

The Role of Governance and Public Sector Reform in Fulfilling Vision 2030

Madinah Institute for Leadership and Entrepreneurship



Presentation Outline

- The context: Vision 2030 and its Associated Reforms
- Some reflections upon GCC Administrative Strengths
- Key public sector challenges in Saudi Arabia and the GCC
 - Domestic Revenue Mobilization
 - Efficiency & Value-For-Money
 - Greater Public Sector Productivity
 - Transparency & Accountability
- How the Bank is helping



Vision 2030 has Far-Reaching Goals for Public Sector Reform

- Attaining the highest levels of transparency and good governance;
- A pledge to facilitate the creation of 450,000 jobs for Saudi nationals in the private sector to help reduce the public sector's role as employer of first and last resort.
- A commitment to cut the public sector wage bill from 45 to 40 percent of the budget by 2020;
- Achieving budgetary savings and greater efficiency in public expenditure; and improving the performance, productivity and flexibility of public authorities.
- A commitment to zero tolerance for all levels of corruption, whether administrative or financial.



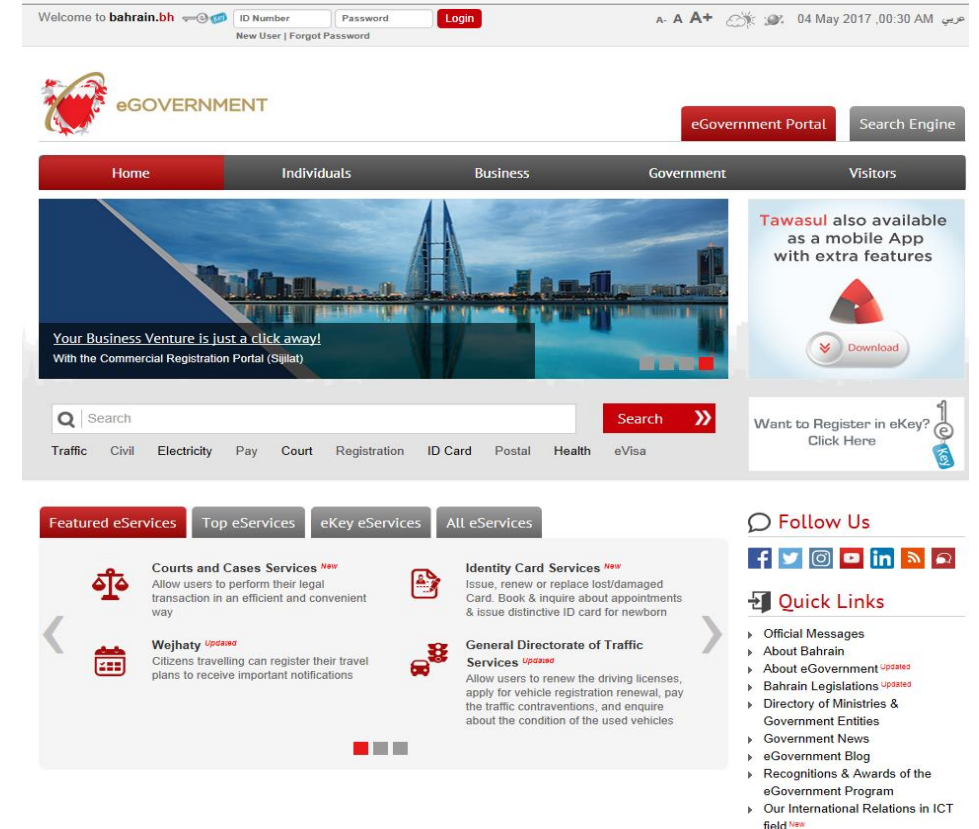
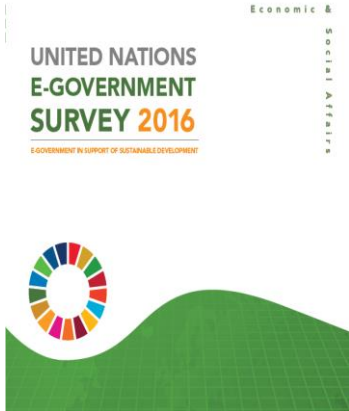
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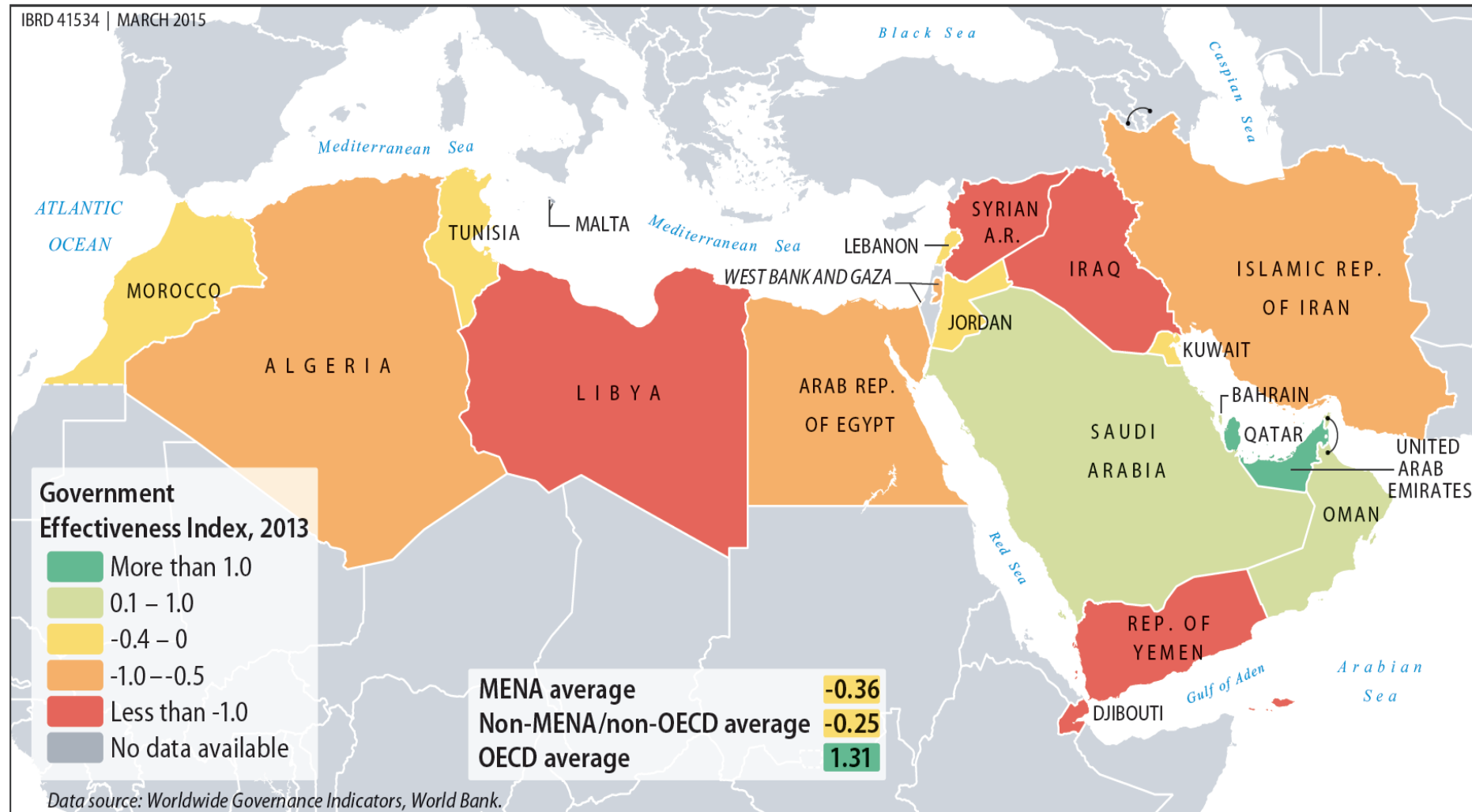


e- and m-Governance: an Area where GCC Countries Do Well in Global Rankings

- Bahrain (24)
- United Arab Emirates (29)
- Kuwait (40)
- Saudi Arabia (44)
- Qatar (48)
- Oman (66)



Basic Service Delivery Throughout the GCC is Generally Sound



Genuine Strengths in Branding and Communications



شركة المياه الوطنية
National Water Company



وزارة التعليم
Ministry of Education



وزارة المالية
Ministry of Finance



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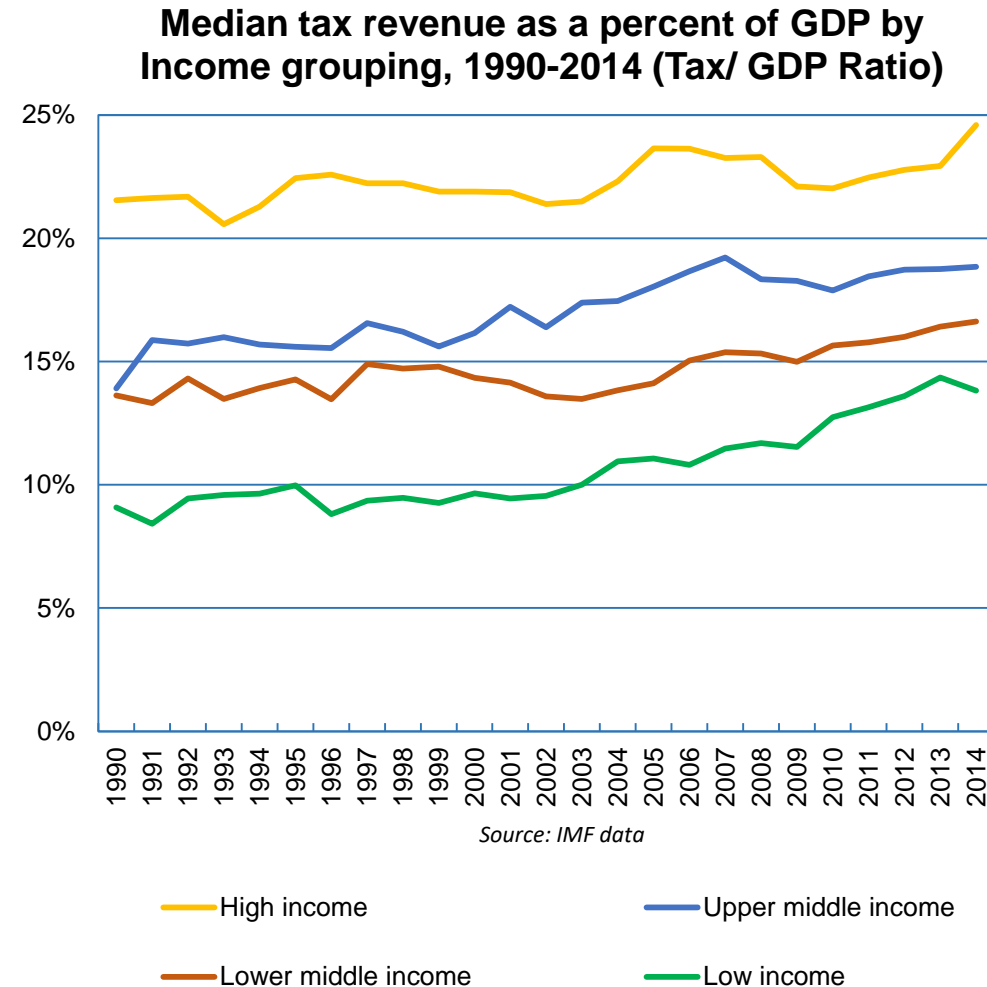
Four Critical Challenges for Public Sector Reform within KSA

- 1) **Domestic Revenue Mobilization:** Strengthening tax policy and administration, and enhancing cost recovery, to diversify government revenues;
- 2) **Obtaining Greater Efficiency and Value for Money:** Improving Public Financial Management to attain better sustainability, allocative efficient and value for money
- 3) **Getting Better Productivity from the Public Sector Labor Force:** Moving towards more sustainability civil service establishments, with greater productivity, motivation and performance
- 4) **Enhancing Transparency and Accountability:** Including anticorruption, regulatory reform and Right to Information

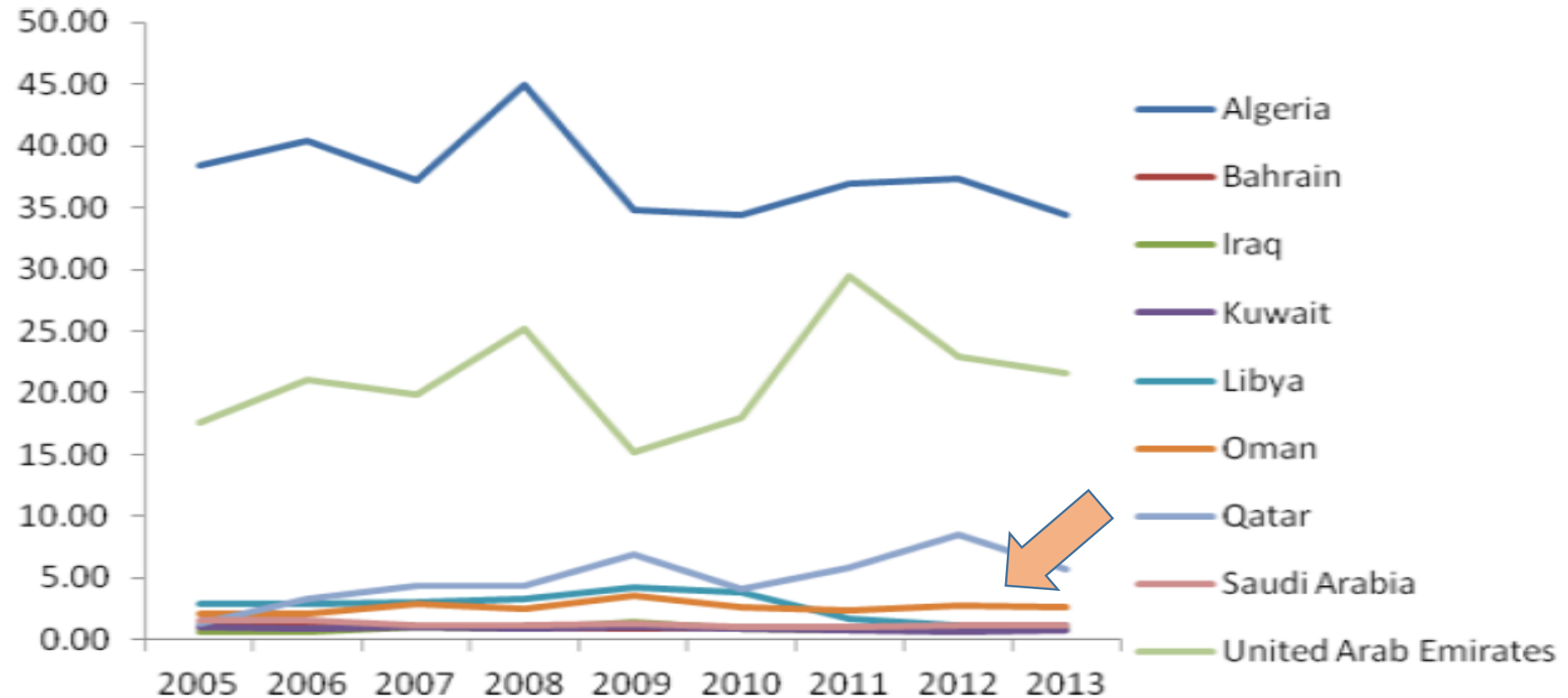


Challenge 1: Better Diversification of Revenues

- A country's ability to mobilize domestic resources (DRM) and spend them effectively – at the national, sub-national and municipal levels – lies at the crux of financing for development.
- Strengthening the capacity of local governments, including to raise their own revenues, to manage expenditures and service delivery, and to borrow and manage debt prudently is critical.
- Developing inter-government fiscal transfer arrangements that consider the needs of sub-national governments and equalize fiscal capacity and expenditure is also critical.



Tax Revenue to GDP in Oil Rich MENA Countries



Source: UN-ESCWA Interagency Task force on Financing for Development

Strengthening Revenue Diversification: The GCC Agenda

- Transition to GCC wide VAT with limited exceptions
- Cost recovery for key government services (electricity, water, etc.)
- Corporate taxation
- Excise taxes on tobacco and sugar-sweetened beverages
- Use of property taxation for municipal revenues (will also enhance the effective use of property)

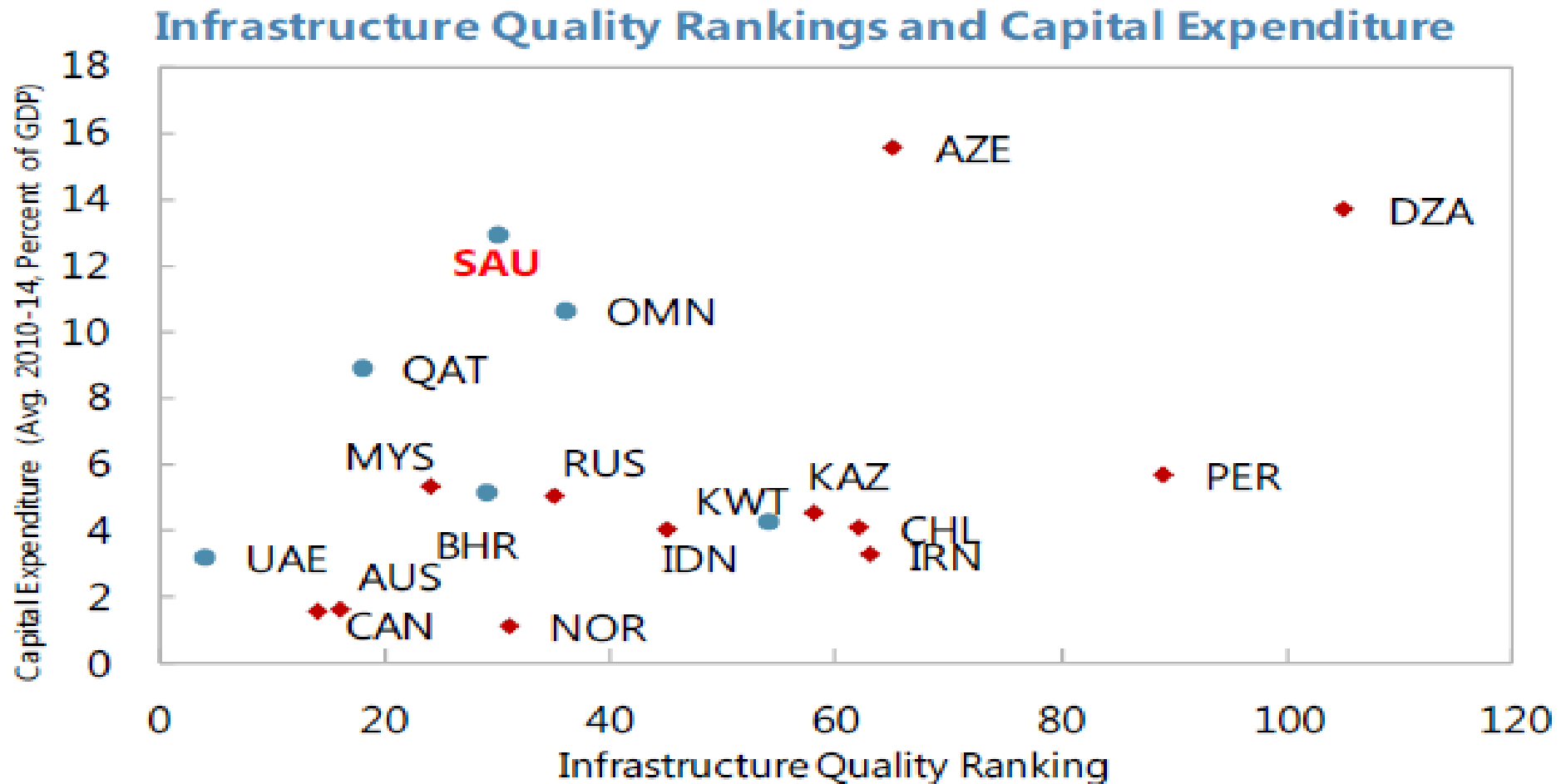


Challenge 2: More Efficient Expenditure through Public Financial Management Improvements

- Transition to more targeted needs-based subsidies
- Conduct a Public Expenditure and Financial Accountability (PEFA) assessment, which would serve as the basis against which future progress would be measured;
- Reforms to budget preparation, execution and monitoring practices to promote efficiency;
- Strengthen fiscal discipline and the strategic allocation of resources through a well-designed medium-term fiscal and budgetary framework (MTFF/MTBF);
- Strengthen fiscal transparency;
- Work on financial controls to address the lack of detailed and harmonized financial control guidance, among other challenges.

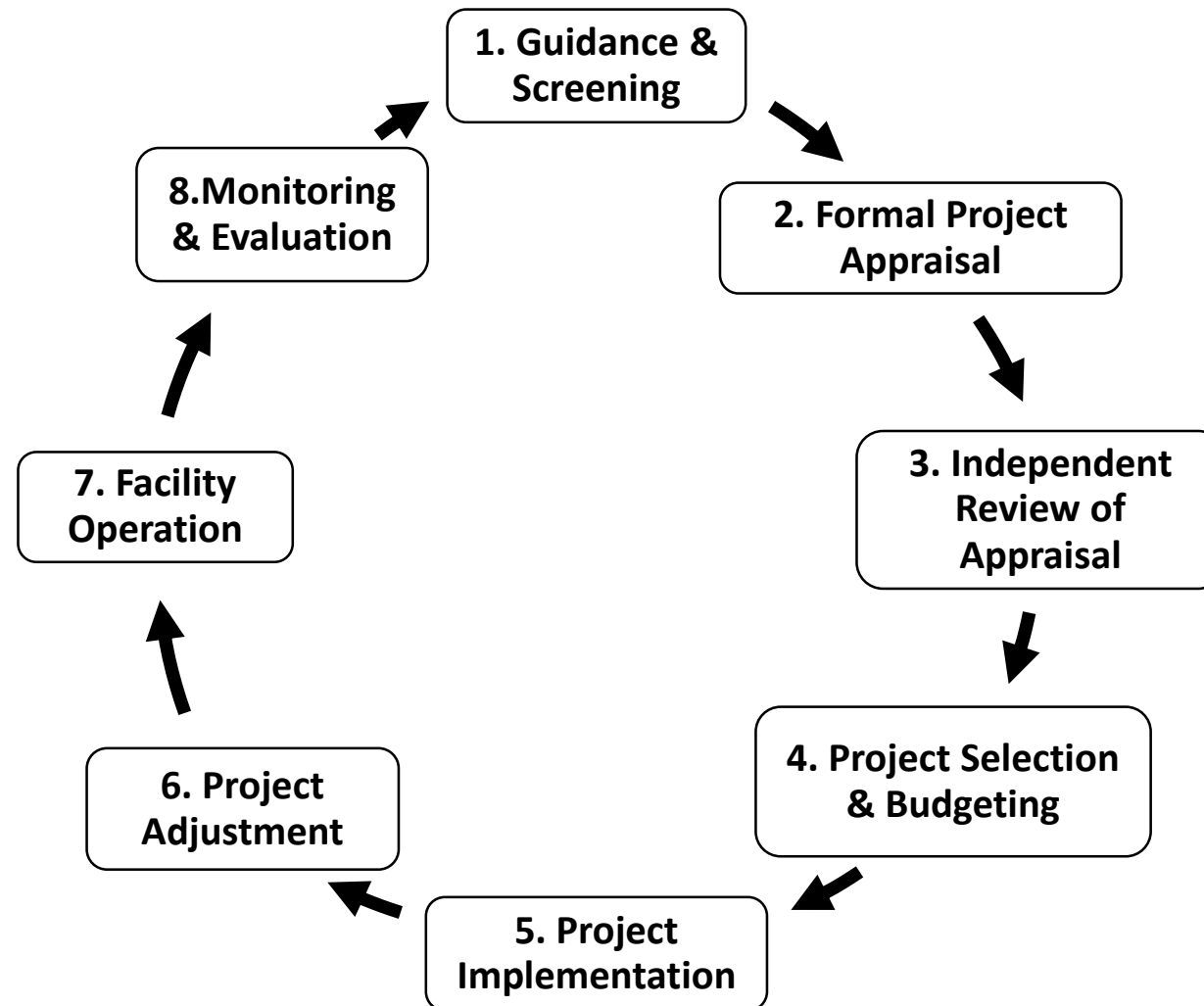


There is a Clear Need to Obtain Greater Value for Money from Government Expenditure



Source: IMF Article IV Consultations, 2016

Improvements Across the Cycle of Public Investment will Help to Extract Greater Value from Capital Expenditure

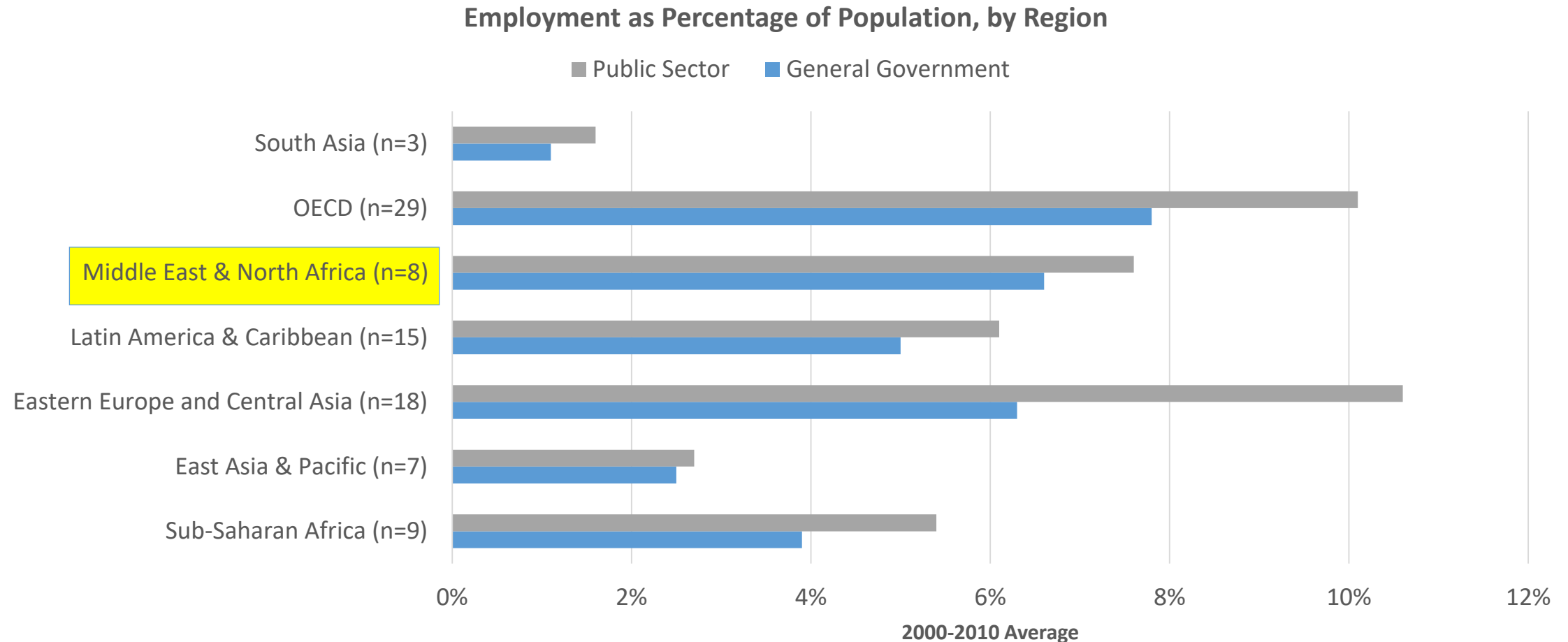


Challenge 3: Increasing the Productivity of the Public Sector is an Urgent Priority

- High cost of payroll
- Insufficient control (until recently) over pay progression
- Pay not competitive with labor market at the upper end and is generous at the lower end
- Pay scales are not related to organizational needs
- No equal pay for equal work
- Significant allowances create distortions and have a high administrative cost



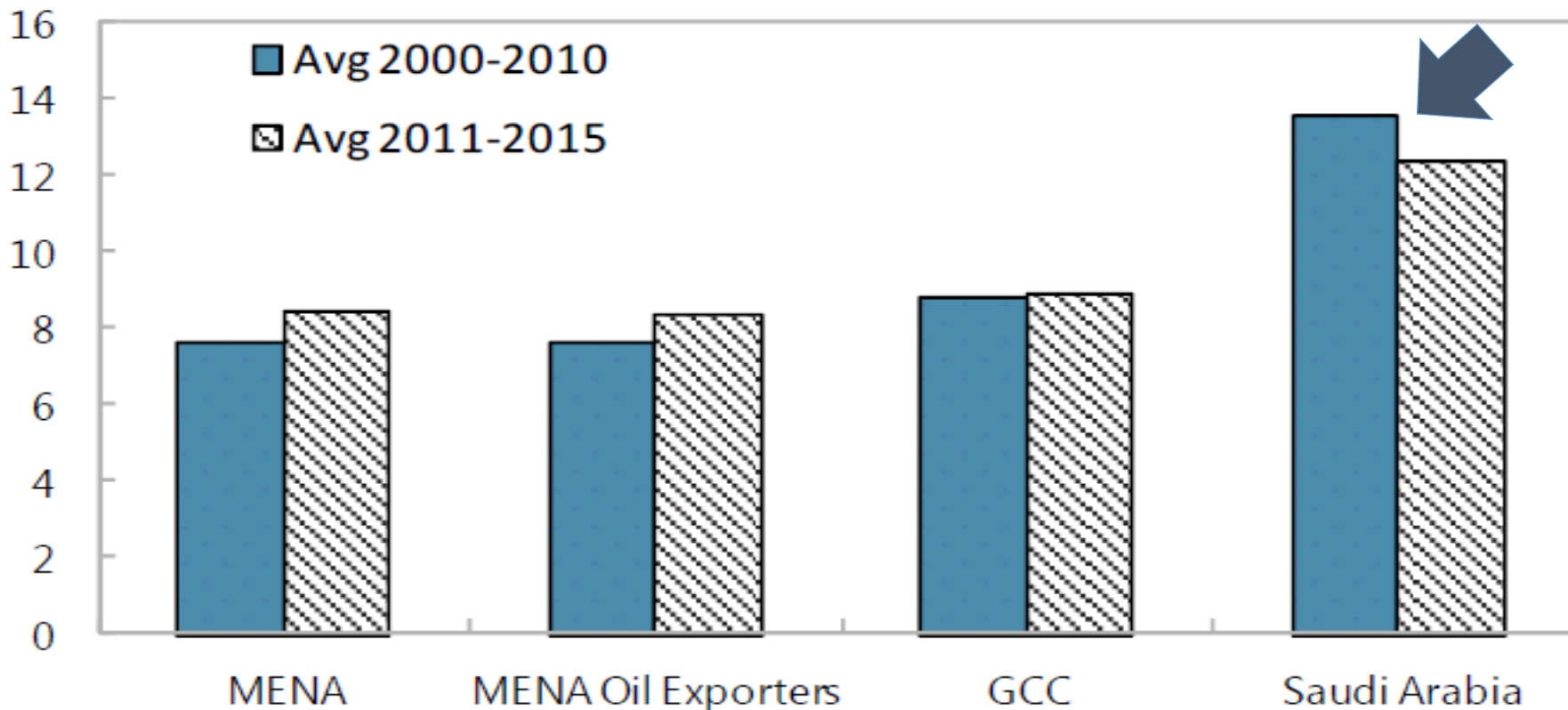
MENA Public Sectors are Among the Largest in the World...



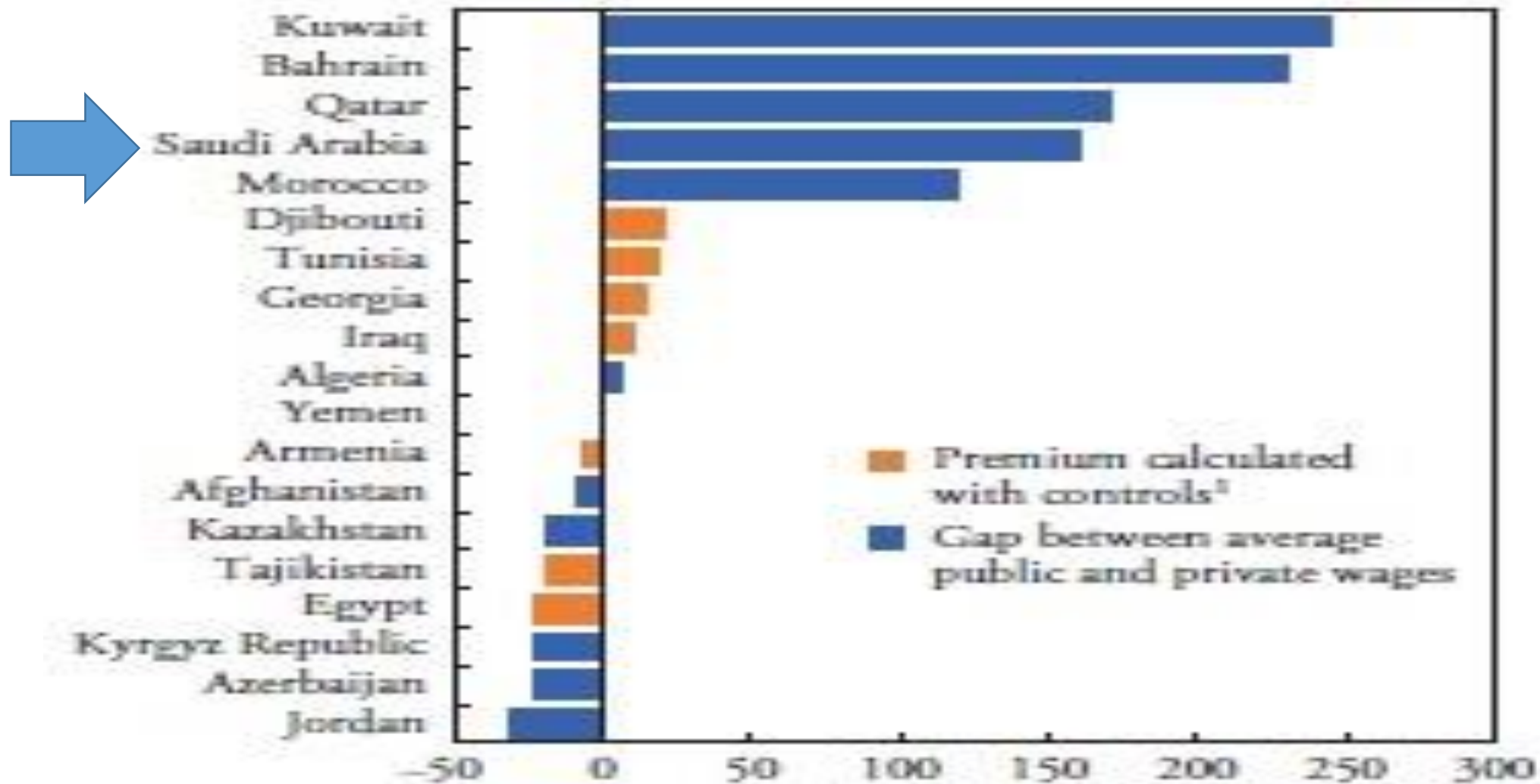
Source: World Bank Public Sector Database

Public Sector Wage Bill Comparison with Selected Countries: KSA is an Outlier

Government Expenditures on Wages (in percent of GDP)



Public and Private Sector Pay are Not Well Aligned

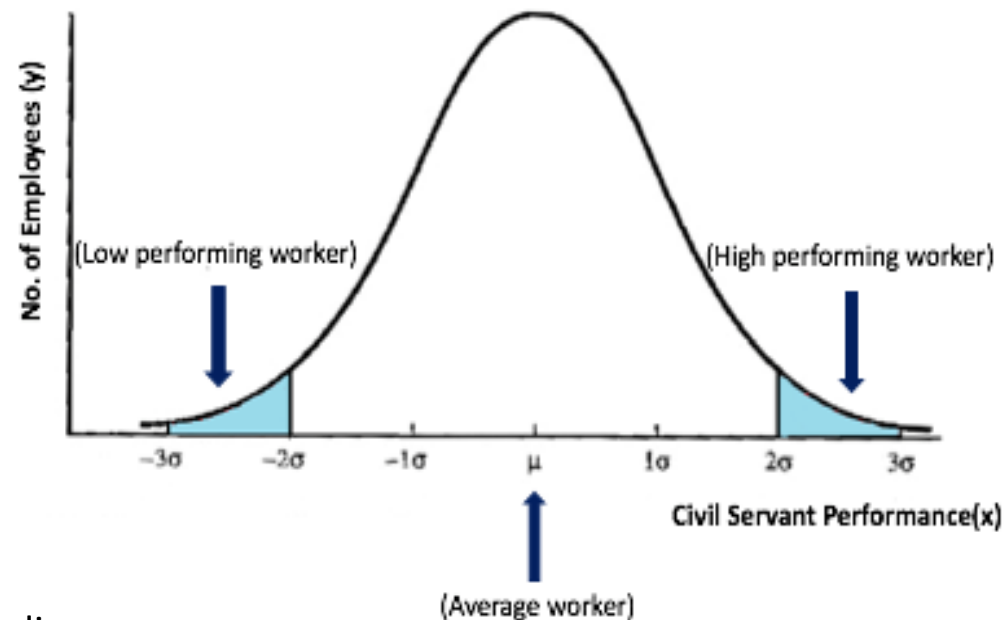


Staff Productivity: Tough to Measure, but Room for Improvement

Formal Hours Worked Annually in the Public Sector

Country	Weekly Hours	Gross Annual Hours	Annual Leave	Public Holidays	Total Leave Hours	Total Hours Worked
Hungary	40	2080	20	8	224	1,856.0
United States	40.1	2087	20	10	240.8	1,846.2
Spain	38.4	1996.8	22	14	276.5	1,720.3
Emirate of Abu Dhabi	37.5	1950	24	10	255	1,695.0
United Kingdom	37.3	1939.6	25	8	244.7	1,694.9
Sweden	37.1	1929.2	25	11	267.1	1,662.1
Germany	37.7	1960.4	30	10.5	305.4	1,655.0
France	35.6	1851.2	25	11	256.3	1,594.9
Saudi Arabia	35	1820	35	17	364	1,456.0
Qatar	35	1820	33	23	392	1,428.0
Kuwait	30	1560	39	12	306	1,254.0

Improved HR Management: Working both Ends of the Performance Distribution Curve



Low Performing Workers:

Enforce existing work rules throughout the public sector, including sanctions for absenteeism and non-performance.

High Performing Workers:

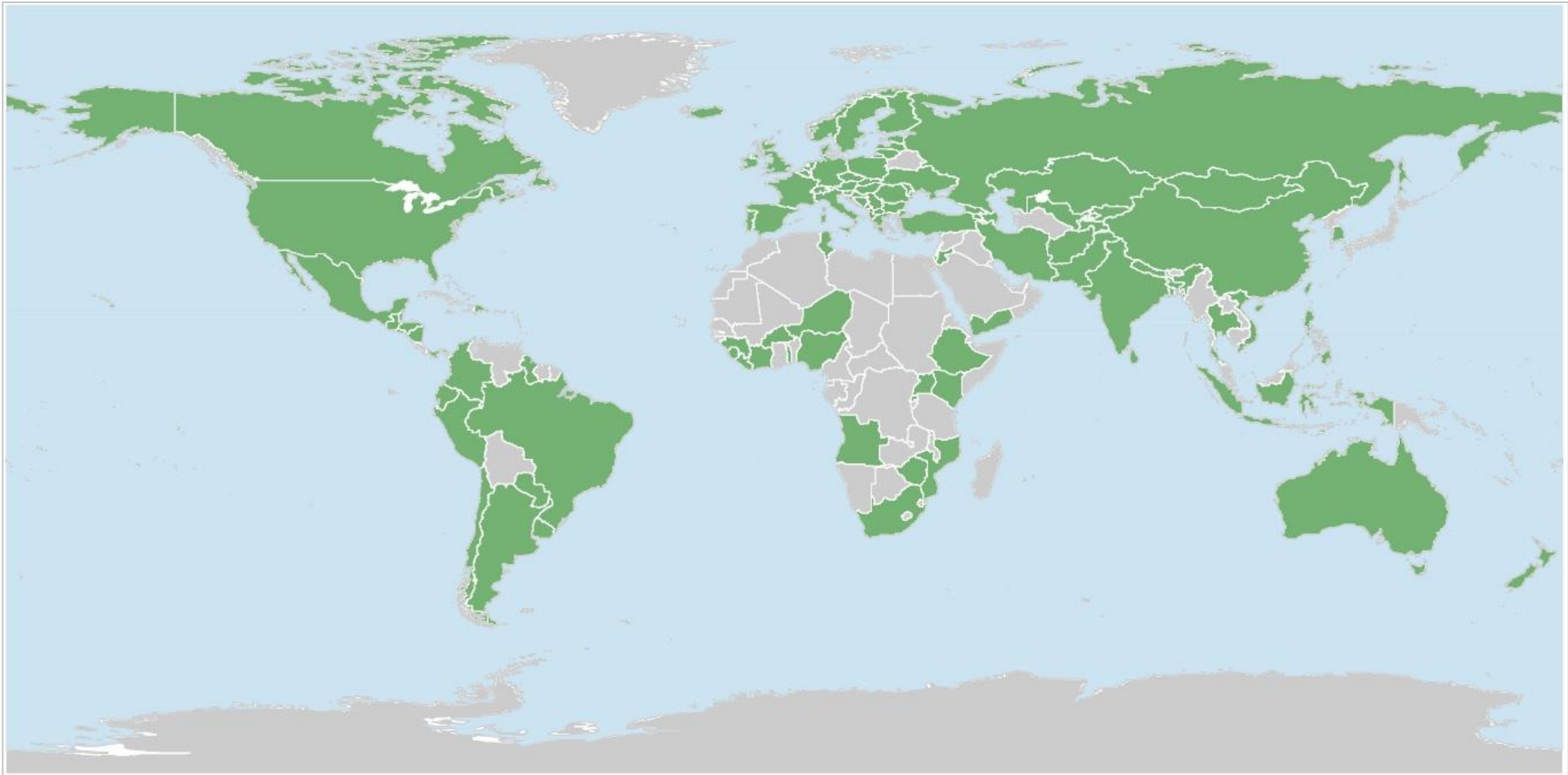
Strengthening motivation by programs that identify and reward good performance; fast track talented young workers; and create Senior Executive Service Corps for managers.

Challenge 4: Transparency and Accountability



- Work on **procurement** would emphasize modernizing the legal framework for public procurement to improve efficiency and service delivery.
- In terms of **anticorruption**, work with the Saudi Arabian Anticorruption Authority, *Nazaha*, could proceed along multiple dimensions: (1) training and capacity building; (2) e-monitoring (including peer to peer learning, integrated audit and complaint handling); (3) developing a strategic plan and indicators;
- **Regulatory governance**, including open consultation and regulatory performance and impact reviews.
- Work on **transparency** can look at the efficacy of Right to Information legislation, as well as the routine disclosure of fiscal and performance information by line departments and municipalities. Social media can help disseminate government performance data.

A Global Movement Towards Transparency & Right to Information, with Limited Impact in MENA so far



Right to Information Legislation by Country, 2016

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Public Finance: Towards more Sustainable and Efficient Expenditure

- Budget Preparation (including fiscal sustainability and policy-based budgeting)
- Budget Implementation (predictability & control in budget execution; accounting & reporting)
- Public Investment Management & Procurement (obtaining maximum value from the capital budget)
- Audit and Accountability (compliance, financial and performance audit and reporting)



Public Management: Using Human Resources More Productively

- Pay and Employment (optimizing the size and composition of the public sector)
- Human Resource Management (managing and motivating staff)
- Center of Government (improved coordination and performance monitoring)
- Machinery of Government (better organizational structures and business processes)
- E-Government and M-Government (utilizing new technologies for improved service delivery and social accountability)



Accountability & Transparency: Enhancing the Broader Environment

- Ensuring integrity (anticorruption indicators, legislation, investigation and prevention)
- Strengthening transparency and right to information
- Improving regulatory transparency
- Working with municipal governments to enhance efficiency, inclusiveness and responsiveness

In Summary...

- Saudi Arabia is embarking upon one of the most comprehensive and far-reaching public sector reform efforts in the MENA region and possibly the globe
- The intent is serious, but the challenges are significant
- Key areas of focus include: (1) domestic revenue mobilization; (2) efficiency and value for money; (3) greater public sector productivity; and (4) enhanced transparency and accountability
- The Bank is privileged to serve as a partner in this effort





THANK YOU!

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