

STATE OF KUWAIT



WORLD BANK COUNTRY ENGAGEMENT FRAMEWORK

2021 - 2025



WORLD BANK GROUP



COUNTRY ENGAGEMENT FRAMEWORK FOR THE **STATE OF KUWAIT**

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Minister of State for Economic Affairs and Investments
No. (37) for the year 2021

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Middle East and North Africa Region

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“ Kuwait has all the necessary components to achieve a high level of economic development, starting with the talented and creative national workforce, and ending with its strategic location. The fourth and fifth development plans aim to make effective use of these factors for achieving long-term well-being for Kuwait. ”

H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah



“ Transforming Kuwait into a financial and trade centre, attractive to investors, where the private sector leads the economy, creating competition and promoting production efficiency, under the umbrella of enabling government institutions, which accentuates values, safeguards social identity, and achieves human resource development as well as balanced development, providing adequate infrastructure. ”

KUWAIT VISION 2035 “NEW KUWAIT”

Abbreviations

BDC	Business Development Bank of Canada
CAPT	Central Agency for Public Tenders
CEF	Country Engagement Framework
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GRF	General Reserve Fund
GS-SCPD	General Secretariat of the Supreme Council for Planning and Development
IBK	Industrial Bank of Kuwait
IFC	International Finance Corporation
KDIPA	Kuwait Direct Investment Promotion Authority
KEPA	Kuwait Environment Public Authority
KNDP	Kuwait National Development Plan
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MESA	Measurement and Evaluation of Student Achievement
MNA	Middle East and North Africa
MOE	Ministry of Education
MOF	Ministry of Finance
NCED	National Center for Education Development
PSC	Program Steering Committee
SME	Small and Medium-sized Enterprise
SSN	Social Safety Net
STEM	Science, Technology, Engineering, and Mathematics
TIMSS	Trends in International Mathematics and Science Study
UN	United Nations

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Executive Summary

The Government of Kuwait and the World Bank have a longstanding partnership built around an increasingly strategic Advisory Services Program that started in the early 1960s. One of the first reports delivered in 1961 focused on the state of the Kuwaiti Economy. The opening of the World Bank's Country Office in 2009 expanded the program with the aim of improving socio-economic conditions, including human development, private sector development and governance.

The Government has defined a clear path for sustainable growth with the Vision 2035/ New Kuwait that is aimed at transforming the country into a financial and commercial hub for the region by 2035. The seven pillars of the Vision will be realized through the Third Kuwait National Development Plan (KNDP-3) 2020-2025 and subsequent national development plans.

The Government seeks to continue the strong partnership with the World Bank in implementing KNDP-3. The World Bank provides value as a generator and connector of development knowledge, through its ability to build the capacity of ministries and agencies, through its convening power, and through its principles of cooperation and partnership.

The partnership between the World Bank and Kuwait is anchored in a selective and knowledge-focused program. This program is intended to provide the country with cutting-edge knowledge on best practices for development in areas in which the World Bank has a clear—and at times, unique—comparative advantage.²

Building on achievements and lessons learned from the previous Advisory Services Program, the World Bank and the Government of Kuwait agreed to a Country Engagement Framework (CEF) for 2021-2025 with the following thematic pillars:

COUNTRY ENGAGEMENT FRAMEWORK 2021-2025 STRATEGIC PILLARS



Enabling the private sector to become the engine of growth and job creation in a diversified economy



Investing in human capital as a key factor in wealth formation



Enhancing governance and improving the effectiveness of public administration and service delivery



Promoting sustainable infrastructure and a healthy living environment

The main principle guiding this partnership consists of a demand-driven, results-focused and highly-selective program that will support the development agenda of the Government and contribute to country outcomes. It will conform to the mandate of the World Bank in fighting poverty and promoting shared prosperity in member countries across the social and economic spectrum.

The CEF is also guided by a Gender Engagement Framework that will support a crosscutting approach to enhancing women's economic opportunities, and promote an enabling environment for their employment, entrepreneurship, and leadership.

1- The State of Kuwait is a high-income non-borrowing member of the World Bank Group. While Reimbursable Advisory Services are demand-driven and reimbursed to the World Bank by the member government, the mandate of the World Bank remains the same as in lending operations.
2- The WBG's comparative advantage rests in its ability to integrate local and global knowledge on development acquired in 75 years of work.



INTRODUCTION



Country Context

Kuwait has achieved one of the highest levels of per capita income in the world through the successful development of its oil resources since the 1940s. With crude oil production capacity of around 3 million barrels per day, the country, along with Saudi Arabia and the UAE, has been part of the core group of steady OPEC producers in recent years.

Similar to other GCC countries, a fairly stable set of policies toward the oil sector coupled with macroeconomic stability has enabled a high standard of living for Kuwaiti nationals. The large foreign worker population generates billions of dollars annually in remittances to other Arab countries and to countries in South and East Asia.

Kuwait also served as an early leader for other GCC countries during the 1960s and 1970s. Since then, it has trailed its neighbors in pushing ahead with a modernization policy and institutional reforms.

The prevailing social contract assuring near-guaranteed employment for all Kuwaiti nationals has implications for public sector effectiveness, fiscal sustainability, and private sector growth. It hinders the development of a vibrant non-oil private sector and deters Kuwaiti nationals from pursuing academic achievements due to entitlements to public sector jobs, irrespective of their education level.

Private sector development and job creation has been modest. Despite recent improvements in its ranking, Kuwait ranks 83rd out of 190 economies in the World Bank 2020 Doing Business Report—the lowest among its GCC peers—which reflects the existence of bureaucratic hindrances and a suboptimal business environment.

Comprehensive reforms need to focus on innovation, private sector entrepreneurship and job creation, and improving the quality of the country's labor force.

Although performance in 2020 has suffered from the twin shock of the Corona pandemic and lower oil prices, growth in Kuwait has started to decline since 2014. The inevitable increase in the fiscal deficit is due to lower oil revenues and increased spending, and the financing needs of the Future Generations Fund, which has exacerbated pressure on financial reserves.

Longer term challenges relate to the economy's heavy dependence on oil. Notwithstanding Kuwait's large oil reserves, the global shift to cleaner energy threatens economic and fiscal sustainability over the long term.

Investments in human and physical capital are needed to build "above the ground wealth". However oil rents have been channeled into an expanding social contract. In turn, this policy tilts infrastructure investment toward meeting the continually growing demand which is driven by subsidies and labor market distortions, depressing the long-term productivity potential of the economy.

The slowdown in global growth could weigh on energy prices and widen fiscal imbalances. Lower oil proceeds in recent years have depleted liquidity buffers; additional drawdowns from the General Reserve Fund (GRF) could erode these further. To mitigate these trends, and to secure fiscal sustainability, the government will need to persevere with fiscal consolidation, expenditure rationalization, and revenue mobilization reforms over the medium term.

Rationale for Partnership

This CEF for 2021-2025 builds on the achievements and lessons learned from earlier advisory services programs. It was developed in partnership with the Government, and in clear alignment with Vision 2035/New Kuwait and KNDP-3 2020-2025, which translates the Vision into actionable programs.

The CEF is aimed at consolidating the strategic nature of the World Bank's engagement in Kuwait and further deepening the impact on Kuwait's development and reform plans.

Coinciding with the preparation of the new KNDP, this CEF aligned with the KNDP to leverage the World Bank's knowledge and policy advice in supporting socio-economic development. It focuses on areas that are key priorities for the government where the World Bank provides clear added value.

The World Bank's knowledge-ecosystem is uniquely positioned and well-equipped to support member countries like Kuwait in addressing new and complex development challenges. This ecosystem is grounded in the institution's operational experience in developing and financing programs in a multitude of social and economic sectors in more than 160 countries.

With this unique global perspective, the World Bank is the producer, customizer, and connector of development knowledge shared as a public good.

For members in the high income spectrum, World Bank knowledge—not capital—is an investment that drives their financing of development activities and contributes to country outcomes.

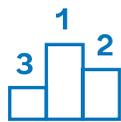
Learning from high-income members like Kuwait informs the World Bank's dialogue and its work with other members, supports the development of new public goods, and strengthens its role as a global connector of development knowledge.

Reimbursable Advisory Services are tailored to the local context and consist of strategic and policy advice, implementation support, and capacity-building.

ADVISORY SERVICES ARE A VEHICLE FOR:



Promoting innovative and global knowledge-based solutions



Leveraging best practices and cutting-edge solutions offered by advanced countries



Developing and deploying diverse sources of knowledge across countries of various income levels

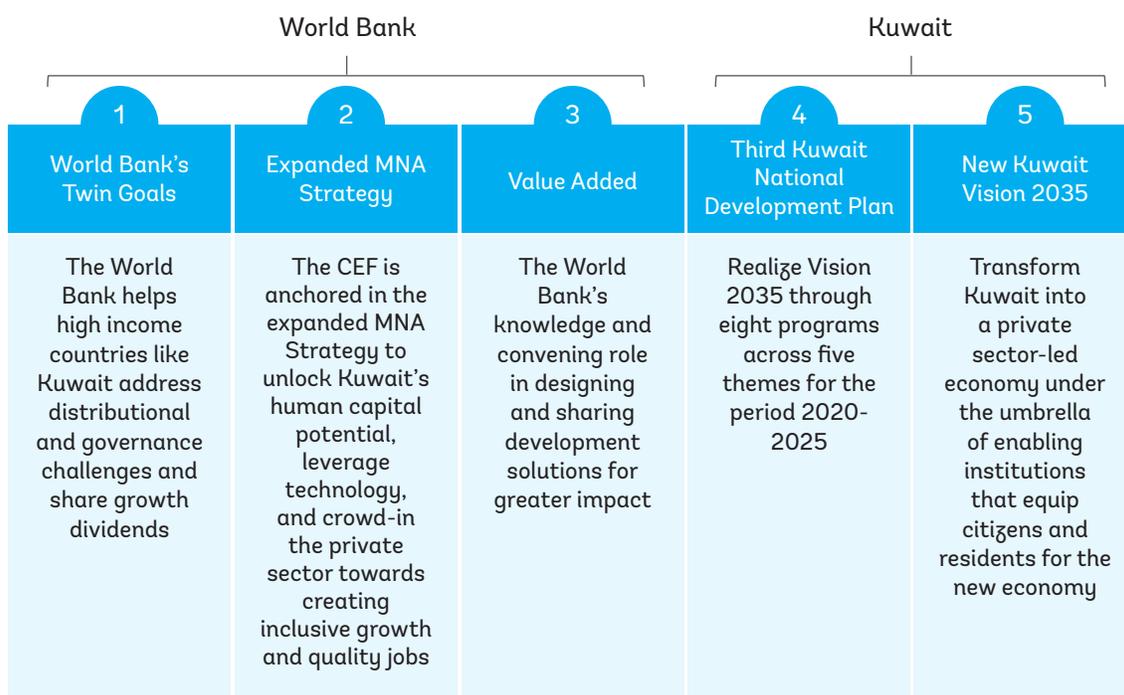


Strengthening the decision-making capacity of key ministries and agencies

Strategic Alignment: World Bank Priorities

The World Bank and the Government of Kuwait learned significant lessons from the existing Country Strategy through the 2019 review of the program. These lessons prompted both parties to agree on a new—and more results-oriented—engagement framework.

The World Bank has articulated its value proposition as a generator and connector of development knowledge, through its ability to build the capacity of ministries and agencies.



Engaging in Kuwait is also critical for realizing the expanded MNA Strategy and strengthening the World Bank's development knowledge for greater impact.

- 

Kuwait's economic growth is an engine of employment for labor exporting countries in MNA and South Asia, and contributes to the overall growth of the MNA region
- 

Kuwait finances regional and global development through the Kuwait Fund and other bilateral and multilateral financing mechanisms
- 

Lessons learned from Kuwait are highly relevant to middle-income countries in MNA and other regions which face similar development challenges
- 

Advisory support for high-income countries like Kuwait enhances the World Bank's learning from development issues, and strengthens its role as a global connector of development
- 

Advisory engagements in Kuwait pursue innovative and integrated solutions that leverage cutting-edge global knowledge and best practices across all sectoral areas
- 

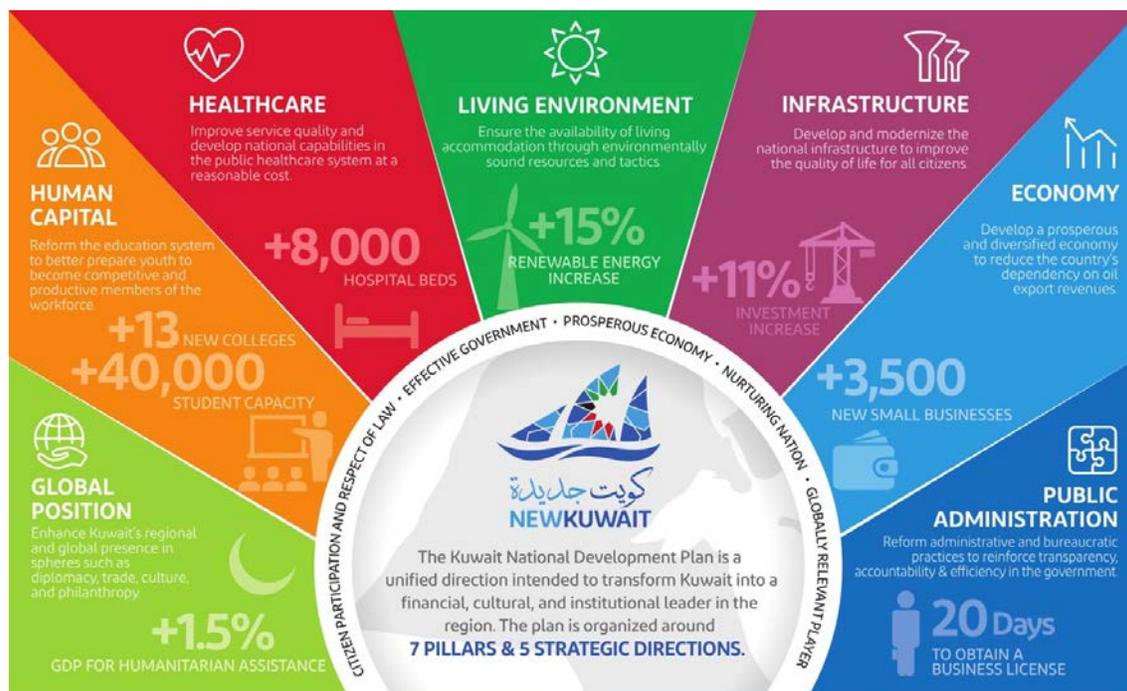
Kuwaitis view the World Bank as a professional, impartial and reliable organization engaged in long-term, strategic partnership with government and society

Strategic Alignment: Vision 2035/ New Kuwait

FUTURE DIRECTIONS – ALIGNING WITH VISION 2035/NEW KUWAIT

Vision 2035/New Kuwait aims to transform Kuwait into a financial and commercial hub for the region by the year 2035. There are seven pillars across Vision 2035.

Kuwait aims to achieve a ranking in the top 35 percent on KPIs across the seven pillars. To achieve Vision 2035/New Kuwait, government entities will serve as enablers for Kuwait's economy.



New Kuwait Vision 2035 is realized through five-year national plans. Each Kuwait National Development Plan (KNDP) is focused on a key overarching theme.

- The First KNDP focused on legislative activities (2010-2015)
- The Second focused on infrastructure (2015-2020)
- The Third KNDP will focus on private sector engagement (2020-2025) and is the focus of this CEF.
- The Fourth will focus on the knowledge economy (2025-2030)
- The Fifth KNDP will focus on transitioning toward smart Kuwait (2030-2035)

Strategic Alignment: KNDP-3

There are eight key programs of the Third Kuwait National Development Plan (2020-2025) across the following five themes:

- Northern Economic Zone
- Knowledge Economy
- Enabling Government
- Sustainable Prosperity
- Empowered Capable Citizen

The eight programs, which will be key drivers to achieve 28 outcomes for Kuwait, will address several pillars.

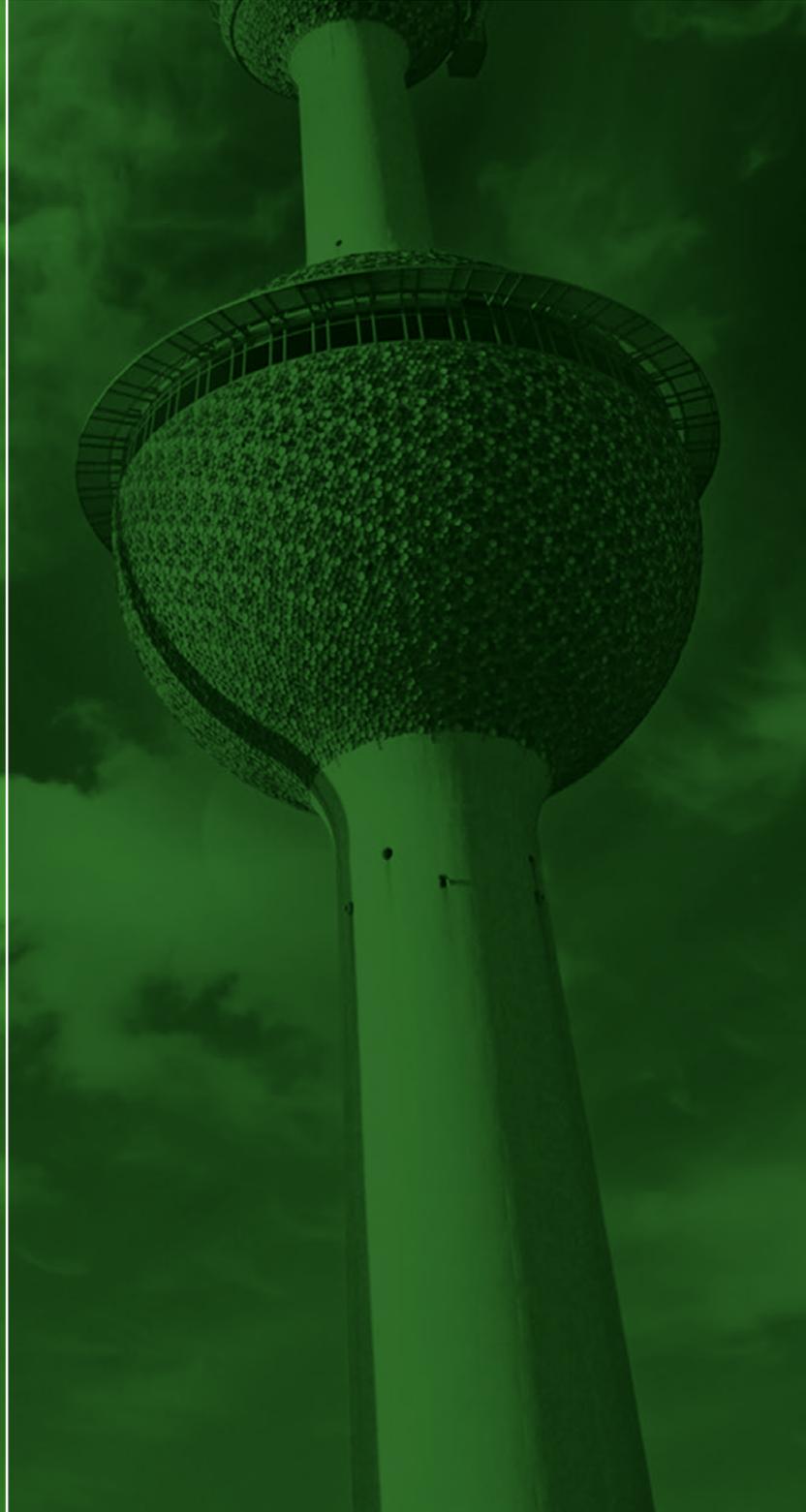
MAIN PROGRAMS OF THE THIRD KUWAIT NATIONAL DEVELOPMENT PLAN

Theme	Program	New Kuwait Pillar
Northern Economic Zone	1 Build an International Economic Zone	      
Sustainable Prosperity	2 The public privatization program	      
Knowledge Economy	3 Foster a dynamic private sector	      
	4 Equip the people with the skills and incentives for future growth	      
Enabling Government	5 Develop a transparent and synergistic government	      
	6 Build an integrated infrastructure	      
Sustainable Prosperity	7 Build a livable and harmonious environment	      
Civic Centric	8 Improve health and wellbeing	      
	9 Contribute to the global community	      

KNDP-3 is also informed by the Sustainable Development Goals which is the UN 2030 Agenda for Sustainable Development.



HISTORY OF WORLD BANK ENGAGEMENT IN KUWAIT



History of World Bank-Kuwait Country Strategies

PROGRAM OVERVIEW

The three previous World Bank-Kuwait country strategies and engagement frameworks emphasized priority areas in the form of pillars, included in the figure below.

2006-2009

- Improving economic effectiveness and sustainability through prudent financial management, upgrades to the hydrocarbon sector, and diversification
- Increasing social sustainability in the areas of health care, education, social safety nets, and labor markets

2010-2015

- Enhancing Public Sector Performance
- Promoting Private Sector Development
- Supporting Human Development

2016-2020

- Improving Public Sector Performance and Citizen Accountability
- Strengthening Private Sector Development Toward Greater Economic Diversification
- Enhancing Human Development for Sustainable Growth
- Promoting Infrastructure Development and Urban Management

Lessons Learned

A review conducted for the most recent advisory services program identified several lessons to enhance the cooperation between the World Bank and the State of Kuwait.



Strategic Alignment, Relevance, and Design

- Adapt advisory services to align with changing local and regional strategic priorities
- Consider absorptive capacity of the client when designing new advisory services
- Clearly delineate roles and responsibilities of counterparts and the World Bank



Effectiveness

- Engage in better consultative processes to improve effectiveness of advisory services
- Strategic M&E systems at entry to better capture progress and performance issues
- Deliverables should be user-friendly, implementable, and tailored to local conditions
- Better World Bank coordination of staff, consultants, and activities



Engagement and Ownership

- Sustainability risk when advisory services are anchored to an individual reform "champion"
- Lack of stakeholder buy-in led to counterparts not utilizing many deliverables

Program Achievements: Institution Building

The program has provided implementation support in several sectors which has benefitted several line ministries and agencies. This section highlights selected achievements since 2009 focused on institution-building.



Solid Waste Management

Institutional aspects of solid waste management from international experience



Ministry of Social Affairs and Labor Social Safety Net (SSN) System

Strategic outlook for Kuwait's Social Safety Net System and Suggested Reforms for an integrated, efficient, and equitable SSN



Modernization of Land Management

Completed the National Registry of State Land. Developed detailed mapping and analysis of selected land administration processes to establish the Public Land and Real Estate Authority and a National Land Policy



Doing Business

Online Portal Licensing for Construction Permits; establishment of the Kuwait Business Center Online portal for customs clearance; and other reforms to enable a friendly business environment



Labor Market Information System

Conducted Kuwait Labor Force Survey; Kuwait Labor Market Integrated Database from 6 government partners, and labor market assessment including the development of a Kuwait Occupational Projection System



Civil Service Commission

Assessment of the civil service compensation and employment system



Competition Protection Authority Institutional Strengthening

Designed institutional strategy to support the creation and growth of the CPA, and developed instruments to enable the CPA to effectively tackle anticompetitive practices



The Kuwait National Fund for SMEs

Built the organizational framework for the Authority and supported the Operational set-up and IT architecture



Kuwait Anticorruption Authority Set-up

Built the administrative and organizational framework of the Authority, and set-up the basis of the asset and income disclosure system

Program Achievements: Human Capital

The following is a list of notable human capital achievements since 2009.



Effective School Leadership

Implemented the School Management and Leadership Program in 370 primary, intermediate, and secondary schools; Trained more than 10,000 professionals in the use of the School Improvement Framework (SIF)



Competition Protection Agency Capacity Development

Delivery of a multi-faceted capacity-building program for the CPA staff and Board of Directors



MOE, NCED, and Schools Capacity Development

More than 20,000 professionals took part in a wide range of professional learning and training activities to enhance MOE's Capacity



Industrial Bank of Kuwait

Study tour to the International Finance Corporation (IFC) and Business Development Bank of Canada (BDC). Developed a policy paper and road map for reforms for IBK's management



Education Curriculum Reform

New and modern curriculum based on international standards was developed and introduced to grades 1-4 and grades 6-8



State Audit Bureau

Supported the State Audit Bureau to strengthen its capacities of performing quality control and assurance, adopting a risk-based audit approach, and institutional performance measurement



SME Capacity Development

Provided an integrated SME capacity development program that included training to more than 1,000 Kuwaitis, and organized 8 entrepreneurship development events attended by more than 500 entrepreneurs

Program Achievements: Legislation

The following is a list of proposed legislative reforms since 2009.



Draft Model Law for Integrated Waste Management

Reform of the solid waste management sector



Amendments to the Companies Law

Elimination of minimum capital requirement, and support. Ease of Doing Business requirements



Law for the National Land Authority

A new draft legal framework underpinning the National Land Authority



Rehabilitation and Liquidation Law and Out-of-Court workouts

With stakeholder engagement, public consultation and dialogue, supported the development of new draft laws



Competition Law for Kuwait

Aligned with international best practices and adapted to the needs of the Kuwait markets and regulatory framework



Anti-Corruption Executive Regulations

Developed the Executive Regulations of Law NP. 24, vision, and corporate strategy



Procurement Law

Developed the Public Procurement System to maximize the contribution of public procurement to achieve Vision 2035 pillars



Tax Administration/Modernization

Fiscal reform policies to increase revenues, including capacity-building activities and training, strategic advice, and process enhancements



Project Cycle Law

Developed a draft law to improve the efficiency of capital project implementation



COUNTRY ENGAGEMENT FRAMEWORK



Country Engagement Framework 2021-2025

The CEF strives to align the engagement program portfolio in Kuwait with the broad objectives of Vision 2035 and the seven pillars of New Kuwait.

World Bank support for Vision 2035 would focus on thematic pillars, which reflect the main issues and challenges identified through analysis and stakeholder consultations.

ALIGNED WITH VISION 2035/NEW KUWAIT, AND BUILDING ON CONSULTATIONS, THE CEF WILL:

- Build on existing collaborations to generate analytical work in support of policy formulation.
- Use convening power for joint advocacy, sharing global best practices, and promoting evidence-based learning and capacity building.
- Propose specific results-focused actions within the relevant domains of the government pillars, to further enhance the economic empowerment of women through existing and pipeline engagements.

ENABLING BROAD POLICY DIRECTIONS

Key Economic Challenges

- Excessive reliance on oil for growth and jobs
- Underperforming public sector fueled by government 'employment' entitlement
- Large spending on subsidies and transfers

- Limited non-oil private sector activity and number of nationals in private sector
- Quality gaps in education outcomes and skills and diminished Human Capital
- Inadequate infrastructure

Broad Policy Directions



Proposed Policy Directions and Challenges

WHAT IS NEW IN THE COUNTRY ENGAGEMENT FRAMEWORK 2021-2025?



Building on past achievements and incorporate lessons learned



Aligning closely with New Kuwait Vision 2035 and the Third Kuwait National Development Plan (KNDP-3) 2020-2025



Exploring new financing and operational modalities to ensure more client responsiveness and higher quality advice



Pursuing strategic multi-year programmatic engagements for greater impact



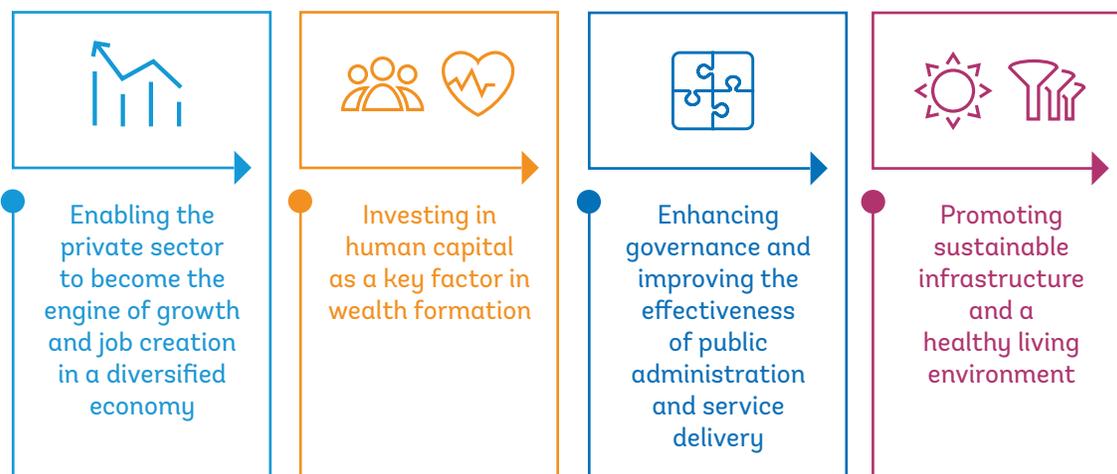
Applying “Selectivity” criteria to all new engagements



Developing a more results-focused strategic partnership by adopting a Results Based Approach

Strategic Pillars of the Country Engagement Framework 2021-2025

The following sections reflects the main issues and challenges emerging from the analysis conducted for the CEF.



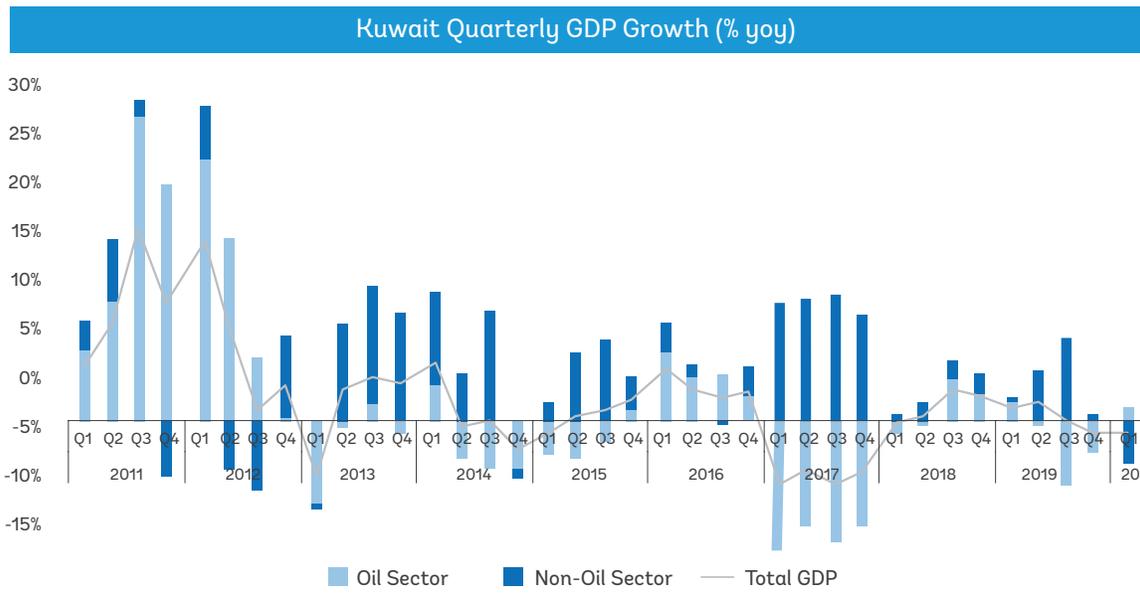


Private Sector

MACROECONOMIC OUTLOOK, RISKS, AND LONG-TERM CHALLENGES

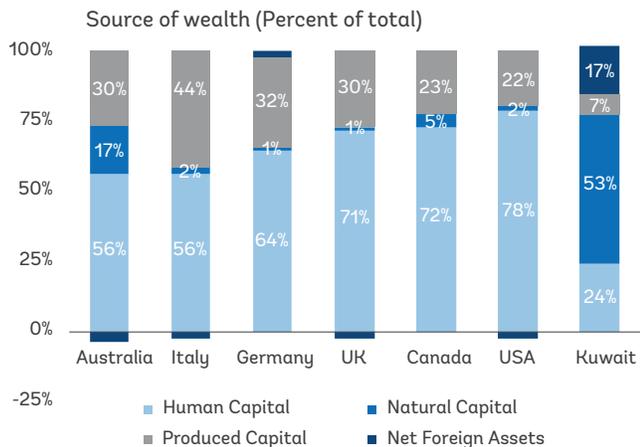
- Kuwait enjoys high living standards: one of the highest levels of per capita income globally.
- The non-oil sector remains heavily dependent on consumer spending since most consumption spending originates from households whose members are employed in public sector and the private sector is dependent on government spending.
- There has been modest private sector development and job creation in recent years.
- The non-oil sector lacks the stimulus of capital spending: the private sector refrains from investing in the absence of complementary public sector investment and reforms.
- Kuwait is one of the top 10 most improved economies in the World Bank's Ease of Doing Business report, rising from 97th in 2019 to 83rd in 2020.

KUWAIT LAGS HIGH-INCOME COUNTRIES IN HUMAN CAPITAL WEALTH, BUT CONTINUES TO ENJOY STRONG FISCAL BUFFERS



Source: Kuwait Quarterly GDP Growth: Source: Central Statistical Bureau of Kuwait

The 2014 global oil shock resulted in weak economic growth in Kuwait that has not been sufficient for job creation.



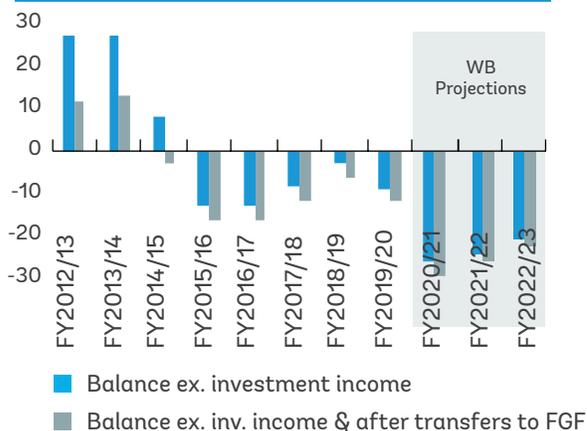
Source: Wealth Graph: Source: World Bank (2018), The Changing Wealth of Nations: Building a Sustainable Future

MACROECONOMIC OUTLOOK, RISKS, AND LONG-TERM CHALLENGES

Financing needs are expected to remain significant, further depleting fiscal buffers

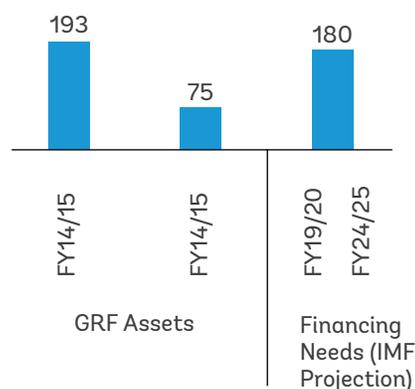
Deficits and financing needs remain large in Kuwait, because oil prices have only partially recovered from the 2014 shock and spending has only partially adjusted. As a result, fiscal buffers—notably the General Reserve Fund (GRF)—are being depleted fairly rapidly. Given the limitation on raising debt (and given projected deficits), GRF liquid assets could be depleted within two to three years. Large and persistent deficits are the result of previous pro-cyclical fiscal policy, and high levels of systemic inertia in public spending.

Deficits as % of GDP



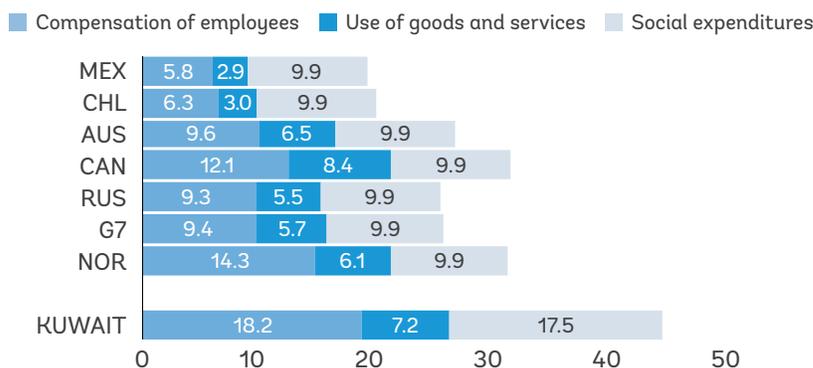
Source: Ministry of Finance of Kuwait; World Bank estimates

GRF Assets and Fiscal Financing Needs (US\$bn)



Source: GRF Assets and Fiscal Financing Needs: Source: IMF, Kuwait: Article IV Consultations

Spending on wages, subsidies, and transfers (% of total spending)



Sources: IMF, Government Finance Statistics; Haver

Notes: *WB estimates for Kuwait for 2016-2018. Social expenditure includes benefits, grants and subsidies. All others: average for 2014-2016

Oil revenues have been channeled toward public sector jobs, generous benefits and subsidies.

The government subsidizes almost all jobs held by Kuwaiti nationals

PRIORITY AREAS TO CONSIDER

- **Economic and Export Diversification:** Private sector Growth Assessment
- **Asset Diversification:** Systematic and regular Public Expenditure Reviews
- **Strengthen Fiscal Management:** Adopt medium-term fiscal framework and consider additional fiscal rules
- **Reduce Disincentives to Long-term Structural Transformation:** Systematic and regular Public Expenditure Reviews

Human Capital

- Sound investments in human capital by the country are evident in the design of Vision 2035/New Kuwait with three pillars contributing to: creative human capital, quality of healthcare, and sustainable living environment.
- Kuwait, an early adopter of the World Bank’s Human Capital Project, ranks 77 out of 157 countries, which is low compared to countries of equal income level.
- Children born in Kuwait will be 56% as productive when they grow up as they could have been, if they had enjoyed complete education and full health.
- There is an urgent need to invest in equitable human capital formation in Kuwait.

HUMAN CAPITAL INDEX

Three components reflect the building blocks of the next generation’s human capital:



Survival

Will children born today survive to school age?



School

How much school will they complete and how much will they learn?



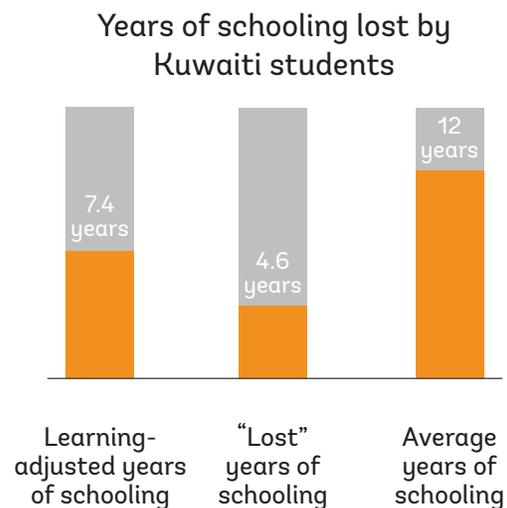
Health

Will they leave school in good health, ready for further learning and/or work?

KUWAITIS LOSE MANY YEARS OF PRODUCTIVITY AND POTENTIAL THROUGHOUT THEIR LIVES

Education

- Kuwait’s preprimary enrollment rate (62% among 3-5 year olds) lags high-income countries (83% average)
- By age 10, more than half of Kuwaiti children cannot read and understand a short, age-appropriate text.
- Curriculum reform is an opportunity to modernize teaching practices and emphasize higher-level cognitive skills rather than memorization.
- A highly effective and qualified teaching workforce must be developed to complement ongoing education reforms.



Source: World Bank, Human Capital Project

Labor Market

There is weak alignment between graduates' profiles and labor market needs. A large share of students pursue social science and humanities degrees, with the objective of public sector employment, rather than STEM degrees in line with the demands of the knowledge economy and the government's diversification agenda.

The generous social protection system lacks strategic focus. Subsidies accrue to households in the top two quintiles (the richest), which do not need the subsidies; benefits are not tied to job search or work; and pensions incentivize an early exit from the labor market.

Health

Adult mortality and morbidity remain relatively high considering Kuwait's high-income level, despite recent improvements in health status. For every 100,000 people in Kuwait, 16.8 years are lost to ill health, disability, or early death.

As in other GCC countries, noncommunicable diseases (NCDs) today are the leading cause of death and disability adjusted life years in Kuwait, accounting for 76.5% of deaths and 79.34% of Disability Adjusted Life Years (DALYs) respectively.

DESPITE PROGRESS, LABOR MARKET OUTCOMES AND LEADERSHIP ROLES FOR WOMEN ARE LAGGING

- Few women work: Female labor force participation is 31% (48% among men).
- Unemployment is higher among women than men (7% compared to 6%), female youth unemployment in particular is 37%.
- Occupational segregation has led to women mostly working in education & health.
- Few women are in leadership and senior management positions: 15% in government agencies; less than 20% in the private sector.
- Kuwait has a larger share of legal restrictions for women's access to work compared to the average of high income countries.
- Social norms affect women's access to economic activity: A fifth of women identify childcare and household responsibility as a main reason for not working. Perception data shows that three out of four men and more than half of women believe childcare is a woman's responsibility.
- Boys lag behind in learning outcomes—girls score higher in standardized tests (4th and 8th grades TIMSS).

PRIORITY AREAS TO CONSIDER

- **Social Protection and Jobs:** National Jobs Strategy Support; Realignment and Modernization
- **Education:** Early Childhood Education; Implementing the MESA Tool; Initial Teacher Education; and Higher Education
- **Health:** Non-Communicable Diseases; Expenditure Effectiveness; and Optimizing Health Services



Governance

ENHANCING GOVERNANCE AND IMPROVING EFFECTIVENESS OF PUBLIC ADMINISTRATION

- The existing social contract assures near-guaranteed public sector employment for all Kuwaitis.
- More than 80 percent of Kuwaiti nationals are employed by government.
- Public sector employment offers good wages, generous benefits, and convenient working hours.
- All individuals in Kuwait receive generous subsidies for fuel, electricity, and water.

KUWAIT'S OIL WEALTH REDISTRIBUTION POLICY HAS ADVERSE IMPLICATIONS FOR:

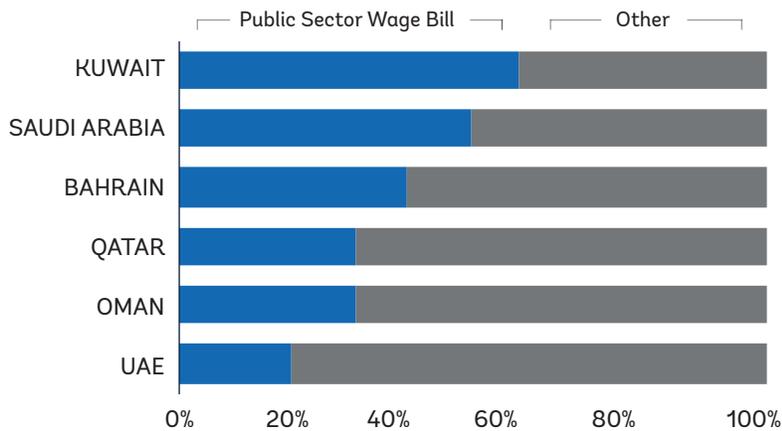


The macroeconomic downturn has added to the burden of an overextended public welfare system, reigniting questions about the system's sustainability and efficiency.

Kuwait's wage bill* is the highest in the GCC

24

Public Sector Wage Bill (% Total Spending)



2X

Kuwait's Wage Bill Relative to GCC Average

19%

of GDP

Target budget deficit (FY19/20)

Source: Fitch Solutions 2019 Note: *Including allowances and bonuses

ENHANCING GOVERNANCE AND IMPROVING EFFECTIVENESS OF PUBLIC ADMINISTRATION

Government expenditure is among the highest in the world and persistent budget deficits challenge fiscal sustainability

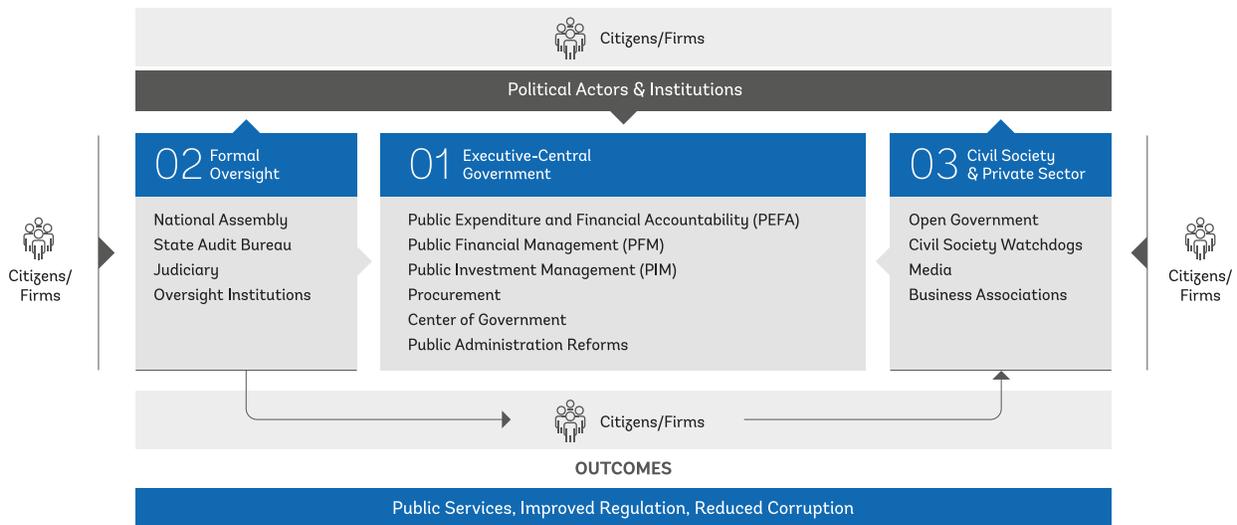
In the context of harsh economic realities and demographic changes, the existing social contract no longer meets citizens' rising expectations for service responsiveness and quality in the public sector. There is an urgent need to:



PROPOSED GOVERNANCE FRAMEWORK

This Framework encompasses several components which are necessary to enhance governance in Kuwait and improve the effectiveness of public administration:

- A "Center of Government"
- Formal oversight institutions
- A Governance Monitoring Framework
- Civil society organizations
- Private sector institutions



PRIORITY AREAS TO CONSIDER

- **Transition Ministry of Finance to Chief Financial Officer role:** Ministry of Finance Review; Macro-Fiscal Policy-Making Unit; Improve Public Financial Management; Public Investment Management; and Tax Modernization
- **Strengthen Oversight and Transparency:** Public Procurement; Strengthened Parliamentary Scrutiny; and Open Governance Partnership
- **National Development Planning:** KNDP-3 and Vision 2035

Sustainable Infrastructure Development

ENHANCING GOVERNANCE AND IMPROVING EFFECTIVENESS OF PUBLIC ADMINISTRATION

- Land and property are Kuwait's most valuable assets after oil, while water remains the country's most scarce resource
- Among GCC countries, Kuwait has made significant progress in instituting environmental protections
- The demand for electricity is growing, and the Government has explicitly prioritized increasing the availability of affordable, sustainable electricity generated from a mix of local, cost-effective resources
- Improving regional and global connectivity is a priority for driving non-oil economic growth by boosting trade volume and creating new jobs.
- The Third Kuwait National Development Plan presents an opportunity to elevate the roles of women in planning, design, and implementation of infrastructure development

Key Challenge: Transforming existing culture of purely government organization to a structure guided by commercial principles

LAND AND PROPERTY OWNERSHIP

Improving public land management can unlock a critical constraint to economic growth, diversification, and public revenue. However:

90%

of land in Kuwait is owned by the State



Land acquisition is costly



Long wait list for housing



Artificial shortage of land for investment

WATER

Dependence on desalination for the municipal water supply and agricultural production is expensive and drives up energy demand. The capital expenditure allocations for investments are massive at \$2 billion for the three years 2018 – 2020, while operating expenditures for the same period are \$170 million.

\$2bn

Capital investments

\$170mn

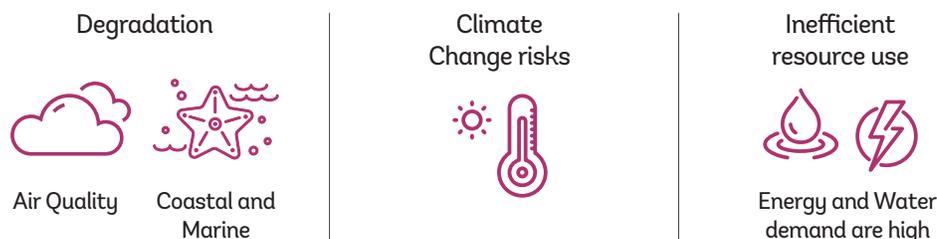
Operating expenditure

3.3

Gigawatts of additional energy capacity needed to power new desalination plants

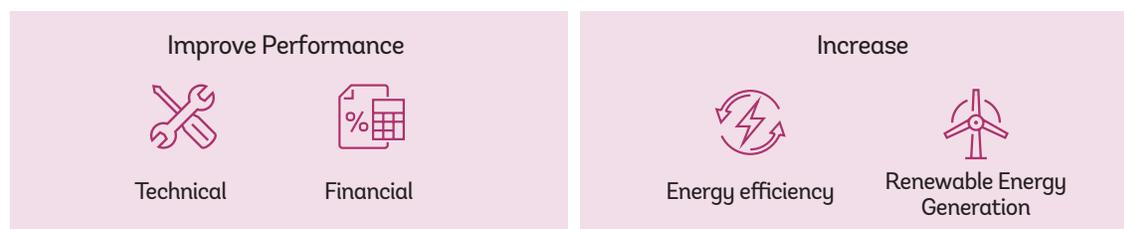
ENVIRONMENTAL AND NATURAL RESOURCES CHALLENGES

Kuwait updated its environment legislation and developed legislation for an environmental protection fund. Kuwait's environment and natural resources face key challenges:



POWER SECTOR REFORMS

In recent years, the Ministry of Electricity and Water has initiated efforts for restructuring of the power sector to:



REGIONAL AND GLOBAL CONNECTIVITY

- All key roads and ports will soon reach capacity
- The sharp increase in demand for road space and transport services has resulted from growth in motor vehicle use and heavy vehicle operations
- Growth in motor vehicle use and ownership contribute to low usage of public transport

PRIORITY AREAS TO CONSIDER

- **Digital Development:** Digital Economy
- **Urban Development and Resilience:** Land Administration; Municipal Solid Waste Plan; and Disaster Risk Management
- **Environment and Natural Resources:** Blue Economy; Air Quality; and Climate Change
- **Energy and Extractives:** Power Sector Reforms; National Clean Energy Plan; and Capacity Building Program
- **Water:** Public Administration; Water Utilization; Expenditure Effectiveness; and Investment Projects
- **Transport:** Road Safety; Urban Transport; and Air and Road Freight Transport



ENGAGEMENT MODEL



Advisory Services

The World Bank's advisory services have historically been designed along four activity areas which are indicated below. These areas are not mutually exclusive, and it is not unusual for an engagement to span several areas. This taxonomy is useful for identifying broad results domains and can help to clarify the activities and outcomes for Kuwait that an engagement could achieve.



This program intends to provide the country with cutting-edge knowledge on best practices for development in areas in which the World Bank has a clear—and at times, unique—comparative advantage.

The main principle guiding this partnership over the period of the CEF consists of a demand-driven, results-focused, and highly-selective program that will support the development agenda of the Government of Kuwait and contribute to country outcomes.

Selectivity Criteria for New Engagements

- Alignment with CEF pillars
- Within the World Bank's core competencies
- Build upon earlier engagements and lessons learned
- Strong ownership by a ministry or government agency
- Resources available from the world bank to deliver high-quality, results-oriented advisory services in a reasonable time period
- Emphasize results by establishing a clear Accountability Framework for each engagement
- Emphasize capacity-building and implementation support for reforms
- Cleared by the Steering Committee

Governance and Joint Leadership

The cross-sectoral and strategic nature of the World Bank engagement in Kuwait requires a strong link between fiscal resources and development planning.

A Program Steering Committee (PSC) will be established to guide and coordinate the implementation of the CEF to ensure consistency with Vision 2035/New Kuwait/KNDP-3 and Ministry of Finance priorities.

The PSC, based on agreed procedural rules, will ensure that the work performed under the World Bank's advisory services program for Kuwait responds to the requirements highlighted in the CEF and which are in line with the KNDP-3.

The main functions of the secretariat of the PSC will be to draft agendas for the PSC, bring to the PSC's attention key issues and decisions needed for the implementation of the CEF, manage Committee meeting schedules, and maintain Committee meeting minutes.

The PSC may also establish ad-hoc technical committees to address specific technical issues which are within the mandate of the PSC.

The main role of the Program Steering Committee is to ensure a systematic, coordinated, and cooperative approach to the implementation of the CEF. The key functions of the PSC are to



Identify socio-economic development areas, consistent with the CEF and KNDP, that can be supported by the World Bank



Assess implementation progress of existing programs, regarding KPIs and project milestones



Communicate with beneficiary agencies, as needed, regarding program implementation



Advise on cross-collaboration between projects to maximize program impact



Align funding resources with national development priorities and plans



Review and decide the scope of work aligned within the CEF and the needed resources from the different stakeholders

Results-Based Approach for Advisory Services Specific to the CEF

Alongside growing demand for the World Bank’s advisory services is an increase in demand for results. Development partners like Kuwait expect that advisory services will produce tangible results and contribute toward long-term development goals.

The World Bank requires a stronger evidence-base to improve selectivity, facilitate proactivity, course correct, and detect issues early (the primary role of monitoring) as well as demonstrate successes and lessons learned (the primary role of evaluation).

The Results-Based Advisory approach would enable the World Bank to produce stronger evidence of results, provide better opportunities for monitoring the advisory services program, and foster greater focus on development impact while understanding and meeting the expectations of the Government of Kuwait.

Strong strategic alignment of advisory services with Kuwait’s development goals is essential for achieving development impact, since achievement depends on sustained commitment from Kuwaiti counterparts to the reform areas.

The Results-Based Advisory approach describes **what** contributes toward development impact in the context of advisory services as well as **how** to achieve that impact through practical tools. The RBA approach is designed to promote improved tracking of results.

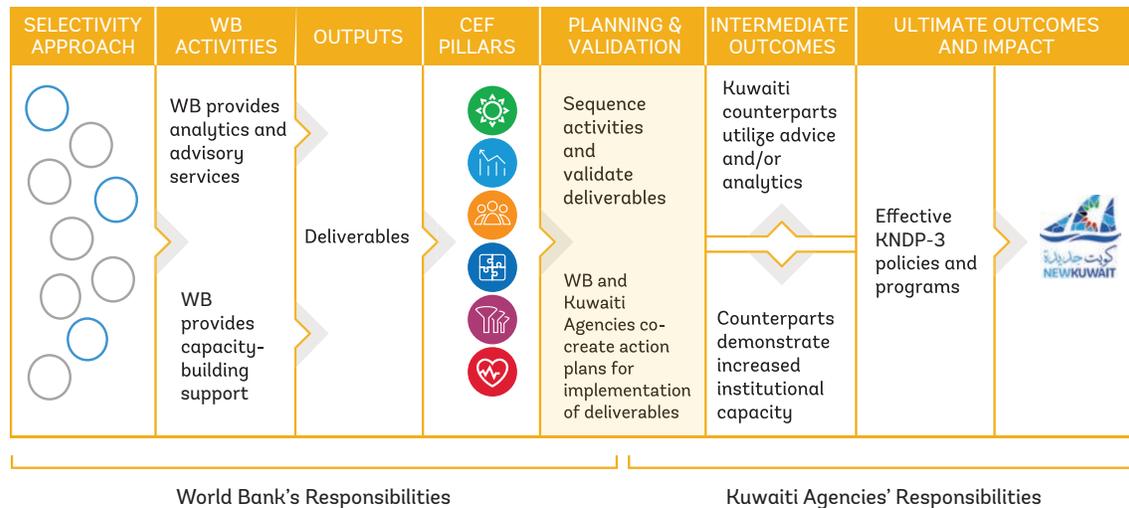
In the Results-Based Advisory approach, the following elements contribute toward development impact				
				
Components	Strong Strategic Alignment	Clear Roles and Responsibilities for the World Bank and client	M&E System	Action-oriented Quality Assurance
Tools	Strategic Relevance Filter	WB: Produce high quality outputs/ activities Kuwait: Realizing outcomes and impacts Independent assessments	Theory of change Client feedback mechanism Key Performance Indicators (KPIs)	Deliverable Sequencing Plan Action Plans

Theory of Change

COUNTRY ENGAGEMENT FRAMEWORK

A hypothesis is often formulated for interventions about how planned activities will lead to desired outcomes. A Theory of Change is an articulation of that hypothesis that explains what an intervention is trying to achieve and how the intervention will achieve it.

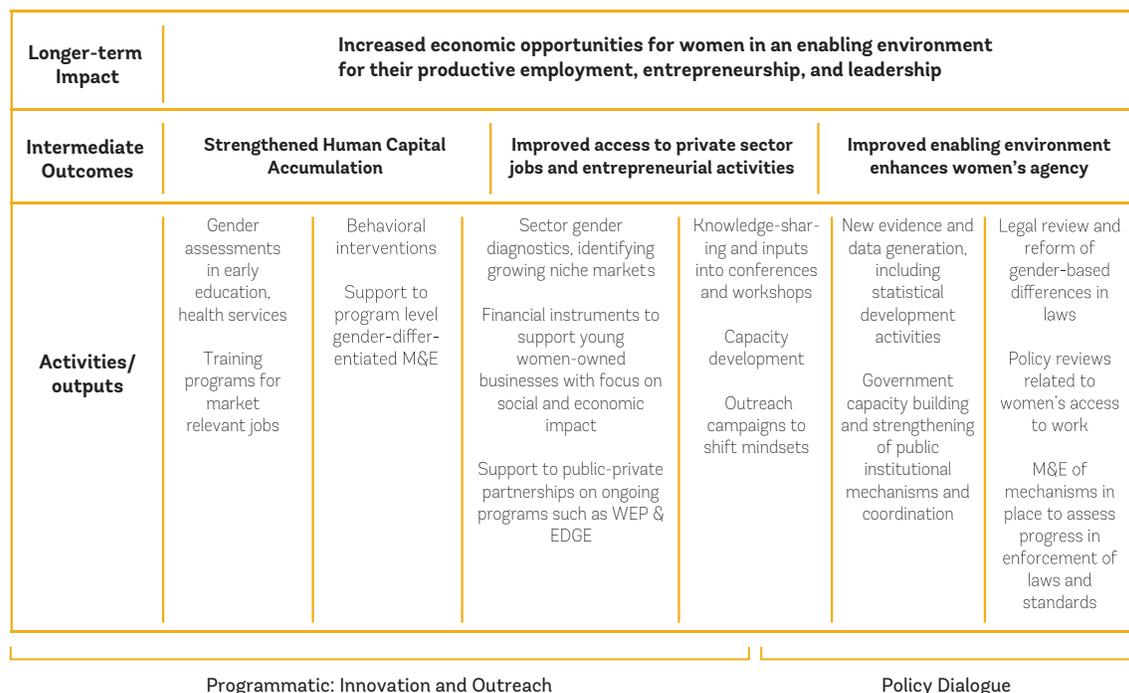
In this Theory of Change for the overall CEF, the World Bank is responsible for producing high quality activities and outputs, and Kuwaiti counterparts are responsible for realizing outcomes and impact.



WOMEN'S ECONOMIC EMPOWERMENT AND INCLUSION

This Theory of Change adopts the approach used by the World Bank for operationalizing engagements to enhance economic opportunities and foster an enabling environment.

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Communications Approach and Behavioral Science during the CEF



Overall Communications

The World Bank is a strategic partner in Kuwait; sharing its global knowledge through advisory programs which are aligned and designed to support Vision 2035/New Kuwait and the National Development Plan.

Implementing Communications in our work

Communications has become a high priority component in every program/engagement in Kuwait.



As a result, a communications strategy and outreach plan is established from the launch of every program in coordination with the client, to ensure effective communications internally; between the client and the Bank; and between the client and the public.

All projects must launch with a thorough stakeholder analysis that includes the Country Office's Communications Unit.



How We Communicate

The World Bank in Kuwait communicates its achievements through effective and interactive tools, established in an annual communications plan and an updated semi-annual outreach plan.

The plan includes video productions for social media and website uses, events, visits, World Bank lectures, publications launches, and other tools.

Behavioral Science

Advisory services will be reviewed with recommendations on how behavioral science could support the effectiveness of the program.

Where applicable, recommendations will be made on whether the project would benefit from a behavioral diagnostic, and/or a behaviorally informed intervention.



Behaviorally informed policy emphasizes the importance of context for decision-making and behavior. It examines a wide set of influences, paying attention to the social, psychological, and economic factors that affect what people think and do.

It addresses details in bureaucracies, technologies, and service delivery that are often overlooked in standard policy design, but which dramatically influence the effectiveness of development programs and projects.

Proposed Government Financing Mechanisms¹

The engagement model for the CEF 2021-2025 proposes three financing windows for the World Bank to deliver advisory services funded by the Government. The eligible activities for each window vary in terms of the nominal amount, duration, and scope. The Program Steering Committee's (PSC) approval is required to obtain financing in each window.

Financing Mechanism	Implementation Aspect
<p>WINDOW 1 Capacity Enhancement A limited budget provides rapid and dynamic “just-in-time” support to the MOF and the GS-SCPD to enhance their decision-making capacity.</p> <p>Link w/ KNDP Yes [Supporting Role]</p> <p>Activity Duration ≤ 6 months</p>	<p>MOF allocates funding for the advisory programs approved by the PSC, which requires quick implementation.</p> <p>Ratio of Financing from Annual Total ≤ 10 %</p>
<p>WINDOW 2 Support implementation of KNDP The MOF will oversee the advisory services budget chapters provided by the World Bank, and provided to government entities, by providing the financial resources to support achievement of KNDP goals.</p> <p>Link w/ KNDP Yes [Directly]</p> <p>Activity Duration ≥ 6 months</p>	<p>This window is the primary source of funding for the KNDP advisory programs with World Bank support. The PSC's approval is required for projects submitted by government agencies to ensure compliance with the KNDP's policies, goals, and indicators. Activities will be assessed and approved as a batch in a timeline consistent with MOF's budget preparation exercise, ahead of each Kuwait Fiscal Year.</p> <p>Ratio of Financing from Annual Total 70%</p>
<p>WINDOW 3 Support capacity of government agencies Maintain existing arrangements to provide support to government agencies in accordance with the framework agreement signed with the MOF in June 2014, where financing is provided through the budgets of the requesting ministries for advisory services.</p> <p>Link w/ KNDP Yes [Supporting Role]</p> <p>Activity Duration ≥ 6 months</p>	<p>Funding will continue to be provided to support priority areas to government ministries/agencies, which may not be directly included within the KNDP.</p> <p>This mechanism will be phased out gradually and replaced by the two mechanisms mentioned above.</p> <p>Ratio of Financing from Annual Total 20%</p>

¹ The Reimbursable Advisory Services program is fully financed by the Government of Kuwait

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