



# UNLOCKING HUMAN CAPITAL POTENTIAL IN KUWAIT AS GLOBAL ACTOR IN THE KNOWLEDGE ECONOMY

UNITED NATIONS IN KUWAIT  
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# “ONE UN KUWAIT” APPROACH TO POLICY BRIEF



# EXECUTIVE SUMMARY (1 OF 3)

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*In the new knowledge economy, wealth is based on the knowledge acquired and its use, not on material factors of production, given the fact that nearly two-thirds of global wealth is currently generated from human capital accumulation. However, the contributing share of human capital to wealth in Kuwait is estimated at merely 24%. In this context, Kuwait needs to significantly increase its efforts to accelerate the process of human capital accumulation, while also unlocking its human capital potential towards the knowledge economy.*

## *What is the current status of human capital accumulation in Kuwait?*

### ■ **Early childhood development**

- *Pre-primary enrollment rate remains low (60%) compared to high-income countries' average (83%) despite increased government expenditure on early years' education.*
- *Nearly 30% of Kuwaiti children aged 6-18 years are considered obese and are thus susceptible to diabetes and other metabolic complications that exert a toll on their quality of life, including social, capital development.*

### ■ **Healthy human capital**

- *Non-Communicable Diseases (NCDs) currently cause nearly 80% of total deaths in Kuwait. Therefore, over \$1,000 per person is tied up in direct expenditure on NCDs.*
- *More than 1 in 6 adults die prematurely from major NDCs, meaning that Kuwait is currently losing 17% of its productive labour force due to premature death.*

# EXECUTIVE SUMMARY (2 OF 3)

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## ■ **Quality and relevance of education and training**

- *A child is expected to stay 12 out of 14 years in school, but only learns the equivalent of 7.4 years, meaning that children lose nearly 4 years of schooling due to poor learning outcomes. In other words, a high-school graduate in Kuwait learns the equivalent of a middle-school graduate in Singapore.*
- *Partly as consequence, none of Kuwait's Universities are placed in the "500 World University Ranking." Besides, the national capacity for Technical and Vocational Education and Training (TVET) is considered weak, as it is presently ranked at 98th out of 138 countries in the world.*

## ■ **Productive labour market**

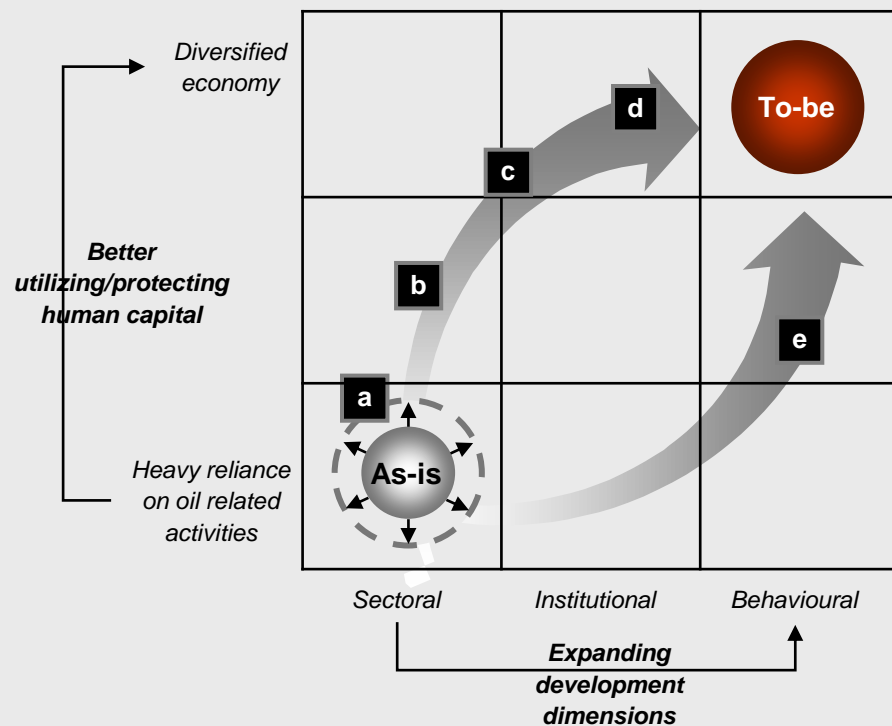
- *One-fourth of the human capital accumulated is not currently being utilised in the labour market, mainly due to a low economic participation by females, resulting in a broadly persistent gender gap, currently ranked at 122nd out of 153 countries (in the Gender Gap Index).*
- *The labour market segmentation has led to higher unemployment rates among Kuwaitis (6.4%) compared to migrants (1.7%).*
- *Nearly 58% of unemployed Kuwaitis said they would refuse to work in the private sector (distorted preference of Kuwaitis to work in the public sector), and a limited willingness among Kuwaiti graduates to adapt their skills to labour market needs is observed.*

## ■ **Innovation network interface**

- *Kuwait has not significantly benefitted from its high level of access to ICT infrastructure, mainly due to ineffective ICT regulatory governance.*
- *Kuwait is far behind other countries for promoting R&D spending and as a result, performance record in patent applications remains the worst among GCC countries. This suggests that Kuwait is suffering from the "No investment (R&D) No Return (Patent)" principle.*
- *Kuwait would have greater development potential in utilising Artificial Intelligence (AI) for various IT-driven business dimensions, including the petroleum industry, but it is not yet ready to integrate it into its IT governance system.*

# EXECUTIVE SUMMARY (3 OF 3)

*In order to tackle these challenges and obstacles associated with the process of human capital accumulation timely and effectively, the United Nations in Kuwait has conducted rigorous analysis to suggest an integrated strategic positioning with our policy support proposal: **Investing in public health, nutrition, education (youth and women) and vocational training is estimated to yield greater rates of return, accelerated by investment in creating innovation environment through partnership as labour force is transformed to be productive and creative for knowledge economy initiative moving forwards.***



## **a** Investing healthy living

1. Engaging community for public health
2. Preventing childhood obesity
3. Accumulating maternal human capital



## **b** Redirecting education and training

4. Improving quality of instruction
5. Strengthening technical training capacity



## **c** Innovating labour market

6. Promoting labour market mobility
7. Aligning skills with market needs



## **d** Designing innovation environment

8. Improving AI governance
9. Strengthening institutional capacity for green partnership



## **e** Community Engagement & Awareness Raising (Cross-Cutting)

- Creating community (or parent-support) engagement platform
- Awareness raising support for behavioural changes

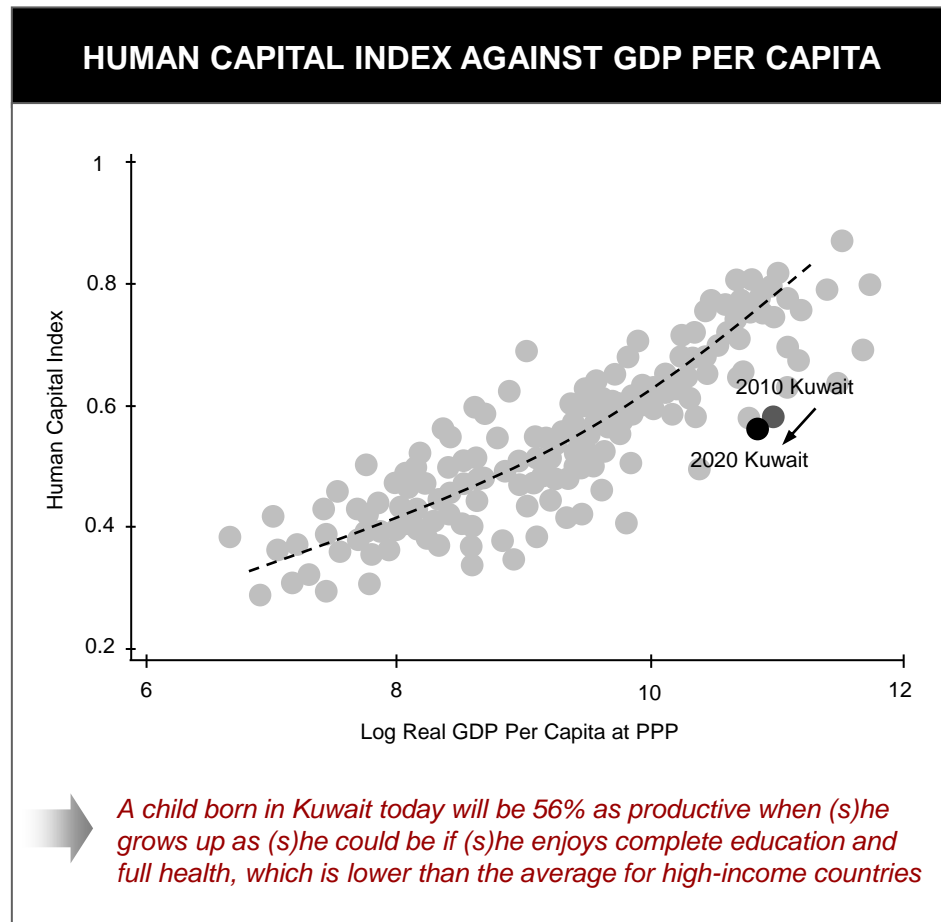
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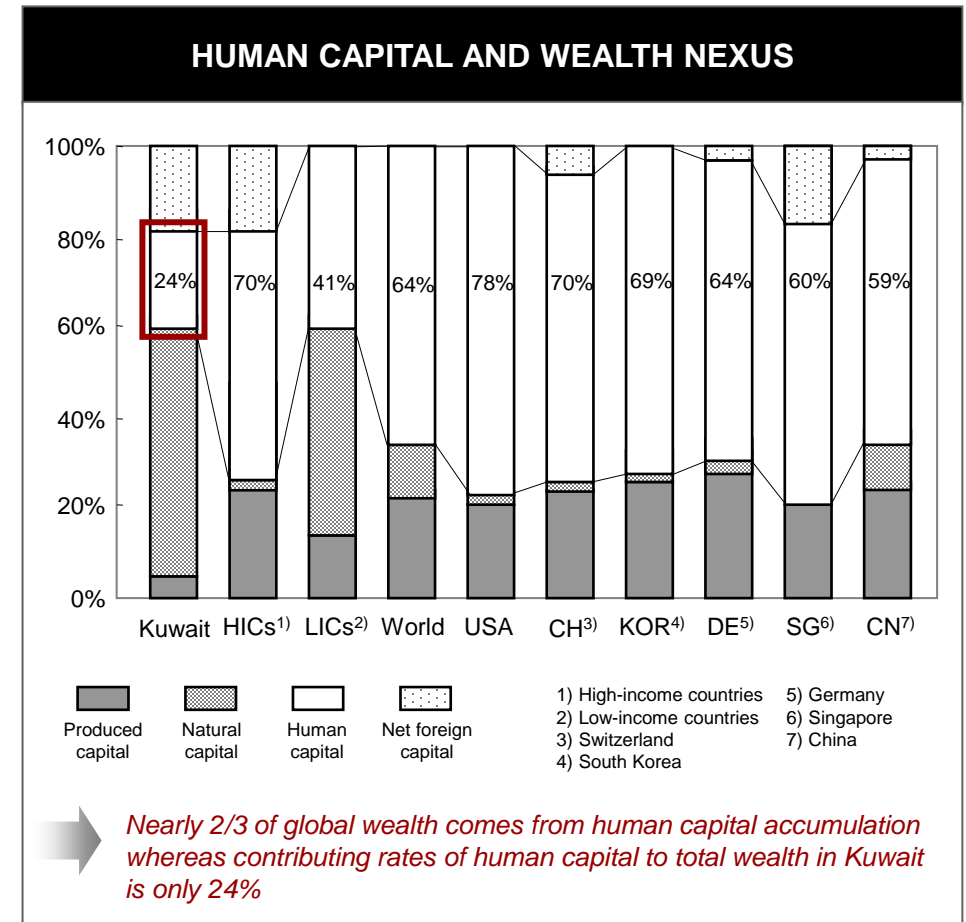
# WHY HUMAN CAPITAL?

Kuwait's underperformance in terms of the Human Capital Index, compared to nations with similar incomes, is associated with weak *“human capital generating capacity for wealth”*



Source: World Bank (2020) – HCI database Kuwait

*Human capital linkage to wealth*



Source: Lange, Wodon and Carey (2018)

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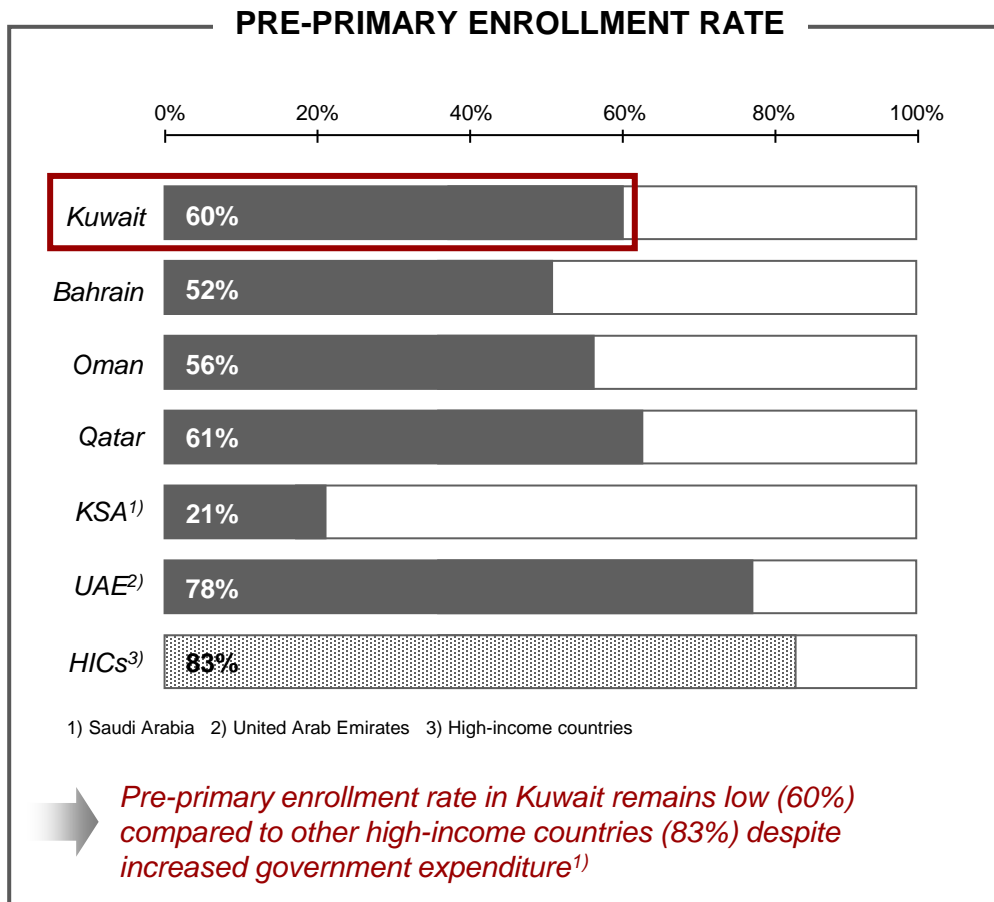
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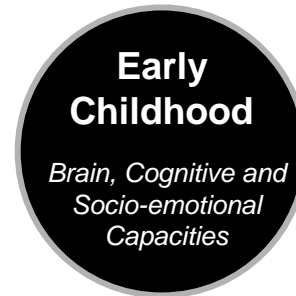


# 1 EARLY CHILDHOOD – LEARNING AND NUTRITION (CHILDHOOD OBESITY)

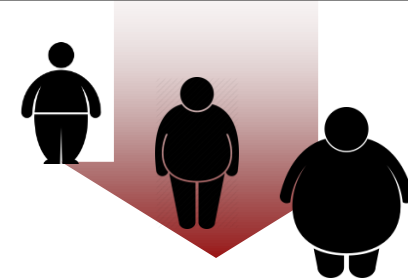
Human capital creation starts at early age, noting that early education and balanced nutrition are critical for brain development and for building human capital



1) Kuwait has a high education expenditure per pupil (three times greater than that of Australia per pupil)  
Source: UNESCO Education database



• *Nearly 30% of Kuwaiti children aged 6-18 years are considered obese and thus susceptible to diabetes and other metabolic complications that exert a toll on their quality of life, including social, capital development*

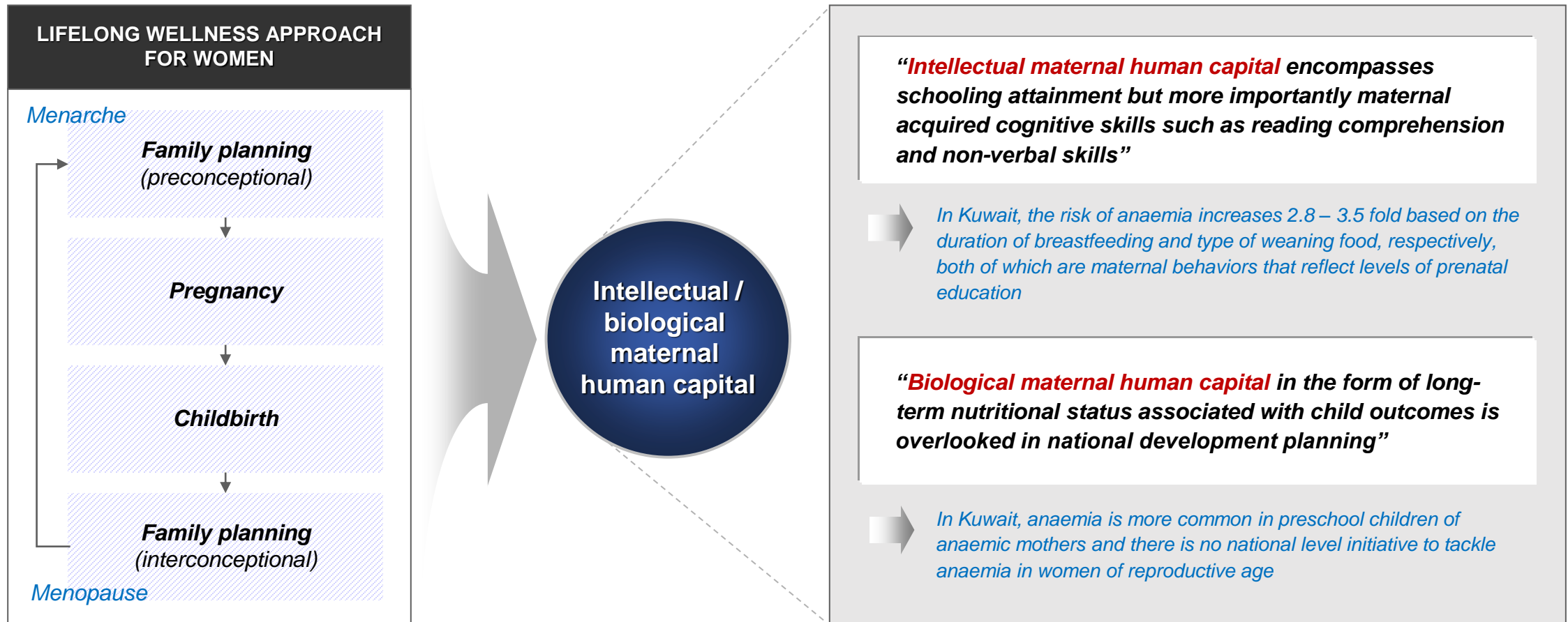


• *Obesity mostly starts from childhood and the negative effects of childhood obesity on education are most pronounced in adolescence (intergenerational transfers)*  
• *Kuwaiti women (58.6%) of childbearing age suffer from obesity<sup>2)</sup>*

2) Groof et al., 2019

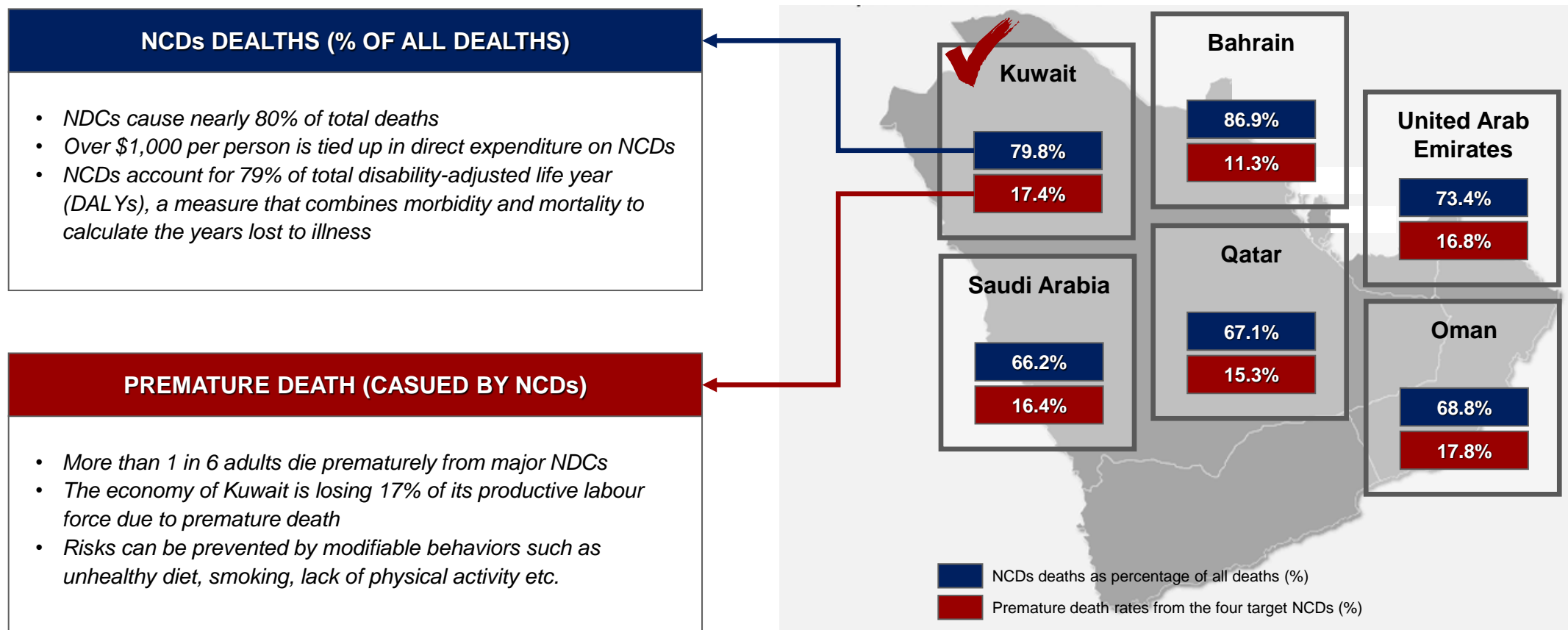
# 1 EARLY CHILDHOOD – CHILDCARE AND MATERNAL HEALTH

The challenges associated with intellectual and biological maternal human capital have not been properly addressed in Kuwait



## 2 HEALTHY LIVING – AGAINST DISEASE

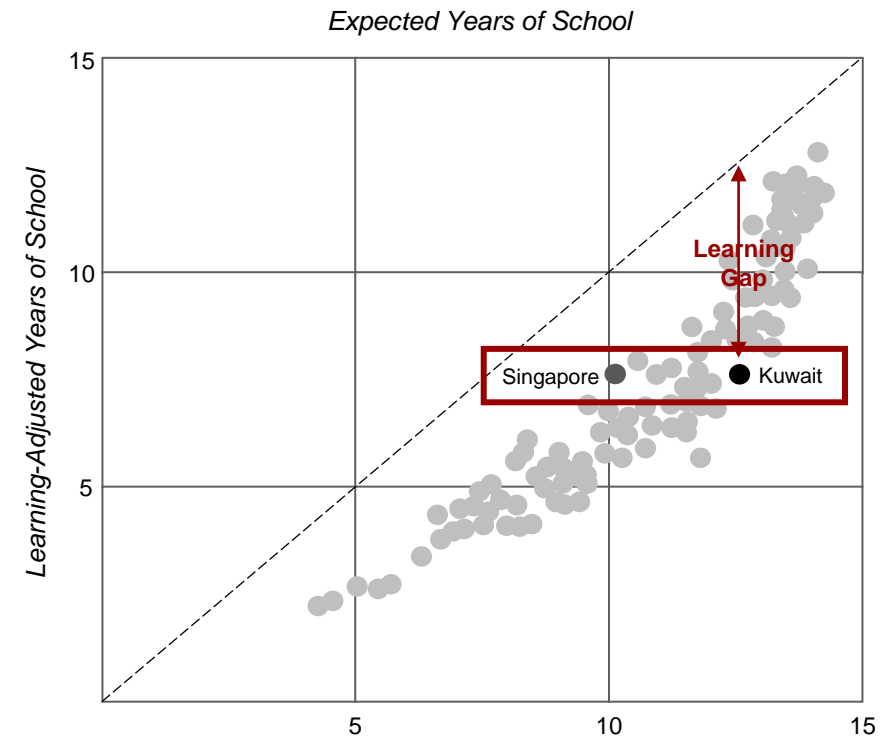
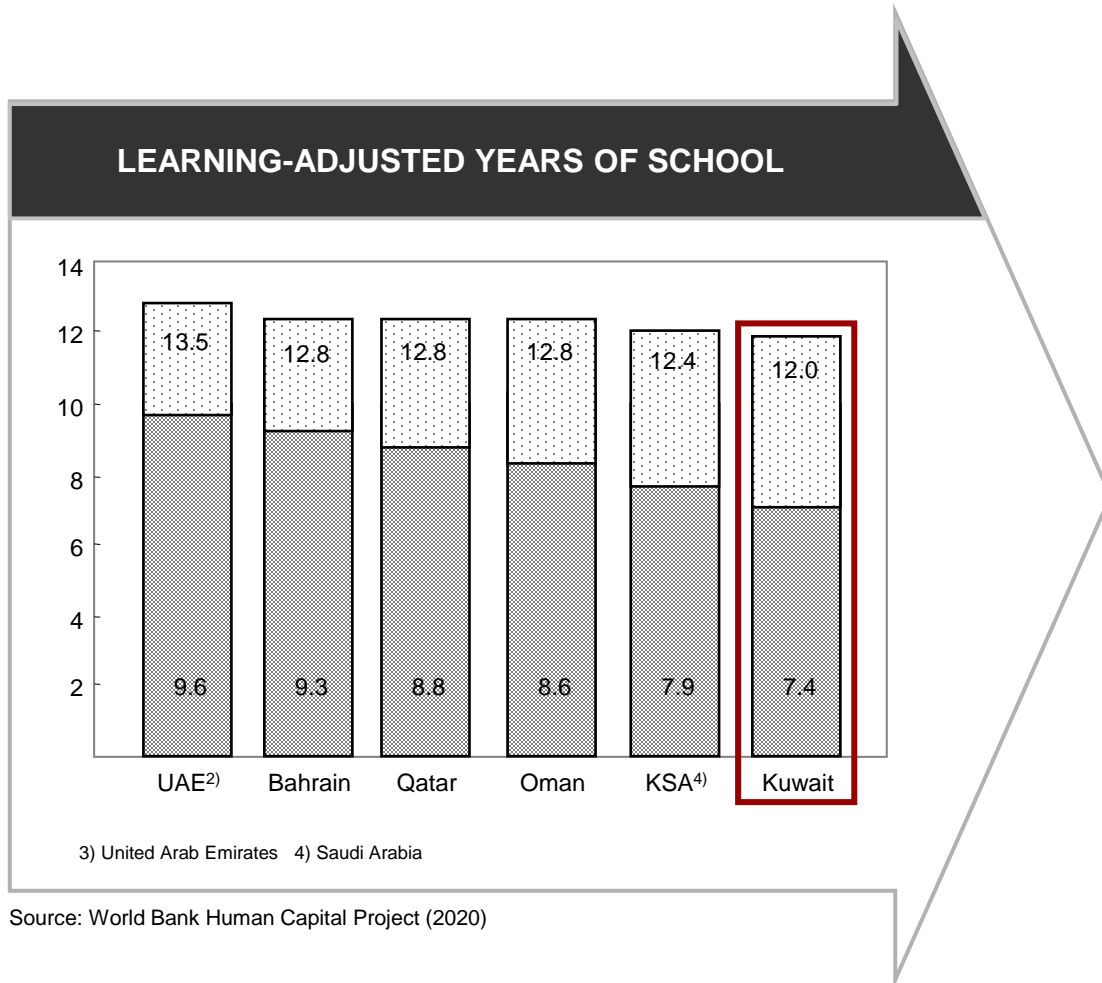
The human capital accumulation process in Kuwait has been interrupted by the effects of suffering from Non-Communicable Diseases (NCDs) in recent decades



Source: Global Burden of Diseases study 2019 (NCDs deaths as percentage of all deaths) and WHO Global Health Observatory Data (Premature death from the four target NCDs)

### 3 EDUCATION AND TRAINING – LEARNING GAP

A child is expected to stay 12 out of 14 years in school but only learns the equivalent of 7.4 years, meaning that children lose nearly 4 years of schooling due to poor learning outcomes



A high-school graduate in Kuwait learns the equivalent of a middle-school graduate in Singapore

### 3 EDUCATION AND TRAINING – LEARNING POVERTY AND QUALITY OF TEACHING

Ministry of Education officials claim the preparation and continuous development of teachers is a leading cause of Kuwait's poor educational outcome (incl. learning poverty and its gender issue)

#### LEARNING POVERTY AND KUWAIT MINISTRY OF EDUCATION SURVEY

- **Lack of educational focus on building foundational skills: More than half (51%) of children in Kuwait are not proficient in reading by age 10**
- **Boys' underperformance in school: 58% of boys are unable to read proficiently at age 10 compared to 44% of girls**

Official 1



“ **Two-thirds** of Kuwaiti Ministry of Education officers rated **the quality of initial teacher preparation/training programs as low...**

Official 2



“ **Three-quarters** of Ministry of Education officers rated **the quality of teachers graduating from such programs as low...**

Official 3



“ **58%** of Ministry of Education officers believed that the **initial teacher preparation was insufficient...**







Official 4



“ **26%** of all Ministry of Education officers believed both that the **initial teacher preparation was not sufficient** and that **teachers do not have sufficient in-service training...**

### 3 EDUCATION AND TRAINING – QUALITY OF HIGHER EDUCATION

None of Kuwait’s universities are placed in “500 World University Ranking,” meaning existing knowledge has been likely been added to the economy from studying conducted in other countries

UNIVERSITY	COUNTRY	OVERALL SCORE	OVERALL SCORE COMPONENTS						RANK
			ACADEMIC REPUTATION	EMPLOYER REPUTATION	FACULTY STUDENT	INTERNATIONAL FACULTY	INTERNATIONAL STUDENTS	CITATIONS PER FACULTY	
 King Abdulaziz University	<b>KSA<sup>5)</sup></b>	<b>51.7</b>	36.3	52.4	69	99	57	50.2	<b>143</b>
 جامعة خليفة Khalifa University	<b>UAE<sup>6)</sup></b>	<b>41.2</b>	11.9	10.2	86.4	100	48.1	52.6	<b>211</b>
 جامعة قطر QATAR UNIVERSITY	<b>Qatar</b>	<b>37.9</b>	19.3	23.3	69.7	100	95.4	19.4	<b>245</b>
 Sultan Qaboos University	<b>Oman</b>	<b>29.1</b>	13.2	13.1	73	100	3.8	12.6	<b>375</b>
 ASU جامعة العلوم التطبيقية APPLIED SCIENCE UNIVERSITY	<b>Bahrain</b>	<b>n/a</b>	n/a	n/a	n/a	n/a	n/a	n/a	<b>651-700</b>
 Kuwait University	<b>Kuwait</b>	<b>n/a</b>	n/a	n/a	n/a	n/a	n/a	n/a	<b>801-1000</b>

5) Saudi Arabia 6) United Arab Emirates

Source: QS World University Rankings 2021

### 3 EDUCATION AND TRAINING – QUALITY OF TECHNICAL TRAINING

The national capacity for Technical and Vocational Education and Training (TVET) remains more challenged than that of any other educational competencies of pre- through higher-education

2020 TVET Global Rank

98

out of 138 countries

#### TECHNICAL & VOCATIONAL EDUCATION & TRAINING (TVET)

TVET represents the main connection between education and labour market

#### FORMATION & PROFESSIONAL TRAINING

#### FEATURES OF THE LABOUR MARKET

**Continuous training**  
Rank 69th

- Evaluation areas include: extent of staff training; availability of research and training services; and firms offering formal training

- Evaluation areas include: poor work ethic in the labour force; ease of finding skilled employees; and technicians per thousand labour force

**Qualifications of human capital**  
Rank 102nd

**Educational structure**  
Rank 71st

- Evaluation areas include: expenditure on non-tertiary vocational education; enrolment in vocational programmes-secondary; enrolment in vocational programmes-post-secondary non-tertiary; and pupil-teacher ratio-secondary vocational

- Evaluation areas include: restrictive labour regulations; and labour freedom

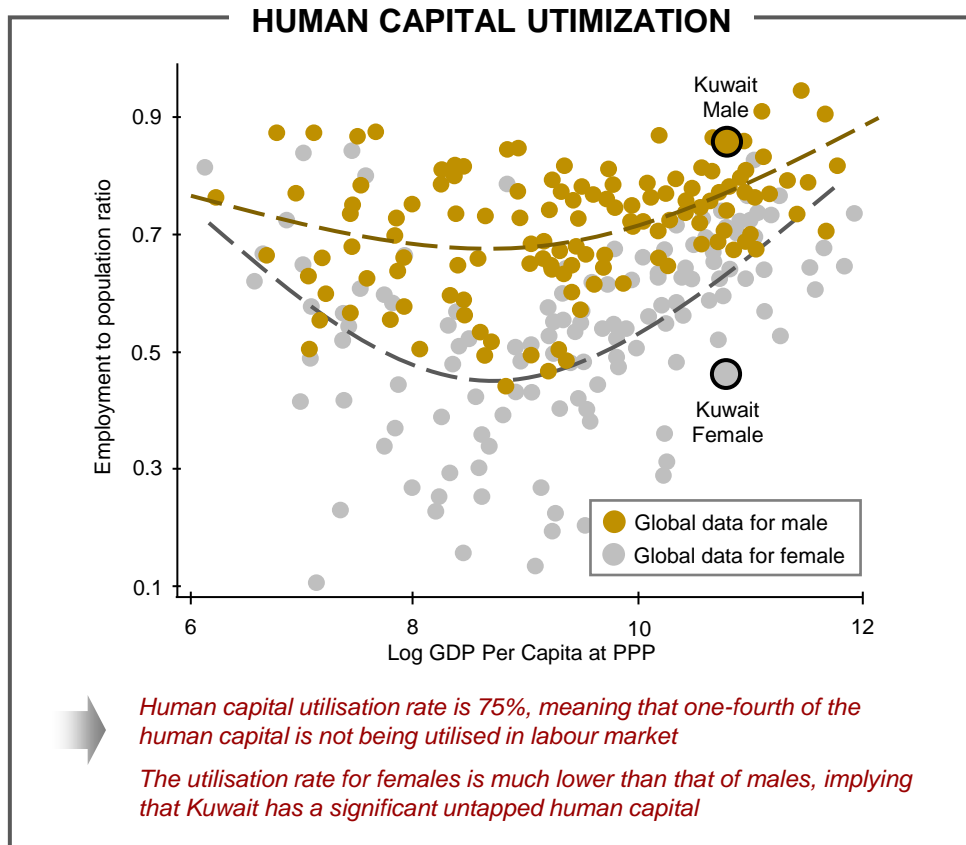
**Structure of the labour market**  
Rank 104th

Source: Global Knowledge Index 2020, UNDP Knowledge Project, available from <https://www.knowledge4all.com>

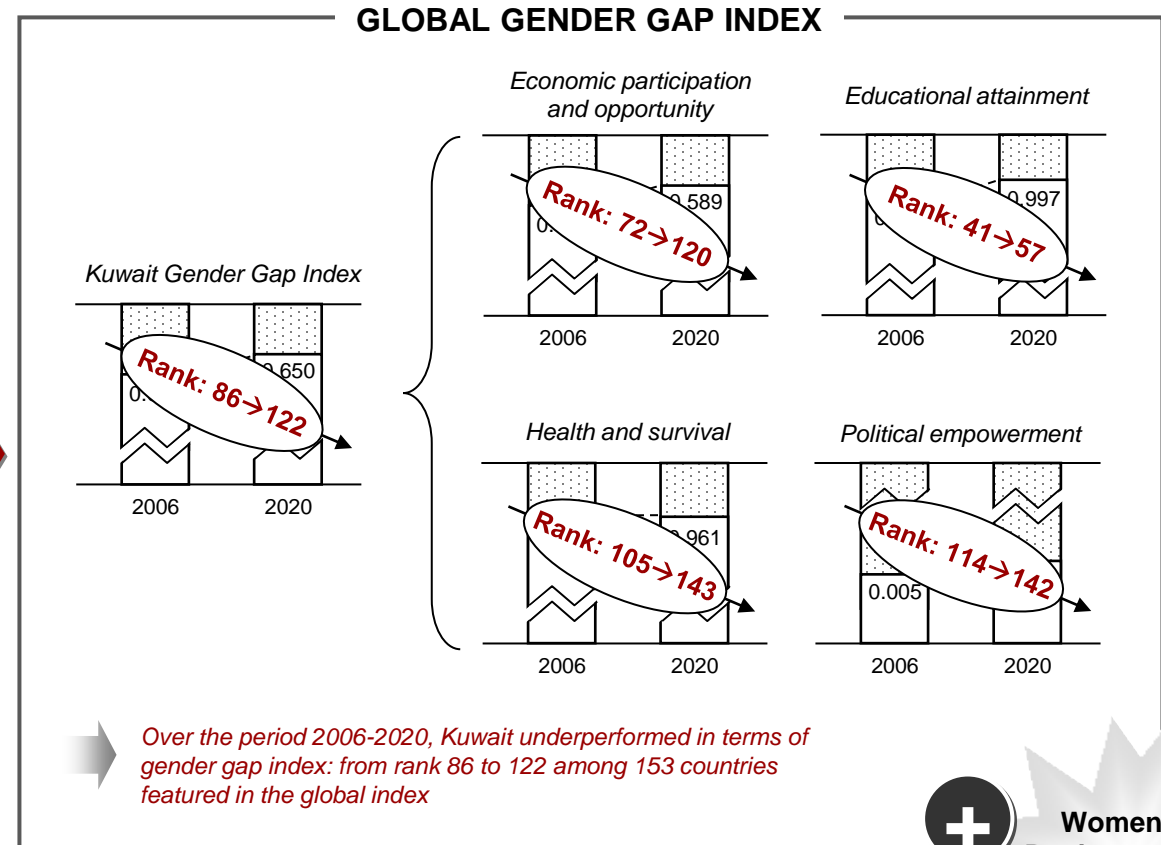
Especially regarding youth, TVET system in Kuwait does not combine entrepreneurial education to diversify the career pathway to graduates. Besides, the share of youth NEET (Not in Education, Employment and Training) in Kuwait was 24% in 2018 according to ILO (2008). Some 37% of the population is under the age of 14, while 35% is between the ages of 15 and 34, making the provision of high-quality education and training facilities an essential part of national strategies for economic development and diversification.

## 4 LABOUR MARKET – UNDERUTILISATION AND GENDER GAP

One-fourth of the human capital accumulated is not currently being utilised in the labour market, mainly due to a low economic participation by females, resulting in a broadly persistent gender gap



Source: World Bank (2020) The Human Capital Index 2020 Update



Source: World Economic Forum (2019) Global Gender Gap Report 2020 and World Bank (2020) Women, Business and the Law Index  
7) Kuwait is ranked almost at the bottom of the Women, Business and the Law (WBL) that is based on analysis of laws and regulations affecting women's economic inclusion

**+** Women, Business and the Law 2020<sup>7)</sup>  
184 out of 190



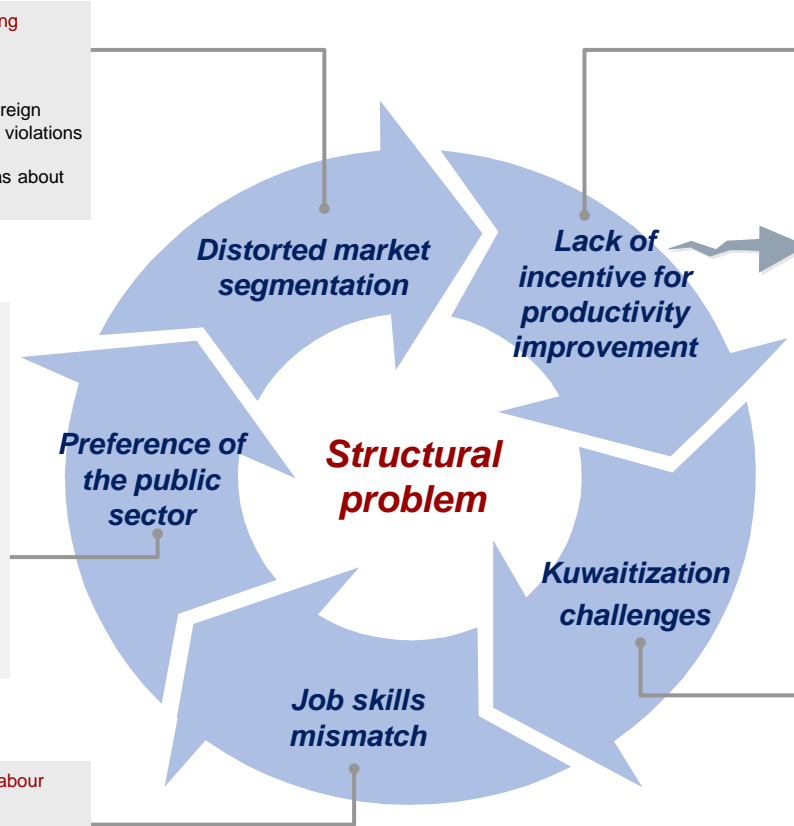
## 4 LABOUR MARKET – STRUCTURAL PROBLEM

The labour market is equated with various structural issues, including skill-mismatch, public sector preference, market segmentation, lack of incentives, all broadly associated with *Kuwaitization*

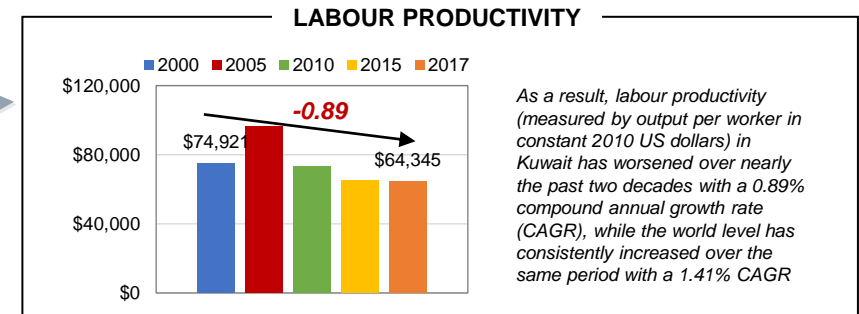
- The labour market segmentation has led to relatively high unemployment rates among Kuwaitis (6.4%) compared to migrants (1.7%) despite particularly low labour force participation rates among nationals (39.5%), compared to that of foreigners (82.2%)
- The segmentation is also influenced by the kafala or sponsorship system that ties foreign workers' visas to their employers, leaving foreign workers at increased risk of labour violations
- Over 90% of Kuwaitis work in the public sector or in state owned enterprises whereas about 88% of non-Kuwaitis are in the private sector (Penn World Table, 2021)

- Nearly 58% of unemployed Kuwaitis said they would refuse to work in the private sector and would work only if a public sector job became available (Central Statistical Bureau, 2016)
- Kuwait has a young national population with 53% being below the age of 25. Providing public sector jobs to the growing labour force will add pressure on the government wage bill and cannot be sustained indefinitely, especially amidst the recent oil price crisis
- Continuing to provide unlimited access to public sector employment at inflated wages especially to those that have not got a tertiary education results in: (1) high reservation wages in the private sector (80% of offers to work in the private sector were rejected last year by young Kuwaitis entering the job market); (2) an incentive to drop out of education early and take a job in the public sector; and (3) reduced incentives to study "harder" science, technology, engineering, and mathematics (STEM) subjects.

- Survey data suggests a limited willingness among graduates to adapt their skills to labour market needs (YouGov and Bayt, 2016)
- Only about 30% of students major in STEM fields whereas most are enrolled in humanities and art subjects (aiming for public sector employment due to higher wages)
- Despite the government's introduction of education (basic and advanced) subsidies and fellowships for nationals, the system remains insufficient to fix a core problem, which is having a limited supply of nationals whose education does not cater to existing labor market needs



- Private sector prefers to hire foreign workers because of access to abundant low-wage workers who are restricted in moving to other employers
- There is presently a lack of high productivity jobs, which would be of more of an interest to Kuwaitis than the current, low-wage jobs that dominant the private sector



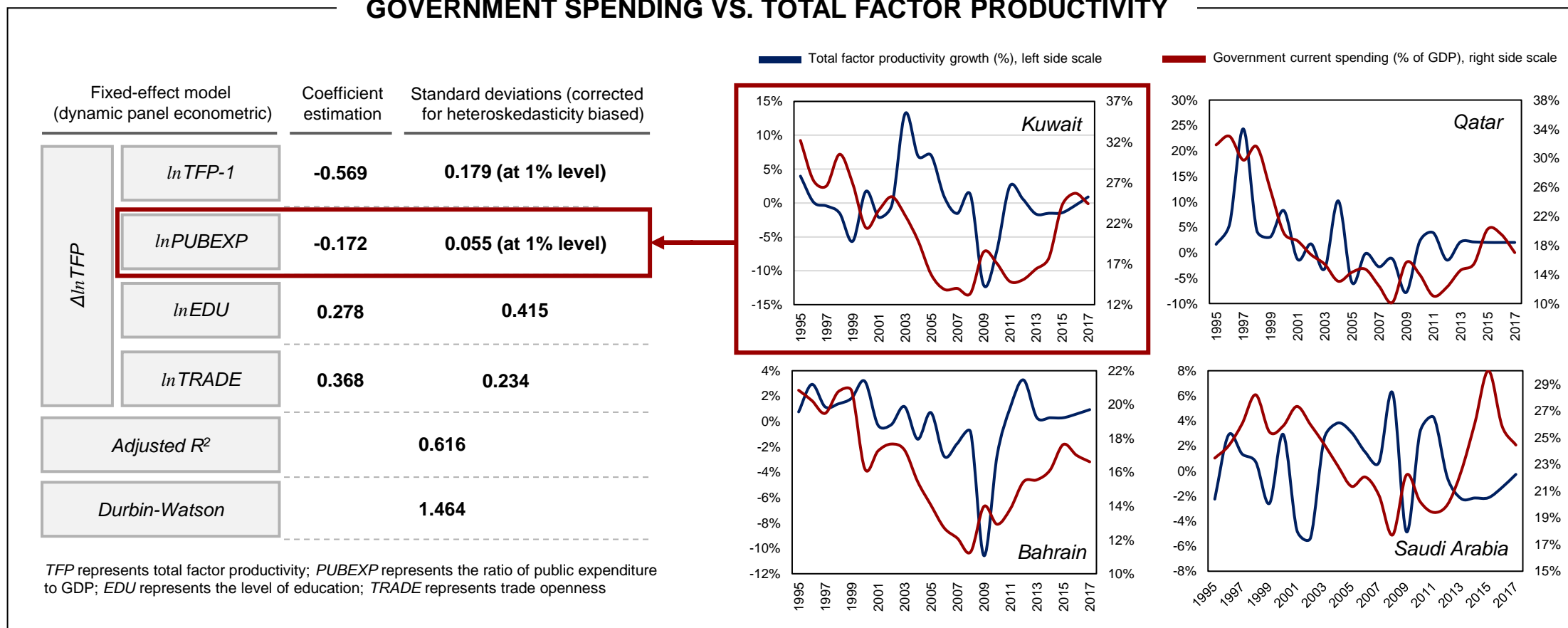
Source: RCO Kuwait staff member's elaboration/estimation on the basis of ILO (2018)

- While foreign workers are willing to put up with the situation, national workers expect similar conditions to that of the public sector (high pay and low hours)
- Traditional approaches to skilled (and cheaper) migration tend to benefit the labor market and employers on the country of destination side, more so than other stakeholders. From the employer perspective, more emphasis is put on immediate needs of recruitment, with limited readiness to invest in future skills
- Kuwait is host to nearly 3.4 million foreign workers and their families who make up the majority of the workforce, especially in the lower-skilled construction, security and general services sectors (700,000 foreign domestic workers) (PACI,2021). The government has been slowly replacing public-sector workers with nationals, a move that COVID-19 resulted in part in the acceleration of its efforts. Culminating at the finalization of a new demographics law that gives national tools one year to develop mechanisms to implement and report on the capping of foreign workers in select sectors.

## 4 LABOUR MARKET – PUBLIC SPENDING VS. PRODUCTIVITY

Empirical evidence indicates that government spending (% GDP) is negatively associated with productivity growth due to the pressure on unproductive expenses (e.g. government wage bill, debt)

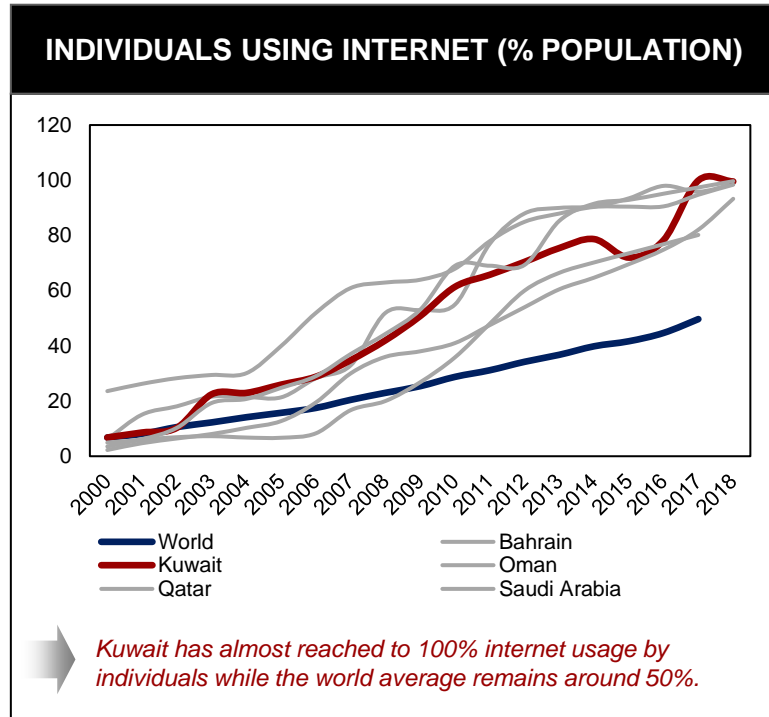
### GOVERNMENT SPENDING VS. TOTAL FACTOR PRODUCTIVITY



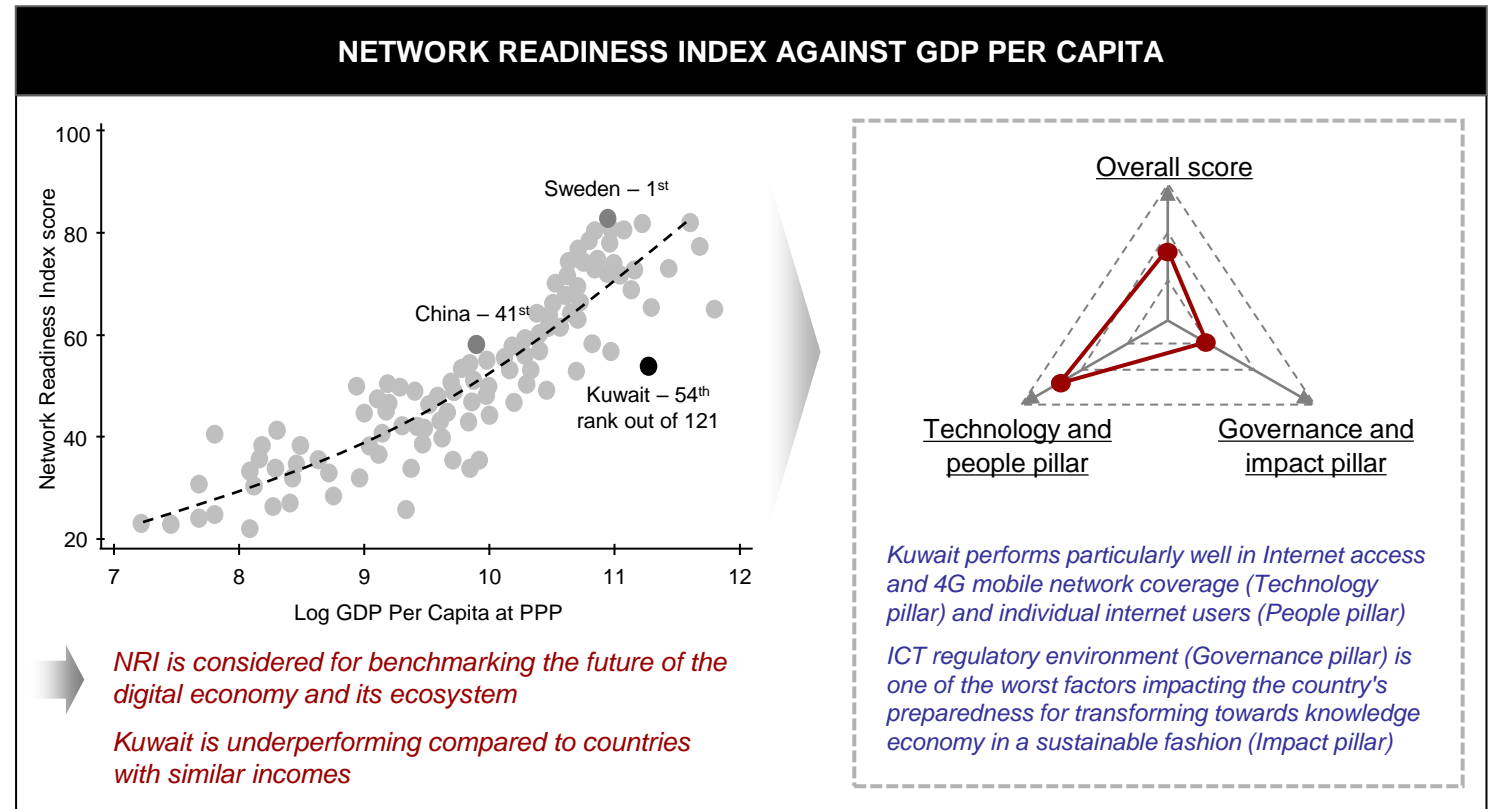
Source: RCO Kuwait staff member's elaboration/estimation on the basis of ESCWA (2020)

## 5 INNOVATION NETWORK – NETWORK READINESS

Kuwait has not significantly benefitted from its high level of access to ICT infrastructure, mainly due to ineffective ICT regulatory governance and its developmental impact



Source: International Telecommunication Union ICT statistics

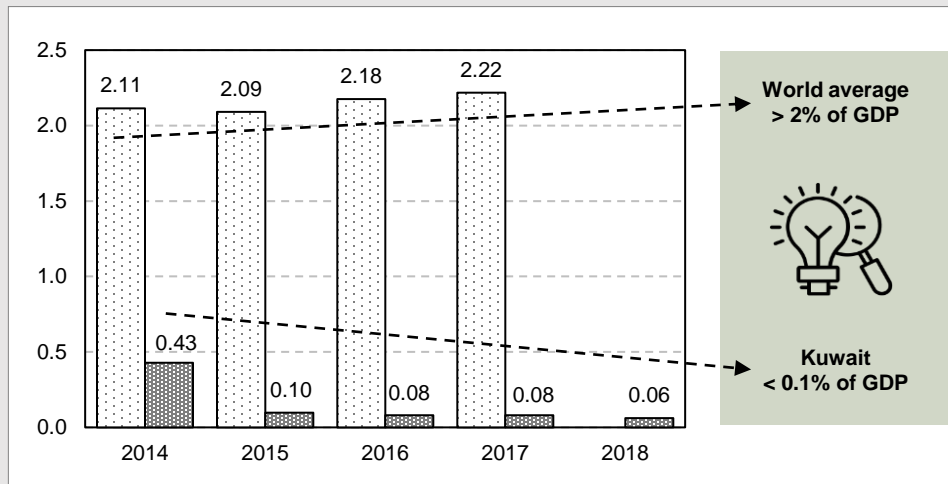


Source: Network Readiness Index report, available at <https://networkreadinessindex.org>

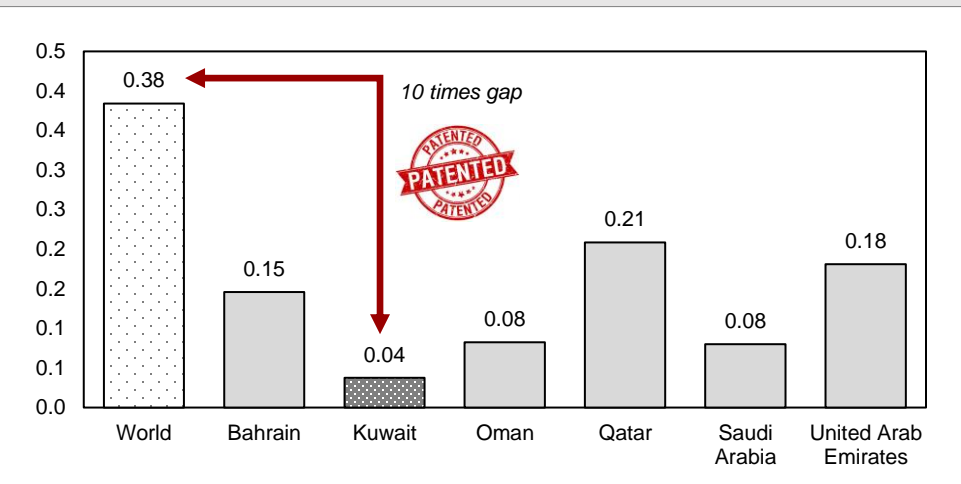
## 5 INNOVATION NETWORK – RESEARCH AND DEVELOPMENT

It appears that Kuwait is suffering from the “No investment (R&D) No Return (Patent)” principle

### GOVERNMENT EXPENDITURE ON R&D (% GDP)



### PATENT APPLICATION (PER THOUSAND INHABITANTS)

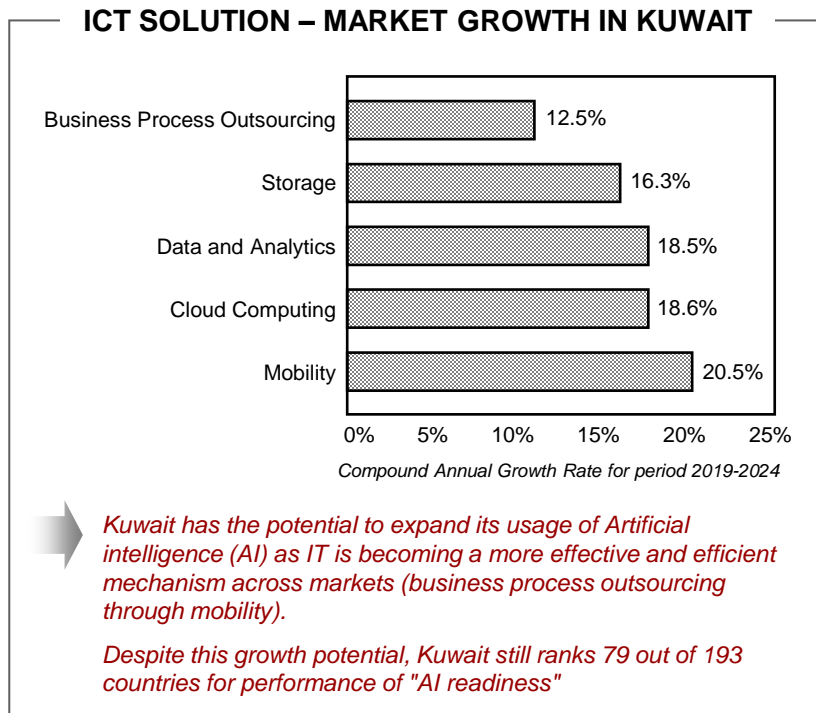


- Although government spending on the education sector has accelerated in recent years, Kuwait is far behind for promoting R&D spending in terms of R&D expenditure as percentage of GDP compared to the world average.
- As a result, performance record in patent applications per 1,000 population for the past five years remains, on average, the worst among GCC countries.
- Public spending on R&D is critical in stimulating R&D activities in private sector through the form of subsidy, public-private research collaboration, etc.

Source: World Development Indicator (2020) and Salman, et al. (2020)

## 5 INNOVATION NETWORK – ICT GOVERNANCE

Kuwait would have greater development potential in utilising Artificial Intelligence (AI) for various IT-driven business dimensions, but it is not yet ready to integrate it into its ICT governance system



Source: GlobalData, Technology Intelligence Center

*AI related development activities have gradually come out in Kuwait over the past years, showing greater potential*

### CASE INSTITUTION



### DESCRIPTION OF ACTIVITIES

*Kuwait Finance House (KFH) introduced the utilisation of robotic process automation (RPA) for low-return, high-risk manual tasks, and the process has successfully reduced the retail application interval by 50% and decreased the back-office review process by 75%, from one hour to fifteen minutes*



*The Kuwait Foundation for the Advancement of Sciences (KFAS) launched a symposium on the 'Promise of Artificial Intelligence: Present and Future,' aimed to explore the capabilities of AI and the potential impacts on Kuwait, alongside raising awareness of AI among citizens, namely young people and children*



*The petroleum industry in Kuwait could strongly benefit from AI, as its implementation would reduce costs and therefore increase profits. This would be a starting point in Kuwait where AI is not yet a concept that is widely implemented, or even considered as a useful mechanism, as the petroleum industry is by far the greatest source of income for both citizens and the government*

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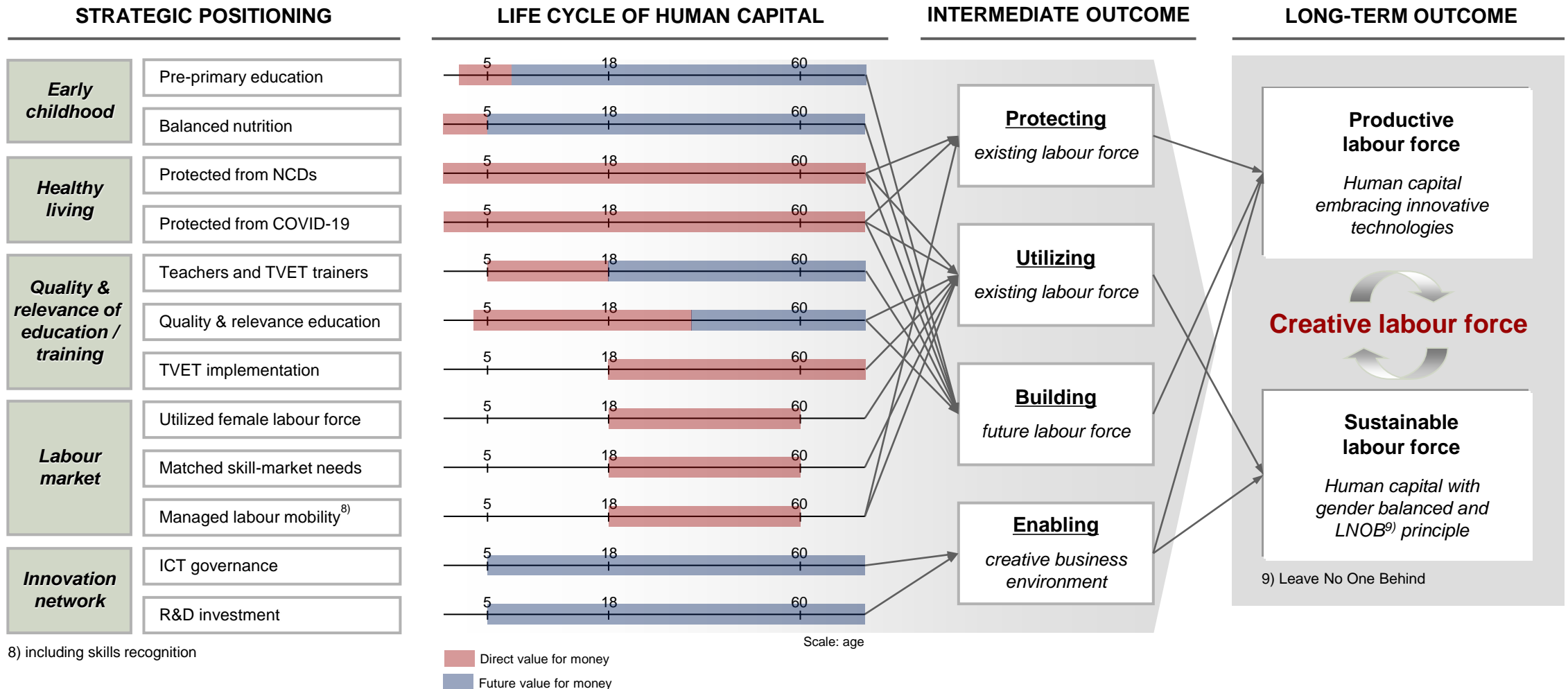
# CHALLENGE & OPPORTUNITIES

Although these five human capital development areas have negatively been impacted by COVID-19 crisis, they could create greater development potential in the post-COVID-19 era

DEVELOPMENT AREAS	CHALLENGES	COVID-19 IMPACT	OPPORTUNITIES
1 <b>Early childhood</b>	<ul style="list-style-type: none"> <li>• Low rate in pre-primary enrollment</li> <li>• 30% of Kuwaiti children are considered obese</li> </ul>	<ul style="list-style-type: none"> <li>• Dropout and learning decline due to school closures and lost income</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing the political will for early childhood development in building productive human capital for the future (gender-neutral)</li> </ul>
2 <b>Healthy living</b>	<ul style="list-style-type: none"> <li>• NDCs caused nearly 80% of total deaths</li> <li>• More than 1 in 6 adults die prematurely from major NDCs</li> </ul>	<ul style="list-style-type: none"> <li>• Possible malnutrition (or unbalanced)</li> <li>• COVID-19 direct impact on health</li> <li>• Mental illness indirectly impacted by COVID-19 related interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Greater emphasis (awareness) on public health</li> <li>• Quality human capital accumulation</li> </ul>
3 <b>Quality &amp; relevance of education / training</b>	<ul style="list-style-type: none"> <li>• 4 years of schooling lost due to poor learning outcomes; quality of (higher) education remains questionable</li> <li>• Weak capacity for TEVT</li> </ul>	<ul style="list-style-type: none"> <li>• Learning decline due to school closures</li> <li>• Lack of effective connections between schools and students</li> </ul>	<ul style="list-style-type: none"> <li>• Use the development of blended learning modalities to introduce more effective teaching and learning materials and approaches, and to provide clear and helpful guidance for teachers to scaffold their lesson preparation and delivery</li> <li>• Greater policy harmonisation, e.g., TVET and skill policies with other socio-economic policies</li> </ul>
4 <b>Labour market</b>	<ul style="list-style-type: none"> <li>• Low utilisation of human capital (gender gap)</li> <li>• Preference for the public sector, skill-mismatch, little incentive for higher productivity jobs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Unemployment and drop in revenue/income/wages (SMEs)</li> <li>• Productivity decreased due to work-from-home, morbidity, stress, and isolation</li> <li>• While the private sector has to adjust to COVID-19 Impacts, public sector workers have been receiving their paychecks</li> </ul>	<ul style="list-style-type: none"> <li>• Labour market reforms, repositioning of the labour force (greater inclusion of women and persons with disabilities)</li> <li>• Improving productivity with the use of high-technology</li> </ul>
5 <b>Innovation network</b>	<ul style="list-style-type: none"> <li>• Ineffective ICT regulatory governance and its developmental impact</li> <li>• Low R&amp;D investment, thus low patent application</li> </ul>	<ul style="list-style-type: none"> <li>• R&amp;D budget constraint due to increased importance for public health</li> <li>• Less policy focused on better ICT regulatory governance</li> </ul>	<ul style="list-style-type: none"> <li>• Unlocking development potential from ICT and AI technological innovation</li> <li>• Improving ICT adaptation (computers skills, awareness of R&amp;D investment)</li> </ul>

# THEORY OF CHANGE

The theory of change is formulated by establishing linkages from the five development areas to the development aspiration, “human capital for knowledge economy (HC4KE)”





# PRIORITIZING “HC4KE” POLICIES

## Seven policy directions that can be prioritised through mapping analysis with 51 policies of the Kuwait National Development Plans 2020-2025 and the Sustainable Development Goals (SDGs)

### ALIGNING POLICY OPTIONS WITH NATIONAL DEVELOPMENT PLANS AND SUSTAINABLE DEVELOPMENT GOALS

#### Early childhood

- 1 Strengthened pre-primary education
- 2 Balanced nutrition

3.6. Develop high-quality ECE to improve school readiness among children  
7.3. Enhance health information technology systems and launch national health and nutrition survey



#### Healthy living

- 3 Protected from NCDs
- 4 Protected from COVID-19

7.1. Improve youth wellbeing by combating substance use and road injury and promoting sports  
7.2. Scale up the healthy cities initiative and promote community development, and individual health and wellbeing at the local level  
7.4. Optimize health workforce capacity and capabilities  
7.5. Revamp the healthcare service delivery system and adopt new health technology and treatments  
7.7. Promote health literacy and improve people's ability to make appropriate health decisions



#### Quality & relevance of education / training

- 5 Teacher training
- 6 Quality & relevance education
- 7 TVET implementation

3.5. Improve general education, including curriculum, teacher skillset, and methods  
3.4. Develop a national skills formation system and revamp workforce development to support the transition into a knowledge economy  
3.6. Develop high-quality ECE to improve school readiness among children  
3.7. Promote STEM learning towards a knowledge economy and foster the internationalization of higher education



#### Labour market

- 8 Utilized female labour force
- 9 Matched skill-market needs
- 10 Managed labour mobility

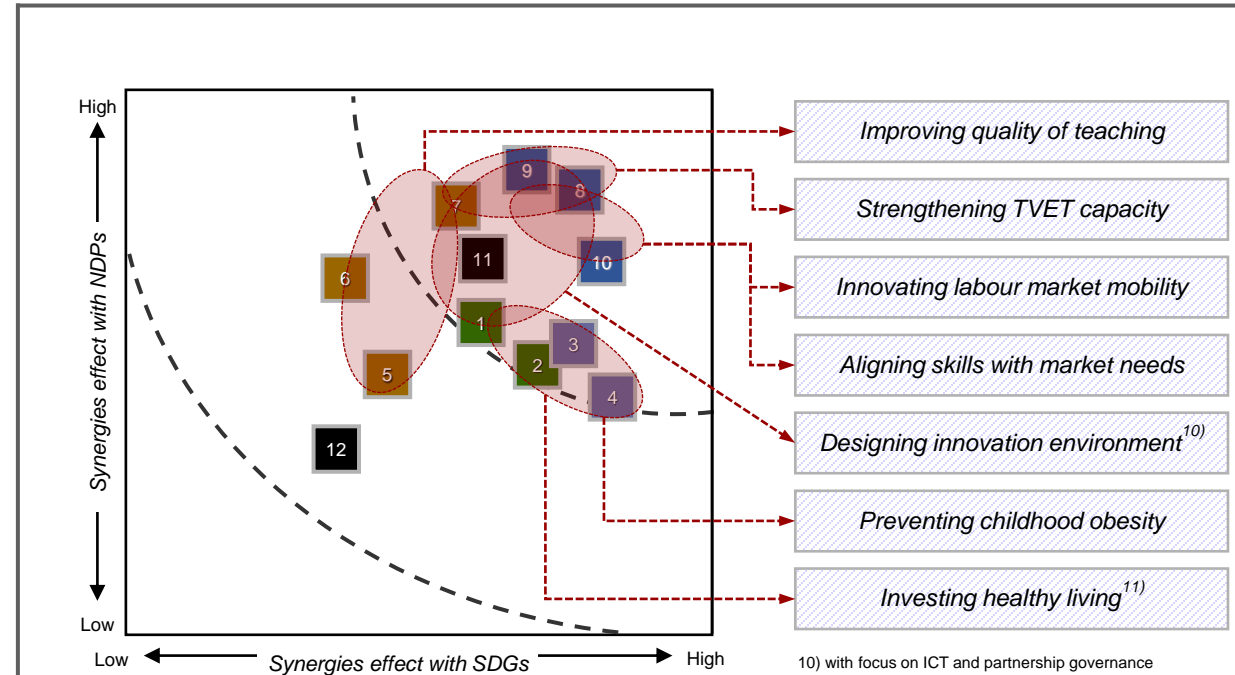
3.1. Improve attractiveness of private sector employment by rebalancing compensation and working conditions across the private and public sectors  
3.2. Create a smart foreign labor admission system that attracts highly skilled workers  
3.3. Align education outcomes to labor market needs to equip students with relevant skillset  
3.8. Encourage the social, economic, and political inclusion of youth, women, persons with disabilities, and the elderly



#### Innovation network

- 11 Improved ICT governance
- 12 R&D investment

2.7. Accelerate the development of innovative products and services by creating an integrated ecosystem for technology, innovation, and knowledge  
4.3. Transform government operations to digital government  
5.6. Ensure competitive access to ICT infrastructure and services for the digital and knowledge economy



10) with focus on ICT and partnership governance  
11) with focus on community engagement and maternal human capital

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# 1-1 INVESTING HEALTHY LIVING – PUBLIC HEALTH AND COMMUNITY

<p><b>Contribution to National Vision</b></p>	<p><b>“Policies that foster nutritional security, physical wellbeing and early brain stimulation for all children yield high returns in their adolescent and later life (as a predictor of future earnings). Health within a high-income country can be promoted through an enabled citizenry, supportive environmental policies and strong regulatory oversight”</b></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p>Good governance is placed in line with a guiding National Strategy against NCD targeting maternal, child and youth health through a whole of society approach, and piloting (e.g., health cities initiative) of contextualised evidence-based interventions is based on integrated programming (nutrition, physical activity, health-promoting schools).</p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Support and endorse the scaling up of ongoing community-based interventions</u></b>, that is, to build community capacity while preserving their working models – very good examples are Birth Kuwait and Birth Academy, which have succeeded in building capacity and education in the area of breastfeeding, pre and postnatal care and as such are impactful promoters of health through their unique population-specific insights, rapport and accredited team expertise.</li> <li>• <b><u>Capacity building support for effective adaptation of wider use of telemedicine</u></b> with integration of mainstream apps for health coaching and advice to ensure timely access of credible advice to all. Empower nurses, social work and allied health students to uptake this role as part of their training.</li> <li>• <b><u>Awareness raising support for implementing behavioral nudges in open communal spaces, schools and workplaces</u></b> to encourage uptake of healthy habits (e.g., physical activity nudges).</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p>Better engagement with community and society in the area of public health and its interventions means greater solidarity that enables the country to timely respond to the public health related challenges with less socio-economic cost while maximising the process of accumulating human capital for the knowledge economy agenda.</p>

## 1-2 INVESTING HEALTHY LIVING – CHILDHOOD OBESITY

<p><b>Contribution to National Vision</b></p>	<p><i>“Kuwait’s investment into the health and wellbeing of its youngest constituents is critical. Health is a central component of human capital with early childhood being a critical window for brain development and consequently, the development of cognitive, motor, and socio-emotional capacities”</i></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p><i>If children and their parents are equipped with more information about the benefits of diet and nutrition, exercise, etc. then children and their parents will make better decisions in these areas and therefore mitigate childhood and later adult obesity.</i></p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Support school-based interventions targeting children, youth and their parents.</u></b> This can address the obesogenic environment through regulation of school meals and integration of nutrition-literacy in curricula – collaboration with ministries of education, health (PAFN) and the private sector.</li> <li>• <b><u>Create community and parent-support interventions.</u></b> Awareness campaigns on childhood obesity within the community and specific guidance to parents on how they can make better choices in terms of diet, nutrition, exercise, etc.</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p><i>Improved child health and reduced childhood obesity and adult obesity rates, ultimately contributing to building healthy and productive human capital for knowledge economy.</i></p>

# 1-3 INVESTING HEALTHY LIVING – MATERNAL HUMAN CAPITAL

<p><b>Contribution to National Vision</b></p>	<p><b>“Kuwait scales up its effort to improve intellectual and biological maternal human capital through a lifelong wellness approach for women, ultimately breaking intergenerational transmission of chronic diseases”</b></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p><i>A shift from episodic interventions in the gestation period to continuous attention to women’s health as part of the national health promotion strategy. A salient example would be folic acid supplementation and smoking cessation, which benefit women’s wellness on top of their well-known benefits on birth outcomes.</i></p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><u>KNDP policy 7.7 (to promote health literacy and improve people’s ability to make appropriate health decisions) improved by</u></b> mobilising mass media campaigns targeting women of reproductive potential – it entails the design of gender sensitive multisectoral interventions within the national health strategy that extend health information in workplaces and recreational centres.</li> <li>• <b><u>KNDP policy 7.5 (to revamp the healthcare service delivery system and adopt new health technology) improved by</u></b> mainstreaming scalable, working, local models (i.e., Birth Kuwait and Birth Academy) in building capacity and education in the area of breastfeeding, pre and postnatal care through the use of ICT technologies (i.e., Zoom, WhatsApp).</li> <li>• <b><u>KNDP policy 7.3 (to facilitate the launching of a national health and nutrition survey) improved by</u></b> further collection of data on use of iron supplements and specific surveys as part of a national anaemia control programme.</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p><i>Interruption of the intergenerational transfer of chronic disease and improvement of women’s wellness across the lifespan.</i></p>

## 2-1 REDIRECTING EDUCATION AND TRAINING – QUALITY OF INSTRUCTION

<p><b>Contribution to National Vision</b></p>	<p><i>Kuwait's Vision 2035 fully commits to providing every individual with the opportunity for attaining the highest education possible, while its Human Development Plan 2020-2025 commits to "Equip the people with the skills and incentives for future growth"</i></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p><i>If relevant policies are developed through a series of initiatives including lifelong learning and skills formation, quality assurance and qualification framework, STEM promoted, and strong partnerships with the private sector established, then there will be a skilled and efficient labour force.</i></p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><i>Develop teacher management and standards framework</i></b> to promote inclusive, equitable and gender-sensitive teacher focusing on recruitment, training, deployment, remuneration, career development and working conditions.</li> <li>• <b><i>Reorient university faculties of education to improve teacher preparation and development.</i></b> University education faculties can take a leading role in improving the preparation of new teachers, with ample practical training, and in the professional development of practicing teachers, to improve on the quality of teaching and learning. The pre-service and in-service programmes should be harmonised and support mechanisms put in place to improve the quality of instruction and learning in schools.</li> <li>• <b><i>Put in place mechanisms for school management and governance.</i></b> Strengthen district and school leadership in other areas of monitoring and supervision including exploring current practice such as teacher coaching, real-time feedback mechanism loops through social media platforms, etc.</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p><i>Improved quality of instruction, starting with a focus on important foundational skills in the early grades, through empowerment, adequate recruitment, motivation and ample professional/career development support.</i></p>

## 2-2 REDIRECTING EDUCATION AND TRAINING – TECHNICAL TRAINING

<p><b>Contribution to National Vision</b></p>	<p><i>“Kuwait's development aspiration to the provision of high-skilled labour and the development of conducive working environments should be maximised with educated young people with opportunities for professional integration”</i></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p><i>Youth unemployment addressed by providing them with skills that are useful for labour intensive or even technology intensive quality assurance and qualification frameworks including industries and the knowledge economy.</i></p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><i>Develop and implement curricula in education and training addressing employable skills in the labour market.</i></b> Engage social partners in designing and delivering education and training programmes with career counselling and job placement services that are evidence-based and holistic. Ensure that TVET curricula and training programmes are of high quality and include both work-related skills and transferable skills, including entrepreneurial and basic ICT skills.</li> <li>• <b><i>Put in place an efficient TVET quality assurance and qualification framework.</i></b> Also, develop a qualification framework for TVET. Ensure transparent, efficient TVET quality assurance systems and qualifications frameworks.</li> <li>• <b><i>Promote TVET skills exchange and transfer among the member states (regionally and globally).</i></b> Promote collaboration on enhancing transparency and cross-border recognition of TVET qualifications to raise the quality of TVET programmes and enable workers’ and learners’ mobility, and to ensure TVET programmes keep pace with changing labour and market demands, with particular focus on creating more opportunities for women to join TVET.</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p><i>Unemployment addressed by providing with skills that are useful for labour intensive or even technology intensive industries and the knowledge economy; increased synergy of TVET system focus with other important players e.g., UNESCO, European Commission, OECD, etc., and global standards and alignment of practice with global framework.</i></p>

## 3-1 INNOVATING LABOUR MARKET – LABOUR MOBILITY

<p><b>Contribution to National Vision</b></p>	<p><b>“Kuwait’s goal of developing a prosperous and diversified economy, and decent work in the private sector, could be met through a dynamic labour market of nationals and foreign workers, which tackles labour market segmentation through internal labour market mobility”</b></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p>Changes to the sponsorship system to remove restrictions on foreign workers to change jobs are needed by a new Ministerial Decree<sup>12)</sup>, enabling foreign workers to change employers by giving written notice. Special provisions could be made for workers during their probation period (including having the second employer contribute to the costs of recruitment). This system can ensure a best fit for employers and workers, and furthermore, through increased wages, employers will be encouraged to invest in more decent, productive jobs.</p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b>Reform of the sponsorship system</b>, combined with efforts to tackle the absconding regime, can be implemented through Ministerial Orders that remove current restrictions on foreign workers’ ability to change sponsors, including between government and private sector contractors, between sectors, and without the permission of the first sponsor.</li> <li>• <b>Develop sustainable mobility schemes such as skills mobility partnerships (SMPs)</b> as an innovative tool centred around workers’ skills formation and development, while placing special emphasis on multi-stakeholder collaboration. With effective implementation, SMPs can help countries of destination meet skill shortages and labour market needs, improve workers’ skillsets and, subsequently, their career prospects.</li> <li>• <b>Strengthen skills governance through market driven skills system and robust skills financing instruments</b> for market responsive human capital development with special emphasis on future of work and lifelong learning focusing especially on the target group of NEET, women and persons with disabilities.</li> <li>• <b>Strengthen skills certification system</b> to design and deliver innovative, flexible and inclusive learning options, encompassing work-based learning and quality apprenticeships. This should also be added with digital transitions of skills development systems and develop digital skills.</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p>Better internal labour market mobility would mean greater flexibility to companies (which is important in the context of COVID-19), strategic job matching (easier to find the right worker with the appropriate skills and experience), and improved job satisfaction and motivation, which leads to a greater retention rate (ILO 2017). SMPs encourage labour market integration and career development, which are key factors in improving productivity, social cohesion, and sustainability. Improved productivity and retention of foreign workers result in better economic outcomes and performance of enterprises.</p>

12) New Ministerial Decree: Amending Ministerial Order No. 200 of 2011 concerning the regulation of employment in the private sector



## 3-2 INNOVATING LABOUR MARKET – SKILLS MATCH

<p><b>Contribution to National Vision</b></p>	<p><i>“Kuwait’s goal of developing a prosperous and diversified economy, and decent work in the private sector, could be met through a dynamic labour market of nationals and foreign workers, which tackles labour market segmentation through internal labour market mobility, social dialogue, improved working conditions and the creation of more productive jobs, combined with targeted training programmes that match skills/job demand.</i></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p><i>Policies on improving human capital are developed through social dialogue and aligned with development priorities associated with skills and training. Skills development and labour market policies should ideally be part of a comprehensive national employment policy that addresses both the supply and demand sides of the labour market.</i></p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><i>Support the involvement of social partners, particularly employers, into the development of training and education programmes</i></b> that could help address the issue of skills mismatch and would enable educational institutions to review their programmes and curricula in line with private sector needs. Such involvement would help increase credibility of education systems in the country and can also equip the youth and women with the right skills needed by employers.</li> <li>• <b><i>Improve technical capacity for the Kuwait Labour Market Information System (KLMIS)</i></b><sup>13)</sup> collection for labour market analysis in the light of future of work and skills mismatch to design and implement active labour market policies (ALMPs) – employment services, including career guidance, job search assistance and counselling, can raise awareness about emerging sectors and job opportunities, thereby contributing to better skills matching and opportunities (for nationals and foreign workers), as can closer engagement of employers in the private sector with training providers.</li> <li>• <b><i>Awareness raising support and guidance to both private and public sector for encouraging female labour participation</i></b>, including dare care facilities at places of employment, empowering role models, changing attitudes and among others. Actively engaged females in labour market and better educated females would raise healthier and smarter children who will likely be better equipped with market needs.</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p><i>Fewer disputes and better worker-employer relationships; improved competitiveness due to creation of a level playing field for companies, more efficient and less costly recruitment and worker deployment; decreased recruitment and repatriation costs as workers can be locally hired with fewer intermediaries; better law enforcement, more attractive environment for foreign investment and enhanced international reputation. Success of Kuwaitization programmes by preparing nationals to take up jobs that are currently performed by foreign workers. This will be supported by SMP collaborations that will promote the acquisition of skills necessary to fulfill labour market gaps and needs. In case of foreign workers, it will promote regulated labour migration, including in the framework of bilateral and multilateral labour arrangements and agreements, based on skills demand and relevant, quality training provisions for potential and return foreign workers, and further regulate potentially flagged or problematic migration corridors.</i></p>

13) It was launched in 2015 as a critical tool and source of data to analyse the impact of policy change, for instance the impact of COVID-19 on labour markets and the administration of human capital.

# 4-1 DESIGNING INNOVATION ENVIRONMENT – ARTIFICIAL INTELLIGENCE GOVERNANCE

<p><b>Contribution to National Vision</b></p>	<p><i>“Development of Artificial Intelligence (AI) technology is part of the wider ecosystem of Internet and other advanced ICTs including big data, Internet of Things, blockchains, etc. that could create a business environment where knowledge is created, acquired, transmitted and utilised effectively by enterprises, organisations, communities and individuals in an innovative fashion”</i></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p><i>If AI governance with regards to international standards is established, Kuwait will be positioned to accelerate the process of an ICT-driven knowledge economy while also promoting human rights, transparency, accountability and redressing of violations and abuses.</i></p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Support the design of AI governance using UNESCO’s Internet Universality indicators</u></b> to measure Human Rights, Openness, Accessibility and Multi-stakeholder participation and to thereby map and improve the ecosystem in which AI is developed, applied and governed.</li> <li>• <b><u>Capacity building support for the development of AI enabling environment</u></b>; strengthen research infrastructure for AI; support open access dissemination of research; boost coding skills through trainings; strengthen policies for Media and Information Literacy; and support access to AI specific computational hardware through subsidies.</li> <li>• <b><u>Assess algorithmic discrimination in order to protect the right to equality of all</u></b>, in particular of historically marginalised populations.</li> <li>• <b><u>Facilitate development of norms and policies for improving openness and transparency in AI algorithms</u></b> through elements of ex-ante information disclosure and ex-poste monitoring of algorithmic decision-making.</li> <li>• <b><u>Assess AI potential for inclusive and quality digital transformation in higher education system</u></b></li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p><i>More active participation in AI governance from all stakeholder groups, including but not limited to the government, private sector, technical community, civil society, academia, among others.</i></p>

## 4-2 DESIGNING INNOVATION ENVIRONMENT – PUBLIC-PRIVATE PARTNERSHIP

<p><b>Contribution to National Vision</b></p>	<p><b>“As part of striving to improve the business environment, institutional policymaking capacity to engage both the private sector and Kuwaiti citizens into the country’s transformation process is imperative – focusing on the public-private partnership (PPP) with emphasis on environmentally sustainable development aspiration”</b></p>	
<p><b>Policy Direction</b></p>	<p><b>Desired Change</b></p>	<p>Depending on the partnership nature, the government plans to draw private sector investments for projects (for green and/or education initiative) and/or waste management in the form of either BTO, BTL or other procurement schemes<sup>14)</sup> while benefitting innovative ideas from private sector and reducing fiscal burden in the context of dual shock (i.e., COVID-19 and oil price drop).</p>
	<p><b>Policy Support</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Policymaking capacity support to Kuwait's Supreme Council for Privatization and Kuwait Authority for PPPs in designing the most effective procurement schemes</u></b> by bridging innovative and green technologies from the private sector. The support areas include <b><u>feasibility study in collaboration with both public and private entities, reform of institutional architecture and regulatory framework</u></b><sup>15)</sup> (supported by strong political will) for sectors such as:             <ul style="list-style-type: none"> <li>• Municipal solid waste management – i.e., regularising waste picker initiatives as part of PPP arrangement; involving private sector in disposal projects such as sanitary landfill technology, recycling and among others</li> <li>• Green infrastructure and its management – e.g., green building, solar panels and eco-friendly insulators at old schools, wastewater treatment, among others</li> </ul> </li> <li>• <b><u>Greening PPPs with strengthened policymaking capacity are closely associated with six NDP policies</u></b>, including 2.2. Increase private sector participation; 4.4. Expand the role of the private sector; 6.1. Improve water resource management; 6.2. Build eco-cities; 6.4. Boost the role of renewables; 6.5. Integrate solid waste management</li> <li>• <b><u>Design and implementation support for privatization of public school system</u></b> with the use of PPPs procurement scheme</li> </ul>
	<p><b>Benefits and Incentives</b></p>	<p>It should be understood not just as a mechanism to ease the fiscal pressure and help public financing but more importantly as a way of introducing private sector technology and innovation in providing better public services under the principle of sharing ownership and responsibility in an inclusive and sustainable fashion.</p>

14) BTL refers to low risk, low return investment whereas BTO is a high risk, high return investment. See Appendix A – types of PPPs arrangement (procurement schemes)

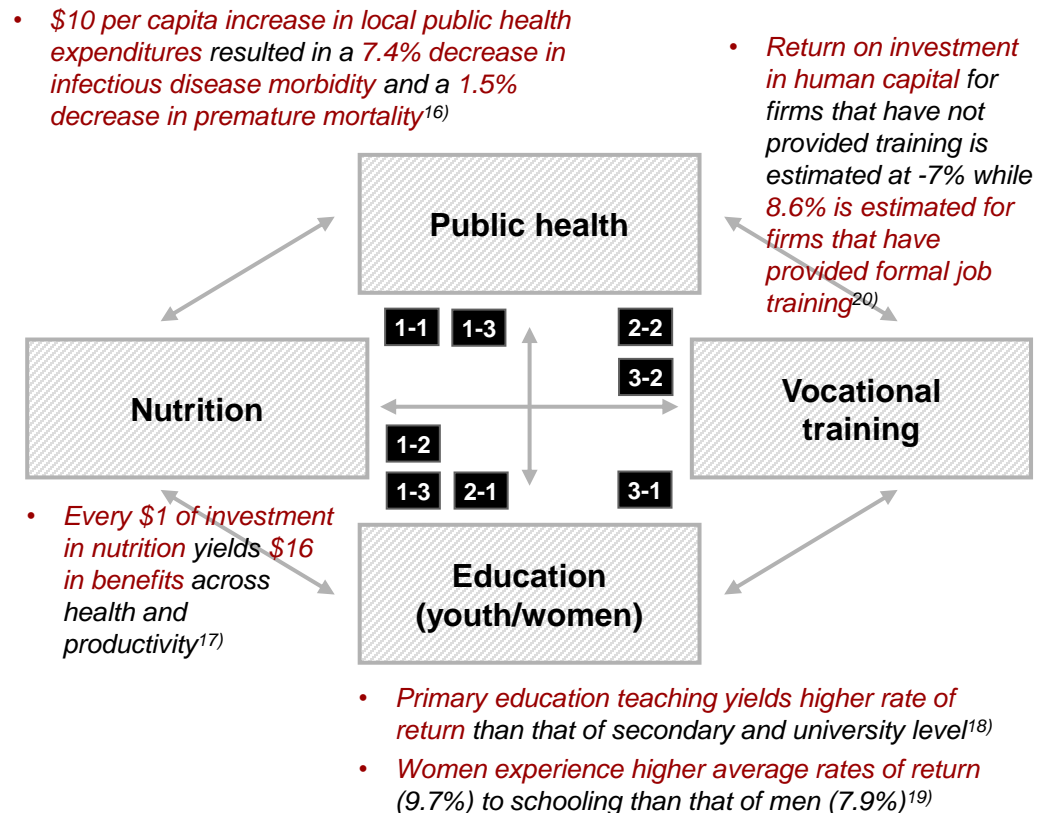
15) See Appendix B – Guidance on unified institutional framework of PPP for further discussion

# ANALYTICAL FLOW ON ECONOMIC BENEFIT FROM IMPLEMENTING NINE HC4KEs

Investing in public health, nutrition, education (youth and women) and vocational training is estimated to yield greater rates of return, accelerated by investment in creating innovation environment

FOR BUILDING CREATIVE LABOUR FORCE TO BE PREPARED

## INVESTING IN HUMAN CAPITAL



## TOWARD KNOWLEDGE BASED ECONOMY

### BUSINESS PROFITABILITY BY SECTOR<sup>21)</sup>

Industry	# of survey firms	Return on equity
Hospitals/Healthcare Facilities	32	70.64%
Software (System & Application)	388	28.09%
Retail (Online)	75	27.05%
Software (Entertainment)	101	17.71%
Homebuilding	30	17.70%
Healthcare Support Services	129	16.60%
Information Services	77	14.35%
Healthcare Information and Technology	139	14.11%
Computer Services	116	13.50%
Telecom. Services	58	11.27%
Telecom (Wireless)	16	8.91%
<b>Total Market (average)</b>	<b>7582</b>	<b>8.25%</b>
Environmental & Waste Services	86	6.21%
Oil/Gas Distribution	57	1.28%
Green & Renewable Energy	25	-20.59%
Oil/Gas (Production and Exploration)	278	-37.09%

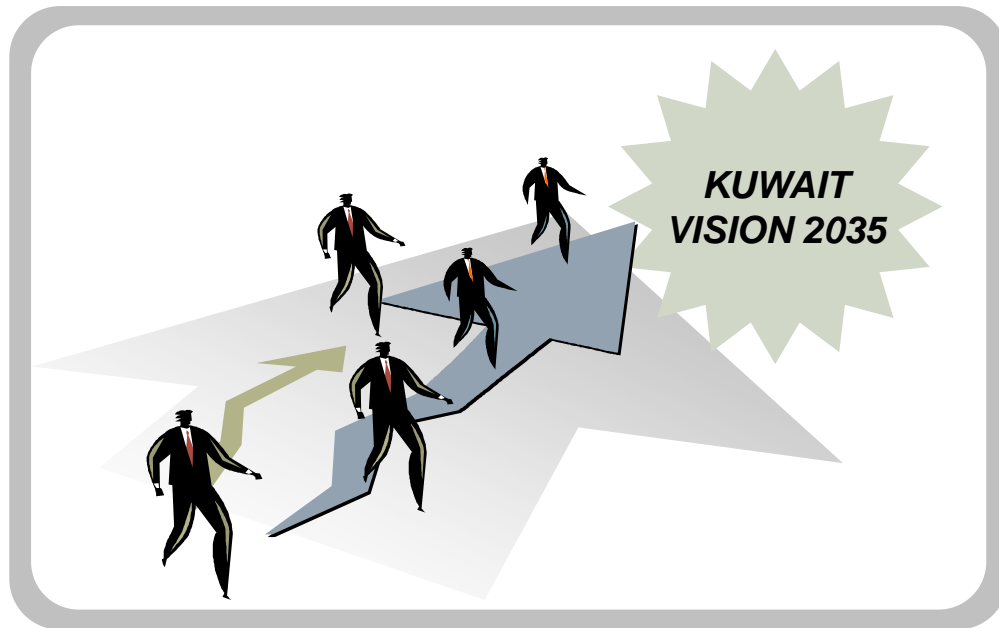
- A survey of 94 industries and 7,582 companies indicated that the average annual return on equity is 8.25%, while such an annual return for most industries directly or indirectly related to innovative technologies and/or artificial intelligence is above average.
- Healthcare sector yields the greatest return whereas green and renewable energy generates negative return, which is why some guarantee support programme from the government will be key for public-private partnership on green business areas<sup>22)</sup>

16) Erwin, Mays and Riley, 2011; 17) IFPRI, 2016; 18) Maazouz, 2013; 19) Psacharopoulos and Patrinos, 2018; 20) Almeida and Carneiro, 2006

21) Baek, 2018 and Damodaran, 2021; 22) support programme may include minimum revenue guarantee, redemption of excess revenue, risk-sharing structure

# WAY FORWARD

Proposed UN policy support will be translated and mainstreamed into key areas of UNCT integrated programme through a series of policy consultation and implementation of NDPs and SDGs



*“To transform Kuwait into a financial and trade hub, 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, advanced legislation and inspiring business environment”*

## KUWAIT NDP & UN KUWAIT SCF



*UN policy support, effectively mainstreamed into 8 priority areas and 51 corresponding policies of **Kuwait National Development Plan 2020-2025**, mirrored in the **UN Kuwait Strategic Cooperation Framework** and 2030 Agenda for Sustainable Development, through a series of policy consultation with policy owners, high-level policy dialogue, conferences as well as technical assistance for implementation of the policies*

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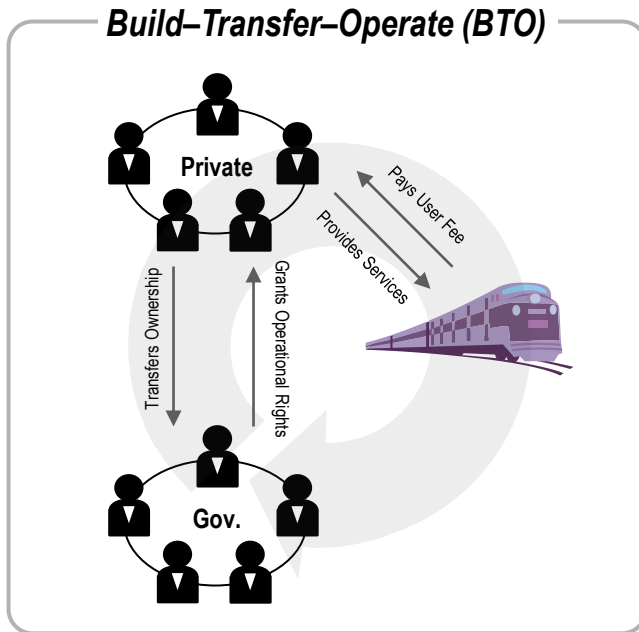
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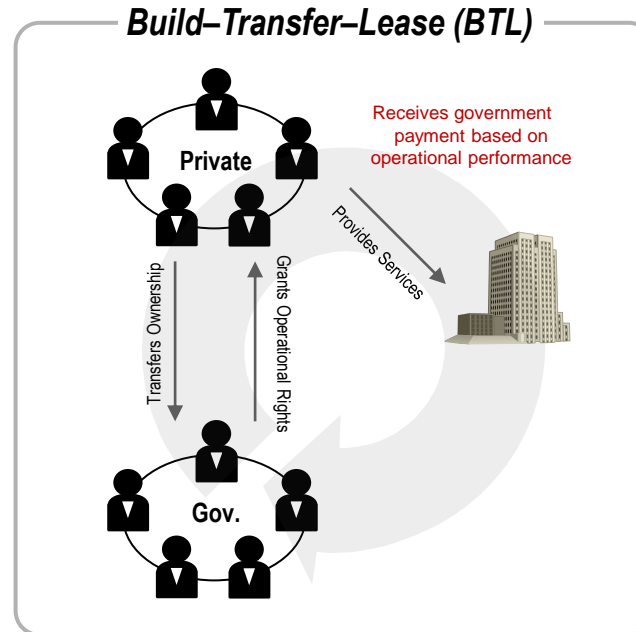
# APPENDIX A – TYPES OF PPP ARRANGEMENTS (PROCUREMENT SCHEMES)

## Build-Transfer-Operate (BTO)



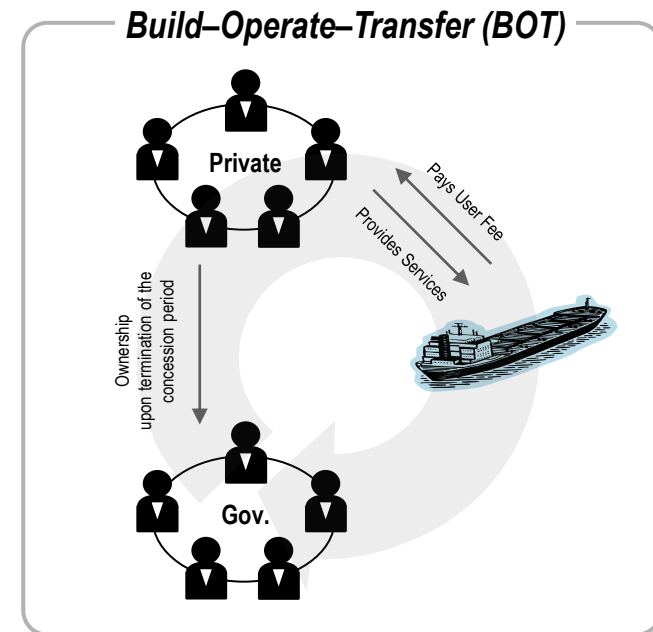
- Ownership of the infrastructure facilities is transferred to the government upon completion of construction, and the concessionaire is granted the right to operate them and gain a return on investment.

## Build-Transfer-Lease (BTL)



- Ownership of the infrastructure facilities is transferred to the government upon completion of construction, and the concessionaire is granted the right to operate them and receive government payments.

## Build-Operate-Transfer (BOT)



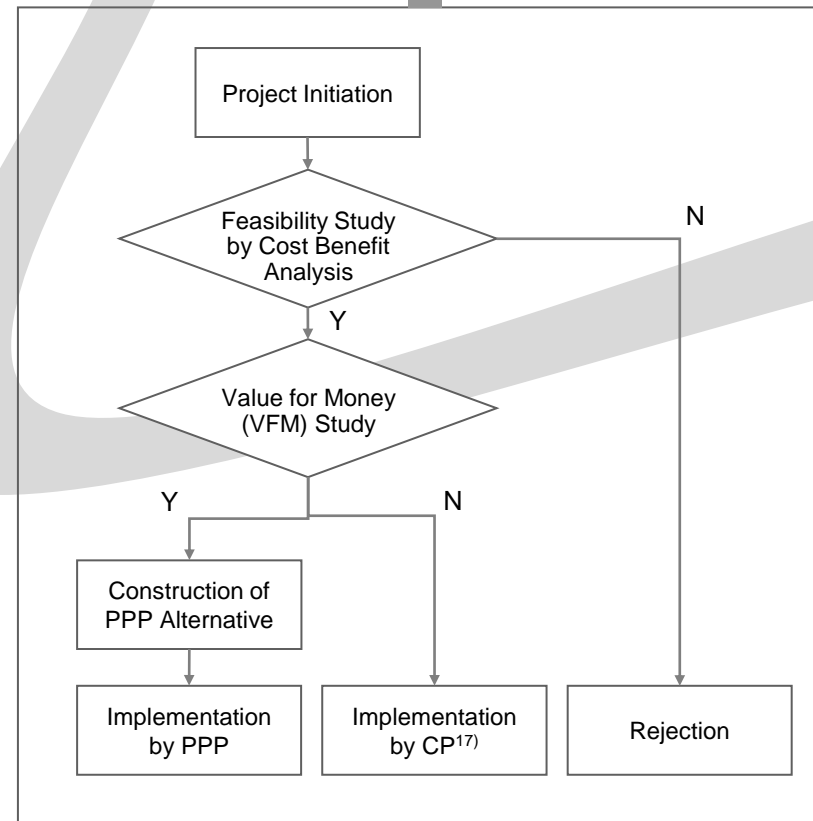
- The concessionaire owns and operates the infrastructure facilities upon completion of construction. Ownership is transferred to the government upon termination of the concession period.

# APPENDIX B – GUIDANCE ON UNIFIED INSTITUTIONAL FRAMEWORK OF PPP

## ROLE OF GOVERNMENT AUTHORITY

- Institutional arrangement for strategic PPP screening and planning **from an initial stage of the procurement has been clearly established** at the very beginning stage.
- PPPs implementation process has been **initiated by the Kuwait Authority For Partnership Projects (KAPP)**, not by the line ministries, partly mitigating the information asymmetry and leading to better decision-making.

## A UNIFIED FRAMEWORK FOR PROJECT APPRAISAL





## MONITORING AND EVALUATION

- Government makes sure that the feasibility and the VFM are not impaired over the procurement process.
- In PPPs, VFM outcomes are contingent on effective management over concession terms, hence PPPs require **careful oversight and regular audits**.


17) This stands for conventional procurement


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