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Kingdom of Saudi Arabia

Outcome Evaluation of UNDP Support for:

Economic Diversification for Tourism, International Trade and FDI

Country Programme 2007-2011

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Riyadh

Selected Indicators for Saudi Arabia, HDR [& other]

|  |  |  |
| --- | --- | --- |
|  | Check if current | ? |
| Population (all):  | 22.7 million (2006) xxxx million (2012e) | √ |
| Saudi/Non-Saudi population | 16.1 million/6.1 million (2006) |  |
|  |  |  |
| Annual Population Growth Rate %:  | 3.9 (1975-2005) 2.1 (2005-2015)  |  |
| Gross Domestic Product (GDP) per capita (PPP US$):  | $13,825 (2005)  |  |
| Human Development Index (HDI) Rank:  | 76 (2006) 61 ? 59 (2009) 56 (2011) | √ |
| Human Development Index (HDI) Value:  | 0.775 (2007); 0.770 (2011) | √ |
| Gender Development Index (GDI) Rank:  | 70  |  |
| Ratio of Estimated Female to Male Earned Income  | 0.16  |  |
| Health Expenditure Per Capita (PPP US$):  | 601 (2004)  |  |
| Life Expectancy at Birth (years):  | 53.9 (1970-1975) 71.6 (2000-2005)  |  |
| Public Expenditure on Education  | 6.8 (as a % of GDP 2002-2005) 27.6 (as a % of total government expenditure 2002-2005)  |  |
| Youth Literacy Rate (% aged 15-24):  | 87.9 (1985-1994) 95.8 (1995-2005)  |  |
| Adult Literacy Rate (% aged 15<):  | 70.8 (1985-1994) 82.9 (1995-2005)  |  |
| *[Replace below with economic, HDR indicators]* |  |  |
|  |  |  |
|  |  |  |
| Electricity Consumption Per Capita:  | 6.902 (Kilowatt-hours) 2004 57.9 (% Change) 1990-2004  |  |
| Unemployed People (thousands)  | 327 (1996-2005)  |  |
| Unemployment Rate (% of labor force)  | 5.2 (1996-2005)  |  |
| Population without Electricity (millions)  | 0.5 (2005)  |  |
| Total Carbon Dioxide Emissions  | 254.8 (1990) 308.2 (2004)  |  |

Note: e = estimate; p = projected

Outcome Evaluation, Economic Diversification

UNDP Saudi Arabia, 2007-11

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# Abbreviations

|  |  |
| --- | --- |
|  |  |
| CDSI  | Central Department of Statistics and Information |
| CO  | country office |
| CP | country programme  |
| CPAP  | Country Programme Action Plan |
| CPD | Country Programme Document |
| CPI | Consumer Price Index |
| CPPS | Country Programme Performance Summary |
| CSR | corporate social responsibility |
| EO | (UN) Evaluation Office |
| HDR | Human Development Report (UNDP) |
| KSA | Kingdom of Saudi Arabia |
| MEP | Ministry of Economy and Planning |
| NDP | National Development Plan |
| NIM | national implementation model |
| ODA | official development assistance |
| PPP | public-private partnership |
| RRF | results and resources framework |
| SA  | Saudi Arabia |
| SME  | small and medium enterprise |
| SR | Saudi riyal |
| UN | United Nations |
| UNDP  | United Nations Development Programme  |
| UNWTO | UN World Tourism Organisation |
| USD | United States dollars |
| WB | World Bank |
| WDI | World Development Indicators |
| WTO  | World Trade Organisation |
| GCF | Global Competitiveness Forum |
| NCC | National Competitiveness Council |
| NCC  | net contributing country |
|  |  |
|  |  |
|  |  |

Note on currency equivalents:

(As of April 2012)

|  |  |  |
| --- | --- | --- |
| 1 Saudi riyal (SR) | = | 0.204 EUR |
| 1 riyal (SR) | = | 0.267 USD |
| 1 € (EUR) | = | 4.903 riyal (SR) |
| $1 (USD) | = | 3.749 riyal (SR) |
| (As of 2001) |
| $1 (USD) | = | 3.749 riyal (SR) |

# Executive Summary

This report presents an Outcome Evaluation focusing on the economic diversification objective shared by the government of Saudi Arabia (SA) and the UNDP country office in SA, in the period 2007-2011. Outcome 2 was defined as: “The economic framework is diversified to encourage tourism, international trade and foreign direct investment (FDI).” The target indicators for progress towards this Outcome were: (1) An increased number of tourists in KSA by 15%, and (2) Increased foreign investment in KSA by 15%.

The eighth plan had focussed on diversification of the economy, optimizing domestic processing, downstream petrochemical and other industries to capture more value-added, improve technology and foster sustainable growth. In parallel, it aimed to solve human resource and employment mis-matches with improved training of its young population, widening job opportunities and increased Saudization of the work force. The ninth plan focused on accelerating regionally balanced development with improved living standards and quality, enhancing human resource efficiency and competitiveness, moving towards a knowledge economy. It was prepared by government during the course of the CP activities, and the CPD took the updated focus into account in its review and final years.

UNDP undertook a series of round-table discussions involving all stakeholders, the government, the private sector, civil society and UN agencies. The resulting CPD emerged as a flexible partnership between Saudi Arabia and UNDP, which focused on furthering the development priorities of each plan in turn.

In 2006, at the time of developing the 2007-11 country programme (CP) with UNDP, Saudi Arabia had a population of 22.7 million, of whom 6.1 million or 27 percent were expatriates. The economy had gradually reduced dependence on oil revenues by diversifying into export industries such as metals, plastics and chemicals. Gross domestic product had steadied and begun rising, and the country had acceded to the World Trade Organization (WTO) in 2005.

The country had made major achievements in social development, reducing extreme poverty to 1.6 per cent. The enrolment rate in primary education was 94.5 per cent for boys and 93 per cent for girls, and the net enrolment in secondary and tertiary education was 65 per cent for both. While the unemployment rate for females remained higher than for males, the gap seemed to be closing.

The CP period marked a time of real growth of the economy, and improving human development outcomes. By 2011, the population reached 28.4 million, and real GDP annual growth over the term had averaged 3.6 percent. Despite the global financial crisis, SA had not gone into recession, and personal incomes were rising in excess of inflation. Economic diversification played a vital role in keeping the economy in positive territory, as did stimulus spending by the government.

Finding Saudi nationals to fill certain posts that demand specific skill sets has remained a challenge. While expatriates make up almost one in three of the population, they account for more than half of the working population.

During the period, FDI grew by more than the target 15 percent. By 2010, FDI had grown by 23 percent, according to the latest data available. In 2010, the country attracted more than $28 billion of foreign capital. Further, during the global financial crisis, Saudi Arabian investment abroad moved in a counter direction; while other countries slowed investment into Saudi Arabia, the country was increasing its own capital investments abroad.

The targeted expansion of tourism by 15 percent met overall success, looking at both volume and revenues. While an increase of international arrivals of 52 percent was offset by a decrease in domestic tourism, revenues from tourism grew overall by 70 percent.

Clear successes in achieving the targets of Outcome 2 – increases in tourism and in FDI within a more diversified economy – were largely determined by several factors, in which the interventions of UNDP can be said to have played a role; and at the same time, government actions have been a major facilitator. Not only had the government actively pursued the diversification objective; as well, since joining the WTO in 2005, the country had made improvements to its regulatory regime, opened up key sectors such as telecommunications and banking to foreign investors, begun developing tourism and other new sectors, and directed oil revenue into major infrastructure projects, which themselves attracted foreign investment.

The expansion of economic activities outside oil extraction is evident in GDP data. During the CP period the petroleum sector decreased as a proportion of GDP from almost 28 percent to less than 23 percent. Other sectors, significantly manufacturing, commerce – including the trade and hospitality sub-sectors – and transport and communications grew steadily. All non-oil sectors as a group expanded from 67 to 73 percent of the economy. Government drove a large part of non-oil expansion, using petroleum earnings to support other sectors.

On a darker note, one anomaly in the labour market may have slowed growth and competitiveness. Although Saudi education rates improved markedly over the past two decades, with the gender gap closing significantly, gains in education have not been reflected in equivalent entry by women into the paid labour force. The World Bank has contended per capita income in the Gulf region overall could have grown substantially more, had women had greater access to economic opportunity. The current SA national development plan calls for greater participation of women in all aspects of development.

**UNDP contributions to the Outcome**

A major part of UNDP’s contribution to the Output of FDI, DDI and expansion of entrepreneurship took place prior to 2007. Looking at the achievements of SAGIA and UNDP’s contribution to the outcome of FDI, domestic investment, and diversification of the economy, SAGIA counterparts noted that the key achievements of the partnership included: developing the national capacity for formulation of effective economic policies geared to attract FDI, developing a competitiveness ranking strategy for Saudi Arabia, and exploring implications of accession to WTO for both DDI and FDI.

This work has led to the creation of the National Competitiveness Center, and during this period SAGIA adopted its “10x10" strategy– with the objective to position KSA as one of the world’s top 10 most competitive economies by 2010. The country has risen to 11th place in the WB group’s “Ease of Doing Business” rankings, and in the World Economic Forum’s Global Competitiveness Index in 2011-12, it placed number 17 in the overall ranking.

UNDP support to the Supreme Commission for Tourism (formed in 1999) first provided an “umbrella programme” of advisory services in 2004. From that period onwar, government was keenly aware that tourism harboured an untapped potential for job creation for a growing population, demanding an expansion of public services and infrastructure. Tourism also poses the challenge of increasing Saudization in a sector where reliance on expatriate employment predominates. To meet its goals, government needed its maturing tourism authority to adapt to new demands, providing a framework for world-class hospitality services. Such requirements fitted well into UNDP’s goal of strengthening the capacity of key governance institutions.

The Commission is working with UNDP to broaden the dimensions of tourism. This means seeing domestic tourism as potentially a much larger area for expansion, and extending the mandate of the Commission to develop new fields such as environmental and nature sites, historic sites and antiquities. In the view of staff, the partnership with UNDP helped make this wider approach feasible.

Following Saudi Arabia’s accession to WTO in 2005, and under the CPD programme component, “Globalization benefiting the poor”, UNDP outputs included assistance to the Kingdom to develop new policies and capacities for liberalization in key industry sectors such as the service sector. UNDP assisted the Government to start formulation of a post-accession intervention with the support of the UN Conference on Trade and Development (UNCTAD).

**Partnership strategy**

The partnership strategy in a net contributing country is fairly straightforward. In the NCC context, the government is the donor partner on the financing side. SA projects are funded using the national implementation modality, with the partner ministry assuming administrative control, as Executing Agency in conjunction with the UNDP CO. As the narrative review has repeatedly observed, the SA partners expressed sincere appreciation for the effective skills, networks and management model that UNDP SA has contributed to the government’s successes in working for the objectives of its strategic development plans. It is clear from discussions with all projects and programmes that SA as a partner greatly appreciates several roles specific to UNDP and the UN as a whole.

The institutional access to the specialized agencies and knowledge pool linked to UNDP is appreciated by the SA partner. The range of international organizations, committees, commissions and expertise that have been called on during the CP 2007-11 has been enormous, and is particularly highlighted by the scope of outputs under Outcome 3. Partner staff met by the Evaluation mission confirmed the high regard in which they hold the reputation, profile and standard of the UN network.

**Conclusions and recommendations**

As an NCC, the SA government finances its relatively large programme, and is clear as to its objectives and needs. Ownership by government is assured, and the role of UNDP is one of facilitating access to the best possible resources. The relationship of mutual trust and cooperation has been built over time. The rapport established on both sides serves as an excellent example of successful partnerships in an NCC setting.

**Current arrangements work well and should be continued**

UNDP experience has demonstrated that administrative modalities within NIM execution are best designed as flexible and simple protocols. Success with this flexible model has highlighted the benefit to SA deriving from UNDP partnership in the access provided to advisory and capacity development services. UNDP has followed its partners’ wishes to extend its support beyond financial management to the active use of the international experiences of its network of country offices and expertise around the world, including the United Nations specialized agencies

**The current relationship between the partners, articulating Outcomes in relation to national goals, should be continued**

The UNDP CPD articulated its objectives in relation to the government’s national plan emphasis on globalization, diversification and competitiveness. Taking up this national goal and the emphasis identified, Outcome 2 was formulated as “Enhanced employment opportunities and overall economic performance through increase in foreign and domestic direct *investment*, strengthened *competitiveness* and *diversity* of the national economy in the knowledge sector, among others.” This formulation is a suitable reflection of the national goal, and does indeed direct attention to the change in conditions desired by the CP partners to help meet the country’s goal.

**It remains appropriate to link UNDP programme components and national goals**

UNDP linked the national goal of “optimizing the benefits of globalization” to its corporate objective of poverty reduction. This link was articulated as, “Achieving the MDGs and reducing human poverty – Globalization benefiting the poor”, and “Managing globalization to support the poor.” It is apparent that several of the outputs of this component, such as increasing FDI and the expansion of tourism, contributed to job creation and potentially to poverty reduction.

# Introduction

This report presents an Outcome Evaluation focusing on the economic diversification objective shared by the government of Saudi Arabia (SA) and the UNDP country office in SA, in the period 2007-2011. This objective constituted one of five “outcomes” incorporated in the UNDP-SA Country Programme Document (CPD). The CPD for 2007-2011 was completed on schedule; its achievements have been welcomed by the government, and the UNDP-SA partnership has continued under the aegis of a new CPD for 2012-16.

Since the turn of the new millennium, Saudi Arabia has been determined to diversify its economic base away from total reliance on oil and natural gas as the major source of national income. To do this, its national plans identified the drivers of economic diversification as:

* a greater role for the private sector in the management of the economy, and
* promoting the efficiency and accountability of the public sector to foster a strong institutional framework conducive to growth and stability.

The present Outcome Evaluation reviews the performance of one of these targeted results in the partnership between UNDP and the Government of Saudi Arabia in the programme cycle 2007-2011. Outcome 2, the subject of the present report, was articulated as follows: “The economic framework is diversified to encourage tourism, international trade and foreign direct investment (FDI).”

In this report, and in line with the Terms of Reference of the Outcome Evaluation exercise (annexed), a number of separate projects were reviewed to gauge UNDP’s contributions to this key result and to monitor achievements in 2011 against the benchmarks set for 2007 as stated in the CPD for 2007-2011.

At the start of the time-span examined under the present Outcome Evaluation, the Kingdom of Saudi Arabia (KSA) was ready to make great strides in plans it had already launched in previous periods. As the new millennium began, the Kingdom realised strong revenues generated by its oil resources and high net exports. Per capita income, which had remained in the $8000 (USD) range since the early 1990s, had begun rising, and by 2004 had broken the $10,000 mark. SA had moved from a middle-income to a high-income country, and was ambitious to achieve as a nation the Millennium Development Goals (MDGs) adopted by world leaders in 2000. The rapid and steady rise in incomes is shown in Figure 2.1, below.

Figure ‑ Saudi Arabia per capita income, USD current equivalent

Source: WB WDI[[1]](#footnote-1)

While these numbers show the impact of SA’s oil exports, the indicator is in current – not constant – dollars. As petroleum revenues worked their way through the economy, cost-of-living price rises reduced the real gains for the population, and the government was exploring alternative development elements to reduce the country’s dependence on oil resources. (The cost of living index rose from just a 0.3 percent annual increase in 2004, climbing with the oil boom to 4.1 percent in 2007, and was to hit 9.9% by 2008; see Figure 2.2. This means that the fruits of rising national revenues were being denied to the population by the pressures of inflation.) The eighth five-year development plan (2005-2009) was designed to address a number of emerging issues.

Figure ‑. Income eroded by inflation, 2004-2008

Source: Author’s construction from WDI and KSA-MEP (see References)

The eighth plan focussed on diversification of the economy, optimizing domestic processing, downstream petrochemical and other industries to capture more value-added, improve technology and foster sustainable growth. In parallel, it aimed to solve human resource and employment mis-matches with improved training of its young population, widening job opportunities and increased Saudization of the work force. These objectives were set in a context of preparing for greater integration into the globalizing economy including accession to the World Trade Organization (WTO), and accelerating the process of privatization and export enhancement.

UNDP-SA was well prepared to support the country’s efforts, and undertook a series of round-table discussions involving all stakeholders, the government, the private sector, civil society and UN agencies. The CPD resulting from these consultations described the new cooperation programme as “a flexible partnership between Saudi Arabia and UNDP, anchored in the overall development priorities of the country, as outlined in the eighth and ninth development plans. The plans recognize challenges that the Country Programme intends to address, including greater diversification of the sustainable base of the economy, enhanced efficiency of the public sector and the full participation of youth and women in socio-economic progress. The plan’s overall objectives aim at enhancing the living standards of Saudi citizens by increasing their livelihood opportunities through entrepreneurship, investment and employment, and at maximizing the benefits from the current growth trends and the integration into the global economy. Moreover, the country believes it has a regional and global responsibility and has a substantial official development assistance (ODA) programme that benefits poorer countries” (UNDP Saudi Arabia 2006, pp. 3-4). [[2]](#footnote-2)

The CPD and the subsequent Country Programme Action Plan review of 2008 articulated five development outcomes to which UNDP would contribute. Outcome 2 was defined as: “The economic framework is diversified to encourage tourism, international trade and foreign direct investment (FDI)” (UNDP Saudi Arabia 2008).

This outcome evaluation will provide an assessment of (i) the contributions that UNDP has made to the diversification of economy outputs under Outcome 2 of the CP, (ii) whether the UNDP strategy has been effective, and (iii) whether some adjustments are needed so that UNDP can stay relevant in the field in future. The report is organized as follows: following this Introduction, Chapter 2 gives some background to the SA development setting. Chapter 3, Findings and Conclusions, presents the assessment in four sections: the progress the Kingdom has made toward achievement of Outcome 2; factors in the economy, and in the institutional and global setting, that may have affected the outcome under consideration; the contributions UNDP’s programme made toward achievement of the outcome; and lastly, the role of UNDP’s partnership strategy in the observed progress. Chapter 4 presents lessons learned and recommendations for the future cooperation programme.

The Annexes and References are ordered as follows:

Annex 1. FDI Inflows vs. Net FDI Inflows

Annex 2. Note on Methodology

Annex 3. Terms of Reference of the Assignment

Annex 4. Persons Met

Annex 5. Selected Documents Reviewed

Annex 6. Biography of the Evaluator

Annex 7. Code of Conduct of the Evaluator

References

# Saudi Arabia and the Development Context

## A long history of cooperation

UNDP and Saudi Arabia have a long history of cooperation, since UNDP’s launch in 1966. Projects in the early years focussed on the initial foundations of national development including natural resource management and environment. In the 1980s and ’90s, emphasis moved to industrial development for economic diversification beyond oil exports, issues posed by globalization and trade participation, development of the private sector, education, social protection and community development, as well as more upstream policy advice and governance activities, design of national development plans and related policies for public administration. By the turn of the millennium, the development agenda became focused on achieving the Millennium Development Goals (MDGs), alongside the continuing attention to sustainable development and public sector reform. From the beginning, cooperation programmes were financed entirely from government resources (Khoday 2010). Saudi Arabia is a net donor to the UN system, classified as a net contributing country (NCC). NCCs finance their programmes almost entirely via financing by their respective governments.

## Framing the Country Programme 2007-11

### The economic development setting

In 2006, at the time of developing the 2007-11 country programme (CP) with UNDP, Saudi Arabia had a population of 22.7 million, of whom 6.1 million or 27 percent were expatriates.[[3]](#footnote-3) These numbers posed a particular human development challenge, as the country envisaged a gradual shift away from dependence on expatriate labour, and the creation of an environment for viable, value-adding and sustainable employment opportunities for new entrants in the labour market, especially youth and women. Earning relatively high annual revenues from natural resources, Saudi Arabia had invested significantly in physical infrastructure during the previous few decades, in road networks, housing, hospitals, schools and more recently, the information technology infrastructure. The economy had gradually reduced dependence on oil revenues by diversifying into export industries such as metals, plastics and chemicals. Gross domestic product, always impacted by global oil prices, after two decades of slow growth and budget and trade deficits recorded surpluses in 2004 and 2005, when growth rates of 5.3 per cent and 5.6 per cent, respectively, were recorded. To sustain and strengthen the momentum towards economic growth resulting from its 2005 accession to the World Trade Organization (WTO), the Government was making efforts to improve the investment climate in the country (UNDP Saudi Arabia 2006, p. 2) (World Bank various years).

As the CP stated, in terms of social development, the country had made major achievements. It was well on its way to achieving the Millennium Development Goals (MDGs) by 2015. The extreme poverty rate in the country had declined to 1.6 per cent. The enrolment rate in primary education was 94.5 per cent for boys and 93 per cent for girls, and the net enrolment in secondary and tertiary education was 65 per cent for both. While the unemployment rate for females remained higher than for males, the gap seemed to be closing. The under-five child mortality rate was 22.4 per 1,000 births, and the maternal mortality rate was 1.4 per 100,000 live births. The cumulative number of reported cases of HIV/AIDS-infected people since 1984 was estimated at 10,000 (p. 2).

## Country Programme Outcome

The CP was drafted, as we have noted in the Introduction, on the basis of the country’s national priorities as reflected in the eighth national development plan, and on a review of the previous country cooperation framework (CCF) for 2001-2005. The second Outcome of the CP was: “Economic framework is diversified to encourage tourism, international trade and FDI.”

The prevailing or baseline condition was described as: “Economic and institutional frameworks are not fully utilizing global integration opportunities in favor of SME promotion and sustainable employment creation.”

The two measurable indicators for this Outcome were: (1) An increased number of tourists in KSA by 15%, and (2) Increased foreign investment in KSA by 15%.[[4]](#footnote-4)

The Country Programme Performance Summary, completed in 2011, summarized the 2nd Outcome: “To optimize the benefits of globalization by improving the productivity of the economy, diversifying its base especially into R&D and strengthening its competitiveness.” It further detailed the meaning of this outcome as: “Enhanced employment opportunities and overall economic performance through increase in foreign and domestic direct investment, strengthened competitiveness and diversity of the national economy in the knowledge sector among others.”

## Outcome 2: Economic Diversification

As section 2.3 explains, the Outcome statement used in this Report is restated in the Terms of Reference for the Outcome Evaluation: Outcome 2. “The economic framework is diversified to encourage tourism, international trade and FDI”. The Outcome Indicators, as already discussed, are:

* Increased foreign direct investment in KSA by 15 percent
* Increased number of tourists in KSA by 15 percent

The prevailing situation in 2007 with respect to the target indicators was identified by the **baseline** statement.

* Economic and Institutional frameworks are not fully utilizing global integration opportunities in favour of SME [small and medium enterprise] promotion and sustainable employment creation.
* Not all tourist areas/sites in KSA are fully developed
* National focus is solely on WTO commitments rather than benefits.

Under the UNDP conception of evaluating for results, outcomes are actual or intended changes in development conditions that the agency’s interventions are seeking to support. Outcomes “describe a ***change that takes place in the capacities or conditions of a partner***, in part – but only in part – as a consequence of the delivery of UNDP’s outputs and those of other partners” (UNDP 2007, pp. 2-3; emphasis added). They are markers of eventual impact, but are more readily observed than is impact, which often cannot be directly observed and may be achieved over a longer period than that of the programme under review. “An individual UNDP output or even a cluster of outputs will not guarantee the achievement of a related outcome, since the contribution of a wider group of partners is usually essential”. In the case of a country programme, the group of desired outcomes will have been agreed to by the country and cooperating partners. All of these stakeholders will have an influence on a given development issue within the limited period of time under consideration. It is evident that seeking to influence outcomes is by its very nature dependent on partnerships. Since several actors are involved, outcomes cannot necessarily be attributed to any one party, including UNDP, on its own.

In the special case of NCCs, the role of the country itself is of primordial importance, since the country is at once the funder and the beneficiary of the commissioned outputs. As will be seen in the findings of the evaluation report, the principal partnership is that with the Kingdom of Saudi Arabia and its ministries and agencies, which more than any other factor has shaped the achievement of the outcome under review. Other members of the UN group of agencies have also joined in outputs of the CP.

More specifically, however, in the particular case of SA, UNDP noted that based on the concept of national ownership, achievement of an outcome is an entire responsibility of the Government. UNDP, along with other UN Agencies, will confine their contribution to the output level. In view of this, the two interrelated dimensions (discussed in this report and a separate report on Outcome 3) of economic diversification and efficient performance of the public sector have been achievements of the KSA, and cooperation with UNDP has been a positive element in these achievements, related to the UNDP contributions made as outputs and shown in the CPD.

# Findings of the Outcome Evaluation

## 3.1. Progress towards the Outcome

### A period of growth and diversification

This section looks at the progress KSA has made in the achievement of its target indicators, which were identified as markers on the road to reaching the economic diversification outcome. As underlined above, progress in the achievement of development outcomes is not the result of the efforts of UNDP or any one partner agency alone. These results should be understood as the product of the efforts of government, of the population, of various stakeholders including enterprises and development partners. At the same time, results are also influenced by conditions in the world economy and environment, which may embody supporting as well as challenging factors.

The CP period marked a time of real growth of the economy, and improving human development outcomes. By 2011, the population reached 28.4 million, and real GDP annual growth over the term had averaged 3.6 percent. Despite the global financial crisis, SA had not gone into recession (although growth in 2009 came very close to zero), and personal incomes were rising in excess of inflation (Saudi Arabia Ministry of Economy and Planning 2012 (MEP)).

Figure ‑. Real GDP growth, 2007-2011

Note: r: revised; p: preliminary estimates

Source: Author’s construction based on MEP

Breaking down the growth rate by sectors (see Figure 3.2), we see that economic diversification played a vital role in keeping the economy in positive territory, as did stimulus spending by the government. The oil sector plunged into negative numbers as oil demand responded to global downturns, most spectacularly following the 2008 financial crisis, but in earlier years as well, as world oil market demand and prices fluctuated.

Figure ‑ GDP growth patterns, 2004-2011

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010r** | **2011p** |
| Growth in Real-GDP (%)  | *5.3* | *5.6* | *3.2* | *2.0* | *4.2* | *0.1* | *4.6* | *6.8* |
| Growth in Private Sector (%)  | *5.7* | *5.7* | *5.9* | *5.2* | *4.8* | *2.6* | *5.4* | *8.1* |
| Growth in Government Sector (%)  | *2.2* | *3.3* | *1.9* | *1.9* | *2.4* | *5.0* | *5.3* | *6.2* |
| Growth in Oil Sector (%) | *6.6* | *6.6* | *-1.1* | *-4.1* | *4.3* | *-8.8* | *2.2* | *4.3* |

Note: r : revised; p : preliminary estimates

 Source: Author’s construction based on MEP

Figure 3.2 highlights the important role of the private sector, where growth was high and relatively stable, showing less slowdown in 2009 than the oil sector, and rapid recovery in the following two years. Indeed, all sectors showed greater stability of growth rates than the oil sector, where results fluctuated widely. Table 3.1 indicates that the growth rate of the private sector averaged 5.2 percent over the CP period (2007-11), higher than all other sectors in this breakdown. It also demonstrates the important role played by government, which boosted spending in 2010 and 2011, thereby countering the impact of falling incomes in other sectors.[[5]](#footnote-5)

Table ‑ Average growth rates, by sector, 2007-2011

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   | **2007** | **2008** | **2009** | **2010r** | **2011p** | Average 2007-11 |
| Growth in Real-GDP (%)  | *2.0* | *4.2* | *0.1* | *4.6* | *6.8* | 3.6 |
| Growth in Private Sector (%)  | *5.2* | *4.8* | *2.6* | *5.4* | *8.1* | 5.2 |
| Growth in Government Sector (%)  | *1.9* | *2.4* | *5.0* | *5.3* | *6.2* | 4.2 |
| Growth in Oil Sector (%) | *-4.1* | *4.3* | *-8.8* | *2.2* | *4.3* | -0.4 |

### Population and work force

Of the total population, as of 2010 some 8.6 million or 31 percent were expatriates. Although the non-Saudi share of the population had not fallen, there was some small decrease in the share of non-nationals among the employed population: this percentage declined slightly from 54.4 percent in 2006 to just below 53 percent in 2009 (the latest year for which data are available.

Table ‑ Saudi Arabia Total and Employed Population, 2004-2011

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010r | 2011p |
| Total Population (millions) | 22.56 | 23.33 | 24.12 | 24.94 | 25.79 | 26.66 | 27.56 | 28.38 |
| Saudis  | 16.44 | 16.85 | 17.27 | 17.69 | 18.12 | 18.54 | 18.97 | - |
| Non-Saudis  | 6.12 | 6.48 | 6.85 | 7.25 | 7.67 | 8.12 | 8.59 | - |
| % Non-Saudis | 27.1% | 27.8% | 28.4% | 29.1% | 29.7% | 30.4% | 31.2% | - |
|  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010r | 2011p |
| Total Employment (‘000) | 7,180.6 | 7,371.5 | 7,523.0 | 7,744.4 | 8,017.3 | 8,148.0 | - | - |
| Saudis | 3,298.2 | 3,367.2 | 3,431.6 | 3,600.8 | 3,756.7 | 3,838.0 | - | - |
| Non-Saudis | 3,882.4 | 4,004.3 | 4,091.4 | 4,143.6 | 4,260.6 | 4,310.0 | - | - |
| % non-Saudis | 54.1% | 54.3% | 54.4% | 53.5% | 53.1% | 52.9% | - | - |

Note: r : revised; p : preliminary estimates; - : no data available

Source: SA-MEP[[6]](#footnote-6)

It is apparent that finding Saudi nationals to fill certain posts that demand specific skill sets has remained a challenge. The portion of Table 3-1 for which data are complete is illustrated below in Figure 3-2. The figure illustrates the continuing key role of non-Saudi personnel in the Kingdom’s labour force. While expatriates make up almost one in three of the population (panel a), they account for more than half of the working population (panel b).

Figure ‑ comparison of total and employed population shares, Saudi and non-Saudi persons

|  |  |
| --- | --- |
|  |  |
| Source; Author’s compilation from Table 3-1 |  |

Despite years of government plans to bring more Saudi nationals into all sectors, according to some observers the private sector in particular is increasingly turning to non-nationals, because their salary expectations are lower, while many are also highly skilled (Sfakianakis 2011).

A new plan launched in 2011, to reward firms that complied with required Saudization rates, was not meeting targets within deadlines set by government (Mohapatra 2011). The new plan, called Nitaqat, applies colour codes to firms according to their compliance, with requirements varying from segment to segment. For example, quotas for Saudis employed are above 6 percent for construction jobs, 30 percent for the oil and gas sector, and as high as 50 percent for the financial sector. Firms that do not meet their quotas will be unable to renew their expatriate workers’ visas.[[7]](#footnote-7) The new rules put Saudi workers in high demand; nevertheless, employers still appeared frustrated in matching potential employees with available jobs at the prevailing wages. (Hasan and Ahmed 2012, p. 21)

As this section has underlined, the CP was carried out during a period of impressive growth, significant diversification within the economy, and persistent problems of a mismatch between jobs and skills in the domestic labour market, resulting in continuing reliance on expatriate personnel in several segments.

Turning to the outcome indicators adopted by the CPD for the 2007-2011 period, we look specifically at FDI and tourism, in the context of the situation described in the foregoing section.

## 3.2. Outcome Indicators

#### Growth of FDI

As the graph in Figure 3-3 shows, foreign direct investment grew by more than the target 15 percent called for in the CPAP. By 2010, FDI had grown by 23 percent, according to the latest data available. In 2010, the country attracted more than $28 billion of foreign investment.

Figure ‑. Foreign direct investment, 2007-10

|  |  |
| --- | --- |
|   | FDI Inflows, 2007-10 (current $US millions) |
|   | 2007 | 2008 | 2009 | 2010 |
| FDI Inflows | 22,821 | 38,151 | 32,100 | 28,105 |
| Increase 2007-10 |   |   |   | 23% |

Source: Author’s compilation, from IMF-WEO[[8]](#footnote-8)

While this result indicates that the country had achieved the desired increase in attracting FDI, the short time period covered brings into sharp relief the downturn in inflows following the global financial crisis that began in late 2008. Looking at the longer time frame of the whole decade, it is apparent that the SA economy has attracted enormous flows of foreign investment (see Figure 3.4). What is more, as Figure 3.4 shows, in recent years the country’s own ability to venture into foreign markets has risen significantly, particularly during the global slowdown that has limited inflows of foreign sources to SA. At the same time as the crisis decreased inflows of foreign capital, Saudi Arabian investment abroad moved in a counter direction; while other countries decreased their investments in Saudi Arabia, the country was increasing its own capital investments abroad. The data indicate that SA investors found major investment opportunities as asset prices abroad began to fall.

FDI net inflows are the value of inward direct investment made by non-resident investors in the reporting economy. FDI net outflows are the value of outward direct investment made by the residents of the reporting economy to external economies (World Bank 2012). [[9]](#footnote-9)

Figure ‑ Investment inflows and outflows, 2000-2010

|  |
| --- |
| FDI, 2000-2010 (current $US millions) |
| 2000 | 183 |
| 2010 | 28,105 |

Over the decade, FDI into SA has grown appreciably, rising from just $183 million in 2000 to more than $38 billion in 2008. The greatest increases came in 2005, at the time of WTO accession, continuing at an accelerating rate until 2008, after which the global financial crisis, as noted, brought about a sharp fall in FDI flows, although they remained well above the pre-crisis volumes.

In the view of some observers, although FDI is a success story for SA, it is not one whose future is assured.

FDI to KSA has been on a decline ever since it peaked in 2008 and fell 21% in 2010 while another 3–10% decline is expected in 2011. KSA nevertheless still boasts the highest FDI inflows in the GCC, averaging between 60% to 70% of total FDI to the region. FDI to GDP ratio for KSA has come down steadily after making a high of 9.5% in 2009 to 6.5% in 2010. We see the ratio sliding further in the vicinity of 4.5% - 5% for 2011 (Hasan and Ahmed, p. 15).

#### Expansion of Tourism

The other target selected in the CP review (2008) was the expansion of tourism by 15 percent.[[10]](#footnote-10) In 2011, an estimated 17.5 million international travellers visited Saudi Arabia (Tourism Information and Research Center 2012, p. 4). [[11]](#footnote-11) Compared with 2007, the first year of the CP, when arrivals were 11.5 million, this represented an increase of 52 percent, well above the target (Kingdom of Saudi Arabia 2011). However, domestic tourism, which represents higher numbers of travellers, told a different story.

As the data for Figure 3.5 show, 2007 saw more than twice as many domestic travellers as visitors from abroad, some 28.6 million. But in 2011 the numbers of domestic tourists were down, to 22.5 million. This represented a decline of 21 percent in domestic tourist numbers over the 2007-11 period. Overall, tourist numbers, with international and domestic travellers combined, declined marginally (less than 1 percent).

Figure ‑ Tourism 2007-2011 (millions)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (‘000,000) | 2007 | 2008 | 2009 | 2010 | 2011e | Change 2007-2011 |
| International tourists  | 11.53 | 14.76 | 10.9 | 10.85 | 17.50 | 51.8% |
| Domestic tourists | 28.55 | 28.77 | 32.01 | 22.78 | 22.47 | -21.3% |
| International and Domestic Tourism | 40.08 | 43.53 | 42.91 | 33.63 | 39.97 | -0.3% |

Note: e : estimate

Source: Author’s compilation from STO and TSDB [[12]](#footnote-12)

Nevertheless, when tourism expenditures on these arrivals numbers are considered, a picture of significant growth emerges. Table 3.2 shows the annual expenditures made by tourists, both international and domestic, in 2011 compared with 2007. Taken together, the total increase in tourism expenditures over the five-year period was 70 percent.

Table ‑ Tourism Expenditures 2007 and 2011

|  |
| --- |
| Expenditure on Tourist Trips (million SR) |
|   | 2007 | 2011 | Change 2007-2011 |
| International |  32,451  | 49,015 | 51% |
| Domestic |  17,434  | 35,548 | 104% |
| Total |  49,884  |  84,563  | 70% |

Source: STO, TSDB

The breakdown of expenditures in the table indicates that while international tourists’ spending increased at exactly the same pace as their increase in numbers, spending by domestic travellers on each tourist trip more than doubled. That is, while the numbers of international (inbound) travellers increased by almost 52 percent, as Figure 3.5 shows, expenditures of these travellers while in SA, shown in Table 3.2, kept pace with the higher numbers, and did not in fact grow on a per-visitor basis. It was domestic tourists who spent more. Expenditures per trip are summarized in Table 3.3. The table shows the impact of spending by domestic travellers. As Table 3.3 shows, international tourists continued to spend the same average amount, about 2800 SR per visitor/trip – with no real growth on a per-visitor basis (although the growth in numbers of visitors from abroad, as already noted, raised tourism sector receipts significantly). Looking at expenditure per domestic tourist trip, the table shows that spending by within-country travellers more than doubled – in fact, domestic tourists increased their expenditure per trip by almost 160 percent. In 2007, a domestic tourist trip resulted in just 611 SR of expenditure, in 2011 domestic travellers were spending 1582 SR per trip.

Table ‑ Tourism Expenditures 2007 and 2011

|  |
| --- |
| Change in tourism expenditures, per trip, 2007-2011 |
|    | 2007 | 2011e | Change, expenditure / trip |
| Tourists (millions) | Expenditure (million SR) | Expenditure per visitor (SR) | Tourists (millions) | Expenditure (million SR) | Expenditure per visitor (SR) |
| International tourists | 11.53 | 32,451 | 2,814 | 17.5 | 49,015 | 2,801 | 0% |
| Domestic tourists | 28.55 | 17,434 | 611 | 22.47 | 35,548 | 1,582 | 159% |
| International and Domestic Tourism | 40.08 | 49,885 | 1,245 | 39.97 | 84,563 | 2,116 | 70% |

Source: Author’s compilation from STO and TSDB

This meant that total income from tourism grew by 70 percent, despite the fall in total numbers.

Additional statistics on tourism and other outcomes are discussed in later sections.

## Factors affecting the Outcome

### Diversification strategy of government

The clear successes in achieving the targets of Outcome 2 – increases in tourism and in FDI within a more diversified economy – were largely determined by several factors, in which the interventions of UNDP can be said to have played a small but nevertheless significant role. It is clear that government actions have been a major facilitator.

Diversification was an important objective of the government prior to and throughout the CP period. The Ninth Development Plan made a succinct summary of the strategic importance and components of this objective:

With successive development plans recognising the risks inherent in one-sided heavy reliance on production and export of crude oil, diversification of the production base of the Saudi economy has been, ever since the beginning of development planning, a prime target for economic development... [Diversification is] a necessary condition for building a stable modern economy, based on a broad range of varied economic resources and characterized by a high degree of internal integration, embodied in close interrelationships among the various sectors and activities. Implementation of this approach requires significant increases and quality improvements in the contributions of non-oil sectors, including production and service sectors, to GDP and exports and in providing employment opportunities for the national workforce (Ministry of Economy and Planning 2010, p. 33)

 Government’s achievements were clear to many observers; as the ninth plan rolled out, participants at an international forum held in Riyadh in 2010 agreed that government had long been actively pursuing the development of non-oil sectors. The forum attracted “some of the brightest stars in the galaxy of international business and finance”. [[13]](#footnote-13) Participants noted that since joining the World Trade Organization (WTO) in 2005, SA had “improved its regulatory regime, opened up key sectors such as telecommunications and banking to foreign investors, begun developing new sectors - tourism stands out - and directed oil revenue into major infrastructure projects to attract foreign investment” (Murphy 2010).

### WTO membership

Membership in the World Trade Organisation (WTO) – as of 2005 – helped draw in FDI, and the data presented in the previous section reflect the surge in results from that year onward to a higher plateau of participation in the world economy. As illustrated in Figure 4.2, above, FDI peaked in 2008 at $38 billion, and has stayed in the 10-digit range from the accession year on.

### Expansion of non-oil economic activity

Looking at the objective of the 8th and 9th plans to diversify the economy, there is evidence that expansion of economic activities outside oil extraction took place. The data in Figure 3.7 indicate that beginning in 2006 (when the UNDP CP was under preparation), the mining and quarrying sector – (almost entirely crude petroleum and natural gas) – decreased as a proportion of GDP from almost 28 percent to less than 23 percent. In contrast, larger shares of other sectors showed up across the board, significantly in manufacturing (most of which was in non-petroleum-related sub-sectors), commerce – the trade and hospitality sub-sectors – and in transport and communications.

Figure ‑. Shares of GDP by economic activity sector, 2006-2011

|  |  |
| --- | --- |
| Sector | Millions of Saudi riyals (constant, at 1999 prices) |
|   | 2006 | 2007 | 2008 | 2009 | 2010 | \* 2011 |
| Agriculture , Forestry & Fishing | 4.93 | 4.92 | 4.75 | 4.72 | 4.57 | 4.39 |
| Mining & Quarrying | 27.85 | 26.20 | 26.20 | 23.91 | 23.35 | 22.81 |
| Manufacturing | 11.75 | 12.18 | 12.38 | 12.56 | 12.63 | 13.29 |
| Electricity, Gas and Water | 1.61 | 1.64 | 1.68 | 1.79 | 1.85 | 1.80 |
| Construction | 6.94 | 7.08 | 6.89 | 6.93 | 7.14 | 7.46 |
| Wholesale & Retail Trade, Restaurants & Hotels | 8.01 | 8.34 | 8.52 | 8.72 | 9.01 | 8.98 |
| Transport , Storage & Communication | 5.74 | 6.20 | 6.68 | 7.16 | 7.39 | 7.62 |
|  Finance, Insurance, Real Estate & Business Services | 12.53 | 12.75 | 12.53 | 12.85 | 12.47 | 11.99 |
| Community, Social & Personal Services | 3.75 | 3.78 | 3.71 | 3.86 | 3.90 | 4.02 |
| Government Services | 17.69 | 17.68 | 17.37 | 18.22 | 18.34 | 18.23 |
| Total (actual totals may differ from 100 due to rounding) | 100 | 100 | 100 | 100 | 100 | 100 |

Source: Author’s construction based on data from CDSI [[14]](#footnote-14)

### Government investment strategies and fiscal stimulus

Government activity was responsible for a large part of this non-oil expansion, and indeed petroleum earnings contributed to government’s capacity to support other sectors. The oil industry is almost entirely government-owned, with more than 95 percent of production by state-owned Aramco, and the remainder by a number of smaller parastatals. During the oil price boom of 2004-08, the Kingdom built up very large financial reserves, which were available for use to offset the global downturn that occurred at the end of 2008. Nominal GDP growth in 2008 was 24.8 percent ($US 472).[[15]](#footnote-15) However, in 2009 the average price of Arabian light crude dropped by 38 percent, due to the global downturn and reduced demand. But government had accumulated a cushion, and had in hand the tools to use these resources. Despite lower overall expansion in the financial sector and slow growth in the construction sector with the postponement of some development projects, the government was able to implement aggressive fiscal stimulus and reduce the impact of the crisis. Remedial measures undertaken by the government included direct capital injections into financial institutions, reduced rates and guaranteed bank deposits (Kamco Research 2011, pp. 5-6).

Diversification of the economy can also be demonstrated by directly contrasting the growth of the oil and non-oil sectors in the period from 2006-2011. This breakdown is reported by SA’s Central Department of Statistics and Information (CDSI). When all oil and non-oil sectors are grouped, the move to other activities stands out in sharper relief. As Figure 3.8 shows, over a 6-year period, the non-oil sectors expanded slowly but steadily from 67 to 73 percent of the economy, while conversely the oil sector declined as a share of GDP from 32 to 26 percent.

Figure ‑ Diversification of the economy, 2006-2011

Source: Author’s construction based on CDSI [[16]](#footnote-16)

### Labour force participation rates

One important factor in the economy – conditions in the labour market – has not been a contributor. Education rates of young Saudis have improved markedly over the past two decades, with the gender gap closing significantly. However, these gains in education have not been reflected in equivalent entry by women into the paid labour force. The labour force participation rate for women has remained at 17 percent for the last 20 years, while that of men has stayed steady at 75 pc (WDI labour force participation). In the Middle-East North Africa (MENA) region as a whole, female labour force participation rates at 25 percent are half the world average and the lowest among other regions (Vishwanath 2012). The World Bank in a major study in 2004 contended that the MENA region is losing out on productivity and economic growth as a result of this stay-away. Per capita income in the Middle East and North Africa could have grown substantially more, it stated, had women had greater access to economic opportunity.

In a global economy that values mental power, the [MENA] region's new comparative advantage could well be its large, educated and, increasingly, female workforce. Economic growth relies increasingly on a country's quality of human resources, and women remain a largely untapped resource. Therefore, gender issues need to be viewed as central in policy design and implementation. Gender equality is not only for the sake of women. It promotes growth and aids the welfare of society in general (World Bank staff 2004, p. 83).

The current national development plan calls for greater participation of women in all aspects of development. The education-labour market gap may be about to change.

### Global financial crisis

The global financial crisis beginning in late 2008 had an impact on FDI, as we have already seen, as well as on tourism, oil prices and growth. In the tourism sector, Haj arrivals usually add one-fourth or more of the total visits in the fourth quarter of each year (Tourism Information and Research Center 2011, p. 23). Table 4.1 shows the annual calendar of arrivals for all purposes, for 2010. In that year, almost 30 percent of trips were made in the fourth quarter. (Third-quarter trips were also about 30 percent of the total.)

Additional details on the composition of tourism are given in Table 4.3, which shows inbound tourist trips by purpose of visit. As these data illustrate, almost 45 percent of tourism from abroad is made up of religious visitors, for Haj and Umrah. Another 25 percent is made up of business and professional trips. Visits to family and friends and other purposes account for a further quarter of inbound trips.

Table 4.3 Inbound (International) Tourist Trips by Purpose of Visit and Quarter, 2010

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Purpose of visit | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total | Market Share |
| Religious | 490,974 | 707,492 | 1,574,612 | 2,094,308 | 4,867,386 | 44.9% |
| Business and Professional | 812,614 | 920,576 | 510,800 | 415,911 | 2,659,901 | 24.5% |
| Leisure | 71,710 | 55,697 | 66,281 | 58,363 | 252,051 | 2.3% |
| Visiting Friends and Relatives | 236,260 | 246,914 | 552,709 | 251,450 | 1,287,333 | 11.9% |
| Shopping | 36,389 | 72,604 | 140,757 | 59,392 | 309,142 | 2.8% |
| Others | 345,544 | 363,706 | 460,586 | 304,553 | 1,474,389 | 13.6% |
| Total | 1,993,491 | 2,366,989 | 3,305,745 | 3,183,977 | 10,850,202 | 100.0% |
| Market Share (%) | 18.4% | 21.8% | 30.5% | 29.3% | 100.0% |   |

Source: Saudi Tourism Outlook, November 2011

## UNDP contributions to the Outcome

### Outputs under the CP

#### Umbrella Programme: Saudi Arabian General Investment Authority (SAGIA)

The first UNDP project to support the Saudi Arabian General Investment Authority (SAGIA) had been signed in 2001, and ran to 2004. Its objective was to strengthen SAGIA in its institutional capacity to provide advisory services on investment issues and as an agency that would promote and facilitate foreign investment implementing international good practices. The project provided consultant services for workshops, training and research, with the goal that by project end 80 percent of staff would have received essential training in investment skills.

The Authority had been established by the government in 2000, and was assigned a broad mandate to assist in investment-related matters, both domestic (DDI) and foreign. The government of SA had become increasingly aware that the role of private investment, including FDI, would have to expand in order to provide resources for the continuing growth and development of the national economy and more rapid job creation. It was also interested in accelerating the transfer of technology and innovations to the SA economic environment. The creation of SAGIA formed part of the government’s broader plan for economic liberalization.

A UNDP project, which ran from 2001 to 2004, was carried out to assist SAGIA at this early stage of its development – to improve the enabling environment for FDI and build institutional capacity to effectively promote and facilitate investment. From the beginning, the project aimed to help the Kingdom in its objectives to increase FDI inflows and contribute to job creation, diversification, technology transfer and sustainable development. UNDP was able to use its presence in the country to facilitate cooperation with UNCTAD, which does not have a country office in the Kingdom. UNCTAD and UNDP in cooperation helped identify international and national consultants of world standard to provide training to SAGIA staff. Training was provided in a wide range of skills, from basic concepts to advanced topics in investment promotion, marketing and management. The project also arranged for international study, the enhancement of local training capacities in the fields of interest

All of UNDP’s contribution to the Output of FDI, DDI and expansion of entrepreneurship took place prior to 2007. In the results framework for the CPD review of 2008, SAGIA was indicated as the Implementing Partner for Outcome 2, Expected Output: “Economic environment becomes more favourable to the attraction of FDI and DDI with increased entrepreneurship.” In the narrative section of the CPD, UNDP noted that the programme would help the government in managing globalization to benefit all citizens, “maximizing its integration in the global economy and making full use of its recent accession to the WTO.” It noted the earlier creation of SAGIA, and the significant investment in capacity and institution building already undertaken, and stated that the “managing globalization” component would continue to help with “streamlining institutional frameworks for line ministries..., providing an economic environment favourable to Tourism, FDI and DDI, a wide diffusion of entrepreneurship and an increased number of inventions to indicate innovation within private businesses. A diversified economic base with value-added sectors should be given a more prominent role. (UNDP Saudi Arabia 2008, p. 4 and RRF)

Looking at the achievements of SAGIA and UNDP’s contribution to the outcome of FDI, domestic investment, and diversification of the economy, SAGIA counterparts noted that the key achievements of the partnership included:

* Developing the national capacity for formulation of effective economic policies geared to attract FDI. In this respect, study tours were conducted to two best performers in attracting FDI (Brazil and Ireland) and a wide-ranging discussion was ensued about areas of proposed improvements to the existing policy framework for FDI attraction in Saudi Arabia.
* Commissioning a number of policy papers on the fiscal and monetary frameworks, effects of terrorism on the trends of FDI, and the obstacles to the attraction of FDI.
* Building a national consensus around the need to developing a competitiveness ranking strategy for Saudi Arabia.
* Exploring implications of accession to WTO for both DDI and FDI.

By the end of the project activities, which contributed to SAGIA’s capacities in the present CPD period, almost 80 percent of SAGIA staff had been trained in most of the technical, managerial and administrative competencies necessary to enhance their skills in dealing with investment issues. The effectiveness and efficiency of SAGIA had been greatly strengthened. An investment information system had been established

Discussions with SAGIA staff emphasized that UNDP assistance has facilitated the increasing role of FDI in the Kingdom throughout the period under review, and that of domestic private sector investment as well. SA partners felt that this assistance enabled SAGIA to develop its own strategy, in part through studies it conducted with international consultant assistance, on raising Saudi Arabia’s economic competitiveness. It is this work that led to the creation of the National Competitiveness Center, first established in 2006 as an offshoot of SAGIA, under the Council of Ministers.

The Center conducts competitive assessments and monitors the implementation and results of change programs: “improving the ease of doing business in the Kingdom, through spurring modernization of the general business environment; and improving the microeconomic fundamentals of competitiveness, through mobilizing development of world-class clusters. The Center works as a facilitator of change by creating forums for discussion between the public and private sectors” (SAGIA 2012).

SAGIA also adopted its “10x10" strategy during this period – with the objective to position KSA as one of the world’s top 10 most competitive economies by 2010. The country has risen to 11th place in the WB group’s “Ease of Doing Business” rankings, and in the World Economic Forum’s Global Competitiveness Index, in 2011-12 it placed number 17 in the rankings (World Economic Forum 2012).

SAGIA staff pointed to the development over the CP period of the Saudi Global Competitiveness Forum (GCF), which has enabled the Kingdom to showcase its progress in pushing its economic competitiveness agenda. In January 2012 GCF sessions discussed various forms of entrepreneurship (social, government, and corporate) and related aspects such as failure and risk. In the view of SAGIA representatives, the partnership with UNDP, and the commissioned advisors the partnership has brought in since 2001 has enabled the agency to run such initiatives as the GCF and National Competitiveness Center, making the country more conducive to new investments, and taking on a new area for development – the issue of corporate social responsibility (CSR).

####  Umbrella Programme for the Supreme Commission for Tourism (SCT)

UNDP support to the Supreme Commission for Tourism (formed in 1999) had begun with an “umbrella programme” of advisory services in 2004. The programme was conceived with the object of designing a long-term framework for technical cooperation between the Commission and UNDP. From the outset tourism development formed an important part of the government’s strategic national quest for economic diversification, seen as one of the service sectors most apt to make an increasing contribution to diversification. Since the initial UNDP-SCT agreement, ongoing programmes including an extension for the 2004-2010 period have focused on continuing the institutional capacity building of the Saudi Commission for Tourism and Antiquities (SCTA– the new designation of SCT), and enabling it to meet a new level of goals it had set for performance of the sector.

The Commission, as the central body responsible for developing the tourism sector, has a mandate to expand the scope and contribution of the sector, while at the same time ensuring that tourism will continue to have a positive social, cultural and environmental impact.

From the period of the 8th plan forward, government was keenly aware that tourism harboured an untapped potential for job creation for a growing population, and for the development of public-private partnerships (PPPs) benefiting both sides. From the point of view of government, the growth of population and tourism demands an expansion of public services and infrastructure, and poses the challenge of increasing Saudization in a sector where reliance on expatriate employment predominates (Sadi and Henderson 2005, p. 96).[[17]](#footnote-17) (This perspective was laid out as early as 2005, in Vision 2025).

To meet these objectives, government needed its tourism authority to adapt to new demands, and to implement world-standard regulations providing a framework for world-class hospitality services. Such requirements fitted well into UNDP’s goal of strengthening the capacity of key governance institutions. UNDP was asked to provide support to the drafting and review of policy discussion papers, by providing international and national consulting and legal services. Under the assistance of the umbrella programme, SCTA was able to commission the development of a tourism master plan, the design of tourist development areas and sites, and the preparation of numerous case studies. In the period under review, activities focused on legislative frameworks for the development of licensing protocols, and for the expansion of SCTA activities to cover antiquities sites. (These included regulations on travel agents and accommodations, and support activities such as tour guide services, museums and antiquities regulation.) They also covered the development of human resource planning, and support to tourism investment.

The evaluation mission was given excellent access to key informants of SCTA, including the national coordinator for the project during the period under evaluation. Commission staff explained that support under the umbrella programme initially went into the development of SCTA, its departments, investment promotion, legal issues and framework, and to develop elements of regional (domestic) tourism. The government and the Commission share the view that tourism can stimulate pro-poor economic growth. Expansion of tourism to include antiquities sites would in most cases involve hitherto undeveloped parts of the country. These regions have few job opportunities, but tourism is a labour-intensive sector, and can create more jobs per unit of investment than many other options.

The Commission appears to have been successful in developing the capacity of the institution as a credible and effective government regulatory body, capable of facilitating investment in the tourism sector. Its concerns in the subsequent period (this review) have been to develop capacity needed in broadening the dimensions of tourism and aligning with global best practices. SA joined the UN World Tourism Organization (UNWTO) in 2002, and a focus of concern under the UNDP-SCTA programme has been to ensure that its framework of regulations, standards and legislation align with those of UNWTO. The programme has engaged consultants to help with this area.

The sector has outperformed the expectations of the tourism long-term master plan, which called for expanding capacity so as to attract 8.1 million arrivals in 2010 and 10.9 million by 2020 (Sadi and Henderson 2005, p. 97). International arrivals, as noted earlier, passed the 8 million mark in 2004, and are estimated to have reached 17.5 million in 2011.

In meetings with the Evaluation mission, staff explained that the Commission wanted to broaden the dimensions of tourism. This meant seeing domestic tourism as potentially a much larger area for expansion, and extending the mandate of the Commission to develop new fields such as environmental and nature sites, historic sites and antiquities. In their view, the partnership with UNDP helped make this wider approach feasible. As with other projects reviewed, one of the main contributions of the UNDP cooperation has been to provide the Commission with flexibility to engage the services of national, regional and international professionals as needed. A further advantage has been benefiting from UNDP’s links to the range of UN rosters of experts in the field of tourism know-how in management, legal issues, competitive promotion and development policies, and the vast field of human resource development. Some examples include the development of a tourism information system and mechanism, in which the project has enabled SCTA to work with a major US company, and the design of sector forecasting using a suite of economic models from European and US consulting groups.

Government had always viewed domestic tourism as an important component of the sector, and has been aware that religious tourism is an important draw for domestic and also Middle Eastern travellers.

Section 3.1, above, showed that targets have been more than met for international tourism, with the number of international arrivals growing by 53 percent. In the area of domestic tourism, we noted that numbers did not grow after the 2009 peak of 32 million travellers, and in fact fell by 2011 to 22 million, a 21 percent decrease in numbers. However, the data in section 3.1 showed that due to increased expenditures by domestic tourists the volume of spending more than doubled, while in combination with international expenditures the sector experienced a 70 percent spending increase.

Table ‑ Shares of tourism expenditures, 2007 and 2011

|  |
| --- |
| Expenditure on Tourist Trips (million SR) |
|   | 2007 | 2011 | Expenditure / trip: change 2007-2011 |
|   | Expenditures | Share | Expenditures | Share |
| International | 32451 | 65% | 49015 | 58% | 51% |
| Domestic | 17434 | 35% | 35548 | 42% | 104% |
| Total | 49885 | 100% | 84563 | 100% | 70% |

SCTA has big plans for the future. Staff told the Evaluation mission, “We want to promote ‘Discover Saudi Arabia’" – its plan to increase the numbers of residents who will choose to take their holidays discovering the sights and sites at home, as an alternative to outbound travel. In a recent industry conference, SCTA outlined its plans to support tour agencies, and forecast that in the coming period, “Tourism promotion will be built around various themes ranging from the Kingdom as the land of Islam to a cultural hub rich in socio-cultural and environmental values that tourists can enjoy amid traditional hospitality” (Tago 2012, p. 3).

While the tourism sector seems a natural industry for more women to become involved – in hotel management, tour organization and other fields, SCTA staff told the Evaluation mission that they intended to move gradually on recruiting new female entrants. Overall, some interviewees felt the tourism sector in SA has a number of knowledge gaps. They noted that neighbouring countries such as Jordan could serve as sources for relevant experience, since they enjoyed a similar environment and culture.

It was clear from SCTA reports that tourism is increasingly a major contributor to GDP. International tourists are estimated to have spent SR 49,015 million on overnight trips in 2011 compared to SR 25,643 million in 2010, recording a sharp annual increase of 91.1 percent. Domestic tourists are estimated to have spent SR 35,548 million in 2011 compared to SR31324 million in 2010, recording an increase of 13.5% in a year (STO p. 5). Despite global economic downturns in many countries, the tourism sector in SA has remained healthy, and prospects are positive.

#### Advisory Services for WTO

UNDP provided advisory services during the years when SA was negotiating its entry into the World Trade Organization (WTO), prior to this Outcome Evaluation.[[18]](#footnote-18) Talks had dragged on for more than a decade, with WTO requirements that the Kingdom improve its trade- and investment-related legislation and procedures, including the protection of intellectual property rights. UNDP’s policy advice and technical support, provided to the National Team assigned to negotiate accession to the WTO, set the stage for the subsequent phase of UNDP-Government cooperation in post-WTO-accession economic and social development (UNDP-SA 2006, p. 3).

Saudi Arabia acceded to WTO in December 2005. In the post-accession setting, and under the CPD (2007-11) programme component 2, “Globalization benefiting the poor”, UNDP outputs included assistance to the Kingdom to develop new policies and capacities post-WTO-accession for liberalization in key industry sectors such as the service sector. As noted in the earlier section these covered capacity development in new tourism sub-sectors, and an ongoing partnership with SAGIA to improve the investment climate so as to foster new sustainable forms of foreign investment, both inward and outward (ibid., p. 5). UNDP and the Government have started formulation of a post-accession intervention with the assistance of the UN Conference on Trade and Development (UNCTAD).

UNDP support in 2009 was crucial for the design of new policies and capacities to implement liberalization in key sectors in line with WTO commitments. UNDP provided international and local expertise and technical advice for development of the tourism sector and improving food and drug safety in the Kingdom, new agreements to design and launch assistance for enhancing compliance with the evolving WTO regime, and the launch of a new capacity building programme to enhance the IT sector in the Kingdom through provision of international expertise from other developing countries (UNDP Saudi Arabia 2009, pp. 8 ff.)

## Assessment of the partnership strategy

The partnership strategy in a net contributing country is fairly straightforward. In the NCC context, the government is the donor partner on the financing side. SA projects are funded using the national implementation modality (NIM), with the partner ministry assuming administrative control, as Executing Agency (EA) in conjunction with the UNDP CO in Riyadh. UNDP generally supplies Implementation Support Services (ISS) to boost the capacity of the EA in the recruitment of short- and long-term consultants. Other UN specialized agencies (such as, in the projects viewed in this Outcome Evaluation ITC-WTO, UNCTAD, UNWTO).

SA ministries in the current Evaluation included the ministries of Commerce and Industry (MCI), Foreign Affairs (MOFA), Economy and Planning (MOEP), and agencies such as SCTA.

The narrative review of the outputs’ contribution to the Outcome has repeatedly observed that the SA partners expressed sincere appreciation for the effective skills, networks and management model that UNDP SA has contributed to the government’s successes in working for the objectives of its strategic development plans.

### Flexibility

It is clear from discussions with all projects and programmes that SA as a partner greatly appreciates several roles specific to UNDP and the UN as a whole. One senior official took pains to state, unreservedly, "From the beginning, UNDP provided us with the flexibility we needed to reach our goals.” Counterparts noted that, given official goals of increasing the proportions of nationals in public sector as well as in the modern sector as a whole, government rules have been elaborated to foster the employment of nationals in public sector agencies as well as the private sector. Without a purpose-designed modality adapted to this setting, it would be difficult to source expertise unhampered. In other circumstances working within the public sector, it can be cumbersome and difficult to commission a foreign expert. However, under the NCC arrangement as it has evolved, government entities enjoy the flexibility to engage the most appropriate expertise, whether from home or abroad. “The process is easy, and we can channel expertise to the departments where they are needed, whatever the level of the unit concerned.”

Because the partnership allows for short-, medium- or long-term consultancies, it is responsive to the ebb and flow of demand for specialized personnel. Indeed, some informants noted that the arrangement with UNDP has prevented the unnecessary “bloating” of some agencies – that might be tempted to retain high-cost staffers against occasional need, rather than enjoying the “just-in-time” personnel supply afforded by the programme.

Project personnel noted that UNDP has a depth of experience and a considerable pool of specialized UN agencies on which to draw, so that CO staff have been able to provide knowledgeable assistance to identify and certify the reliability of the experts they propose to projects. Further, project staff have found that in the case of large international consulting firms, not only are costs extremely high, but more critically some firms have been found to rely on standard, fixed approaches, or “off-the-rack” solutions. In contrast, staff reported, UNDP screens the candidates proposed, “and we find the right people for our needs, at a better cost”.

### Accessing the UN specialized-agency network

As already noted, SA partner staff in discussions for the Outcome Evaluation expressed their satisfaction with the collegial support and institutional access accorded to the specialized agencies and knowledge pool linked to UNDP. The range of international organizations, committees, commissions and expertise that have been called on during the CP 2007-11 has been enormous, and is particularly highlighted by the scope of outputs under Outcome 3. For the partner staff met by the Evaluation mission, the reputation, profile and standards of the UN network are held in the highest regard.

# Conclusions and Recommendations

Given that we are examining an Outcome that derived from multiple contributions, through several projects and numerous steps taking place over a period of five years, it is inevitable that the data available has been varied. At the same time, findings have in the main pertained to the whole economy or entire sectors – which were affected by broader influences than those of UNDP’s interventions alone. Nevertheless, the horizon of the data and findings is not in itself an obstacle to founded conclusions. Evaluation methodology tells us: Conclusions are not findings; they are interpretations that give meaning to the findings. A conclusion is a reasoned judgement based on a synthesis of the findings, in this case of economic and sector reporting, visits, key informant interviews, and various kinds of documentation – always set in the specific circumstances of the cooperation period and place (UNDP 2009, p. 179.).

## Programme framing in a High-human-development NCC

### Ownership assured

The evaluation of UNDP cooperation with NCC countries in the Arab region made clear the high regard in which these countries hold their partnership with UNDP. In the case of KSA this cooperation modality and approach are arguably all the more effective, since government is able to finance a large programme, and is clear as to its objectives and needs. Ownership by government is assured, and the role of UNDP is one of facilitating access to the best possible resources.

An important component of the partnership for SA is the capability to gain access to experts in neighbouring countries, particularly other Middle Eastern countries. The example of Jordan in developing tourism was cited by some government officials.

### Mutual confidence

The relevance of cooperation with UNDP in the case of a strong development partner such as KSA lies in the evolution of a relationship over many years. The relationship of mutual trust and cooperation is not one that can be built in a short time, and the value of the rapport established on both sides serves as an excellent example of successful partnerships in an NCC setting.

## Clear and trackable Outcome indicators

According to UNDP guidelines, outputs fall under the responsibility of the programme, should be deliverable by UNDP, and should be achieved within the time-frame of the programme.[[19]](#footnote-19) Nevertheless, the outputs are neither the measure nor the guarantee of the achievement of an Outcome, since the contribution of a wider group of partners is usually essential (UNDP 2007).

Another Outcome Evaluation has observed that it may be, “comparatively easy to indicate very positive *indirect* consequences for the outcomes of any initiatives by the ministry concerned. However, the direct influences are less apparent...” (UNDP Consultant 2010).

As we have noted at the outset, the CPAP (2008) identified two indicators for the results evaluation of Outcome 2: an increase in (inward) FDI of 15 percent, and an increase in tourist numbers of 15 percent. This Evaluation has shown that these indicators are directly measurable; at the same time, they facilitate the opening of a broad discussion of the wide range of factors affecting progress in achieving the Outcome.

In the present CP, the Evaluation has noted that both indicator targets were fully achieved. FDI rose in the 2007-2011 period by 23 percent, surpassing the 15 percent target. Tourism expanded, although not by total numbers of tourist trips: international arrivals increased by 52 percent, but domestic tourist numbers were down by 21 percent, leaving the total numbers of inbound and domestic tourists virtually unchanged. What did change was the receipts from tourism, with expenditures by all tourists, domestic and international, up by 70 percent.

These indicators lend themselves to analysis of the gamut of factors affecting the Outcome. The Evaluation has noted that government strategies to diversify the economy can be seen to have borne fruit: the growth rate of non-oil sectors has continued, in some measure as a reflection of the diversification strategy of government. Non-oil sectors expanded their share from 67 to 73 percent of the economy, while conversely the oil sector declined as a share of GDP from 32 to 26 percent. At the same time government investment strategies and financial stimulus have stabilized the economy, to some extent via support to the public sector.

WTO membership has improved openness to FDI, and to GDP growth in the non-oil sectors, government investment strategies and financial stimulus.

SA has made gains in addressing the needs of entrepreneurs, demonstrated by its 12th-place ranking in the 2011 World Bank-International Finance Corporation Doing Business report (WB-IFC 2011) . It has benefited from its efforts to facilitate the growth of religious tourism, with Middle Eastern countries the largest region of origin.

Some analysts have contended that had more women participated in the paid labour force, greater growth and productivity could have been realized (WB 2004 and 2012).

## Administrative management

The Evaluation mission found adequate documentation of project objectives and results, not only in project documents, but also on the excellent UNDP-SA portal, which generally provides an up-to-date summary of projects, both completed and ongoing or extended.

On the other hand, in comparison with non-NCC cooperation programmes, annual or other periodic reports of projects by the NIM agencies were less consistently available. The production of annual reports and narratives may be deemed onerous by government and agency partners. It is possible that the partners could explore ways of simplifying results-based reporting beyond financial records (which are well taken in hand on both sides). It may be possible that mutually agreeable formats such as stripped-down templates that focused on targets with their respective indicators could be devised.

It is not the task of an Outcome Evaluation to touch on matters pertaining to other reviews such as financial audits; however, in the way of reporting on partner relations in administrative matters, one comment is noteworthy. Without exception, key informants who met with the Evaluation mission volunteered their appreciation for the expert and consistent assistance provided by their UNDP partners in ensuring the smooth and documented flow of all resources. There was also appreciation expressed for the handling of fund residuals remaining available in any period, and the lack of difficulty for the government to re-assign funds as necessary to evolved or re-cast project needs.

## Recommendations

### Current arrangements work well and should be continued

The CPAP, which served in part as an informal interim review of the CP to date, was prepared in 2008, two years into the programme. Drawing important lessons from earlier cooperation, the document noted that administrative modalities within NIM execution were best designed as flexible and simple protocols. It moved the programme squarely into recognition that the greatest benefit to SA deriving from UNDP partnership was the access provided to advisory and capacity development services. The CPAP endorsed the opinion of government partners, citing their views on this emphasis:

Partner government agencies believe UNDP should extend its support beyond financial management to the active use of the international experiences of its network of country offices and expertise around the world. The source of expert consultants should be extended to also include the United Nations specialized agencies (UNDP 2008, p.3).

The CPAP embraced this view, and indicated that virtually all of its activities under Outcome 2 would be directed to the provision of expert advice, the development of training frameworks and exchanges, and the provision of access to relevant UN specialized agencies and rosters. Along with this clear acknowledgement of the expressed wishes of partner government agencies, the statement of Outcome 2 supported the government’s desire to find its way via commissioning advice so as to tap global best practices and to efficiently source assistance – whether from the private or public sector, at home or in the region and abroad. The identification of the relevant Outcome as diversification of the economic framework to further long-held objectives of better FDI, trade and tourism results enabled UNDP to recognize its role, as one factor among many. Economic diversification could be understood as an outcome that would result from global conditions, government action, the technical assistance of various partners, and the action of the broad private sector and civil society.

### The current relationship between the partners, articulating Outcomes in relation to national goals, should be continued

The CPD (UNDP 2006) linked Outcome 2 to one of the national goals of the 8th plan: To optimize the benefits of *globalization* by improving the productivity of the economy, *diversifying* its base especially into R&D and strengthening its *competitiveness* (emphasis added). Subsequent UNDP texts such as the CPAP (2008) and CPPS (2011) continued to refer back to this national goal. The italicised words underscore the emphasis on globalization, diversification and competitiveness.

Taking this national goal and the emphasis identified, the CPD formulated Outcome 2 as “Enhanced employment opportunities and overall economic performance through increase in foreign and domestic direct *investment*, strengthened *competitiveness* and *diversity* of the national economy in the knowledge sector, among others.” This formulation is a suitable reflection of the national goal, and does indeed direct attention to the change in conditions desired by the CP partners to help meet the country’s goal.

### It remains appropriate to link UNDP programme components and national goals

In both the CPD and CPAP, UNDP linked the national goal of “optimizing the benefits of globalization” to its corporate objective of poverty reduction. This link was embodied in the statement of the relevant UNDP programme component in these texts as, respectively, “Achieving the MDGs and reducing human poverty – Globalization benefiting the poor”, and “Managing globalization to support the poor.”

At programme end, the Country Programme Performance Summary (CPPS 2011) focused on the Outcome 2 statements emphasizing diversification, competitiveness, and realizing the benefits of globalization. There is some indication that several of the outputs of this component, such as increasing FDI and the expansion of tourism, contributed to job creation and potentially to poverty reduction.

# Annex 1. FDI Inflows vs. Net FDI Inflows

As the graphs in the figures below show, while FDI as a measure of inflows has grown in the course of the CPD and 9th NDP term, *net* FDI has not grown. This result brings out the expansion of Saudi Arabian investment abroad, measured as capital outflows. Net inflows show the sum of inflows minus outflows, the latter measuring Saudi Arabian investments abroad. Net FDI is a measure of inflows minus outflows. Net inflows of FDI declined by 11 percent between 2007 and 2010 (the latest year for which data are available).

|  |
| --- |
| Foreign direct investment, net inflows, 2007-10(current US$ millions) |
|   | 2007 | 2008 | 2009 | 2010 |
| FDI net | 24,334 | 39,455 | 36,458 | 21,560 |
| year-on-year increase |   | 62% | -8% | -41% |
| increase, 2007-10 |   |   |   | -11% |

Source: Author’s compilations from WDI[[20]](#footnote-20)

The downturn in net FDI is marked in the years available for the CP period. However, if the longer period of 2002-2010 is shown, the overall increase in net FDI is striking.

Net FDI, $US million, 2000-2010

|  |
| --- |
| Foreign direct investment, net inflows, 2002-10 (current US$ millions) |
|   | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| FDI net | 614 | -587 | -334 | 12,107 | 18,317 | 24,334 | 39,455 | 36,458 | 21,560 |
| year-on-year increase |   | -196% | -43% | 3721% | 51% | 33% | 62% | -8% | -41% |
| increase, 2002-10 |   |   |   |   |   |   |   |   | 3411% |

Source: Author’s compilations from WDI(see References)

As Figure 3.5 in the text (Chapter 3) shows, FDI, without netting out of outflows, increased from $US 183 million in 2000, to over $US 28 billion in 2010. The downturn in 2009 reflects the impact of the global financial crisis beginning in late 2008, as well as Saudi net disinvestments including capital expenditures abroad.

# Annex 2. Note on Methodology

**Objective of the evaluation**

As detailed in the Terms of Reference (TORs), given in Annex 3, the Outcome Evaluation was required to analyse the Outcome in the sense of assessing what and how much progress had been made towards the achievement of the outcome (including contributing factors and constraints), the relevance of and progress made in terms of the UNDP outputs (including an analysis of both project activities and soft-assistance activities), and what contribution UNDP has made/is making to the progress towards the achievement of the Outcome (including an analysis of the partnership strategy).

The results of the outcome evaluation should be articulated in such a way as to provide direction or focus for a new Country Programme (CPD) and future programming of a similar nature.

**Scope of the evaluation**

The evaluation examined the relevance and contributions of UNDP project activities and upstream policy advice efforts with regard to the outcome. Specifically, the outcome evaluation addressed the question: How did UNDP outputs contribute to economic diversification of the country?

To do so, it assessed the role of UNDP outputs with respect to the question of their continuing relevance to the Outcome concerned; to progress of the outputs by the end of the CP period; and to other factors (positive and negative) that affected the accomplishment of the outputs. Further, it looked at UNDP’s ability to advocate best practices and desired goals, and to influence national and local policies on sustainable development.

**Output-outcome link**

The Evaluation mission was asked to assess: whether UNDP’s outputs could be credibly linked to the achievement of the Outcome; the role of UNDP soft-assistance activities; and whether UNDP’s partnership strategy had been appropriate and effective; and whether UNDP interventions could be expected to be sustainable.

**Evaluation approach**

Overall guidance was taken from the UNDP Guidelines for Outcome Evaluators, as well as documents noted in the References section: the UNDP Technical Note, “Knowing the What and the How” (see UNDP 2007), the Handbook on Planning, Monitoring and Evaluating for Development Results (UNDP 2009), and other Outcome Evaluations prepared earlier for the UNDP KSA 2007-2011 CP.

Specifically, during the outcome evaluation, the evaluator applied the following approaches for data collection and analysis: (i) desk review of existing documents and materials, (ii) interviews with partners and stakeholders, and (iii) briefing and debriefing sessions with UNDP and the government, as well as with other partners.

Persons met and consulted are listed in Annex 4.

# Annex 3. Terms of Reference, Outcome 2 Evaluation

Note: the Terms of Reference (TORs) covered two assignments, for the separate evaluations of Outcomes 2 and 3. The portions of the TORs relating to the relevant Outcome are given below.

**UNDP INDIVIDUAL CONSULTANT PROCUREMENT NOTICE**

 Date: March 2012

**Country: Riyadh, Saudi Arabia**

**Description of the assignment: Outcome Evaluations**

**Period of assignment/services: Two months**

**1. BACKGROUND**

|  |
| --- |
| The growing demand for development effectiveness is largely based on the realization that producing good “deliverables” is simply not enough. Efficient or well-managed development projects and outputs will lose their relevance if they yield no discernible improvements in development conditions and ultimately in people’s lives. Being a key international development agency, the United Nations Development Programme (UNDP) has been increasing its focus on achievement of clearly stated results. Nowadays, results-based management (RBM) has become UNDP’s management philosophy.As part of its efforts in enhancing RBM, UNDP has shifted from traditional project monitoring and evaluation (M&E) to results-oriented M&E, especially outcome monitoring and evaluation that cover a set of related projects, programmes and strategies intended to bring about a certain outcome. An outcome evaluation assesses how and why an outcome is or is not being achieved in a given country context, and the role that UNDP has played. Outcome evaluations also help to clarify underlying factors affecting the situation, highlight unintended consequences (positive and negative), recommend actions to improve performance in future programming, and generate lessons learned. |

**2. SCOPE OF WORK, RESPONSIBILITIES AND DESCRIPTION OF THE PROPOSED ANALYTICAL WORK**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Outcome to be evaluated****I) Outcome Two:** UNDP’s Country Programme (CP; 2007-2011) constitutes a flexible partnership between Saudi Arabia and UNDP and is anchored in the overall development priorities of the country, as outlined in the eighth and ninth development plans. The plans recognize challenges that the Country Programme intends to address, including greater diversification of the sustainable base of the economy, enhanced efficiency of the public sector and the full participation of youth and women in socio-economic progress. The plan’s overall objectives aim at enhancing the living standards of Saudi citizens by increasing their livelihood opportunities through entrepreneurship, investment and employment, and at maximizing the benefits from the current growth trends and the integration into the global economy. Moreover, the country believes it has a regional and global responsibility and has a substantial official development assistance (ODA) programme that benefits poorer countries. In the current Country Programme Document (CPD) and the Country Programme Action Plan of UNDP Saudi Arabia (2007-2011), there are five development outcomes to which UNDP would like to contribute. Outcome 2 is on Economic framework diversified to encourage tourism, international trade and FDI. Outcome 3 is to improve public sector performance for equitable provision of services on the local level to empower communities which in turn involves several outputs and projects to enhance public sector performance.  UNDP works with Saudi Arabia to strengthen its capacity to response to increasing demands on the quality and quantity of services from a modernizing society with growing expectations, the Government of Saudi Arabia has been developing its administrative and institutional systems and restructuring its public agencies, thus enhancing service delivery and rendering it cost-effective not only at the central level, but in all regions of the country. In this effort the Government intends to make best use of modern management techniques, and information technology such as e-government.In particular, UNDP will assist the Government by providing recommendations for a more effective alignment of mandates and structures in a few pilot units. It will provide options for enhancement of service delivery at the central, regional and local levels, and will also propose guidelines that would help one pilot government institution in assessing its own performance. Finally, UNDP will help the Government replicate and scale up its highly successful experience in e-government in the Ministry of Foreign Affairs, which was jointly developed with UNDP.It is expected that these efforts will also have a positive impact on a larger number of citizens through enhanced service delivery at the local level.The first outcome evaluation will provide important information on (i) the contributions that UNDP has made to the diversification of economy outputs under Outcome 2 of the CP, (ii) whether the UNDP strategy has been effective, and (iii) whether some adjustments are needed so that UNDP can stay relevant in the field in future. The second outcome evaluation will provide important information on (i) the contributions that UNDP has made to the public sector performance related outputs under Outcome 3 of the CP, (ii) whether the UNDP strategy has been effective, and (iii) whether some adjustments are needed so that UNDP can stay relevant in the field in future. A detailed results framework for the selected outcome is summarized belowA detailed results framework for the selected outcomes is summarized below:

|  |
| --- |
| **Intended Outcome 2:** Economic framework is diversified to encourage tourism, international trade and FDI**Outcome Indicators:** * Increased foreign direct investment in KSA by 10
* Increased number of tourists in KSA by 15%

**Baseline (2007):** * Economic and Institutional frameworks not fully utilizing global integration opportunities in favor of SME promotion and sustainable employment creation.
* Not all tourist areas/sites in KSA fully developed.
* National focus solely on WTO commitments rather than benefits.
 |

**II) Output background information: *(****the information mentioned bellow refers to the situation analysis at the drafting stage of the project document for each output)*1. **There are three main outputs to outcome two:**
2. **Umbrella Programme – Saudi Arabian General Investment Authority (SAGIA):**

From the outset of development planning in the Kingdom, the adoption of free market principles ensured that the private sector was intended to be a main focus of economic activity. Although the increases in oil revenues in the first three plans period necessarily accorded to the government the leading role in guiding and stimulating economic development, the investment and the rapid transformation of financial resources into productive physical assets during this period also required the active participation of the private sector in undertaking the necessary construction, operation and maintenance of these assets.The government has used a wide range of financial and regulatory measures to encourage the private sector to engage in joint ventures with foreign firms and to invest in new capacities using the latest available capital-intensive technology, mainly in agriculture and industry. As a result, the number of private sector companies has risen rapidly, along with the volume of private investments in fixed assets and the range of private manufacturing activity. Moreover, the private sector's dependence on government expenditure has decreased significantly. The growing maturity of the private sector and its resilience to declining government expenditure are evident in the following indicators:* Private sector production increased by an average annual rate of 5.6 percent over the period 1389/90 - 1419/20 (1969-1999), surpassing the 4.3 percent average annual growth rate of GDP during the same period.
* The private sector’s contribution to GDP and to non-oil GDP amounted to 50.6 percent and 74 percent respectively in 1419/20 (1999), at constant prices of 1414/15 (1994).
* Annual private investment rose from SR 1 billion in 1390/91 (1970) to about SR 78.6 billion in 1419/20 (1999), thus bringing the contribution of the private sector to fixed capital formation to 67.3 percent at current prices.

In light of the trend in government support to the private sector through encouraging its entry into new economic activities and the removal of obstacles that impede its development, the Seventh Plan reaffirms the need for greater coordination between the government and private sector through: improved quality and dissemination of reliable information and analyses about national economic performance, the organization of meetings, conferences and symposia, and the preparation of studies about investment opportunities by the universities, research centers, other government agencies or the Council of Saudi Chambers of Commerce and Industry.The plan anticipates an increasingly important role for the private sector in the development process in the future, as free market policies and the provision of various incentives and facilities for the private sector make the Saudi economy more attractive for domestic and foreign investments.1. **Umbrella Programme for SCT**

The Supreme Commission for Tourism (SCT) has approached UNDP for advisory services in line with its institutional priority areas. UNDP responded by formulating an initial advisory services Umbrella Programme (attached as exhibit 1), which states the overall objectives, outputs and activities grouped into four distinct categories: 1) Quality Assurance; 2) Tourism Development Areas and Tourism Sites; 3) delivery of advisory services and conducting of substantive studies and 4) Delivery of advisory services for human resource development.This Project Document intends to focus on the fourth objective of developing the human resource for tourism development 1. **Advisory Services for WTO**

The trade sector plays a vital role in developing the sources of national income and meeting the needs of citizens for goods and services.The Seventh Development Plan (1420-1425H) (2000-2004) adopts a set of harmonious policies which aim primarily at realizing balance in the Kingdom’s foreign trade transactions, among which are:* To develop the institutional framework of foreign trade and improve the performance efficiency of related public and private institutions
* To expand the Kingdom’s international economic and trade relations with other countries on the basis of mutual interest.
* To enhance the competitiveness of national products in the domestic market against similar imported products, through improvement of quality and productivity.

As highlighted in the Plan, the trade sector includes a vast number of individual-owned firms that are recorded in the commercial register and that undertake training activities within the institutional framework and the regulatory rules of the sector. The Ministry of Commerce is the main agency entrusted with the responsibility for this sector and directing and organizing the domestic and foreign non-oil trade activities. It also supervises the process of the Kingdom’s entry into the WTO, the work of the National Committee for Trade and Finance and the Permanent Committee for Trade and Economic Cooperation with Islamic countries, as well as chairing the Saudi site in many joint economic, trade and technical committees with other countries.One of the key issues that is being seriously considered by the Ministry of Commerce is the dumping on the domestic market. The trade sector suffers from the dumping of inferior quality imported goods on the domestic market. These goods enter the Kingdom in many ways and weaken the competitiveness of national products. As effective mechanism is needed to curb dumping and counter its adverse impacts without violating WTO provision, while continuing to improve the standards and specifications of locally produced goods and intensifying awareness programs. **III) Objectives of the evaluations**The outcome evaluation shall assess the following: (i) *outcome analysis* - what and how much progress has been made towards the achievement of the outcome (including contributing factors and constraints), (ii) *output analysis* - the relevance of and progress made in terms of the UNDP outputs (including an analysis of both project activities and soft-assistance activities), and (iii) *output-outcome link* - what contribution UNDP has made/is making to the progress towards the achievement of the outcome (including an analysis of the partnership strategy). The results of the outcome evaluation will be used for re-focusing the interventions during new Country Programme (CPD) if necessary, and guiding future programming of a similar nature.**IV) Scope of the evaluations*** This outcome evaluation will be looking at the relevance and contributions of UNDP project activities and upstream policy advice efforts with regard to the outcome. Specifically, the outcome evaluation is expected to address the following issues along with providing recommendations to achieve the targets and developing lessons learned.

Outcome analysis* How did UNDP outputs contribute to economic diversification of the country?
* How did UNDP outputs contribute to the efficiency of the public sector?

Output analysis* Are the UNDP outputs still relevant to CP Outcomes two and three?
* Has sufficient progress been made in relation to the UNDP outputs? What is the likely trajectory of the outputs by end of the CP in 2011?
* What are the factors (positive and negative) that affect the accomplishment of the outputs?
* Assessment of UNDP’s ability to advocate best practices and desired goals; UNDP’s role and participation in national debate and ability to influence national and local policies on sustainable development.

Output-outcome link* Whether UNDP’s outputs or other interventions can be credibly linked to the achievement of the outcome (including the key outputs, projects and assistance soft and hard that contributed to the outcome);
* What has been the role of UNDP soft-assistance activities in helping achieve the outcome?
* With the current planned interventions in partnership with other actors and stakeholders, will UNDP be able to achieve the outcome within the set timeframe and inputs – or whether additional resources are required and new or changed interventions are needed?
* Whether UNDP’s partnership strategy has been appropriate and effective. Has UNDP been able to bring together various partners across sectoral lines to address economic diversity and efficiency concerns in a holistic manner?
* What is the prospect of the sustainability of UNDP interventions related to the outcome? Can it be ensured that outcome will be reached and maintained even after the UNDP intervention?

**V) Products expected from the evaluations**The key products expected from these outcome evaluations are two comprehensive analytical reports in English that should, at least, include the following contents:* Final report on each of the outcomes which includes:
	+ Executive summary
	+ Introduction
	+ Description of the evaluation methodology
	+ An analysis of the situation with regard to the outcome, the outputs and the partnership strategy;
	+ Key findings (including best practice and lessons learned)
	+ Strategies and recommendations for continued UNDP assistance towards the achievement of the outcome
	+ Conclusions and recommendations
	+ Annexes: TOR, field visits, people interviewed, documents reviewed, etc.

(See the *UNDP Guidelines for Outcome Evaluators* for a detailed guidance on the preparation of an outcome evaluation report).**VI) Methodology or evaluation approach**An overall guidance on outcome evaluation methodology can be found in the *UNDP Handbook on Monitoring and Evaluating for Results* and the *UNDP Guidelines for Outcome Evaluators*. The evaluators should study those two documents very carefully before they come up with the concrete methodology for the outcome evaluation.Specifically, during the outcome evaluation, the evaluators are expected to apply the following approaches for data collection and analysis: (i) desk review of existing documents and materials, (ii) interviews with partners and stakeholders (including what the partners have achieved with regard to the outcome and what strategies they have used, and (iii) briefing and debriefing sessions with UNDP and the government, as well as with other partners.Specifically, the consultant will perform the following tasks:* Evaluation preparation, e.g., design, approach, document review, focus of the Evaluation efforts (past or future orientation etc.);
* Realistic scoping of the Evaluation (e.g., format, contents, and length of the Evaluation report, level of details expected including the amount of quantitative data, roles and participation of key partners), within the available resources (time and financial budget etc.);
* Interviews with partners and stakeholders;
* Implementation of the Evaluation;
* Focusing on the institutional aspects, across the levels of institutions from policy to legislation, regulation, and organizations; assessing institutional capacity and incentives; and assessing complex situations in order to succinctly and clearly distill critical issues and draw forward looking conclusions;
* Final report writing to meet the objectives of the Evaluation TOR. Realistic scoping of the Evaluation (e.g., format, contents, and length of the Evaluation report, level of details expected including the amount of quantitative data, roles and participation of key partners), within the available resources (time and financial budget etc.);

**VII) Implementation arrangements, covering two Outcome Evaluations**To facilitate the outcome evaluation, UNDP Saudi Arabia will set up an Evaluation Focal Team (EFT), which will provide substantive support to the evaluation consultant and will help identify the key partners for interviews as well as providing the consultant with background materials. The EFT will review and comment on the draft evaluation reports submitted by the consultant. The EFT will consist of members of the Programme Team (which manages all programmes on daily basis) and UNDP Assistant Resident Representative in charge of Monitoring and Evaluation who will serve as chair of the EFT.A total of about 46 work days are required for the evaluation (paired with another), which are broken down as follows:

|  |  |
| --- | --- |
| **Activity, two Outcome Evaluations** | **Suggested timeframe and responsible party** |
| Briefing with UNDP Saudi Arabia | 0.5 day, by UNDP Evaluation Focal Team |
| Desk review of existing documents, develop Evaluation design (schedule, scope, methodology, forward-looking strategy, information and documents needed, their availability and alternatives, partners and agencies to meet); data collection | 10 days, by the Consultant |
| Interviews with partners | 6 days, by the Consultant |
| Debriefing with UNDP Saudi Arabia | 0.5 day, UNDP and the Consultant |
| Drafting of the evaluation reports and submission of 1st drafts | 15 days, by the Consultant  |
| Review First Drafts  | 2 days, by UNDP Evaluation Focal Team |
| Submission of Second drafts | 5 days, by the Consultant |
| Review Second Draft  | 2 days, by UNDP Evaluation Focal Team |
| Finalization of the evaluation reports | 5 days, by the Consultant |

**VIII) Selected documents to be studied by the evaluators**The following documents should be studied by the consultant:* UNDP Handbook on Monitoring and Evaluating for Results
* UNDP Guidelines for Outcome Evaluators.
* UNDP Results-Based Management: Technical Note
* UNDP Country Programme Document
* UNDP Project documents
* UNDP National Human Development Reports for KSA
* 8th and 9th (if published) National Development Plans
* Sample of previous outcome evaluations

Before the mission starts consultant is expected to read relevant documents sent by UNDP. The consultant will prepare a final report to cover the contents required by the Evaluation TOR and agreed to with UNDP during the specific design of the evaluation. The length of the final report is expected to be 20-25 pages, with any additional details needed to be supplied in supporting appendices/annexes.Based on the response to the above points and timely preparation of the final evaluation report, the performance of the consultant services will be certified by UNDP Saudi Arabia Office.**IX) Reporting to UNDP Country Office**The evaluation consultant will maintain in close contact with all the key and relevant partners and stakeholders and will report to UNDP Saudi Arabia Country Office. Although the consultant should feel free to discuss any relevant matters with the partners/stakeholders in relation to its assignment, it is not authorised to make any commitment on behalf of UNDP or the Government.**X) Payment Schedule**25% upon certification by UNDP of draft 1 of the reports25% upon certification by UNDP of draft 2 of the reports50% upon certification by UNDP of Final Report |

**3. REQUIREMENTS FOR EXPERIENCE AND QUALIFICATIONS**

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| I. Academic Qualifications:* Advanced university degree in a field of relevance to the present assignment**.**

II. Years of experience:* Minimum 5 years of relevant experience in the field of sustainable environment and energy development, sound knowledge about results-based management (especially results-oriented monitoring and evaluation). The Selected consultant will take the overall responsibility for the quality and timely submission of the evaluation report in English.
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**4. DOCUMENTS TO BE INCLUDED WHEN SUBMITTING THE PROPOSALS.**

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| Interested individual consultants must submit the following documents/information to demonstrate their qualifications:1. Proposal:(i) Explaining why they are the most suitable for the work.(ii) Provide a brief methodology on how they will approach and conduct the work.2**.** Financial proposal3. Personal CV including past experience in similar projects and at least 3 references. |

**5. FINANCIAL PROPOSAL**

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| * **Lump sum contracts**

The financial proposal shall specify a total lump sum amount, and payment terms around specific and measurable (qualitative and quantitative) deliverables (i.e. whether payments fall in installments or upon completion of the entire contract). Payments are based upon output, i.e. upon delivery of the services specified in the TOR. In order to assist the requesting unit in the comparison of financial proposals, the financial proposal will include a breakdown of this lump sum amount (including travel, per diems, and number of anticipated working days).**Travel;**All envisaged travel costs must be included in the financial proposal. (Travel within Saudi Arabia). |

**6. EVALUATION**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Individual consultants will be evaluated based on the following methodologies:*1. Lowest price and technically compliant offer**When using this method, the award of a contract should be made to the individual consultant whose offer has been evaluated and determined as both:**a) responsive/compliant/acceptable, and**b) offering the lowest price/cost**“responsive/compliant/acceptable” can be defined as fully meeting the TOR provided.* *2. Cumulative analysis* *When using this weighted scoring method, the award of the contract should be made to the individual consultant whose offer has been evaluated and determined as:**a) responsive/compliant/acceptable, and**b) Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation.* *\* Technical Criteria weight; [70%]**\* Financial Criteria weight; [30%]*

|  |  |  |
| --- | --- | --- |
| ***Criteria*** | ***Weight***  | ***Max. Point*** |
| *Technical* |  |  |
| * *Criteria A*
 |  |  |
| * *Criteria B*
 |  |  |
| * *Criteria C*
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| * *Criteria […]*
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| *Financial* |  |  |

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# Annex 4. Persons met

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|  | Institution | Persons met |
| Mission hosted by: | UNDP | Dr. Riyad Musa, *Resident Representative* Kishan Khoday, *Deputy Resident Representative* Mayssam Tamim, *Assistant Resident Representative* Yassin Yassin, *Senior Programme Associate*Sarah Al-Shoura, *Programme Associate*Haifa Al-Mogrin, *Programme Associate* |
| Selected mission key informants  | SAGIA  | Dr. Salah Al –Bukhyyet*Vice President for Investment* |
| Tourism (SCTA) | Dr. Abdullah Al Weshail, *General Director**National Project for Tour*ism H*R Development Center*and senior staff |

# Annex 5. Selected documents reviewed

## Government Plans

7th Five-year Development Plan

8th Five-year Development Plan (2005–2009)

9th Five-year Development Plan (2009-2014)

The Long Term Strategy (LTS) and VISION 2025 (2005)

## UNDP programme materials

(Note: See References section for full citations)

Country Programme Document (CPD) 2007 – 2011

Country Programme Action Plan (CPAP) 2008

Country programme performance summary (CPPS) January 2011

All available project documents for listed outputs, covering projects with Ministry of Commerce and Industry, and with agencies and commissions: SCTA and SAGIA.

# Annex 6. Biography of the Evaluator

Patricia Alexander is an Independent Consultant, specialising in evaluation, macroeconomics, gender, and large-scale sample surveys and population censuses. She has served as Regional Adviser on Poverty Statistics for the UN Economic and Social Commission for Asia-Pacific (UNESCAP); Regional Programme Coordinator for the Gender Programme, UNDP Asia-Pacific Regional Centre; and Regional Adviser for Economic Security and Rights, UNIFEM. She was Country Economist for the Asian Development Bank.

Ms Alexander has successfully provided consulting and technical advisory services in more than thirty countries in the Middle East, Africa, Central Asia and Asia-Pacific, Eastern Europe and Latin America. She holds an MA in Economics from McGill University (Canada); she did post-graduate work at the University of Manchester, School of Economics and the Centre for Census and Survey Research (U.K.). She also did post-graduate research at the People’s University of China, Beijing.

# Annex 7: United Nations Evaluation Group Code of Conduct for Evaluation in the UN System

**Evaluation Consultants Agreement Form**

To be signed by all consultants as individuals (not by or on behalf of a consultancy company) before a contract can be issued.

**Agreement to abide by the Code of Conduct for Evaluation in the UN System**

**Name of Consultant: Patricia Alexander**

**Name of Consultancy Organisation** (where relevant)**:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**I confirm that I have received and understood and will abide by the United Nations Code of Conduct for Evaluation.**

Signed at Yangon, Myanmar on 21 May 2012



Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**UNEG Code of Conduct (2008)**

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1. WB. World Development Indicators, see References [↑](#footnote-ref-1)
2. The ninth plan was prepared by government during the course of the CP activities, and the CPD took the updated needs of the new plan into account in its review and final years. [↑](#footnote-ref-2)
3. See p. 2 for current indicators. [↑](#footnote-ref-3)
4. In the Terms of Reference for the Outcome Evaluation, the Outcome 2 Indicators are stated as: (1) Increased foreign direct investment in KSA by 10 [%], and (2) Increased number of tourists in KSA by 15%. This Outcome Evaluation report uses the 15% and 15% indicators drawn from the CPAP (2008). [↑](#footnote-ref-4)
5. Note that these are growth rates, not levels of growth; that is, while the number is positive, the economy or the sector is growing. The downturn in the graph shows that the sector or economy is growing at a slower rate, but is still growing. Negative values show that the sector is not growing, but is in fact shrinking – experiencing so-called negative growth – as the oil sector did in 2006, 2007 and 2009. [↑](#footnote-ref-5)
6. Saudi Arabia MEP, see References [↑](#footnote-ref-6)
7. ‘Nitaqat’ came into effect on September 2011. Saudi firms have been color coded to four categories - Red, Yellow and Green, and Blue/VIP. Firms labeled ‘Red’ will not be able to renew their expat workers' visas and had until end November 2011 to improve their status by hiring more Saudi people. ‘Yellow’ firms have until end February 2012 to improve their status and will not be allowed to extend their existing foreign employees' work visas beyond 6 years. ‘Green’ or ‘Excellent’ firms with high Saudization rates will be allowed to offer jobs to foreign workers that are employed by firms in the Red and Yellow categories and transfer their visas. And firms in the highest ‘VIP’ category will enjoy the ability to hire workers from any part of the world using a web-based system with minimal clearance. (Hasan and Ahmed 2012 [↑](#footnote-ref-7)
8. International Monetary Fund, World Economic Outlook Database, September 2011. <http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/weorept.aspx?sy=2006&ey=2011&scsm=1&ssd=1&sort=country&ds=.&br=1&c=456&s=BCA&grp=0&a=&pr1.x=55&pr1.y=9#download> [↑](#footnote-ref-8)
9. Foreign direct investments (FDI) are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments... Negative values of FDI net inflows for a particular year show that the value of disinvestment by foreign investors was more than the value of [inflowing] capital newly invested in the reporting economy. Negative values of FDI net outflows [as in 2005-2007] show that the value of direct investment made by domestic investors to external economies was less than the value of repatriated (disinvested) direct investment from external economies. The FDI net inflow data for developing countries come from records in the World Bank’s Debtor Reporting System (DRS), while data for high-income countries come from the IMF's Balance of Payments (BoP) database. FDI net outflow data come from the IMF's BoP database (from WB 2012). [↑](#footnote-ref-9)
10. SA tourism statistics distinguish “international (inbound) tourism” and “domestic tourism”. The data shown here, for “international tourism”, include “tourist trips” from abroad, and exclude “day trips”, from abroad. [↑](#footnote-ref-10)
11. A tourist “trip” refers to a person arrival, for however long a period in excess of one day (i.e. including at least one night’s accommodation). [↑](#footnote-ref-11)
12. Sources used are MAS (Tourism Information and Research Centre, Tourism Statistics Data Base – TSDB), and the publication Tourism Statistics (2010 available for this report) which consolidates annual data. See, for example, <http://tsdb.mas.gov.sa/> for TSDB, and the annual publication. The database provides reports to 2007; however, Haj arrivals are not shown for 2007. The 2011 data were drawn from the monthly Saudi Tourism Outlook (see references). [↑](#footnote-ref-12)
13. The meeting was the 4th Global Competitiveness Forum, 2010. The Forum is referred to again in section 5.1 [↑](#footnote-ref-13)
14. CDSI Central Department of Statistics and Information, GDP by economic activity sector, see references. [↑](#footnote-ref-14)
15. However, as the impact of the rising price of oil percolated through the economy, inflation in 2008 reached 9.9 percent. When prices sank in 2009, inflation abated somewhat, to 5.1 percent. [↑](#footnote-ref-15)
16. CDSI Central Department of Statistics and Information, GDP by sectors, see references. [↑](#footnote-ref-16)
17. At the time of start-up of the umbrella programme, barely 10 percent of jobs in Mecca and Medina, the two cities accounting for more than half of tourist arrivals and revenues, where held by Saudis (Sadi and Henderson 2005) [↑](#footnote-ref-17)
18. Under the Country Cooperation Framework 2001-2005, the project Technical Assistance to Saudi Arabia to Gain WTO Accession [↑](#footnote-ref-18)
19. [A]lthough one could argue that even outputs are achieved with the help of at least one partner, UNDP should feel confident that it has a high degree of control over the achievement or non-achievement of the output [↑](#footnote-ref-19)
20. World Development Indicators <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD> [↑](#footnote-ref-20)