensure that...
the spread of the virus is contained. The seventh MDG, ensuring environmental sustainability, remains a challenge in all five countries. There has been greater progress on MDG 8, achieving greater global partnership for development: The NCCs of the Arab region are harnessing the potential benefits of globalization for national development and providing generous support for development in countries in need of assistance.

Notwithstanding notable progress in terms of human and economic development, all five countries face a number of challenges. Underlying these is the aspiration to deepen and strengthen their integration into the world economy. This means finding ‘niches’ of comparative advantage in which they can play a role that transcends their contributions to the energy sector to become important actors in areas such as trade, financial services, information and communications technology and tourism. Among the more important challenges, many of which are related to integration into the global economy, are the following:

- **Economic diversification:** The economies of Arab region NCCs 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, are needed to reduce the large and widespread inequalities among these countries’ citizens.

- **Employment creation:** All Arab region NCCs have a young and growing national population, a large number and share of expatriate workers in the private sector and stable public sectors with little room for expansion. The rights of migrant workers raise sensitive social and human issues that need to be addressed. The challenge for Arab region NCCs is to facilitate a gradual shift away from dependence on expatriate labour while addressing their concerns. At the same time, they need to create sustainable employment opportunities for new entrants in the labour market, especially youth and women. Reform of the training and education systems to ensure that young people have the appropriate skills for employment in the private sector are related challenges. A strong role for the private sector is crucial to 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 well as in achieving the commitments to democratic governance envisaged in the Millennium Declaration.

- **Gender equality:** Recent progress in this respect needs to be extended and deepened in the political, economic and social spheres. Programmes to empower women are needed—for example, by fostering employment opportunities, especially at the managerial level and through ownership, as well as by accessing 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.

**UNDP RESPONSE TO DEVELOPMENT NEEDS**

UNDP has responded to development challenges in Arab region NCCs in the context of its own organizational evolution. Specifically, UNDP’s reform efforts have led to a new practice focus, along with greater emphasis on development effectiveness, national ownership and working in
accordance with a corporate business model. The recently adopted UNDP Strategic Plan (2008–2011)\(^1\) notes the need for strengthening application of this business model, which is built on the three pillars of coordination, advocacy and development services in line with the support UNDP provides to programme countries towards the fulfilment of their national development strategies. In terms of this response, the following represent the key findings of this evaluation:

**GOALS AND THEMATIC ALLOCATIONS**

A common theme of both programming cycles in all five NCCs was human resource development. Various aspects of governance and globalization were prominent in the second programming cycle, reflecting the evolution of UNDP’s mandate in these areas. However, environment, a continuing concern and area of emphasis for UNDP, was present as a major goal in only two country programmes in each cycle. Neither combating HIV/AIDS, one of five UNDP practice areas in the second programming cycle, nor promoting gender equality, one of its cross-cutting themes, were included as goals in any of the country programmes of Arab region NCCs.

The thematic allocation of projects in both programming cycles reveals an increasing emphasis on governance in both Bahrain and Kuwait; in contrast, governance represented a small proportion of programmes in Libya and Saudi Arabia. The allocations in both country programmes in Libya were primarily of a sectoral rather than thematic nature, and involved the role of education, agriculture and industry in reducing poverty, an area not heavily represented in other countries. Combating HIV/AIDS and promoting gender equality were pursued primarily through projects financed from a variety of UNDP sources, including Thematic Trust Funds, Resident Coordinators’ budgets and regional programmes (henceforth referred to as ‘UNDP-financed’ as opposed to ‘government-financed’ activities).

**RELEVANCE AND RESPONSIVENESS OF COUNTRY PROGRAMMES**

UNDP country programmes were largely relevant to beneficiaries’ needs. With the exception of a few large projects, they were also closely aligned to national priorities. UNDP responded quickly and well to emerging trends, often through projects that it financed. These projects were also found to be relevant to national priorities.

Country programmes were generally relevant to UNDP’s mandate with the exception of a few large projects that were only tangentially related. Much of the important work in support of UNDP’s human development agenda in NCCs comes from engagement with civil society and is financed primarily from UNDP sources.

**CONTRIBUTION OF COUNTRY PROGRAMMES TO NATIONAL DEVELOPMENT RESULTS**

When viewed by beneficiaries and UNDP country office staff, projects were largely seen as having achieved most of their objectives. They were also viewed as having contributed to national development results in a variety of sectors and themes. UNDP-financed projects were particularly successful in achieving their objectives. They initiated and promoted dialogue in politically and socially sensitive areas such as democratic governance, gender equality, HIV/AIDS and human development, while contributing to national objectives.

**UNDP’S VALUE-ADDED**

Given the demand-driven nature of UNDP country programmes in Arab region NCCs, there is a strong feeling of project ownership among national partners. A variety of factors make UNDP an attractive partner compared to other sources of international expertise: UNDP is a conduit and window to the UN system; it has access to a wide array of international expertise; it is transparent and impartial; it carries the UNDP imprimatur; it has guaranteed multi-year funding and relatively quick administrative procedures; and, in Bahrain and Kuwait, it is perceived to be a source of ‘free’ budgetary resources for beneficiaries.

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\(^1\) In October 2007 by the UNDP Executive Board
UNDP has provided maximum value-added to projects within its core competencies by making substantive contributions. In projects outside its core competencies, which account for most of the country programmes, UNDP has played a more limited coordination-cum-managerial role. And in a few large projects, UNDP’s value-added was limited to an administrative-financial role, which was largely process oriented.

Respondents to the three NSPRs had less positive views of UNDP’s value-added than the country offices. In Saudi Arabia and especially Kuwait, UNDP’s role was seen to be primarily administrative, and insufficiently involved in project content. National counterparts expressed a strong and unanimous desire to the evaluation team and in their response to NSPRs to see UNDP play a much stronger substantive role.

IMPLEMENTATION OF COUNTRY PROGRAMMES
A number of NCC country offices are heavily involved in implementation, primarily because of a government perception that it is UNDP’s responsibility. In some countries, however, heavy UNDP involvement in implementation is required to meet delivery targets. Participation in regional programmes was limited mostly to a regional initiative to combat HIV/AIDS, which was effective notwithstanding cultural sensitivities associated with this issue. There is no framework that defines the mutual accountability of UNDP and governments or programmes to monitor the progress of project content. Furthermore, project evaluations have been very limited. The Subregional Resource Facility (in Beirut) provided adequate support to country offices in UNDP practice areas.

The lack of annual programming mechanisms in all Arab region NCCs contributes to the selection of projects that are not closely aligned to national priorities. Including UNDP projects in the budgets of central ministries, as in Bahrain and Kuwait, provides a distorted incentive for beneficiaries to make use of UNDP projects. Central ministry approval of contracts and expenditures in addition to project approval, as in Bahrain and Kuwait, makes implementation of UNDP projects more onerous than it needs to be.

CONCLUSIONS
Based on the presentations made by government counterparts and actual and potential beneficiaries, along with the findings of the NSPRs, this evaluation sees a clear match between the emerging needs of NCCs and UNDP’s mandate and capabilities. The overarching conclusion of this evaluation is that there is strong justification for a continued and strengthened UNDP presence in the NCCs of the Arab region. All five countries strongly desire the presence of UNDP, primarily because it is the embodiment of the UN system and a link to the international community. In fact, in the view of stakeholders, UNDP’s country presence and value-added have more intrinsic worth than the contribution of its activities to meeting countries’ development challenges.

1. **UNDP needs to change the way it does business if it is to meet the expectations of the NCC partners in the Arab region.** UNDP’s reform process over the last decade has not been reflected sufficiently in the formulation and management of country programmes and country office cultures of Arab region NCCs. National ownership is a strong feature of these programmes, but it is largely the result of government financing. In the dynamic and rapidly changing environment in which the NCCs now find themselves, UNDP needs to respond to opportunities for more effective engagement, recognizing that business as usual could result in increased marginalization and reduced significance of its activities in terms of their human development objectives. This is especially true in the context of increased private sector competition in providing the kinds of technical assistance for which UNDP is well known.

2. **The special conditions prevailing in Arab region NCCs—namely the demand-driven nature of their programmes and a limited UN field presence—argue for greater flexibility on the part of UNDP in these countries.** In Arab
region NCCs, UNDP is frequently called upon to lend support in areas outside its mandate and core competencies, often in the context of limited UN agency presence. This implies that UNDP must be prepared to respond with a great deal of flexibility. Its facilitation role in drawing on UN system agencies takes on special significance, especially in areas not falling squarely within UNDP’s mandate. At the same time, beneficiary government agencies often have unrealistic expectations of UNDP in projects involving UN specialized agencies, often believing that UNDP can and should have more than a coordinator-cum-managerial role in ensuring that needed technical inputs are forthcoming from the UN system.

3. UNDP has not sufficiently exploited the potential for developing partnerships in Arab region NCCs, which could further the quality and depth of its interventions. The environment for developing partnerships is unusual in NCCs in that there tends to be less competition from other donors and more from the private sector. In some Arab region NCCs, private sector firms can be found that offer upstream advisory services that UNDP needs to match in terms of quality and the speed of response. The region presents opportunities for partnering with national and regional aid organizations, which have not been exploited. Additionally, partnerships between UNDP and the UN system need to be further developed in light of a relatively limited UN presence and programmes.

4. There is only general awareness of UNDP and knowledge about its role in Arab region NCCs. Nevertheless, there are high expectations as to the extent and depth of UNDP’s technical capabilities. Knowledge of the specific substantive contributions and the various services UNDP can provide is limited. Existing and potential stakeholders tend to have only a partial understanding of UNDP’s relative advantage, which limits the organization’s leveraging ability. UNDP has not defined with its counterparts (central government and prospective beneficiaries) in sufficiently specific terms where its comparative advantage lies vis-à-vis the private sector and other UN agencies. The media can play a stronger role in fostering an awareness of UNDP and an understanding of its capabilities; the media can also be used to greater effect to foster partnerships with civil society and the private sector.

5. Some capacity-building has occurred. But to further UNDP's catalytic impact and leverage, more and better focus on capacity-building (and other aspects of sustainability as well as replicability) are paramount to all aspects of UNDP's country programmes. The record on capacity-building in all countries has been mixed. But all concerned—central ministries, beneficiaries and respondents to NSPRs—were unanimous in strongly urging a much strengthened UNDP role in this respect. While the need for greater capacity-building is universally recognized, realities on the ground during project execution often prevent it from happening. Typically, effective capacity-building is displaced by the pressures of ‘doing’ in response to beneficiary needs for quick results.

6. Better programming, implementation management and evaluation in the specific context of NCCs can improve the efficiency of country programmes. Programming arrangements vary across the five countries. However, they could be strengthened by the following 'ideal system': 1) a central focal ministry is involved in project approvals, which are reviewed in the context of an annual programme related to national priorities; 2) funds come from a central source to the budgets of the beneficiary ministry or agency; and 3) implementation (contract approvals and authorization of expenditures) is managed by the beneficiary agency and UNDP without involvement of a central ministry. Reformed programming arrangements also need to address accountability as well as effectiveness, for example, in relation to financing project and outcome evaluations.

7. The majority of projects funded primarily from non-governmental sources (UNDP Thematic Trust Funds, regional programmes, etc.) seemed to be highly successful in generating interest and furthering dialogue in sensitive areas. These important, low-cost activities were
used to respond to emerging political and social developments in sensitive areas of UNDP’s mandate, such as gender equality, HIV/AIDS and the promotion of political reform. Funds were fully disbursed on time, and the projects were generally more effective than those funded by the government in promoting upstream advocacy activities. They were also effective in achieving their intended results, partly because UNDP was able to make a substantive contribution. In short, these projects had a better record on both effectiveness and efficiency than the average project in country programmes. They proved to be excellent instruments for promoting and advocating human development, albeit in a limited and ad hoc manner in view of the limited resources available for such activities and the governments’ ambivalence towards funding them.

8. UNDP’s policy towards NCCs, which requires a minimum delivery of $10 million per programming cycle to justify a country presence, is questionable and needs to be revisited. This policy, which is not strictly adhered to, has encouraged the inclusion of large projects only tangentially related to national priorities in several NCCs. It has also encouraged some country offices to be more involved in implementation than is desirable. Delivery levels are not a good measure of potential development value because 1) the relationship between project amounts and development value is tenuous; and 2) UNDP is involved in many activities that add development value without being included in delivery. A move away from the current threshold could have beneficial consequences by allowing UNDP to focus on what it does best. In the longer term, this should, in turn, lead to an increased demand for UNDP services, thus increasing both delivery levels and development impact.

9. The capabilities of country offices in NCCs are insufficient to respond to the broader and more substantive agenda advocated by this evaluation. Hence there is a strong need to augment the substantive and technical support provided by the regional centre, UNDP headquarters and other sources. While it is clear from the feedback received by the evaluation team that country offices have not been sufficiently involved in the substance of project work, it is not clear why this has been the case. Are resources being diverted towards implementation? Or are there deficiencies in staff capabilities or training or in management style or systems? A diagnosis of the constraints was not made by the evaluation team. There is a perception in country offices and the central ministries that NCCs are not given the same attention as other countries. And there appears to be a ‘disconnect in spirit’ between UNDP headquarters and the country offices of Arab region NCCs in terms of their integration into the new strategic and policy directions of UNDP.

RECOMMENDATIONS
The major recommendations of this evaluation are based on the overarching proposition, strongly articulated by all Arab region NCCs, that UNDP can be an important player and useful partner in helping these countries address their development challenges and engage with the international community.

RECOMMENDATIONS AT THE STRATEGIC LEVEL
1. Promote a new relationship between UNDP and the Arab region NCCs at the corporate level. This relationship, which will require strong commitment on the part of UNDP headquarters, should move away from the traditional development agency/client relationship to one of full and equal partnership at both the strategic/policy and programmatic levels. This partnership will be based on the principles of transparency, openness, mutual accountability and respect. Through consultation and dialogue, it should redefine UNDP’s role and strategy in the NCC context and develop a common understanding and set of approaches for technical cooperation. The principles of partnership will recognize and be guided by the following:

- The acceptance by UNDP that governments will only include in country programmes activities that the government believes are priorities for the country. Government funding drives ownership, but demands from the
national side need to be moderated and discussed openly to strive towards an optimal alignment. Governments are receptive to an open discussion of their priorities, and the alignment of country programmes to national priorities can be shaped through an open dialogue with UNDP.

- UNDP’s mandate and national priorities are largely congruent. As a result, UNDP can more fully exploit its role in supporting the development of national capacity, brokering knowledge, and promoting South-South cooperation and the transfer of technology. UNDP’s primary partners are national governments. But this partnership can be supplemented by working with and leveraging partnerships with other actors, in particular civil society and the private sector, not only in the implementation of key aspects of the country programmes but also in the formulation of these programmes.

- The match and balance between national priorities and UNDP’s mandate needs to be assessed in a wider context. That is, there must be a degree of flexibility that recognizes UNDP’s strong role in NCCs as a window for accessing the diverse expertise in the UN system and also drawing on complementary inputs from its regional and global programmes. UNDP country offices should draw on complementary inputs from its regional and global programmes. The expertise (core competencies) and comparative advantage of UNDP lie in particular thematic areas where it can play a strong role in promoting human development and its core approaches such as national ownership, capacity development, knowledge transfer, gender equality and south-south cooperation. At the same time, it should stand ready to assist in its role as the gateway to the United Nations system—also seeking to add as much value as it can through the approaches listed above.

- UNDP’s flexibility should apply not only to the identification of areas of UNDP engagement and the design of country programmes, but also in its implementation—through greater adaptation to the national administrative processes of NCCs. Within a strengthened partnership, the principle of mutual accountability needs to be reinforced.

RECOMMENDATIONS AT THE CORPORATE LEVEL

2. Revisit UNDP’s policy of requiring a minimum delivery threshold to justify a country office presence. In addition, develop specific guidelines on the application of existing UNDP policies to NCCs. The current minimum threshold for delivery that is applied equally to all countries should be replaced with country-specific qualitative criteria for justifying UNDP’s presence. From 2010, most countries sending country programmes to the UNDP Executive Board will have programme documents accompanied by an Assessment of Development Results (ADR). This independent evaluation of UNDP’s contribution to development in a particular country represents an appropriate tool for making a qualitative assessment of the viability of maintaining a country office. Criteria need to be drawn up to allow the ADR to make such a judgement and to identify the need to enter into discussion with the host country government on reform of the programme or other options, including closure of a country office or managing it from another country.

3. Develop guidelines in a number of areas related to the demand-driven nature of NCC programmes. The evaluation identified a number of gaps in UNDP’s policies and guidelines for NCCs, which require special interpretation. Therefore, UNDP’s future policy on middle-income and net contributor countries should consider incorporating the following issues:

- The flexibility with which UNDP can engage in an environment where much of the demand from NCCs goes beyond UNDP’s practice areas.

- The application of UN reform efforts to NCC programmes.
both the UNDP programme and those of specialized agencies.

- Accountability for monitoring and evaluation when these activities are funded by governments.

RECOMMENDATIONS AT THE PROGRAMMATIC LEVEL

4. Strengthen the relationship and interaction between the central services/regional bureaux at UNDP headquarters and the country offices in NCCs in the Arab region. The objective would be to align the activities of these offices more closely with UNDP’s evolving strategies and policies to be able to respond more forcefully to the special challenges these countries face. A closer dialogue should be encouraged between the Regional Bureau for Arab States and UNDP country offices, at which government attendance should be encouraged. Initially, such dialogues could be held through regular bi-annual meetings, at the minimum. As a first step, the Regional Bureau for Arab States should establish a subregional committee to redefine UNDP’s role and partnership strategy in the Arab region NCCs. The committee should seek to arrive at a common understanding of how activities in these countries should be approached, and include issues related to both programming and management. Moreover, if a new approach is to be adopted in the region, then the Regional Bureau for Arab States will have to commit considerably more resources, financial and human, to the region in the short term to support the transition. It should also explore opportunities for further intra-NCC partnerships. These could include events addressing mutual concerns, the sharing of lessons, and products such as joint assessments related to common challenges (for example, knowledge transfer and capacity-building).

5. Explore and develop partnerships with public and private aid agencies in Arab region NCCs. UNDP headquarters should decide on whether this role should be formally added to the responsibilities of Resident Coordinators/Resident Representatives in Arab region NCCs. If so, the Regional Bureau for Arab States and the Bureau for Resources and Strategic Partnerships should help country offices develop country-based strategies. In addition, it would be necessary to build technical capacity as appropriate in each country office to respond to the demands of this new responsibility.

6. Strengthen the UN system to better respond to the more flexible approach being advocated for NCCs. The UN system partnership in the unique context of NCCs—government funding of the country programme and limited UN presence—needs to be strengthened. Options involving single budgets for the UN system and appropriate models of joint programming need to be explored within the UN and with the governments concerned. The Regional Bureau for Arab States and the UN Development Group should work together to explore and assess the options. This initiative could be followed by a pilot project in a net contributor country. The unequivocal endorsement of the government is critical for the success of such a pilot. Also, in view of UNDP’s enhanced UN coordination role, it would be necessary to increase the budgets of Resident Coordinators. Moreover, to facilitate optimal utilization of the UN by the national government, there needs to be greater awareness about what UNDP, and the broader UN system, has to offer and how countries can access it.

RECOMMENDATIONS AT THE OPERATIONAL LEVEL

7. Improve the system of country programme design and management in line with the new principles of partnership between UNDP and the Arab region NCCs defined above. The programming function exercised by central ministries in relation to UNDP country programmes needs to be strengthened in all five Arab region NCCs. A framework needs to be agreed upon between the governments concerned and the UNDP country office whereby project selection would be better aligned to national priorities. Mechanisms to strengthen harmonization of UNDP’s systems for management and implementation of activities with national
systems need to be established and the national execution system revised accordingly. Mutual accountability of UNDP and the government for monitoring and evaluation needs to be clarified in all NCCs. The UNDP country office needs to present regular progress reports on the content of projects as well as monitoring reports to a central ministry. An annual evaluation programme from which lessons can be drawn and applied to future projects needs to be agreed upon and implemented.

8. **Strengthen the capacity of country offices to increase UNDP’s contribution to the development effectiveness of its activities in Arab region NCCs and implement the new partnership envisaged above.** An assessment of the capabilities of the country offices to become more involved in the substance of work is timely. This assessment should lead to a strategy and plan to strengthen these capabilities in the light of the work programme for the next three to five years, and include the need for support from UNDP headquarters and the subregional office. For many country offices, this will likely require intensive staff training, in line with the human resource learning strategy of the UNDP Strategic Plan. Equally important is the need to develop processes across the project cycle—from design to evaluation—that encourage substantive inputs and a focus on capacity-building, sustainability and replicability of projects. Needless to say, all of this will provide a challenge for professional leadership in the management of country offices.