The Role of Public Governance in Fulfilling the Saudi 2030 Vision

Reforming Public Institutions for Greater Efficiency & Accountability
Presentation Outline

• The context: Vision 2030 & the SDGs

• Key public sector challenges in Saudi and the GCC
  • Domestic revenue mobilization
  • Efficiency & Value-For-Money
  • Public Sector Productivity
  • Transparency & Accountability

• How the Bank can help
An Opportunity for Transformation: From MDGs to SDGs

The global development agendas serve as a compass and guide for countries to determine their national development path.
An Opportunity for Transformation: An integrated agenda
Vision 2030 and SDG 16 are Well Aligned

**Vision 2030**

- Transitioning to a private-sector led growth environment, in which Government’s role shifts from providing services to regulating and monitoring them
- Support the increased use of public-private partnerships
- Zero tolerance for all levels of corruption
- Eliminate waste and make spending more efficient through enhanced audit, financial controls and accountability
- Enhance transparency and reduce delays through expanded on-line services
- Deepen communications channels and facilitate smart engagement

**SDG 16**

- Significantly reduce all forms of violence and related death rates everywhere; end abuse, exploitation, trafficking and torture of children
- Promote the rule of law at the national and international levels and ensure equal access to justice for all
- Reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime; substantially reduce corruption and bribery in all their forms
- Develop effective, accountable and transparent institutions at all levels
- Ensure responsive, inclusive, participatory and representative decision-making at all levels
- Ensure public access to information and protect fundamental freedoms
- Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime
- Promote and enforce non-discriminatory laws and policies for sustainable development
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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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 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.
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

- 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 Extract 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

1. Guidance & Screening
2. Formal Project Appraisal
3. Independent Review of Appraisal
4. Project Selection & Budgeting
5. Project Implementation
6. Project Adjustment
7. Facility Operation
8. Monitoring & Evaluation
Challenge 3: Increasing the Productivity of the Public Sector is an Urgent Priority

• Legal and regulatory reforms to professionalize HR management and enhance managerial flexibility
• Enforce regulations and basic work disciplines
• Relentless emphasis upon performance and efficiency
Public Sector Wage Bill Comparison with Selected Countries: KSA is an Outlier

Government Expenditures on Wages
(in percent of GDP)

Source: International Monetary Fund 2016
Improved HR Management: Working both Ends of the Performance Distribution Curve

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.

Low Performing Workers: Enforce existing work rules throughout the public sector, including sanctions for absenteeism and non-performance.
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)
Challenge 4: Transparency and Accountability

GAB’s role is fundamental in this space as a professional, independent and credible auditing institution that contributes to enhancing the efficiency of audits, and establishes the principles of transparency, governance and accountability.

- Work on **procurement** would emphasize modernizing the legal framework for public procurement to improve efficiency and service delivery.
- In terms of **anticorruption**, cooperating with oversight bodies such as 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; (4) regulatory governance (including 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
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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 (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 trust in government
- Working with municipal governments to enhance efficiency, inclusiveness and responsiveness
THANK YOU!

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