

# APPENDIX

			Ninth Development Plan
		Page	
		699	
			Appendix

**Page**  
**700**

**OBJECTIVES  
OF THE NINTH DEVELOPMENT Plan  
2010–2014**

Ninth Development Plan

Page  
701

Appendix

**Page**

**702**

**Kingdom of Saudi Arabia  
General Secretariat of  
The Council of Ministers**

**Decree No. 126, 20/4/1431 AH**

**The Council of Ministers,**

Having considered the communication No. 51085/B dated 20/12/1430 A.H. received from the Presidency of the Council of Ministers, containing the telegram No. 4377/1/29 dated 22/10/1429 A.H. of H.E the Minister of Economy and Planning, along with the General Objectives of the Ninth Development Plan (1431/32-1435/36 A.H.),

Having considered the General Objectives of the Ninth Development Plan,

Having considered the recommendation No. 64/29 dated 25/11/1429 A.H. of the Standing Committee of the Supreme Economic Council,

Having considered Resolution No. 81/54 dated 21/11/1430 A.H. of the Shura Council, and

Having considered Recommendation No. 237 dated 29/3/1431 A.H. of the General Committee of the Council of Ministers,

**Hereby decrees:**

Approval of the General Objectives of the Ninth Development Plan (1431/1432-1435/1436 A.H.) as per the attached text.

**Chairman of the Council of Ministers.**

**Page**

**704**

# OBJECTIVES

## **First objective:**

To safeguard Islamic teachings and values, enhance national unity and security, guarantee human rights, maintain social stability, and consolidate the Arab and Islamic identity of the Kingdom.

## **Second objective:**

To continue to develop the holy places, and improve the services provided to Hajj and Umrah performers to ensure performance of religious rites easily and conveniently.

## **Third objective:**

To achieve sustainable economic and social development by accelerating the rate of economic growth and social welfare.

## **Fourth objective:**

To achieve balanced development among regions of the Kingdom and enhance their role in social and economic development.

## **Fifth objective:**

To enhance human development, expand the range of options open to individuals to enable them to acquire and use knowledge, skills and expertise, and provide appropriate healthcare services.

## **Sixth Objective:**

To raise the standard of living and improve the quality of life of all citizens.

## **Seventh Objective:**

To diversify the economic base horizontally and vertically, expand the absorptive and productive capacities of the national economy and enhance its competitiveness, and maximize the return on competitive advantages.

**Eighth Objective:**

To move towards a knowledge-based economy and consolidate the basis of an information society.

**Ninth Objective:**

To enhance the role of the private sector in socioeconomic and environmental development and expand domains of private investments (domestic and foreign) and public-private partnerships.

**Tenth Objective:**

To develop, conserve and ensure rational utilization of natural resources, particularly water, protect the environment and develop environmental systems within the context of sustainable development.

**Eleventh Objective:**

To continue socioeconomic and institutional reform, develop regulations aimed at raising efficiency and improving performance, work towards entrenching transparency and accountability, and support civil-society institutions in advancing their developmental activities.

**Twelfth Objective:**

To strengthen economic integration with Gulf Cooperation Council and Arab states and develop relations with Islamic and friendly countries.

**Thirteenth Objective:**

To develop the sector of Small and Medium Enterprises to increase its contribution to GDP, and create frameworks for nurturing and organizing it.



**IMPLEMENTATION MECHANISMS OF  
THE OBJECTIVES OF THE  
NINTH DEVELOPMENT PLAN  
2010-2014**

**Ninth Development Plan**

**Page  
707**

**Appendix**

**Page**  
**708**

# IMPLEMENTATION MECHANISMS OF THE OBJECTIVES OF THE NINTH DEVELOPMENT PLAN

Achieving the objectives of the Ninth Development Plan requires adoption of the following comprehensive set of implementation mechanisms:

1. Accelerate the pace of economic growth and the distribution of its dividends among the regions of the Kingdom and the various social strata, through:
  - Increasing government and private investment to achieve the highest possible levels of added value and productive employment opportunities for Saudi manpower.
  - Intensifying efforts to develop human resources, raise their skills and expertise, and improve their productivity.
  - Seeking to increase overall productive efficiency of the productive and service activities in the public and the private sectors.
  - Removing administrative and regulatory obstacles to improvement of the investment environment.
  - Expanding the capacity of the national economy for absorbing domestic and foreign investments in various fields.
  - Continuing administrative restructuring and expanding the use of electronic transactions to improve efficiency of government agencies.
  - Supporting scientific research and development, innovation and transfer of advanced technologies.
2. Enhance the developmental effectiveness of foreign direct investment, through:
  - Adopting appropriate policies for indigenization of foreign investment, in order to contribute to increased economic growth,

transfer of advanced technology and modern management methods, and employment and training and refinement of skills of Saudi manpower.

- Expanding incentives for foreign direct investment, and classifying investments according to their contribution to development and distributing them among the regions.
  - Linking granting incentives to actual foreign investment performance indicators.
  - Continuing the evaluation of development effectiveness of foreign direct investment.
3. Reduce development gaps among the various administrative regions, through:
- Completing the set up of regional development strategies.
  - Distributing public development projects among various administrative regions, and providing them with their needs of public facilities and services, based on specific criteria.
  - Enhancing the developmental role of regional councils and developing local management capacity to shift gradually towards decentralization.
  - Addressing the implications of the increased pace of urbanization, especially in big cities.
4. Intensify efforts to diversify the economic base, through:
- Enhancing the added economic value of oil, natural gas and petrochemicals, and stimulating horizontal and vertical expansion of the industrial sector.
  - Expanding and developing the capacity for manufacturing equipment, machinery and sophisticated apparatuses.
  - Expanding industries on the basis of the comparative advantages of the Kingdom.
  - Expanding the production capacity of the building and construction industry.

- Exploiting mineral wealth and diversifying its activities, encouraging the production and processing of raw mineral materials, and stimulating manufacturing industries that depend on local mineral products.
  - Enhancing the contribution of the services sector to the diversification of the economic base.
  - Increasing non-oil exports and expanding their external markets.
  - Developing tourism and improving associated services and facilities, while protecting the environment and the national heritage.
  - Taking advantage of the comparative advantages of the administrative regions in achieving diversification of the economic base.
  - Designing appropriate criteria for measuring the degree of diversification of the economic base.
5. Create an enabling environment for sustainable development, through:
- Enhancing utilization of economic resources with due emphasis on rationalization and improving performance of agencies.
  - Adopting integrated management of water resources and optimizing their utilization, while emphasizing their rational usage and developing their sources and conservation techniques.
  - Continuing to protect the environment from pollution and developing environmental regulations, protecting and developing wildlife, and conserving natural resources, particularly the non-renewable.
  - Continuing to provide infrastructural assets in line with growing demand, and improving their operation, with due emphasis on maintenance and replacement of depreciated assets.
6. Intensify efforts to raise living standards and improve the quality of life and continue to reduce poverty rates, through:

- Reducing unemployment rates.
- Enhancing social safety programmes and developing their systems.
- Intensifying support for small enterprises.
- Financing the programmes proposed by the National Strategy for Tackling Poverty and enabling its implementation.
- Developing and improving the quality of public services and facilities, in particular education, health, housing, water and sanitation, and municipal services, giving priority to the less developed regions.
- Supporting voluntary and charitable organizations and improving their performance to increase their contribution to social development.
- Raising the efficiency of specialized lending institutions, streamlining procedures and increasing transparency.

**Page**

**712**

- Reducing rates of inflation and enhancing consumer protection.
7. Create an enabling environment to move towards a knowledge-based economy and a gradual shift towards an information society, through:
- Optimising the use of ICT in education and training at all levels.
  - Creating an appropriate institutional and regulatory environment for a thriving information technology sector, and developing the infrastructure for knowledge management.
  - Increasing the capacity of the Kingdom in research and development; knowledge generation, and transfer, indigenization, dissemination and investment of technology in all economic and social activities.
  - Promoting science and technology systems and consolidating their linkages with the productive and services sectors.

- Stimulating the private sector to move towards knowledge-based, high value-added production and services.
  - Improving the knowledge content of goods and services produced in the Kingdom and enhancing productivity and competitiveness.
  - Reducing knowledge gaps and digital divides among regions and segments of society.
  - Developing training and re-training programmes for national manpower to keep abreast of modern knowledge and technologies.
8. Deepen partnership between the public and the private sectors and accelerate privatization, through:
- Expediting and setting a timetable for the implementation of privatization strategy, and adopting appropriate methods to increase ownership by citizens of assets, facilities and public services intended for privatization.
  - Continuing to improve the investment environment, reviewing the rules pertaining to private-sector activities, and developing financial services.
  - Continuing to develop systems to attract national and foreign capital and savings of foreign workers in the Kingdom.
  - Adopting international best practices conducive to investment activities with high added value, such as: establishment of industrial complexes, sophisticated industrial cities, and technology parks and incubators.
9. Achieve financial stability and continue to pursue fiscal and monetary policies that contribute to higher rates of economic growth and reduce inflationary pressures, through:
- Linking budget allocations with the objectives and priorities of the development plan.
  - Employing effective monetary policy tools in the management of domestic liquidity to contain inflationary pressures and direct

funding towards developmental priorities.

- Concluding the revision of the regulations pertaining to the protection, promotion and development of competition.
- Enhancing and developing controls on prices, particularly of basic commodities.
- Adopting appropriate mechanisms to achieve financial stability.

10. Increase the contribution of the Saudi workforce in various sectors of the economy, through:

- Continuing indigenization of jobs, and gradual streamlining and selective recruitment of foreign labour.
- Adopting realistic approaches to recruitment of foreign workers to match the actual needs of the market and absorption of national employment.
- Disseminating the work culture and its social values to establish citizen participation in development.
- Continuing to support the Human Resources Development Fund and loans granted to professionals and small projects.
- Developing labour-market services to ensure expanded periodic dissemination and classification of available employment opportunities.
- Adopting certificates and tests of functional proficiency of expatriate workers.

11. Provide educational opportunities and improve enrolment rates at all educational levels, and develop the educational system to ensure qualitative and quantitative response to development and social needs and to emergent knowledge, through:

- Providing advanced infrastructure to enable the educational system to keep abreast of modern knowledge and techniques and interact with them.
- Improving the internal and external efficiency of the educational system.

**Page**

**714**



- Developing curricula as a key element in educational reform and keeping pace with the advances in knowledge and interacting with world cultures.
  - Expanding education programs for the pre-school stage and kindergartens, raising public awareness of the importance of these stages, and encouraging private-sector contribution to them.
  - Enforcing compulsory primary education for boys and girls.
  - Intensifying interest in the English language at all levels of education.
  - Caring for male and female teachers, preparing them well, increasing their capacity to apply ICT in education, developing their skills, and adopting continuous education and training for them.
  - Achieving a balance between general education and vocational and technical education, and consolidating their links with higher education.
  - Increasing the absorptive capacity of universities, especially in scientific disciplines.
  - Diversifying and expanding available disciplines in higher education, particularly in science.
  - Supporting various aspects of scientific research and technological development activities.
  - Intensifying participation of the private sector and strengthening its role in providing educational opportunities.
  - Accelerating implementation of King Abdullah Bin Abdul-Aziz programmes for educational development.
12. Expand, develop and disseminate vocational and technical training programs in all administrative regions, through:
- Increasing interest in on-the-job training and cooperative education and training; conducting research to help improve quality of training; and expanding provision of training courses

within the Kingdom and abroad.

- Providing the technical colleges required by the various regions with disciplines appropriate to their development projects and to labour market demands.
- Linking incentives for national and foreign private investments to the extent of their contribution to national manpower training and qualification.
- Maximising use of international bilateral joint committees, and international organizations specialized in the development of training and qualification programmes for Saudi manpower, to contribute to the drive towards a knowledge-based economy and an information society.
- Maximising use of international economic cooperation in the fields of research and technical development and training of Saudi manpower.

**Page**  
**716**

13. Provide comprehensive and integrated healthcare to all members of society, through:

- Providing primary healthcare services more widely and facilitating access to it.
- Providing high quality curative healthcare services, at the primary, secondary and specialist levels in all regions of the Kingdom.
- Applying the best methods for operating health facilities in order to raise efficiency and improve performance.
- Encouraging the private sector to offer and provide curative services with commitment to development that coincides with scientific and technological progress.
- Applying health insurance programmes to both the public and the private sectors; and achieving quality in health facilities, including private-sector facilities.
- Improving efficiency of implementation of health programs and projects.

- Expanding and facilitating the use of health information systems; applying modern technology; and enhancing means of deriving health indicators and standards and reviewing and updating them constantly.
14. Adopt a population policy that takes into consideration quantitative and qualitative population and geographical distribution variables, and strengthen correlation between population characteristics and sustainable development, through:
- Harmonizing the rate of population growth with requirements of development and efforts to raise the standard of living.
  - Achieving balance in population structure, and addressing the imbalance in the geographical distribution of population.
  - Raising awareness of population issues and interest in related education, research and studies.
15. Develop and promote active participation of Saudi women in development, through:
- Expanding participation of women in economic activity and diversifying employment opportunities available to them.
  - Adopting innovative measures to address unemployment among women, especially educated women.
  - Moving forward in achieving further quantitative and qualitative progress in education of Saudi women.
  - Expanding and diversifying available disciplines to females in higher education (university and technical), ensuring better response to the needs of women, society and the labour market.
  - Eradicating female illiteracy.
  - Raising efficiency of health services for mothers and children and emphasising equitable distribution of these services among the regions.
  - Enhancing the status and role of women in the family and society, while ensuring the development of the requisite support

services and facilities.

- Enhancing participation of women and the civil society in the efforts to promote the developmental role of Saudi women.

16. Support participation of young people in development, and enable them to contribute actively to social development, through:

- Inculcating youth with Islamic values and ethics.
- Preparing youth for their future social roles of family building and productive work.
- Expanding the necessary infrastructure for services provided to youth and promoting educational, cultural, health, and recreational activities for youth.
- Consolidating youth citizenship and sense of belonging, and supporting positive cultural, social and sports activities for youth.
- Developing awareness, education and training programs to facilitate entry of young people into the labour market.
- Developing programmes to promote initiative among youth and motivate youth to establish projects, and encourage the private sector to play an active role in achieving this.
- Promoting participation of civil society institutions in enhancing the developmental role of young people.

17. Provide adequate housing on the widest scale to meet the needs of society, through:

- Preparing, modernizing and developing comprehensive housing strategies.
- Encouraging the private sector to participate actively in achieving objectives of the housing strategies.
- Developing programmes to facilitate access of social groups to quality housing within the limits of their income.
- Expanding the supply of housing and increasing percentage of house ownership.

- Issuing regulations and regulatory policies for the housing sector, especially with regard to mortgages, tenants and owners rights, and development of land for housing projects.
  - Developing criteria to identify eligible groups for developmental housing programmes, and building such housing and enabling beneficiaries to obtain financing from public and private lending programmes.
  - Supporting research and studies related to housing and establishing housing databases.
  - Promoting the establishment of cooperative housing, and encouraging charitable institutions, individuals and companies to contribute to the construction of suitable housing units for the needy.
  - Continuing to increase the capital of the Real Estate Development Fund and supporting it in line with increased demand for housing.
18. Protect integrity and combat corruption, and reduce its repercussions on the investment climate and economic and social dimensions of the development plan, through:
- Initiating the establishment of the National Commission for Integrity and Combating Corruption; implementing the National Strategy to Protect Integrity and Combat Corruption; monitoring its results, and evaluating, controlling and developing its implementation programmes and mechanisms.
  - Developing the systems of the agencies concerned with the protection of integrity and combating corruption, avoiding duplication in the implementation of their tasks, achieving financial and administrative independence for them, reducing exception cases, and abiding by the rules of transparency.
  - Coordinating the efforts of the public and the private sectors in planning programmes to combat corruption.
  - Raising awareness of the National Strategy to Protect Integrity and Combat Corruption and of means to contribute to its

implementation.

- Strengthening regional and international cooperation to combat corruption.

19. Promote and develop national culture, and increase cultural and scientific production, through:

- Developing work in science, culture and information.
- Promoting interaction and communication with human cultures, and establishing closer links with cultural institutions in Arab and Islamic countries.
- Supporting scientists, writers, authors and innovators.
- Developing the role of media in cultural development to deal with cultural implications of globalization.
- Promoting and expanding translation projects from and into Arabic, especially in science and technology.
- Supporting and encouraging scientific and literary clubs and specialist scientific associations.

**Page**  
**720**

20. Deepen economic integration among the GCC countries and strengthen the Arab, Islamic and international relations of the Kingdom, through:

- Supporting the Gulf Common Market, and removing obstacles that hinder implementation of economic integration among GCC countries.
- Developing common Arab and Gulf economic collaboration mechanisms.
- Developing inter-trade among Islamic countries to promote economic integration.
- Establishing the organizational and regulatory environment necessary for implementing Gulf and Arab economic integration agreements.

21. Improve mechanisms of implementation of development projects and programmes, and evaluate implementation policies adopted by the Plan, through:

- Developing the structures of government agencies, and raising the level of their performance to contribute effectively to implementation of the programmes and projects of the development Plans.
- Continuing to develop quantitative and qualitative systems for monitoring implementation of development programmes and projects and evaluating their results.
- Benefiting from the International Competitiveness Indicators in measuring performance of public and private enterprises, and in evaluating the upgrading of the quality and competitiveness of national products.
- Developing mechanisms to measure performance of implementation policies in achieving the objectives of the Plan at the macro, sectoral and regional levels.
- Developing databases in accordance with international standards and indicators, and continuing the development of statistical services to meet developmental needs and research.

22. Provide all forms of support and assistance to small and medium enterprises (SMEs) and remove obstacles to their development, through:

- Establishing a specialized institutional structure to take care of SMEs and play a coordinating role in facilitating and regulating the flow of soft financing and provision of technical and marketing support to them.
- Facilitating government procedures relating to establishment of SMEs and their activities.
- Removing technical and marketing constraints on SMEs.
- Urging training agencies to expand training courses designed to raise the capabilities of SMEs owners, especially in management, accounting, financial analysis, preparation of

feasibility studies and marketing.

- Encouraging local banks and financial institutions operating in the Kingdom to expand financing for SMEs, including creation of new financial instruments suited to their special needs.
- Supporting and developing the Kafalah scheme administered by the Saudi Industrial Development Fund.
- Expanding lending activities undertaken by the Saudi Credit and Saving Bank.
- Establishing a detailed comprehensive database on the SME sector in the Kingdom, including indicators, economic and spatial characteristics, which can guide decision making and formulation of policies to support and develop this sector.

23. Emphasise the social dimension of development by promoting community participation in development processes and social care, and supporting disadvantaged groups and people with special needs; and paying special attention to youth, women and children, through:

- Supporting and developing the programmes and activities of social development centres.
- Promoting volunteerism and community participation in all areas of development and social care.
- Improving the effectiveness of civil society organizations in the areas of development and social care, and increasing and supporting civil development committees.
- Developing social welfare programmes for disadvantaged groups.
- Providing the necessary resources to improve the family environment for residents of social care institutions.
- Encouraging more alternative and foster families to take care of orphans and children with special circumstances and increasing support for these families.



- Encouraging civil societies to develop programmes for the prevention of domestic violence and to provide accommodation for victims.
- Developing and disseminating outreach services for households on a large scale.
- Expanding the establishment of sports facilities with a variety of activities in neighbourhoods and encouraging youth to get involved in them.
- Reducing the spread of harmful and dangerous behaviour among young people, including reckless driving, smoking and drug abuse.

\*\*\*

**COMPLETED WITH  
GOD'S HELP AND BLESSING**

**Page**

**724**

# THE NATIONAL ECONOMY UNDER THE EIGHTH DEVELOPMENT PLAN

## 1.1 INTRODUCTION

During the Eighth Development Plan, the national economy achieved positive growth rates, as evidenced by the evolution of various economic indicators; notably GDP, capital accumulation, foreign trade and balance of payments, manpower development, contribution of the private sector, and monetary and fiscal performance. During the period, the international economic environment improved significantly, and that, in turn, enhanced the chances of achieving the main goals and objectives of the plan. Oil prices continued to rise until the middle of the fourth year of the plan (2008) when the global economy suffered a financial crisis that led to a global recession accompanied by a sharp decline in oil prices and the prices of many goods and raw materials, which had seen unprecedented rises just before.

With regard to the local economic environment, the State maintained efforts to develop the business environment and expand private sector participation, in addition to developing basic infrastructure and industrial and technological cities; all of which contributed to high rates of investment, employment and productivity in various economic sectors and activities, thereby raising production and improving quality of life.

This chapter summarizes the most important features of the performance of the national economy under the Eighth Development Plan, at both macroeconomic and sectoral levels; highlighting various economic policies, foreign trade and balance of payments, human development, employment, and the capital market.

## 1.2 THE ECONOMIC SITUATION

### 1.2.1 Principal Growth Rates

The national economy continued improving under the Eighth Plan

period. GDP at constant 1999 prices increased from about SR722.2 billion in 2004 to about SR855.8 billion in 2009, i.e. at an average annual growth rate of 3.5%, which is less than the 4.6% rate targeted by the Plan, but nearly equal to the rate achieved under the Seventh Development Plan, which was about 3.7%. This is good performance if one considers the conditions created by the global financial crisis. As a result, average per capita real GDP improved significantly, from about SR43.7 thousand in 2004 to about SR46.2 thousand in 2009, which amounts to an overall increase of 5.7%.

Growth of real GDP under the Eighth Development Plan is attributable to the high level of investment, which enhanced productivity in many sectors. The annual rate of growth of investment under the plan amounted to about 11.2%, which led the average ratio of investment to real GDP to rise to about 28.1%, compared to 21.1% in 2004.

The following subsections present the performance of the oil and gas sector and the non-oil sectors under the Eighth Development Plan.

**Page**

**2**

### **1.2.1.1 Oil-and-Gas Sector**

Given the external factors that had an impact on the volume of oil production, especially in the last two years of the plan, the real domestic product of the oil-and-gas sector dropped at a rate of around 0.2% per annum; which is lower than the rate of 2.7% targeted by the plan. At current prices, the product of the sector increased at an annual rate of 24.1% in the first three years of the plan, due to oil prices rising to record levels in that period. However, the decline in oil prices in the last two years of the plan led to a marked slowdown in growth rates. Hence, the domestic product of the sector at current prices grew at the rate of 15.5% over the period of the plan as a whole.

The oil-and-gas sector acquired 4.3% of the total investments during the Eighth Plan, with an average annual value of about SR10 billion, which amounts to an increase of about 129.3%, compared with the value of investments in 2004. It is worth noting that the sector is characterized by high capital intensity, as well as high labour

productivity. Over the period of the Plan, the average value of capital invested per worker in the sector (capital/ labour) was about SR1.8 million, while average worker productivity was about SR2.8 million.

### **1.2.1.2 Non-Oil Sectors**

Over the Eighth Plan period, non-oil sectors achieved an average annual growth rate of about 4.7%, with the value added by these sectors rising, at constant 1999 prices, from about SR523.8 billion in 2004 to about SR659.7 billion in 2009; thereby increasing their contribution to the GDP from about 72.5% in 2004 to about 77.1% in 2009. This good performance reflects effectiveness of the efforts made to diversify the production base of the economy. The Eighth Development Plan had targeted for the non-oil sectors an annual growth rate of 5.2% and a contribution to the GDP of 75.7% by the end of the period in 2009.

The non-oil sectors accounted for approximately 95.7% of the total investments made under the Eighth Plan, with an annual average value of SR 218.8 billion; an increase of about 47.8%, compared with the value of investments in these sectors made in 2004.

Despite the differing conditions of the non-oil sectors and their varying levels of performance under the Eighth Plan, they all shared a strong direct relationship between the rate of growth of investment and the rate of growth of value added. Sectors that had high rates of investment growth experienced the highest growth in value added, irrespective of whether they were production or service sectors. Accelerating the rate of investment in a sector lead to expansion and enhancement of its productive capacities, as well as to enabling it to use modern technologies and adopt advanced management systems capable of elevating partial and total factor productivity; all of which resulted in continuous improvement of value added, and hence, acceleration of growth rates.

The following is a summary of the varied performance of some non-oil sectors.

### 1.2.1.3 Production Sectors

Production sectors achieved an annual growth rate of about 4.7%. Fixed capital formation constituted the driving force for this growth, with the annual growth rate of investment in these sectors amounting to some 11.8%, and the average ratio of investment to value added during the period amounting to about 50.9%:

- The ‘petrochemicals’ sector achieved under the Eighth Plan an annual real growth rate of 9.7%, which exceeds the rate of 7.3% targeted by the Eighth Plan. In consequence, the contribution of the sector to the GDP increased from about 1.2% in 2004 to about 1.7% by the end of the plan in 2009. Growth in this sector was driven primarily by the high growth rates of investments, which averaged 6.4% annually over the period.
- The ‘other manufacturing industries’ sector achieved over the period an annual growth rate of 6.8%, which is higher than the target rate of 6.7% set by the Eighth Plan. Importance of the good performance of this sector stems from its being one of the important sectors relied upon in diversifying the production structure of the national economy and exports, as well as from its impact on improving factor productivity, through expanded use of advanced technologies and modern methods of management and marketing. As for fixed capital formation in this sector, investment grew over the period at an annual rate of about 6.3%.
- The ‘electricity, gas and water’ sector achieved an average annual real growth rate of about 5.7%, which is higher than the rate of 4.2% set as a target by the Eighth Plan, while investment grew at the rate of about 4.2%. Under the Plan, the sector experienced reorganization and restructuring, including privatisation of some of its activities. Upon completion of these processes, the sector is expected to achieve great leaps and qualitative transformations in its future performance.
- Under the Plan period, the value added of the ‘construction’ sector grew at an annual rate of 4.7%, which is less than the 6.7% growth rate set by the Plan as a target. Investment in the sector grew steadily over the first four years, but declined in the last year of the

Plan, which indicated an overall decline at a rate of about 1.1% per annum.

- Other production sectors had actual and target growth rates as follows: oil refining, about 2% and 4.4%; non-oil mining and quarrying, about 3% and 7.9%; agriculture, forestry and fishing, about 1.4% and 3.2%.

#### 1.2.1.4 Service Sectors

Service sectors consist of private services sectors and government services sector. The following are the most important features of the performance of these sectors.

##### A. *Private Services:*

Private services sectors grew at an annual rate of about 6%, which is slightly higher than the 5.7% growth rate set by the Plan as a target. The annual growth rate of investments was about 7.7%. Thus, investment constituted 24.5% of the domestic product of these sectors during the period. The following provides an overview of the most important developments in these sectors.

- The ‘transport and communications’ sector achieved the highest growth rates among private service sectors. It grew at an annual rate of about 9.1%, which exceeds the rate of 7.5% set as a target by the Eighth Plan. Thus, the sector was the fastest growing sector of the national economy after petrochemicals. The annual rate of growth of investment over the period was high, about 9.3%, which is one of the major factors contributing to the high rate of growth of this sector. The sector paralleled the rapid global developments in the field of information and communication technology and experienced strong domestic competition; which, in turn, spurred further development and led to reducing the cost of services, raising production efficiency, and promoting the growth of value added. Furthermore, the impact of air transport liberalization, which resulted in stimulating the growth of the ‘transport’ component of the sector, is noteworthy.

- The ‘financial, insurance, business and real estate services’ sector achieved good growth rates over the period, both in terms of value added and investment. The product of the sector grew at an annual rate of 5.2%, compared with a target of 5.9%, while investment grew at an annual rate of about 8.7%. These growth rates are attributable to the rapid growth of domestic liquidity and expansion of domestic credit. The sector expanded significantly with the addition of new production units, such as commercial banks, investment banks and brokerage firms (national, of the Gulf and foreign); all of which contributed to higher rates of investment. Accession by the Kingdom to the WTO by the end of 2005 enabled the national financial services sector to attract foreign capital. In consequence, over the period, activity in ‘finance, insurance and business services’ grew at an annual rate of about 6.9%.
- The ‘community, social and personal services’ sector grew at an annual rate of about 4.5%, which is higher than the target growth rate of 3.5%. At the same time, fixed investment grew by about 2.3%. These indicators reflect the expanding role of the private sector in the provision of public services, such as cleaning services and recreational activities, in addition to health and education services.

### ***B. Government Services:***

Over the Plan period, the government services sector grew at an annual rate of 2.7%, which is lower than the rate of 3.8% set as a target by the Plan. During the first three years of the period, growth of oil revenues and the expansionary fiscal policy adopted by the state made available additional resources that enabled the sector to increase its operational and investment expenditure. The state gave special attention to enhancing the capacities of the sector, allocating a large proportion of government spending to investment in its various activities and strengthened its capital assets. As a result of this expansion, investment in the government services sector grew over the period by 12.8% per annum.



## 1.2.2 Gross Fixed Capital Formation

Under the Eighth Development Plan, the annual growth rate of total fixed investment was 11.2%. As a result, its size increased, at constant 1999 prices, from about SR152.4 billion in 2004 to about SR259.3 billion at the end of the plan in 2009 when fixed investment amounted to 30.3% of real GDP, compared with 21.1% in 2004. During the period, investment was distributed between the non-oil sectors and the oil sector at about 95.7% for the former, compared with 4.3% for the latter.

Comparing the annual growth rate of total fixed investment of 11.2% under the Eighth Plan with the growth rate of about 5.2% achieved under the Seventh Plan aptly illustrates the quantum leap in investment made under the Eighth Plan, principally due to the oil boom and continued enhancement of the investment environment in the Kingdom.

The annual growth rate of investment in the oil sector under the plan was about 24.4%, and these investments accounted on average for about 4.6% of the value added in the sector.

During the period, government investment grew at an annual rate of 12.8% in constant 1999 prices; its share of the government domestic product grew from about 22.9% in 2004 to about 36.7% in 2009. In comparison, private sector investment grew at an annual rate of about 10.2%. As a result, its share of the private sector real domestic product grew to about 38.9% at the end of the period, compared with about 31.3% in 2004. This accelerated growth of the private sector investment reflects the positive response by the sector to the institutional and management reform efforts made by the state and to its incessant stimulation of, and removal of impediments to, domestic and foreign investment. It is also a consequence of the ambitious construction and development projects embarked upon by the State. Moreover, positive developments in the global oil market until mid-2008 enhanced the confidence of Saudi and foreign investors in the local investment environment and the availability of soft financing therein.

### 1.3 PRIVATE SECTOR

Under the Eighth Plan, the role of the private sector in the various production and service activities of the national economy grew significantly. As a consequence, its contributions to GDP, diversification of the economic base, gross fixed capital formation, provision of employment opportunities for nationals, and development of non-oil exports were enhanced.

Over the period, the value of the real GDP of the private sector increased from about SR376.7 billion in 2004 to about SR491.2 billion in 2009. As a result, its contribution to the real GDP increased from about 52.2% to about 57.4%, and the real value of investments carried out by the sector increased from about SR117.7 billion to about SR190.9 billion, which represents an annual growth rate of about 10.2%.

**Page**  
**8**

Expansion of the production and investment activities of the private sector and its contribution to development under the Eighth Plan is a good indicator of its growing capabilities in finance, administration, management, and evaluation and capture of investment opportunities. It is also a result of the efforts made by the State to enhance the capacities of the private sector and create an environment conducive to its investment and various activities. Indeed, through specialized credit institutions, the State continued to provide the private sector with soft loans, in addition to providing the basic infrastructure and the well-developed industrial areas required by the activities of the sector. Moreover, the State maintained provision of basic services to the sector at supportive prices, and adopted programmes and policies aimed at raising the competitiveness of national products in domestic and foreign markets and opening new markets.

Clearly, expanding the role of the private sector in the activities of the national economy results in economic growth that is more dependent on the internal driving forces (population growth; growth of employment, productivity and incomes, growth of consumer spending and investment expenditure) and less vulnerable to external factors,

including fluctuations in world oil markets; thereby laying the foundations for firm and sustainable economic growth.

## 1.4 PUBLIC FINANCE

Over the first four years of the Eighth Plan, public revenues grew by about 12.7% to an average of about SR745.5 billion per annum, which represents a 90% increase over the revenues achieved in 2004.

Growth of oil revenues was the major driving force for the growth of public revenues over the first four years of the Eighth Plan. Oil revenues grew over the period by an average of about 31.4% per annum to reach an average of about SR663.7 billion per annum (Table 1.1); an increase of about 101.1% over the corresponding revenues in 2004. In consequence, the share of oil revenues in public revenues increased to about 89.3% in 2008, compared with about 84.1% in 2004.

Public expenditures also grew uninterruptedly over the period, to reach an annual average of about SR 431.5 billion over the first four years; an increase of about 51.3% compared with 2004.

It is worth noting in this context that the budget of the last year of the plan (2009), was the largest in the history of the Kingdom in terms of expenditure allocations, which totalled SR475 billion. Guided by the directives of The Custodian of the Two Holy Mosques, which were a reflection of the announcement at the G20 summit in November 2008 of the Kingdom's determination to continue implementing its investment programme, the budget allocated 47.4% of the expenditures for investment; an increase of 36% over the previous year. The budget emphasised the importance of continuing the implementation of strategic projects in education, health, infrastructure, development of economic resources, and other domains that contribute to accelerating and sustaining development and distribution of its benefits among citizens.

**Table 1.1**  
**Main Items of the State Budget**  
**under Eighth Development Plan\***

(SR billion)

Items	2004	2005	2006	2007	2008	Average for First Four Years of Eighth Plan
Total Revenues	392.3	564.3	673.7	642.8	1101.0	745.5
Oil Revenues	330	504.5	604.5	562.2	983.4	663.7
Total Expenditure	285.2	346.5	393.3	466.2	520.1	431.5
Investment Expenditure	37.6	62.3	70.9	119.0	131.2	95.9
Current Expenditure	247.6	284.2	322.4	347.2	388.9	335.6

\* Actual values up to the end of the fourth year of the Eighth Development Plan.

*Source: Saudi Arabian Monetary Agency.*

Government investment spending continued to grow over the period of the Eighth Plan, at an annual rate of 36.7% in the first four years, with its ratio to total government spending rising from about 13.2% in 2004 to about 22.2% on average. Likewise, the ratio of government investment expenditure to total revenues increased from about 9.6% in 2004 to about 12.9% over the first four years of the plan. Within the context of reviewing the investment policy adopted by it, the Eighth Plan had stressed that it "seeks increasing the ratio of government investment expenditure to total revenues in order to ensure coping with the growing needs of the country for improved economic (physical), social and environmental infrastructure, whether to meet requirements of population growth and improve the quality of public services, or stimulate economic activity and investment in the Kingdom."

If the data on investment expenditure in the annual budgets over the period are augmented by the investment expenditure allocations within the programmes of the budget surplus for the years 2004–2006 (three stages), which amounted to a total value of SR108 billion, then average ratios of investment spending to the average value of government expenditure and government revenue in the general budget under the Eighth Plan rise to about 28.5% and 16.5%, respectively.

## 1.4.1 Expenditure on Development Sectors

Table 1.2 shows that under the Eighth Plan, total budget appropriations for the development sectors amounted to SR863.9 billion; an increase of about 78% compared with the total budget expenditure on these sectors under the Seventh Development Plan. Moreover, the relative distribution of budget appropriations was in line with the basic development directions of the Plan.

The largest share was that of human resources development, which was allocated about 55.6% of total expenditure on development sectors. The social services and health sector came second, with about 18%. The infrastructure sector was allocated 14.2%, while the share of the economic resources sector was about 12.2%.

**Table 1.2**  
**Government Expenditure under Seventh and Eighth Development Plans**  
**by Development Sector**

(SR billion)

Development Sector	Appropriations in Seventh Development Plan		Appropriations in Eighth Development Plan	
	Value	%	Value	%
Human Resources	276.9	57.1	480.0	55.6
Social and Health Services	92.6	19.1	155.9	18.0
Economic Resources	54.4	11.2	105.8	12.2
Infrastructure	61.4	12.6	122.2	14.2
<b>Total</b>	<b>485.3</b>	<b>100.0</b>	<b>863.9</b>	<b>100.0</b>

*Source: Ministry of Economy and Planning.*

Expenditure under the programmes and projects of the budget surplus was distributed among development sectors as shown in table 1.3.

**Table 1.3**  
**Appropriations to Development Sectors of Budget Surplus**  
**for 2004–2006**

<b>Development Sector</b>	<b>SR billion</b>	<b>%</b>
Human Resources	26.5	24.5
Social And Health Services	28.5	26.4
Economic Resources	26	24.1
Infrastructure	27	25.0
<b>Total</b>	<b>108.0</b>	<b>100.0</b>

*Source: Ministry of Economy and Planning.*

### **1.4.2 Public Debt and Government Foreign Assets**

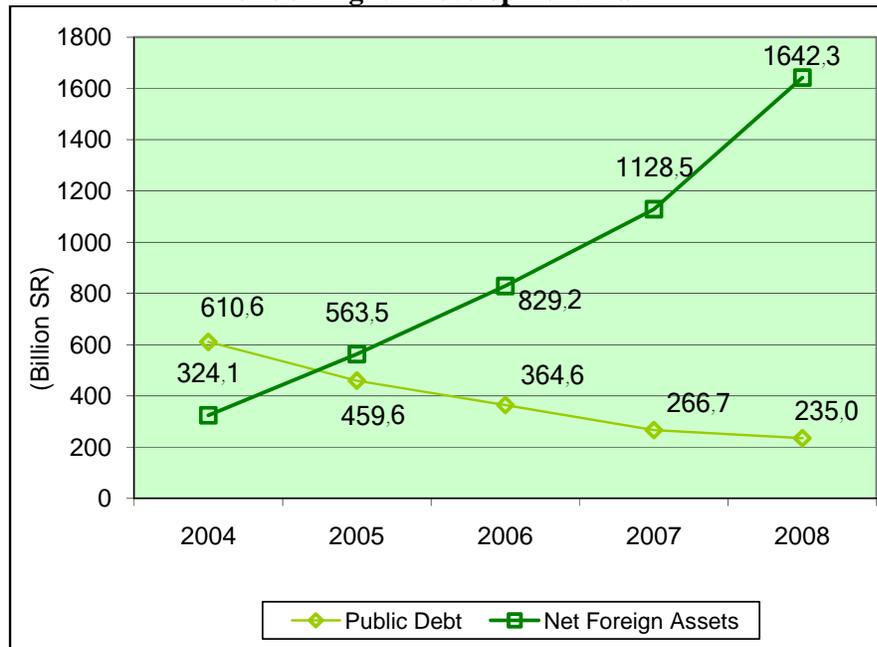
Growth of oil revenues during the period of the Eighth Plan, and the financial resources thus provided, enabled the State to accomplish two major tasks:

- Liquidation of a large part of the public debt.
- Enhancement of foreign assets owned by the government.

The State used a large part of income earned during the period of the Eighth Plan to liquidate the public debt, the total size of which decreased as a result from about SR610.6 billion at the end of 2004 to about SR235 billion by the end of 2008. Hence, its share of GDP declined from about 65% in 2004 to about 13.4% in 2008. One of the positive results of reducing the public debt is lowering the cost of servicing it, thereby freeing up part of the resources of the State, making them available for more efficient uses with high development returns.

The state invested part of the financial surpluses achieved under the Plan to enhance the net foreign assets owned by the government. These rose as a result from nearly SR324.1 billion at the end of 2004 to about SR1642.3 billion by the end of 2008 (Figure 1.1).

**Figure 1.1**  
**Public Debt and Net Foreign Assets of Government**  
**under Eighth Development Plan\***



\* Up to the end of the fourth year of the Eighth Development Plan.  
 Source: Saudi Arabian Monetary Agency.

The foreign assets are distributed among foreign exchange and deposits in banks abroad and investments in securities abroad, mostly in the form of government bonds. These assets support the fixed exchange rate of the Riyal against the dollar and provide support to the state finances when oil revenues decline, in addition to generating financial revenues that support both the state budget and the balance of payments.

## **1.5 FOREIGN TRADE AND BALANCE OF PAYMENTS**

Over the period of the Eighth Development Plan, Saudi foreign trade underwent notable quantitative and qualitative developments. These enhanced the significant role played by trade in the national economy, through penetration into foreign markets able to absorb Saudi oil and non-oil products, and provision by these markets of the consumer, capital, and intermediate goods and the advanced techniques required for production and investment processes and implementation of

development projects. The total value of exports and imports of goods and services rose by an annual average of 26.2% over the first four years of the plan. As a result, the ratio of foreign trade flows to GDP at current prices rose from about 78.6% in 2004 to approximately 106.5% in 2008. Accession by the Kingdom to the WTO in December 2005 is an important step towards increasing the degree of openness of the Saudi economy and its integration into the global economy.

The period under consideration also witnessed several positive developments in terms of the structure of merchandise imports and exports. Non-oil exports grew at an annual rate of about 20.3% in the first four years of the plan, rising from about SR58.2 billion in 2004 to about SR121.8 billion in 2008. At the forefront of growth of exports were exports of petrochemicals, plastics and re-exported goods.

Exports of crude oil and refined petroleum products rose in value from about SR414.2 billion in 2004 to about SR1053.7 billion in 2008; an overall increase of 154.4%.

**Page**

**14**

As for imports, there was an important structural development represented by an increase in the relative importance of imports of machinery, equipment and intermediate goods, in response to the accelerating pace of economic growth and efforts to diversify the economic base. The percentage of these imports to total imports rose from about 61.7% in 2004 to about 70.4% in 2008.

Moreover, the relative share of imports of consumer goods declined from about 38.3% in 2004 to about 29.6% in 2008, which indicates improved competitiveness of national products and their growing role in meeting domestic consumer demand.

The favourable developments in both exports and imports, particularly the upward trend in the value of oil exports, resulted in a significant increase in the surplus of the balance of trade over the first four years of the Eighth Plan, the value of which went up from about SR308.3 billion 2004 to about SR795 billion in 2008; a total increase of about 157.9%. This, in turn, contributed to enhancing the current account of



the balance of payments, which maintained a surplus that increased in value from about SR184.8 billion in 2004 to about SR502.7 billion in 2008; a total increase amounting to some 172%. The latter surplus was achieved despite persistent deficits in the balance of “services and transfers”, due to the growth of private sector services payments, mostly for international freight and insurance, and government services payments, which together accounted for approximately 51.8% of the total payments in that balance.

On the other hand, private transfers, mostly remittances by foreign workers, accounted on average for about 93.4% of total transfers over the first four years of the Eighth Plan.

## **1.6 HUMAN RESOURCES DEVELOPMENT AND EMPLOYMENT**

The Eighth Development Plan attached a great deal of importance to human resources development as fundamental to comprehensive development, aiming to raise total labour force participation rates, continuously upgrade its skills and develop its capacities, and provide it with opportunities for gainful employment, particularly in the various activities of the private sector. The plan incorporated several programmes and policies aimed at achieving qualitative and quantitative expansion of education and vocational training; giving priority in employment to the national workforce; and addressing macroeconomic and structural imbalances in the labour market, especially youth unemployment and reliance on foreign labour.

The efforts made under the Eighth Plan resulted in an increase of national employment by a total of around 18.7%, from about 3.3 million workers in 2004 to about 3.9 million 2009. Over the same period, the ratio of employment of nationals to total employment rose to nearly 47.9% in 2009, compared with 45.9% in 2004.

Table 1.4 provides details of the contributions of various economic sectors to the provision of employment opportunities to nationals over the period of the Eighth Plan.

**Table 1.4**  
**Contributions of Major Sectors of National Economy**  
**in Provision of Employment Opportunities to National Labour**  
**Eighth Development Plan**

Sector	2004		2009		Average Annual Growth %
	Number of employees*	Contribution %	Number of employees*	Contribution %	
<b>1. Non-Oil Sector</b>					
<b>a. Production Sectors</b>	278.24	8.4	413.71	10.6	8.3
<b>b. Private Service Sectors</b>	2074.48	63.0	2392.49	61.1	2.9
<b>c. Government Sector</b>	878.85	26.6	1048.64	26.8	3.6
<b>2. Oil and Gas Sector</b>	66.61	2.0	59.74	1.5	(-2.2)
<b>Total for national economy</b>	<b>3298.18</b>	<b>100.0</b>	<b>3914.58</b>	<b>100.0</b>	<b>3.5</b>

\* Number of employees is in thousands, and data for 2009 is preliminary.

*Source: Ministry of Economy and Planning.*

According to data presented in the table, non-oil production sectors achieved the largest expansion of employment opportunities for national labour, with the number of Saudis working in these sectors rising at an annual rate of 8.3%, which led to an increase of their relative contribution to employment of nationals from 8.4% in 2004 to 10.6% in 2009. The number of Saudis working in the government sector increased at an annual rate of 3.6% and its relative contribution to employment of nationals increasing over the period from 26.6% to 26.8%. Thus, the combined share of the production sectors and the government sector of employment of nationals increased to about 37.4% in 2009, compared with about 35% in 2004. In contrast, the relative contributions of the private service sectors and the oil and gas sector to employment of nationals declined over the period, as a result of the rates of growth of the numbers of Saudis working in them being less than the overall average of 3.5%. For the private service sectors, this rate was about 2.9%, leading to their share in the employment of nationals declining from 63% in 2004 to 61.1% in 2009; while in the oil and gas sector, there was decline at a rate of about 2.2% per annum, leading to its share declining over the period from 2% to 1.5%.

## 1.7 THE FINANCIAL SECTOR

### 1.7.1 Banks

The banking sector performed well under the Eighth Plan, benefiting from the high level of activity in the local economy, particularly private sector activity, as well as from good management by banks of their financial resources. The good performance of the banks was reflected in expansion of activity, as well as in enhancement of their financial position.

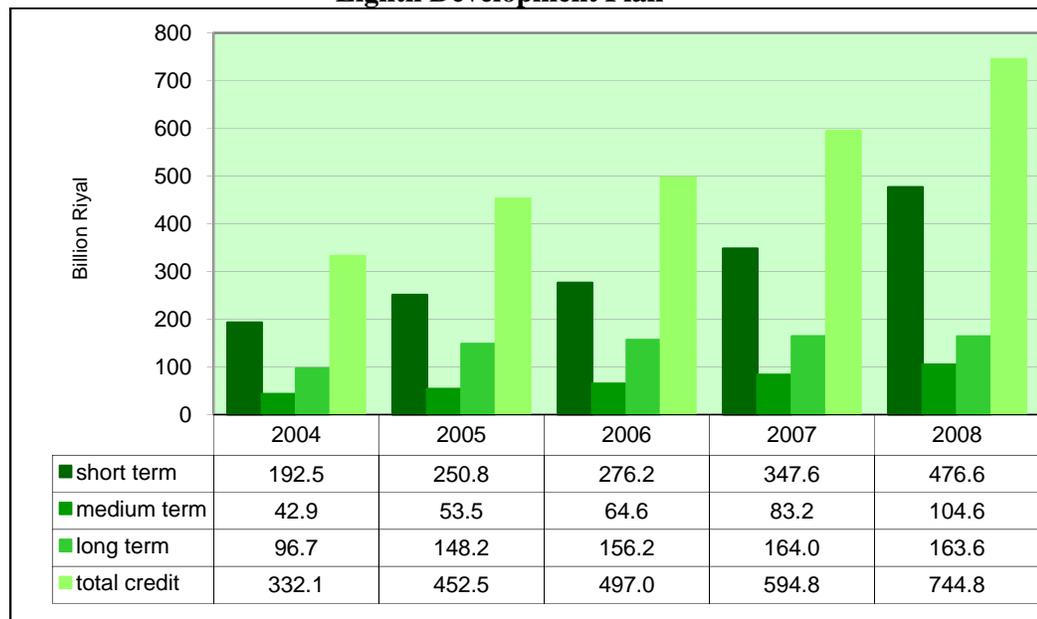
Over the period, the number of operating commercial banks increased to nineteen, and the number of bank branches, including branches of foreign and Gulf banks, to 1410. Moreover, during the period (2006–2008), ten international banks, established branches in the Kingdom, leading to increased competition in this sector. Similarly, following accession by the Kingdom to the WTO, investment banks witnessed a remarkable growth, as the competent authorities issued licenses to about 80 investment banks, mostly Saudi- foreign joint ventures.

Moreover, the financial positions of commercial banks strengthened significantly. Over the first four years of the plan, their total assets grew at an average of 98.7%. Likewise, the investment funds, managed by commercial banks, expanded their activities, with their total assets growing by about 24% over the same period.

Performance indicators of the banking sector, based on international standards, improved significantly. Capital adequacy ratio, measured by the ratio of capital to total risk-weighted assets, was stable at an excellent level, averaging about 19.1% over the first four years of the Plan, which exceeds the international rate of 12%, the standard set by Basel 2. The banks also continued to expand introduction and intensified use of modern banking technology, and they have become able to offer comprehensive banking services using most modern technology.

Furthermore, commercial banks played a vital role in expanding the resources available to the private sector, as well as in expanding its activities. Total liabilities of the private sector to the banks (loans and advances, discounted bills, and investments in securities) grew over the first four years of the Plan by a total of around 134%, representing about 75.2% of the total liabilities to the banks in 2008. In the same year, bank credit to the private sector amounted to about 96% of the total credit granted to all sectors. In addition, over the first four years of the Plan, total “medium-term” and “long-term” credit accounted for about 36% of total bank credit provided (Figure 1.2).

**Figure 1.2**  
**Distribution of Bank Credit by Maturity**  
**Eighth Development Plan\***



\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Saudi Arabian Monetary Agency.

### **1.7.2 Saudi Banks and the Global Financial Crisis**

Despite the repercussions of the global financial crisis which adversely affected many international banks and financial institutions, the Saudi financial system was able to maintain its soundness, as commercial banks maintained normal levels of liquidity and high net worth; thereby continuing to achieve high performance and profitability rates.

In support of the Saudi banking sector during the global financial crisis, the Supreme Economic Council declared, right at the outset, that the government would continue to underwrite deposits and ensure the safety of the banking system. Furthermore, the Council directed the Saudi Arabian Monetary Agency to continue to monitor the performance of Saudi banks and provide them with the necessary liquidity. Guided by this directive, the Agency took a series of measures aimed at easing restrictions on banks in order to increase their capacity to lend, as well as enhancing their liquidity levels, and verifying their compliance with banking safety standards.

Over the past decades, the Agency has followed make strict policies towards banks aiming at introducing international best practices to the Saudi financial system. It established numerous rules, regulations and instructions that in total formed an effective risk management framework, ensuring adherence to the standards of capital adequacy, concentration of credit, liquidity management, classification of loans and allocations, operational and market risks, international accounting standards, and internal and external auditing. In addition, the Agency was keen to review processes of credit risk management to branches of foreign banks operating in the Kingdom according to Basel 2 standards. It also stepped up supervision and control over the banks after the crisis, as well as intensifying the measures aimed at boosting liquidity and strengthening the lending capacity of the banks.

### **1.7.3 Specialized Lending Institutions**

Under the Eighth Plan, specialized lending institutions continued to perform their developmental role. Through providing soft loans to citizens, private sector institutions and the public, they supported development of the industrial and agricultural sectors, all branches of the service sector, and the real estate sector, particularly housing, as well as enhancing urban development to meet requirements of economic and population growth.

The state expanded the financing capacity of the specialized lending institutions by increasing their capital by SR81 billion from budget

surpluses for 2004 and 2005. The increases were as follows:

- Public Investment Fund                      SR 20 billion
- Real Estate Development Fund        SR43 billion
- Industrial Development Fund        SR 13 billion
- Saudi Credit and Saving Bank        SR5 billion, in addition to the  
deposit of SR10 billion from  
the Budget.

As a result of the increase in the capital of the specialized lending funds, total lending by them to the private sector and to public institutions increased significantly over the first four years of the Eighth Plan. Outstanding loans were SR155.2 billion in 2008; an increase of about 30.3%, compared with about SR119.1 billion in 2004. This remarkable growth in funding provided by these institutions was in response to the emphasis by the Eighth Development Plan on accelerating the pace of economic growth and improving living standards.

Page

20

#### **1.7.4 Domestic Liquidity**

Money supply (in broad M3 terms), which consists of currency circulated outside banks and bank deposits of all types and maturities, grew by about 17% on average over the first four years of the Eighth Plan. Growing over that period by about 28.1% per annum on average, time and savings deposits were the fastest growing component of the money supply (M3), accounting for about 39.6% of total money supply. In contrast, demand deposits grew annually by around 12.9% on average, constituting about 36.9% of total money supply (M3), while currency in circulation outside banks and other quasi-monetary deposits grew by about 8.4% and 11.5% on average per annum, respectively, accounting together for about 23.5%.

Growth of the money supply over the period of the Eighth Plan is attributable in the first place to the remarkable growth in both government expenditure and credit facilities provided by commercial banks to the public and private sectors.

## 1.7.5 Saudi Financial Market

Given its important role in financing development and enhancing the role of the private sector, by providing investment channels that contribute to attracting domestic and foreign capital and enhance opportunities for expansion of national companies, the Saudi Financial Market received great care and attention from the State. Over the period of the Eighth Development Plan, the Capital Market Authority continued preparing, issuing and developing the executive regulations necessary for regulating the market. In 2006, it issued several regulations, including the Real Estate Investment Funds Regulation, the Corporate Governance Regulation, the Investment Funds Regulation; and in 2007, it issued the Mergers and Acquisitions regulation.

During the period from 2005 to 2008, investors from 20 Arab and foreign countries entered the Saudi stock market, either with direct investments or in partnership with Saudi capital, to set up securities businesses, practice stock market activities through provision of technical advice to investors, portfolio management, and sale and purchase of shares on their behalf.

The estimated share of foreign capital in the securities firms in the Saudi stock market in 2008 was about 22.4%, with a total value of about SR2.55 billion while the estimated share of the capital of Saudi companies and individuals was about 77.6%, with a total value of SR8.85 billion.

In general, the performance of the Saudi stock market over the period of the Eighth Plan was strong. The number of companies that went public nearly doubled, and the total number of companies listed in the market rose from 73 in 2004 to 127 in 2008; an overall increase of about 74%. Moreover, the number of traded shares increased from 10,298 million by the end of 2004 to 58,727 million by the end of 2008, and their value rose over the same period from SR1,773.9 to SR1,962.9 billion.

Despite the remarkable activity in the Saudi stock market, speculative pressures and market attempts for self correction, as well as the global financial crisis, led to a decline in the general share price index from about 8,206.2 points at the end 2004 to approximately 4,803 points at the end of 2008, while market capitalization (market value of issued shares) decreased over the same period from about SR1,149 billion to about SR924 billion.

The magnitude, depth and efficiency of the Saudi market become clear when compared with the fifteen Arab stock markets covered by the database of the Arab Monetary Fund. By the end of December 2008:

- The market value of the issued shares (market capitalization) in the Saudi stock market was about 6.6 times the average market value of issued shares in the other Arab stock markets.
- The Saudi stock market ranked first among Arab markets, with the value of shares traded in it amounting to around 110.3% of the total value of shares traded in these other markets.
- The average share turnover in the Saudi market was about 212.3%, compared with an average of about 61.8% for the other Arab markets, which testifies to the higher efficiency of the Saudi stock market.
- The Saudi stock market was in a leading position among Arab stock markets listed in the database of the Arab Monetary Fund in terms of degree of market depth, which amounted to about 53% for the Saudi market, compared with an average of 51.4% for the other Arab stock markets.

## **1.8 PRICES OF GOODS AND SERVICES**

The cost of living index is the most commonly used measure of inflation in the Kingdom. It monitors prices of 406 commodities and services, assembled in eight main groups, namely: food and beverages; textiles, clothing and footwear; renovation, rent, fuel, and water; home furnishings; medical care; transport and communications; education and recreation; and other goods and services.



Inflationary trends began in 2006, when the inflation rate was about 2.2%. Price rises were concentrated in three major groups of commodities: food and beverages; renovation, rent, fuel, and water; and other goods and services; with rises of about 5.4%, 3.1%, 7.7%, respectively, compared with the end of 2005. Over the following years, the rate of inflation continued to rise to about 4.1% in 2007 and about 9.9% in 2008. As in 2006, price rises over the 2007–2008 were mainly concentrated in food and beverages, with an annual rate of increase of about 10.5%; renovation, rent, fuel and water, with 12.7%; and other goods and services, with 8%.

Inflationary trends emerged in the last three years of the Eighth Plan, as a result of a combination of factors, including:

- Growth of aggregate demand for goods and services at high rates, driven up by the large size of government spending, which was boosted by surging oil revenues; as well as by the large volume of private spending, financed to a large extent by bank credit.
- Drought conditions and their negative impact on the overall supply of locally produced agricultural commodities.
- Shortage of supply of residential units causing rent rises.
- Shortage of supply of skilled labour at a time of growing demand, which led to higher wages.
- Global prices for agricultural products rising to unprecedented levels.
- The low exchange rate of the Riyal against major currencies (except the U.S. dollar), raising the cost of imports from several European countries and Japan, particularly with the gradual shift in the structure of imports to these markets at the expense of imports from the United States.
- The high shipping and insurance at cost.

In an effort by government to fight inflation and to contain its negative effects, especially on citizens with low and limited incomes, the Council of Ministers issued resolution No. 11 of January 2008, which involved an integrated package of policies and urgent measures designed to fight inflation, including:

1. Adding a 5% cost of living allowance to salaries of state employees for three years.
2. Increasing social security benefits by 10%.
3. The State bearing for three years 50% of fees for passports, driving licences, transfer of ownership, and renewal of residence permits of household labour.
4. Continued subsidy for commodities to mitigate high prices, and reviewing this after three years.
5. Intensifying efforts to monitor prices and combat commercial fraud.
6. Expediting the draft policy on supply of foodstuff.
7. Accelerating the activation of the General Housing Authority and enabling it to carry out its tasks.
8. Accelerating construction of public housing, especially following the appropriation of SR 10 billion for it.
9. Expediting the issuance of mortgage law and associated regulations.
10. Preventing all monopolistic practices and reviewing the system of commercial agencies to guard against monopoly and promote competition.

The above measures contributed to the alleviation of inflationary pressures and their impact on citizens, as did the subsequent Council of Ministers resolution No. 89 of 2008, which reduced customs tariffs on 180 goods, including numerous foodstuff and other commodities. Inflation pressures then began to ease as of July 2008 for two main reasons: first, the fall in imported inflation, and secondly some measures to combat inflation, which had already been taken by the State, began to take effect fully, particularly the monetary policy measures taken by the Saudi Arabian Monetary Agency to limit growth of domestic liquidity. Thus, the inflation rate dropped to about 4.1% over the period from August 2008 to August 2009, and forecasts indicate continuing decline in the coming period.

# MAIN DIRECTIONS OF THE NINTH DEVELOPMENT PLAN

## 2.1 INTRODUCTION

Similar to preceding development plans, the Ninth Development Plan 2010–2014 emanates from the basic terms of reference embodied in the Basic Law established by the State; namely, to contribute to human civilization within the context of Islamic values and high moral standards; consolidate the foundations of the State, its identity and its Arab, Islamic and international heritage; safeguard national security; promote national unity; guarantee human rights; maintain social stability; reinforce the mission of family in society; and achieve comprehensive sustainable development. In formulating its directions, the Plan bases itself upon the long-term future vision of the Kingdom, as expressed in the long-term strategy of the national economy up to 2024, as well as on the achievements of the Eighth Development Plan.

This chapter addresses the major directions of the Ninth Development Plan, presenting in detail the overall objectives and a summary of the main implementation mechanisms; concluding with a detailed presentation of the general framework for these directions.

## 2.2 OBJECTIVES

The plan bases its directions upon objectives that include: accelerating the development process and consolidating its sustainability, achieving balanced development among regions, continuing to improve the standard of living and quality of life of citizens, caring for needy social groups, and minimising unemployment. The objectives further include development of national human resources and raising their efficiency, enhancing contributions of the private sector to the development process, supporting the move towards a knowledge economy, raising the rates of growth and performance efficiency and competitiveness of the Saudi economy in an international environment dominated by globalisation and heightened competition based on science and technology achievements.

The Plan adopts thirteen objectives as follows:

**First objective:**

To safeguard Islamic teachings and values, enhance national unity and security, guarantee human rights, maintain social stability, and consolidate the Arab and Islamic identity of the Kingdom.

**Second objective:**

To continue to develop the holy places, and improve the services provided to Hajj and Umrah performers to ensure performance of religious rites easily and conveniently.

**Third objective:**

To achieve sustainable economic and social development by accelerating the rate of economic growth and social welfare.

**Fourth objective:**

To achieve balanced development among regions of the Kingdom and enhance their role in social and economic development.

**Fifth objective:**

To enhance human development, expand the range of options open to individuals to enable them to acquire and use knowledge, skills and expertise, and provide appropriate healthcare services.

**Sixth Objective:**

To raise the standard of living and improve the quality of life of all citizens.

**Seventh Objective:**

To diversify the economic base horizontally and vertically, expand the absorptive and productive capacities of the national economy and enhance its competitiveness, and maximize the return on competitive advantages.

**Eighth Objective:**

To move towards a knowledge-based economy and consolidate the basis of an information society.

**Ninth Objective:**

To enhance the role of the private sector in socioeconomic and environmental development and expand domains of private investments (domestic and foreign) and public-private partnerships.

**Tenth Objective:**

To develop, conserve and ensure rational utilization of natural resources, particularly water, protect the environment and develop environmental systems within the context of sustainable development.

**Eleventh Objective:**

To continue socioeconomic and institutional reform, develop regulations aimed at raising efficiency and improving performance, work towards entrenching transparency and accountability, and support civil-society institutions in advancing their developmental activities.

**Twelfth Objective:**

To strengthen economic integration with Gulf Cooperation Council and Arab states and develop relations with Islamic and friendly countries.

**Thirteenth Objective:**

To develop the sector of Small and Medium Enterprises to increase its contribution to GDP, and create frameworks for nurturing and organizing it.

## 2.3 IMPLEMENTATION MECHANISMS

The Ninth Plan paid special attention to the process of identifying the mechanisms through which its objectives will be achieved and its policies, programmes and projects implemented. These are outlined in

twenty-three major mechanisms, from which a set of sub-mechanisms is derived. These mechanisms include the following:

1. Accelerating the pace of economic growth and the distribution of its dividends among the regions of the Kingdom and the various social strata.
2. Enhancing the developmental effectiveness of foreign direct investment.
3. Reducing development gaps among the various administrative regions.
4. Intensifying efforts aimed at diversifying the economic base.
5. Maintaining an enabling environment for sustainable development.
6. Intensifying efforts aimed at raising living standards and improving the quality of life and continuing to reduce poverty rates.
7. Creating an enabling environment for moving towards a knowledge-based economy and a gradual shift towards an information society.
8. Deepening the partnership between the public and the private sectors and accelerating the privatization process.
9. Achieving financial stability and continuing to pursue fiscal and monetary policies that contribute to higher rates of economic growth and reduce inflationary pressures.
10. Increasing the contribution of the Saudi workforce in various development sectors.
11. Providing educational opportunities and improving enrolment rates at all educational levels, and developing the educational system to ensure qualitative and quantitative response to development and social needs, as well as to emergent knowledge.
12. Expanding, developing and disseminating vocational and technical training programmes in all administrative regions.

13. Providing comprehensive and integrated healthcare to all society members.
14. Adopting a population policy that takes into consideration quantitative and qualitative population and geographical distribution variables, and strengthening correlation between population characteristics and sustainable development.
15. Developing and promoting active participation of Saudi women in the Kingdom's development.
16. Supporting and developing participation of youth in development, and enabling them to contribute actively to social development.
17. Providing adequate housing on the widest scale to meet the needs of society.
18. Protecting integrity and combating corruption and reducing its repercussions on the investment climate and the economic and social dimensions of the development plan.
19. Promoting and developing national culture, and increasing cultural and scientific production.
20. Deepening economic integration among the GCC countries and strengthening Arab, Islamic and international relations of the Kingdom.
21. Improving implementation mechanisms of development programmes and projects, and evaluating the implementation policies adopted by the plan.
22. Providing all forms of support and assistance to small and medium enterprises (SMEs) and removing obstacles confronting their development.
23. Emphasising the social dimension of development by promoting community participation in development processes and social care and supporting disadvantaged groups and people with special needs, and paying special attention to youth, women and children.

## **2.4 GENERAL FRAMEWORK OF THE DIRECTIONS OF THE PLAN**

The six main directions of the Ninth Development Plan can be summarised as follows.

### **2.4.1 Improving Standard of Living and Quality of Life**

To entrench the principle that the Saudi individual is the means to and the end of development, the Ninth Development Plan gives utmost priority to improvement of standard of living and quality of life, devoting to it its sixth objective and sixth implementation mechanism. To this end, the plan has several focal points. The first is to continue to raise real incomes at rates above the rate of population growth, which, in turn, requires accelerating the pace of GDP growth while maintaining the stability of the cost of living and the exchange rate of the Saudi Riyal. The second focus is to continue improving the services provided to citizens quantitatively and qualitatively, for these services have a direct impact on the standard of living and quality of life. The third focus is to develop the productive and creative capacities of citizens, provide them with rewarding employment opportunities, broaden their participation in various economic activities, and take all possible measures to reduce unemployment, particularly among young males and females. Balanced distribution of development effort and its benefits among and within regions of the Kingdom, which is one of the main directions of the plan, is a basic guarantee for citizens, wherever and from whichever social strata, to enjoy the improvement that the Plan will achieve in the standard of living and quality of life.

**Page**  
**30**

In order to ensure long-term sustainability of the improvement in the standard of living and the quality of life, the tenth general objective of the Plan provides for “developing natural resources – particularly water resources –maintaining them and rationalizing their use, and protecting the environment and developing environmental regulations within the framework of sustainable development”. Moreover, the fifth implementation mechanism of the Plan, which provides for “setting the appropriate environment for achieving sustainable development”,



incorporates a set of policy guidelines; including, improving utilization of economic resources and enhancing the benefits derived from them, protecting and developing the environment and wildlife, and continuing to build the infrastructure in response to demand, while improving its performance and caring for its maintenance.

### **2.4.2 Balanced Development among Regions**

The fourth general objective of the Plan provides for “achieving balanced development throughout all regions of the Kingdom and enhancing their role in economic, social and environment development”, and the third implementation mechanism of the Plan clarifies the major measures to be taken to reduce the development gaps among the administrative regions. This underlines the importance of spreading the benefits of economic and social development in a balanced manner among the regions of the Kingdom and reducing regional disparities in development levels, for this is the best way for achieving efficient comprehensive exploitation of the resources and potentials with which the Kingdom generally abounds. Moreover, reducing development disparities among the regions would help reduce internal migration from rural areas to large cities, which has caused, in some major cities, the population escalation and geographic expansion that have resulted in growing pressure on public utilities and infrastructure.

The directions of the Ninth Development Plan emphasise that achieving balanced development among the regions requires not only providing facilities, equipment and services, but also concurrently building a productive base that rests on the specific development potentialities of each region. It also has to be based on a national strategy aimed at reducing regional disparities by stimulating private investment in less developed regions.

The Plan envisages continued expansion of the national energy network, comprising natural gas, oil, and electricity, to provide fuel, feedstock and electricity for the new development corridors. It also envisages expansion of the railway network that will in the medium

term link the mining areas in the North to the Eastern Region for transporting extracted raw materials to the processing and manufacturing centres, in addition to linking the centre of the Kingdom with the west.

Establishment of economic cities should reinforce the drive towards regionally balanced development, since these cities would be integrated production systems, based on the visible and latent comparative and competitive advantages of the various regions.

Envisaged development of the regions involves five key elements:

- Completion of embedding regional development strategies within the Ninth Development Plan.
- Distribution of public development projects among the various administrative regions, providing the regions with the requisite public facilities and services on the basis of specific criteria.
- Enhancement of the developmental role of regional councils and development of the capacities of local administrations, in order to effect a gradual shift to decentralization.
- Reduction of internal migration, which has negative effects on major urban centres.
- Addressing implications of the high pace of urbanization, particularly in major cities.

**Page**  
**32**

The regional development strategy of the Ninth Development Plan aims to strengthen the links among and within the various regions, through implementation of the development corridors proposed in the National Spatial Strategy, which was adopted in 2000 by the Council of Ministers. These would contribute to the ultimate objective of developing the regions, which is to improve the quality of life of all people and reduce development disparities among and within the regions.

The Plan is keen to give priority in the distribution of programmes and projects to regions with lower levels of development, as well as to

provide incentives to the private sector to increase investments in these regions.

### 2.4.3 Diversification of Economic Base

With successive development plans recognising the risks inherent in one-sided heavy reliance on production and export of crude oil, diversification of the production base of the Saudi economy has been, ever since the beginning of development planning, a prime target for economic development.

Diversification of the economic base is a main direction of the Ninth Development Plan, to which it devotes its seventh objective and fourth implementation mechanism. Such diversification is important for being a necessary condition for building a stable modern economy, based on a broad range of varied economic resources and characterized by a high degree of internal integration, embodied in close interrelationships among the various sectors and activities.

Implementation of this approach requires significant increases and quality improvements in the contributions of non-oil sectors, including production and service sectors, to GDP and exports and in providing employment opportunities for the national workforce. Moreover, diversification should be based on the comparative advantages of the Kingdom and should support its competitiveness. It is also important not only to increase the contribution of non-oil sectors, but also reform the productive structures of these sectors themselves by diversifying their productive activities, in order to enable them to produce a wide range of goods and services, part of which would be utilised as intermediate input in various sectors, thereby strengthening linkages among them to enhance the internal integration of the economy as a whole. Other non-oil production would be directed to foreign markets as exports and to the local market for use in final government and private consumption.

To achieve tangible progress in diversifying the economic base, the Ninth Development Plan envisages intensifying efforts in the following areas:

- Industries that exploit the comparative advantages of the national economy and transform them into competitive advantages, such as petrochemicals and energy-intensive industries.
- High-tech, capital-intensive industries, such as mining and pharmaceuticals, which contribute effectively to the transition to a knowledge-based economy.
- Capital goods industries, such as the manufacture of metal products, machinery, equipment and electrical appliances.
- Strengthening and developing small and medium enterprises (SMEs) for the important role they play in and the contribution they make to diversification of the economic base and provision of employment opportunities.
- Export-oriented manufacturing industries.
- Tourism.
- Modern agriculture that focuses on high-value-added crops, which use advanced technologies to rationalize water use and improve efficiency of exploitation of natural resources.
- Various mining activities, through which a series of integrated industries can be built.

#### **2.4.4 Towards a Knowledge-based Economy**

For many years, the Kingdom has been laying the foundations of a knowledge-based economy capable of keeping abreast of, capturing and indigenising the accelerating developments in knowledge and technology, as well as of generating and disseminating knowledge internally. Such an achievement would then lead to restructuring of the national economy, raising the productivity of the various economic sectors, establishing new activities and services based on knowledge, enhancing competitiveness of the national products in domestic and external markets, generating new competitive advantages, developing the natural resources and rationalizing their use for sustainable development, and building a highly-skilled knowledge workforce. In order to strengthen and consolidate this aim, the Ninth Development

Plan devotes its eighth general objective and seventh implementation mechanism to this aim.

The Plan indicates that the drive towards a knowledge-based economy requires the integration of several activities: dissemination, transfer, generation, production, utilization and investment of knowledge in various activities of production and development.

On the basis of an analysis of the most important issues facing the Kingdom, the Ninth Development Plan adopts a package of specific general objectives and targets designed to guide the desired progress towards building a knowledge economy. To achieve these objectives, the plan adopts a set of policies, as well as programmes for implementing each policy. The overall objectives are as follows:

- Promoting human development, disseminating knowledge, and expanding the options available for acquiring knowledge, skills and experience.
- Reinforcing efforts to transfer and indigenise knowledge in all economic and social sectors.
- Upgrading the knowledge production capabilities of the Kingdom in economic and social fields.
- Raising the level and improving the content of knowledge in the production and service activities of both public and private sectors.
- Providing the technical, administrative and organizational environment, as well as infrastructure, for information and communications technology.
- Reducing knowledge gaps among regions and increasing citizens' awareness of the importance of knowledge, as well as increasing the Arabic digital content.

The Plan adopts the following policies to achieve the objectives of the drive towards a knowledge-based economy:

- Adopting mechanisms for enhancing the dissemination of knowledge.

- Increasing the technology-transfer-and-indigenisation capacities of the Kingdom.
- Continuing to increase public and private knowledge generation activities.
- Improving the knowledge content of goods and services produced in the Kingdom, in order to improve productivity and competitiveness.
- Sustaining the development of an appropriate knowledge-management environment, in terms of technology, structure, legislation and funding.
- Raising the level of knowledge of members of the community.

The success of the Kingdom in building a knowledge-based economy would contribute effectively to the achievement of balanced development, diversification of the economic base, and enhancement of the competitiveness of the national economy.

**Page**

**36**

### **2.4.5 Enhancement of Competitive Capacities**

Through economic advantage in energy and petrochemicals, the Kingdom has come to occupy a distinguished economic position internationally. Economic realities, dominated as they are by globalization, heightened competition among states, and accession of Saudi Arabia to the World Trade Organization (WTO), which is based on free trade and free capital movement among member states, face the Kingdom with the challenge of enhancing competitiveness of its economy, to enable it to attract national and direct foreign investments; improve competitiveness of its products in domestic and overseas markets; and gain new competitive advantages, enabling it to develop and diversify its exports and open new markets for them.

Under the Eighth Development Plan, efforts aimed at developing regulations and institutional, economic, administrative structures, as well as improving performance of the production and services, particularly export-oriented sectors continued. These efforts improved the ranking of the Kingdom in international reports, enabled it to

assume a leading position among the countries attracting foreign direct investment, and increased the volume and diversity of non-oil exports.

The Ninth Development Plan intends to continue and consolidate efforts aimed at enhancing the competitiveness of the national economy, which is one of the main directions of the Plan. Such enhancement will depend on the extent of the progress made in diversifying the economic base, then transitioning from heavy reliance on the comparative advantage afforded by the abundance of oil and its derivatives to reliance on the competitive advantages inherent in the production of non-oil goods and services.

The Plan highlights a range of issues and challenges facing the Kingdom in its drive towards attaining higher international competitiveness rankings. These include:

- The need to raise the educational level of the workforce, towards a well-qualified workforce, capable of absorbing new technologies, is one of the cornerstones of competitiveness.
- Weak participation of Saudi women in the labour market as measured by the women's labour force participation rate, which is a sub-indicator of the international competitiveness index produced by the World Economic Forum.
- Limitedness of business clusters, which consist of several industries, companies and institutions, with strong interlinks and interrelationships, leading to intensive interaction that contributes to increased productivity, stimulates innovation, and generates new business opportunities.
- The need to promote investment in research, development and innovation, as there is a shortage of specialists in science and engineering, as well as weak linkages between the academic and the business communities.
- Predominance of the family ownership of private enterprises, which constrains development of their competitiveness and management systems, in addition to limited application of effective control systems and corporate governance, poor use of modern

technologies, and lack of total quality systems.

- Weak technological content of non-oil exports, for most industrial exports have a simple technological content, such as clothing, food-industry products, paper, iron and steel and their products, and jewellery, with exports having a medium or high technological content (apart from petrochemical exports) accounting for only 10% of total non-oil exports .

The Plan adopts a set of specific general objectives and targets for development of competitiveness and specific policies and implementation mechanisms to achieve those goals. The general objectives include:

- Moving the national economy to innovation-based competitiveness.
- Improving competitiveness of national products in domestic and external markets.
- Supporting competitiveness of non-oil exports and increasing their technological content.
- Raising the general level of education and training and expanding scientific and technical education.
- Continuing to develop the investment environment and the export environment.
- Intensifying processes of technology transfer, adaptation and indigenisation in order to enhance competitiveness and keep pace with globalization of production.
- Expanding establishment of business clusters with strong multiple interlinks (forward and backward linkages), and promoting merger of national companies, as well as closer collaboration with foreign companies possessing advanced technologies.
- Increasing investment in industrial infrastructure and informatics.
- Improving the quality of goods and services.

**Page**  
**38**

To achieve these objectives, the Plan has adopted a set of policies and implementation mechanisms, including:



- Continuing efforts to improve productivity in the national economy.
- Developing legislations, judicial systems and the legal environment, in order to enhance protection of business activities, facilitate these activities, and promote greater transparency of public economic decisions and measures.
- Accelerating the drive towards universal application of e-government.
- Stimulating investment in information and communications technology and those activities in which the Kingdom enjoys comparative advantage.
- Developing business clusters.
- Encouraging conversion of family businesses into joint stock companies.
- Continue efforts to develop higher education, scientific research and innovation, and linking these activities to the needs of the industrial sector and the economic activity of the private sector.
- Adapting and indigenising modern technology.
- Deepening the culture of quality, professionalism and excellence among members of society.

#### **2.4.6 Human Resources Development**

Recognising that the real wealth of a nation resides in its human resources and the productive skills of its workforce, successive development plans attached great importance to development of human resources, exemplified by the remarkable expansion of education and training over the past decades. The Ninth Development Plan continues to emphasise human resources development, with its fifth general objective setting an overall framework of the vision and future prospects of this sector. Moreover, the eleventh implementation mechanism of the Plan emphasizes improvement of enrolment rates at all levels of education, as well as development of the educational system to ensure an adequate qualitative and quantitative response to development and community needs and emerging challenges.

Similarly, the twelfth implementation mechanism emphasizes the importance of expanding and developing vocational and technical training programmes and distributing them over all administrative regions. Notably, interest in human resources development has added importance in the Ninth Development Plan for being one of the key elements of building a knowledge-based economy.

The educational strategy of the Ninth Development Plan aims to achieve qualitative and quantitative development through a consistent integrated set of general objectives, policies and targets for each level of education. For public education, the Plan adopts a set of goals, including:

- Fashioning advanced educational curricula aimed at holistic development of students to enable them to contribute to building the society.
- Improving competence of teaching staff to enable them to comprehend modern curricular objectives.
- Improving internal and external efficiency of the educational system.
- Educational care for early childhood and preparation of children for entry into general education.
- Improving systems of teaching the talented, groups with special needs and adults.
- Applying quality systems and standards in education.

For higher education, objectives of the Plan include:

- Raising internal and external efficiency in order to meet the requirements of development.
- Optimum use of information and communications technology.
- Expansion and diversification of graduate programmes.
- Supporting and strengthening scientific research and furthering knowledge production.

- Putting into effect the principle of partnership with local communities.
- Develop cooperation and coordination with scientific institutions at home and abroad in order to achieve development goals.

For training, objectives of the Plan include:

- Accommodating the largest possible number of those interested in technical and vocational training.
- Technical and vocational development of human resources to meet the needs of the labour market.
- Providing training programmes that would qualify the trainee for an appropriate job in the labour market or enable the trainee to become self-employed.
- Building strategic partnerships with the business sector to implement technical and vocational programmes.
- Expanding advanced training in support of national plans and participation in technology transfer and development.
- Providing the needs of the various regions of vocational training centres in disciplines and specializations appropriate to their development projects, particularly in the new economic cities and technology zones.
- Linking the incentives provided for private investment (national and foreign) to the extent of contribution to training and preparation of national manpower.

**Page**

**42**

# LONG-TERM STRATEGY FOR THE SAUDI ECONOMY

## 3.1 INTRODUCTION

The future vision of the Saudi economy up to 2024 reflects the long-term socioeconomic development path and the strategic priorities adopted by the Kingdom over the period. The long-term strategy was formulated with reference to this vision that has articulated the envisaged socioeconomic and cultural scene in 2024.

The strategic approach of the Kingdom was not confined to formulating the Long-Term Strategy for the Saudi Economy, but, in addition, the Eighth Development Plan period witnessed the formulation of a number of sectoral strategies, such as the National Industrial Strategy, the National Information Technology and Communications Plan, the Transport Strategy, the Healthcare Strategy, and the Social Development Strategy. The Eighth Development Plan constituted the first phase of implementation of the long-term strategy of the national economy up to 2024, and the Ninth Plan 2010–2014 will represent the second phase.

This chapter reviews the issues and challenges facing the long-term strategy of the national economy over the next phase, the supporting factors that help overcome these challenges, and the envisaged strategic paths, in relation to the Ninth Development Plan.

## 3.2 STRATEGIC ISSUES AND CHALLENGES

### 3.2.1 Raising the Standard of Living and Improving the Quality of Life

The long-term strategy aims to move the Kingdom to the ranks of advanced countries from its current position in the upper stratum of middle-income countries. More specifically, the objective is to increase per capita real GDP from SR43.7 thousand at the beginning of the

strategy in 2004 to SR86.5 thousand by the end of the strategy in 2024; an overall increase of about 98%.

The Eighth Development Plan (the first phase of implementation of the long-term strategy) successfully achieved the targets of increasing per capita real GDP from SR43.7 thousand in 2004 to SR46.2 thousand in 2009.

### **3.2.2 Achieving Sustainable Development**

In view of the complex socio-economic and environmental factors involved, achieving sustainable development is a multi-dimensional challenge, the most significant dimensions of which are addressed below.

#### ***A. Diversification of Economic Base:***

**Page**  
**44**

Diversification of the economic base has been a key objective of economic and social development ever since the development planning system was initiated. Successive development plans have focused on this objective, as well as on decreasing dependence on oil, which is depletable in the long run and is subject to the volatility of international energy markets. Indeed, after decades of planning, non-oil sectors have grown in value at an average annual rate of 6.2%, with their share in real GDP growing from 51.1% at the beginning of the First Development Plan to 77.1% at the end of the Eighth Plan, while non-oil exports grew at an average annual rate of 6.7%.

Nevertheless, development of the non-oil sectors and increasing their share in GDP and exports remains a key challenge to development that will determine the long run status, progress and competitiveness of the national economy.

#### ***B. Role of Oil Revenues:***

As the primary source of revenue for the state budget directed to meeting the needs of public expenditure, both investment and operational, oil revenues have been the major driving force of

development over the past decades. However, sustainability of the development process requires optimal investment of oil revenues, directing them towards productive sustainable assets contributing to diversification of the economic base, as well as towards enhancing the capabilities of national human resources.

***C. Development and Appropriate Employment of Human Resources:***

Availability of qualified, highly efficient and productive national manpower is a sine qua non for achieving sustainable development, for the individual is the means for, and the end of, development and a key component of the competitiveness of modern economies. As a result of the intense focus on this strategic resource over the last two decades, through education, training and healthcare, human resources development indicators of the Kingdom have improved. However, requirements of the development process have led to a growing gap between supply of and demand for manpower in many areas, necessitating recruitment of foreign labour, which has made Saudization of the workforce one of the main challenges to the development process.

In recent years, the growing incompatibility between outputs of the education and training system and the needs of the labour market have led to structural unemployment among Saudi citizens. Hence, there is a need to address the issue of compatibility, in an effort to endow national human resources with the skill levels needed to meet demands of the labour market, as well as to correct the imbalances that hinder substitution of expatriates with national labour.

***D. Sustainability of Natural Resources:***

The Kingdom is rich in natural resources. However, given its large area, the rapid growth of its population and the requirements of economic and social development, these resources are relatively limited.

Requirements of sustainable development call for full reliance on conventional renewable water sources while maintaining a strategic

stock of non-renewable water. In addition, conservation of agricultural land and protecting it from further deterioration or desertification are key challenges to sustainable development, as are conservation and development of forests, conservation and cleanness of the environment, and provision of resources and technology for optimum exploitation of fishery resources.

### ***E. Balanced Regional Development:***

Notwithstanding efforts to provide infrastructure and public services to all regions of the Kingdom in an attempt to achieve balanced development, there are still disparities in economic activity among the regions; mainly due to disparities in potential. Although declining gradually, internal migration from rural to urban areas is evidence of such disparities. This migration has led to immense economic, social and environmental pressures in the cities, which required more public resources. Hence, stimulating economic activity in the least developed regions, with due consideration to their particular characteristics and comparative advantages, poses a major challenge in the coming years.

**Page**  
**46**

### **3.2.3 Enhancement of Competitiveness**

Within a short period, the Kingdom has succeeded in establishing a distinguished competitive position globally, based on economic advantages in energy, petrochemicals and some other activities. However, these advantages rest upon abundance of both energy and financial resources. Acquisition of new sources of competitive advantage constitutes, therefore, one of the major challenges and strategic issues that require an intensive effort, given the multiplicity of economic and social dimensions. As international experience suggests, in addition to natural resources, building competitive advantages requires a strong science and technology base, highly qualified human resources, modern material and institutional capacities, identification of areas of excellence upon which to concentrate, and a clear strategy and comprehensive plan to attain the set goals.



### **3.2.4 Laying the Foundations for a Knowledge-Based Economy**

Building a knowledge-based economy to support sustainability of economic growth and development is a key challenge to the efforts aimed at diversifying the economic base and enhancing the competitiveness of the national economy and its export potential. To meet this challenge, the strategy has numerous objectives, policies and programmes that have been included progressively in the Eighth and Ninth Development Plans. This gradual approach will be followed in subsequent plans, for the strategic response to this challenge must be comprehensive and multifaceted, since it involves building both the national workforce (knowledge workers) and the technological infrastructure and related institutions; development of science, technology and innovation; and establishing appropriate administrative and regulatory environments. A number of international indicators will be used to measure the progress being made in laying the foundations of a knowledge-based economy.

### **3.2.5 Regional and Arab Integration**

The last few decades witnessed remarkable progress in economic cooperation, both in the Gulf and the wider Arab region, with the Kingdom playing a crucial role in activating and developing cooperation projects to deal seriously with the challenges of globalization and the concomitant formation of strong regional blocs. Over the coming stage, the Kingdom will continue its efforts to support the common march of the Arab Gulf countries towards the highest possible levels of economic integration among the countries of the Gulf Cooperation Council. In addition, the Kingdom will intensify its efforts to develop economic cooperation and trade with other Arab countries in the common interests of all parties. The Kingdom will also work in cooperation with other Arab countries to accelerate implementation of the joint economic projects that have been adopted, including the Arab Common Market.

### **3.3 SUPPORTING FACTORS FOR FACING CHALLENGES**

Dealing with the issues and challenges facing the national economy and achieving the long-term strategic goals and objectives require availability of manpower, as well as financial, organizational and technical capabilities. Moreover, executive agencies and other community institutions should be committed to the aims and objectives of the long-term strategy. In this respect, readiness of the Kingdom to face these issues and challenges stem from a solid economic and social base, human resources amenable to development, rich natural-resource endowments, and other supporting factors as shown below.

#### **❑ *Successful Development Experience***

**Page  
48**

Despite recency of its socio-economic development planning, the Kingdom has made notable achievements, reflected in all sustainable development indicators. These have been made possible by setting correct economic growth priorities throughout the successive eight development plans, taking into account circumstances and requirements of each phase in order to ensure continuity of the development effort.

#### **❑ *Advanced Infrastructure and Services***

The Kingdom enjoys modern infrastructural facilities equal to those in advanced countries, in addition to health, education, training, social and environmental protection services.

#### **❑ *A Pioneering Regional Experience in Promoting Comprehensive Development***

The Kingdom succeeded in a short period in building two industrial cities at Jubail and Yanbu. The two cities attained a distinguished status both regionally and internationally in petrochemicals and other downstream industries. As a result of this success, Jubail 2, Jubail 3 and Yanbu 2 projects have been developed and four integrated

economic cities have been initiated: King Abdullah Economic City in Rabigh, Prince Abdulaziz Bin Musaed Economic City in Hail, Jazan Economic City, and the "Knowledge Economic City" in Medina. Moreover, feasibility studies for establishing two other cities in Tabuk and the Eastern Region are being carried out.

Integrated economic cities that take into account the potential and comparative advantage of each region have proved appropriate, effective, and successful, both locally and internationally.

#### ❑ *An Active and Entrepreneurial Private Sector*

The private sector enjoys a high degree of dynamism, as evidenced by its high contribution to real GDP of about 57.4 % in 2009. With its activities covering all production and services sectors and its financial and administrative capabilities enhanced, it moved from high dependence on government contracts and public expenditure to self-reliance, becoming a major partner in development. Enhanced competitiveness of the sector qualifies it to lead a larger role, particularly in view of the growth of promising investment opportunities resulting from rapid economic and social development, establishment of new economic cities, and implementation of the privatization strategy.

#### ❑ *Abundance of Financial Resources*

Financial surpluses arising from high oil prices and revenues over the past few years are being invested in development projects and programmes. With continued economic growth and steady improvement in business and investment environment, rates of domestic investment will continue to rise, supported and reinforced by the influx of more foreign direct investments that bring in advanced technologies and modern methods in organization, management and marketing.

### □ *Institutional and Organisational Environment*

Under the Seventh and Eighth Development Plans, institutional and administrative development efforts were made. In addition to development of an organisational and regulatory environment conducive to both national and foreign investment, numerous decisions and measures aimed at raising efficiency of public institutions were taken. These efforts are expected to continue at a fast pace over the coming years, creating a solid base for implementation of the Long-Term Strategy.

### □ *Geographical Characteristics*

In addition to having a vast geographical area well endowed with exploitable natural resources, the Kingdom occupies a distinguished strategic location, with seaports linking it to all international ports. These distinct geographical characteristics and abundant natural resources afford great potential and opportunities for achieving the set objectives of the long-term strategy.

Page  
50

### □ *Demographic Characteristics*

The age structure of population and the relatively high population growth rate have significant implications for development. In the section on challenges, the Strategy addresses the issue of education and training of national human resources and enhancing their compatibility with development needs. Should this challenge be met successfully, the demographic characteristics of the Kingdom could become a source of strength and positive advantage, contributing to the achievement of the goals and objectives of the strategy.

## **3.4 TARGET PATHS ENVISAGED BY THE STRATEGY**

Objectives of the long-term strategy are expected to be accomplished by the end of the Eleventh Development Plan 2020–2024. Performance under the Eighth Development Plan, which launched implementation

of the long-term strategy, was good, with the majority of the objectives set by the strategy accomplished, such as for GDP growth and the increase in real per capita income. Tables 3.2–3.7 detail the target paths envisaged by the strategy for a number of key economic variables over the period 2004–2024 covered by the four development plans.

### 3.4.1 Long-Term Population Forecasts

Population of the Kingdom (Saudi and non-Saudi) is projected to grow at an average annual rate of 1.9% over the period of the strategy, to reach 33.11 million in 2024, of whom 7.63 million will be non-Saudi (Table 3.1).

**Table 3.1**  
**Population Developments over the Period of the Strategy**

	Population (Million)					Average Annual Growth Rate (%)
	2004	2009	2014	2019	2024	
Total Population	22.67	25.37	28.19	30.53	33.11	1.9
Saudis	16.53	18.54	20.70	22.97	25.48	2.2
Non-Saudis	6.14	6.83	7.49	7.56*	7.63*	1.1
Net Dependency Rate of Saudis**	4.67	4.7	4.1	3.7	3.3	–

\* Ministry of Economy and Planning estimates assume a decrease in growth of the foreign labour force due to Saudization.

\*\* Net dependency rate = (No. of Saudi population) / (No. of Saudis employed).

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

These forecasts assume a reduction in the rate of growth of the Saudi population from an average annual rate of 2.3% over the Eighth Development Plan period to an average annual rate of 2.1% over the period of the Eleventh Development Plan; leading to an average annual rate of 2.2% for the whole period of the strategy. The population

structure of Saudis is expected to change appreciably over the period, with the relative weight of over fourteen increasing, especially those in the working-age group (15–64). As a result, the net dependency rate of Saudis will decrease from about 4.67 persons in 2004 to about 3.3 persons in 2024.

### **3.4.2 Future Vision of the Saudi Economy**

The long-term strategy stems from an ambitious vision for the future of the Saudi economy that may be summarized as:

*"By the will of God, by 2024, the Saudi economy will be a diverse, thriving and prosperous economy based on sustainable foundations. It will extend rewarding work opportunities to all citizens, will have a high-quality education and training system, and will provide excellent healthcare for all, in addition to all the services necessary for ensuring the welfare of all citizens, while safeguarding social and religious values and preserving the national heritage as well as the environment."*

**Page**  
**52**

#### **3.4.2.1 GDP and Per Capita Income**

The Long-Term Strategy aims at raising the national economy to the level of advanced economies. Hence, per capita income is expected to reach by the end of 2024 about SR86,500 at 1999 constant prices. Given the expected population growth rate, an average annual growth rate of GDP of 5.7% over the period of the strategy will be sufficient to achieve the envisaged per capita income. Due to the repercussions of the global financial crisis, the average annual rate of GDP growth of (3.5%) over the Eighth Plan was less than the targeted rate of 4.6%. The Ninth Development Plan has taken into account expected local and global developments and adopted policies to raise the rate of economic growth appropriately. Hence, it aims at achieving an average annual growth rate of 5.2%, with the targeted growth rates over the tenth and eleventh plans amounting to 6.5% and 7.9%, respectively (Table 3.2).

**Table 3.2**  
**GDP and Saudi Per Capita Income\***  
**at 1999 Constant Prices**

Years	GDP (SR billion)	Per Capita Income SR (000)
2004	722.2	43.7
2009	855.8	46.2
2014	1101.2	53.2
2019	1507.1	65.6
2024	2204.6	86.5
	Annual growth rate (%)	
2005–2009	3.5	1.1
2010–2014	5.2	2.9
2015–2019	6.5	2.3
2020–2024	7.9	5.7
2005–2024	5.7	3.4

\* Objectives of the strategy will be reviewed and updated at the beginning of each development plan.

Values and percentages are to the nearest decimal

*Source: Ministry of Economy and Planning.*

### 3.4.2.2 GDP by Expenditure Item

Diversification of the economic base requires enhancing public and private investments, rendering them the main source of economic growth throughout the period of the strategy. Investment expenditure is expected to grow at an average annual rate of 10.3% over the period (at 1999 constant prices), compared with 6% for consumption expenditure (Table 3.3). The share of investment expenditure in GDP is expected thus to grow from 21.1% in 2004 to 49.3% in 2024, while the share of consumption expenditure will increase relatively from 70.7% to 74.3% over the period.

Private investments are expected to be the major catalyst for growth in investment expenditure, growing at an annual rate of 10.5% over the period of the strategy, compared with an average annual growth rate of 8.7% for public investment. Contribution of private investment to GDP will thus increase over the period from 16.3% to 40.2%. In view of the complementarities between public and private investments and the role

of public investments in building adequate infrastructure for projects, contribution of public investment is expected to increase from about 4.2% to 7.3% over the period of the strategy.

**Table 3.3**  
**GDP by Expenditure Items**  
**at 1999 Constant Prices\***

Item	SR Billion					Average Annual Growth Rate (%)
	2004	2009	2014	2019	2024	
<b>Consumption:</b>	<b>510.8</b>	<b>760.0</b>	<b>990.4</b>	<b>1284.0</b>	<b>1637.1</b>	<b>6.0</b>
• Public	221.6	332.8	445.4	563.0	725.5	6.1
• Private	289.2	427.2	545.0	720.9	911.6	5.9
<b>Investment:</b>	<b>152.4</b>	<b>259.3</b>	<b>424.4</b>	<b>663.4</b>	<b>1087.9</b>	<b>10.3</b>
• Public	30.3	55.4	71.4	106.9	160.0	8.7
• Private	117.7	190.9	334.0	525.0	887.4	10.5
Agriculture	4.6	3.4	4.7	6.8	6.8	1.9
Industry	37.3	84.1	121.8	212.3	379.4	12.3
Services	50.1	72.5	158.7	225.1	367.2	10.5
• Oil Sector	4.4	13.0	19.0	31.6	40.5	11.8
<b>Change in stocks:</b>	<b>23.2</b>	<b>33.8</b>	<b>37.3</b>	<b>42.2</b>	<b>47.8</b>	<b>3.7</b>
<b>Exports:</b>	<b>265.0</b>	<b>315.2</b>	<b>393.0</b>	<b>565.4</b>	<b>1049.2</b>	<b>7.1</b>
• Oil & Gas	174.4	153.4	132.8	164.7	204.3	0.8
• Services	19.7	43.5	76.6	129.2	217.6	12.8
• Others	70.9	118.3	183.5	271.5	627.3	11.5
Imports (-)	229.2	512.6	743.9	1047.9	1617.2	10.3
<b>GDP</b>	<b>722.2</b>	<b>855.8</b>	<b>1101.2</b>	<b>1507.1</b>	<b>2204.6</b>	<b>5.7</b>

\* Values and percentages are to the nearest decimal.

Source: Ministry of Economy and Planning.

The envisaged expansion in investment expenditure over the years of the strategy is expected to lead to exports increasing at an average annual rate of 7.1%, to constitute about 47.6% of GDP by the end of 2024, compared to 36.7% at the end of 2004. However, expansion in investment spending is usually accompanied by a rise in imports of capital goods and other goods and services as a result of higher income levels. Imports are thus expected to grow at an average annual rate of 10.3%, to reach 73.3% of GDP by the end of the strategy period, compared with 31.7% at the end of 2004.



The structure of exports is expected to shift considerably to ‘other exports’, including exports of manufacturing industries, petrochemicals, chemicals, basic metals and other non-oil exports, whose share in total exports will increase from 26.8% at the end of 2004 to about 59.8% by the end of 2024, as shown in Table 3.4.

**Table 3.4**  
**Exports Structure at the Beginning and End of the Strategy Period\***  
**at 1999 Constant Prices**

	2004		2024	
	Value (SR Billion)	(%)	Value (SR Billion)	(%)
Oil and Gas Exports	174.4	65.8	204.3	19.5
Others Exports**	70.9	26.8	627.3	59.8
Services Exports	19.7	7.4	217.6	20.7
<b>Total Exports</b>	<b>265.0</b>	<b>100.0</b>	<b>1049.2</b>	<b>100.0</b>

\* Values and percentages are to the nearest decimal.

\*\* Including, petrochemicals, chemicals, products of manufacturing industries, food...etc

*Source: Ministry of Economy and Planning*

The share of oil and gas in total exports is expected to decrease from 65.8% to 19.5% over the period of the strategy, as a result of the contribution of non-oil exports rising from 34.2% to 80.5%. Oil and gas exports are expected to grow at an annual average rate of 0.8%, compared with 11.8% for non-oil exports. Over the period of the strategy, service exports are expected to grow at an annual average rate of about 12.8%, with their share of total exports increasing from about 7.4% in 2004 to about 20.7 % by the end of period.

This change in export structure will enhance the efforts in diversifying the economic base through increased reliance on non-oil revenues to finance the development process.

### 3.4.2.3 GDP by Sector

Great importance is attached to enhancing the role of non-oil sectors in achieving the strategic objectives of diversification of the economic base and sustainable development. Achieving these objectives is, however, contingent upon the quality of growth rather than its

magnitude, i.e. on structural development of the economy which enhances the role of non-oil production and service sectors that possess competitive advantages. Thus, the strategy aims at growing the non-oil production sectors at an average annual rate of 7 %, with their share in GDP increasing from 25.1% at the beginning of the period to 32% by the end (Table 3.5).

In line with the objectives of diversifying the economic base, utilizing the existing comparative advantages of the national economy, and gaining new competitive advantages, the industrial sector is expected to grow at an average annual rate of 8.1%, with its share in GDP increasing from 11.3% to 17.6% over the period of the strategy.

The service sector is expected to play a leading role in economic diversification. Advantage will be taken of the opportunities offered by advances in communications and information technology to expand the scope of the activities of this sector. Upgrading and enhancing the innovative skills of the national scientific cadres, strengthening the role of the tourist sector, and utilizing the geographic location of the Kingdom to provide services enhancing international trade and capital flows will also contribute to invigoration of the sector. Hence, the strategy envisages an average annual growth rate of approximately 7.4% for the sector, with its share of GDP increasing gradually from 27% at the beginning of the strategy to about 36.8% at the end.

Over the period of the strategy, the oil sector is expected to grow at an average annual rate of 2.5%, lower than the growth rates envisaged for non-oil production sectors (7%) and services (7.4%). Thus its share in GDP is expected to decrease from 28.4% to 15.4%, which means that the share of non-oil sectors (minus banking services' charges and import duties) will represent 82.9% of GDP by the end of the period of the strategy, compared with 70.5% at the beginning (Figure 3.1).

**Table 3.5**  
**Real GDP\***  
**at 1999 Constant Prices**

SR Billion

	2004	2009	2014	2019	2024	Average Annual Growth Rate over the Period* (%)
– Non-Oil Production Sectors	181.6	228.1	310.2	440.8	704.5	7.0
• Agriculture and Forestry	37.9	40.6	44.2	48.1	55.4	1.9
• Industry (**)	81.3	108.5	153.6	234.7	388.9	8.1
• Others (***)	62.4	79.0	112.3	158.0	260.2	7.4
– Services Sector(****)	195.1	263.1	367.4	538.7	811.5	7.4
– Private Sector (*****)	376.7	491.2	677.6	979.5	1516.0	7.2
– Public Sector	132.1	151.0	190.9	241.3	310.9	4.4
– Oil Sector	205.1	203.2	215.6	262.1	338.8	2.5
– Import Duties	8.3	10.3	17.1	24.2	38.9	8.0
<b>GDP</b>	<b>722.2</b>	<b>855.8</b>	<b>1101.2</b>	<b>1507.1</b>	<b>2204.6</b>	<b>5.7</b>

\* Values and percentages are rounded to the nearest decimal.

\*\* Includes petrochemical industry, refining industry and other manufacturing industries.

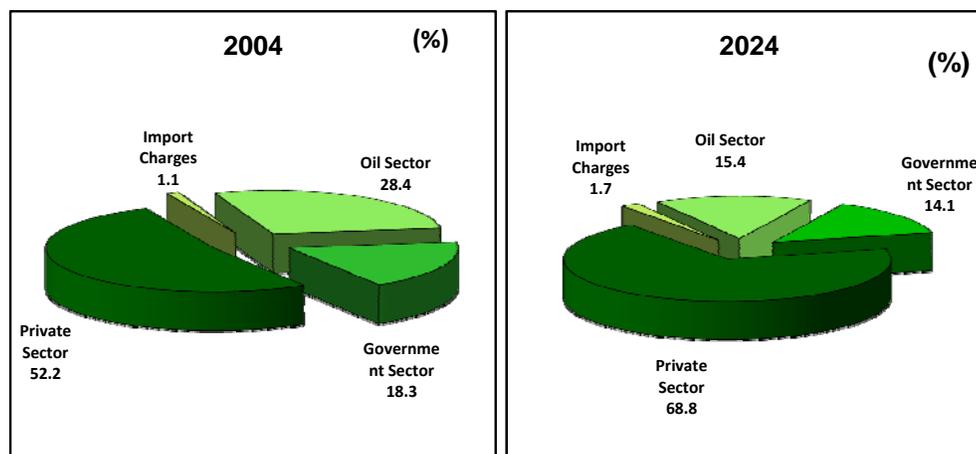
\*\*\* Includes construction, electricity and mining.

\*\*\*\* Includes trade, transport, communications, finance, insurance, real estate and community services, minus banking services' charges.

\*\*\*\*\* Minus banking services' charges.

Source: Ministry of Economy and Planning

**Figure 3.1**  
**Percentage Contribution of Economic Sectors to GDP**  
**at 1999 Constant Prices**



Source: Ministry of Economy and Planning.

### 3.4.2.4 Labour Force and Employment

Over the period of the strategy, the total labour force is expected to grow at an average annual rate of 3%, increasing from about 7.74 million workers in 2004 to about 13.81 million in 2024. The Saudi labour force is projected to increase at an average annual rate of 4.4%, from 3.29 to 7.74 million workers, while the expatriate labour force (employment) is projected to increase at an average annual rate of 2.1%, from about 3.88 to 5.91 million workers (Table 3.6).

Employment estimates are based on potential demand by various economic sectors, especially in the services sector, whose estimated share of total employment is expected to reach about 51.2% by the end of the period of the strategy, and in production sectors, which are expected to absorb 32.3% of total national employment.

**Table 3.6**  
**Labour Force and Employment Indicators**

Page  
58

Indicator	2004	2009	2014	2019	2024	Average Annual Growth Rate (%)
Total Labour Force*	7743.2	8587.5	9687.9	11445.7	13810.2	3.0
Saudi Labour Force*	3860.8	4329.0	5328.6	6486.2	7895.2	3.6
Total Employment*	7180.6	8173.1	9396.3	11221.1	13660.7	3.3
Expatriate Employment*	3882.4	4258.5	4359.3	4959.5	5914.9	2.1
National Employment*	3298.2	3914.6	5037.0	6261.6	7745.8	4.4
Number Of Unemployed*	562.6	414.4	291.6	224.6	149.5	-6.4
Unemployment Rate (%)	14.6	9.6	5.5	3.5	1.9	
Saudization Rate (%)	46.3	47.9	53.6	55.8	56.7	

\* Thousand workers, numbers and percentages are to the nearest decimal  
Overall employment = Total labour force – Number of unemployed.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

As regards distribution of national manpower by level of educational attainment, the next phase requires high levels of skill and specialization. Thus, the number of university graduates is expected to grow at an average annual rate of 5.1%, with their share in the labour force increasing from 24.5% to 32.6%. Similarly, the number of secondary-school graduates is expected to grow at an average annual

rate of 8.2%, which is the highest rate among the various educational groups, with their share in the labour force increasing from 22.1% to 51.7% (Table 3.7). In contrast, the number of intermediate-school graduates is envisaged to decrease, as will the number of primary school graduates and those without qualifications, but at higher rates (Figure 3.2). Generally, the share of the last three categories will decline during the above period.

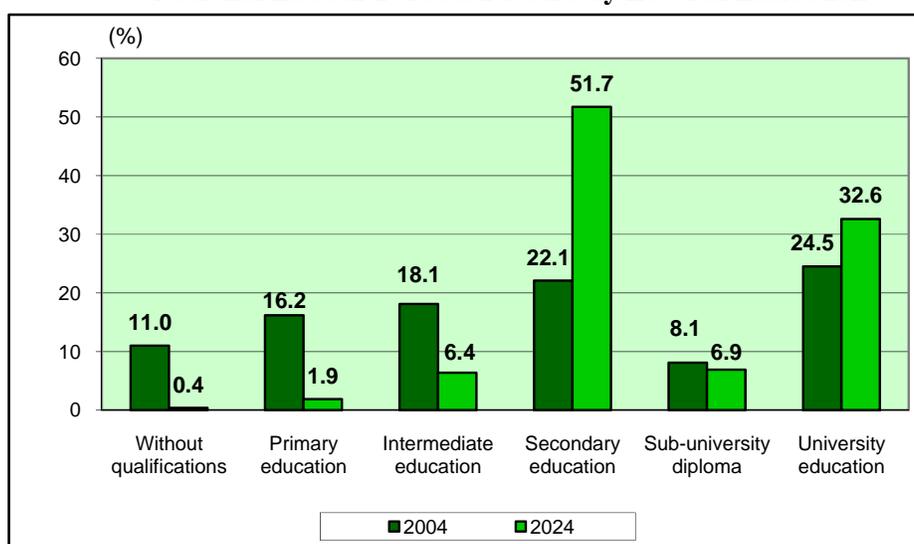
**Table 3.7**  
**Saudi Labour Force by Level of Education\***

Description	Saudi Manpower (thousand)					Average annual growth rate (%)
	2004	2009	2014	2019	2024	
<b>National Labour Force</b>	<b>3860.8</b>	<b>4329.0</b>	<b>5328.6</b>	<b>6486.2</b>	<b>7895.2</b>	<b>3.6</b>
- Without Qualifications	426.3	232.4	130.4	68.0	33.9	-11.9
- Primary Education	626.1	459.5	340.0	233.6	153.6	-6.8
- Intermediate Education	699.7	684.3	658.0	587.2	501.8	-1.6
- Secondary Education	851.9	1296.9	2027.0	2940.6	4084.9	8.2
- Sub-University Diploma	311.8	408.1	479.2	522.4	545.3	2.8
- University Education	945.1	1247.8	1694.0	2134.5	2575.7	5.1

\* Values and percentages are rounded to the nearest decimal.

Source: Ministry of Economy and Planning.

**Figure 3.2**  
**National Labour Force Structure by Level of Education**



Source: Ministry of Economy and Planning.

### **3.4.3 Target Path for Improving Quality of Life**

The Strategy addresses not only the economic dimension of the quality of life, but also the social and cultural dimensions. Within such a framework, a composite quality-of-life indicator has been devised, covering the human development indicators, and the millennium development goals that address, among other things, health, education, income distribution, environment, and empowerment, as well as other indicators specific to the Kingdom. The composite indicator comprises 11 indicators, which, in turn, comprise 40 sub-indicators, covering various aspects, such as income and its distribution, transport and communications, health, education, housing, environment, family life, public safety, and recreation and leisure. The Ministry reviews these indicators and updates them from time to time.

### **3.4.4 Target Path for Development of Scientific, Technological and Knowledge Capacities**

**Page**  
**60**

Three major themes are involved: development of scientific and technical manpower capacities; enhancing the national system of science, technology and innovation; and strengthening the links between the national system of science, technology and innovation and the various sectors of the economy. Each of these themes involves long-term and transitional objectives; identification of financial, institutional and organizational inputs required to achieve the goals; selection of programmes and projects for effective implementation, and appropriate indicators for monitoring progress of implementation.

## **3.5 LONG-TERM STRATEGY AND THE NINTH DEVELOPMENT PLAN**

The Ninth Development Plan is the second implementation phase of the Strategy. Hence, all policies, mechanisms, programmes, and projects are consistent with the Strategy. During implementation, any mismatch between the actual path of development and the target path set by the Strategy will be addressed in the five-year review of the Strategy, which will be conducted simultaneously with the preparation of future development plans.

# NATIONAL ECONOMY UNDER THE NINTH DEVELOPMENT PLAN

## 4.1 INTRODUCTION

The Ninth Development Plan 2010–2014 represents another new stage in Saudi development planning, which has already spanned four decades. It is also the second implementation phase of the national economy strategy, which covers fifteen more years, up to 2024.

The Ninth Plan balances the long-term development aspirations of the Kingdom with the realities of the global economy and its various implications. It aims to achieve numerous macro and sectoral objectives, adopting a wide range of economic and social policies designed to ensure tangible advance in the standard of living and quality of life of citizens; achieve balanced development among the regions of the Kingdom; develop the structure of the national economy, diversify its productive base, and enhance its competitiveness; and accelerate transformation to a knowledge-based economy.

This chapter presents in summary the general environment within which the Ninth Plan was formulated. It also summarises the macro and sectoral objectives of the Plan, and addresses several core issues, such as employment and unemployment, productivity and competitiveness, institutional development, the balance of payments, care for low-income groups, development of the regions, and the knowledge-based economy. The most important policies of the Plan are also presented.

## 4.2 ENVIRONMENT OF PLAN PREPARATION

Preparation of the Ninth Development Plan coincided with the global financial and economic crisis that hit financial markets and resulted in the collapse of dozens of banks and insurance companies. Over time, the crisis moved from the financial sector to the real production sector.

Numerous major international companies declared bankruptcy and many others were restructured. Various international economic indicators showed declines, such as in the rates and volumes of international trade, direct foreign investment, and global industrial output.

As a result, the International Monetary Fund lowered its forecast for global economic growth in 2009 to about 0.8%, particularly after the decline of GDP in the United States, the European Union and Japan for two successive quarters and the spread of the economic crisis to the Asian economies, particularly China, which pushed the global economy further into recession. In consequence, demand for energy declined, and oil prices dropped from about \$147 a barrel in August 2008 to below \$40 in December. The decline of oil prices had a significant impact on the balance of payments and budget revenues of oil exporting countries.

**Page**  
**62**

To contain the crisis, states and international financial institutions adopted expansionary fiscal and monetary policies and states made intensive active interventions designed to strengthen the capacity of financial institutions, while tightening controls over their activities. In addition, the summit of the G20 countries adopted financial packages, amounting to about \$5 trillion, aimed at supporting and revitalizing commercial markets. These efforts are expected to lead to gradual recovery and growth in the cycle of global economic activity, which will have a direct positive impact on the activities of international oil markets, with demand for oil increasing and its prices rising, though these prices are not expected to reach pre-crisis levels, at least in the short and medium term.

The Ninth Development Plan was formulated in the light of these global economic conditions, and within the framework of the future vision of the Saudi economy up to 2024. Objectives, policies and programmes of the Plan reflect the determination of the Kingdom to continue pursuing development and to achieve the aspirations of its citizens for a better life and a higher standard of living. The will of the Kingdom has been strengthened by the financial surpluses achieved



due to high oil prices. Thus, in determining the objectives and the policy packages and programmes designed to achieve them, the Plan balanced the Kingdom's development ambition with the realities of the global economy, its future trends, and their possible repercussions on the national economy. The Plan aims at raising living standards and improving the quality of life, development of the structure of the national economy, diversification of its productive base, and enhancing its competitiveness; in addition to creating an environment conducive to progress towards a knowledge-based economy and balanced development. The Plan comprises policies and programmes designed to mobilize the requisite economic resources, with particular emphasis on mechanisms for increasing efficiency and effectiveness of activities, as well as of the production and service sectors.

### 4.3 MAJOR OBJECTIVES OF THE PLAN

The long-term vision of the Kingdom envisages improvement of the standard of living, development of human resources, diversification of the economic base, and raising productivity of the economy. In pursuance of these objectives in current and expected global conditions, the Ninth Development Plan adopts a set of key macroeconomic objectives including:

- Increasing economic growth rates.
- Combating inflation and stabilizing prices.
- Maintaining stability of the exchange rate of the Riyal.
- Achieving balanced development in all regions of the Kingdom.
- Diversifying the structure of the national economy.
- Increasing contribution of the private sector to economic development.
- Increasing employment rates of Saudi labour.
- Raising efficiency of markets, particularly the Saudi stock market.
- Improving the balance of payments.
- Caring for the needy social groups.

- Strengthening economic integration with the states of the Gulf Cooperation Council in particular, with Arab states in general, and with friendly countries.

Table 4.1 shows the main target macroeconomic indicators under the Ninth Development Plan, compared with the corresponding indicators achieved under the Eighth Development Plan. Macroeconomic projections were developed with due consideration to the internal and external variables that have a direct or an indirect impact on the aims of the Ninth Development Plan.

**Table 4.1**  
**Macroeconomic Indicators of the Ninth Development Plan**  
**Compared with the Eighth Development Plan (1)**

(%)

Indicators	8 <sup>th</sup> Development Plan 2005–2009	9 <sup>th</sup> Development Plan 2010–2014 (Targeted)
<b>A) Growth Rates</b>		
• Real GDP <sup>(1)</sup>	3.5	5.2
• Oil Sector <sup>(2)</sup>	-0.2	1.2
• Non-Oil Sector	4.7	6.3
- Private Sector	5.5	6.6
- Government Sector	2.7	4.8
• Gross Fixed Capital Formation	11.2	10.4
- Oil Sector	24.4	7.9
- Private Sector	10.2	11.8
- Government Sector	12.8	5.2
• Exports of Goods and Services	3.5	4.5
• Imports of Goods and Services	17.5	7.7
<b>B) As Share of GDP at Current Prices <sup>(3)</sup></b>		
• Gross Savings	40.2	34.9
• State Budget Balance (surplus/ deficit)	-4.3	-6.6
• Current Account Balance	15.4	1.03
<b>C) Unemployment and Inflation Rates</b>		
• Inflation Rate <sup>(4)</sup>	3.9	2.4
• Unemployment Rate <sup>(5)</sup>	9.6	5.5

(1) At constant 1999 prices, ratios and rates are rounded to the nearest decimal points.

(2) Crude oil, natural gas

(3) By the end of the Plan

(4) Average annual growth of consumer prices

(5) Limited to the Saudi labour force as a percentage of total by the end of the Eighth and Ninth Plans

Source: Ministry of Economy and Planning.

## 4.4 AGGREGATE SUPPLY

Aggregate supply in the national economy consists of the gross domestic product (GDP) of oil and gas sector; public and private production and service sectors, both public and private; and imports. The Ninth Development Plan aims to achieve several aggregate supply goals that should establish a new development phase benefiting all citizens.

### 4.4.1 Major Growth Rates

Estimation of the rate of economic growth was made with due regard to domestic and international variables, particularly expected increases of investment by both the private and the public sectors and resulting expansion of production capacities, in addition to the expected impact of government measures aimed at raising efficiency and improving productivity in all sectors. Likewise, targeted growth rates take into account the objective of diversification of the production base and national income sources by enhancing the technical and knowledge capabilities of the economy. Hence, priority was given to the sectors that contribute most to diversification of the economic base and whose activities are characterized by extensive use of modern technologies.

Accordingly, the Ninth Development Plan aims, in the coming five years (2010–2014) at increasing real GDP from about SR855.8 billion in 2009 to about SR1101.2 billion in 2014, i.e. at an average annual growth rate of about 5.2% at constant 1999 prices, which will result in an increase in per capita income at constant 1999 prices from SR46.2 thousand in 2009 to about SR53.2 thousand in 2014.

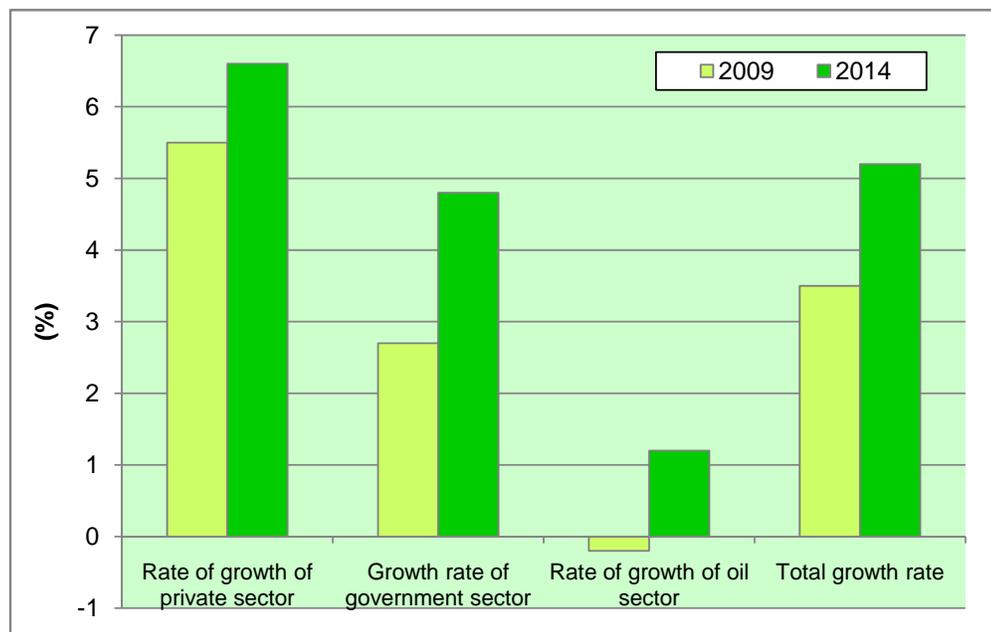
The Plan envisages the GDP of the private sector growing at an average annual rate of about 6.6%, compared with 5.5% under the Eighth Plan, which will lead to an increase of its contribution to GDP from about 57.4% by the end of the Eighth Plan in 2009 to about 61.5% by the end of the Ninth Plan in 2014.

For the oil and gas sector, the Ninth Plan aims to achieve an average annual growth rate of 1.2%, compared with –0.2% under the Eighth

Plan, so that its contribution to GDP will be by the end of the Ninth Plan about 19.6% compared with 23.7% by the end of the Eighth Plan, which leads to reducing dependence on oil and consequently, to accomplishing the strategic objective of diversifying the economic base.

For the government sector, the Ninth Plan envisages an average annual growth rate of 4.8%, compared with about 2.7% under the Eighth Plan. This trend is consistent with the role expected of the government sector in various areas, including building modern technology cities; and expansion of education, health and housing by building schools, universities, medical centres and hospitals; as well as social housing for low-income groups. The increased role of the government sector is consistent with the global trend in dealing with the current global crisis, which calls for a greater role of the state in economic activity to accelerate coming out of the crisis.

**Figure 4.1**  
**Growth Rate of GDP and its Major Components**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning.*

## 4.4. 2 Sectoral Growth and Economic Structure

The Ninth Development Plan strategy carefully targeted sectoral growth rates that are appropriate for achieving the highest possible growth rate of GDP, and that contribute significantly to the diversification of economic base and the sustainability of development. Hence, the Plan aims for each sector to grow at a rate that is proportionate to its linkages to other sectors; in addition to its expected role in diversifying the production structure, developing non-oil exports, providing employment opportunities, contributing to the optimal use of resources; as well as to its expected contribution in building the foundations of a knowledge-based economy.

### □ *oil and non-oil sectors*

In line with the objective of increasing the contribution of non-oil sectors to GDP, the Ninth Plan envisages an average annual growth rate of the oil sector of about 1.2%, leading to its contribution decreasing to about 19.6% by the end of the plan. On the other hand, the Plan envisages an average annual growth rate of non-oil sectors of about 6.3%, compared with an actual average annual growth rate of 4.7% under the Eighth Plan. Consequently, contributions of these sectors to GDP will increase from about 77.1% in 2009 to about 81.3% in 2014. These growth rates will support the targeted annual growth rate of about 6.3% for the production sectors as a whole. Hence, contributions of these sectors to GDP will rise to 28.2% at the end of the Ninth Plan (Table 4.2).

The Plan aims to ensure that service sectors contribute effectively, by playing a crucial role in achieving the objectives of economic diversification and reduction of dependence on oil. Hence, the Plan envisages average annual rates of growth for the private and government service sectors of about 7.1% and 4.8% respectively, which would increase contributions of these sectors as a whole to GDP to about 53.1% by the end the Ninth Plan.

**Table 4.2**  
**GDP by Activity, at Constant 1999 prices**

Items	Value SR Million		Average Annual Growth Rate (%)(***)		(%) of GDP(***)	
	2009	2014	Actual Eighth Plan	Target Ninth Plan	2009	2014
<b>A) Non-Oil Sectors</b>	<b>659669.5</b>	<b>895651.5</b>	<b>4.7</b>	<b>6.3</b>	<b>77.1</b>	<b>81.3*</b>
1. Production Sectors	228099.0	310155.0	4.7	6.3	26.7	28.2
1.1 Agriculture, Forestry and Fisheries	40590.4	44197	1.4	1.7	4.7	4.0
1.2 Non-Oil Mining and Quarrying	3069.3	4762.5	3.0	9.2	0.4	0.4
1.3 Manufacturing	108511.7	153634.0	5.9	7.2	12.7	14.0
1.3.1 Oil Refining	23892.6	33510.7	2.0	7.0	2.8	3.0
1.3.2 Petrochemicals	14193.7	18737.4	9.7	5.7	1.7	1.7
1.3.3 Other Manufacturing	70425.4	101386.0	6.8	7.6	8.2	9.2
1.4 Electricity, Gas, and Water	14829.0	21257.7	5.7	7.5	1.7	1.9
1.5 Construction	61098.6	86303.7	4.7	7.2	7.1	7.8
2. Private Services Sectors	280525.4	394617.4	6.0	7.1	32.8	35.8
2.1 Trade, Restaurants and Hotels	74702.9	106032.7	5.6	7.3	8.7	9.6
2.2 Transport and Communications	58392.8	78318.7	9.1	6.1	6.8	7.1
2.3 Financial, Insurance, Business and Real estate Services	114130.6	161609.1	5.2	7.2	13.3	14.7
2.3.1 Real estate	57546.1	79923.4	3.7	6.8	6.7	7.3
2.3.2 Financial, Insurance, and Business Services	56584.5	81685.7	6.9	7.6	6.6	7.4
2.4 Community, Social and Personal Services	33299.1	48657.0	4.5	7.9	3.9	4.4
3. Government Services	151045.2	190879.1	2.7	4.8	17.7	17.3
<b>B) Crude Oil, Natural Gas sector</b>	<b>203163.4</b>	<b>215648.2</b>	<b>-0.2</b>	<b>1.2</b>	<b>23.7</b>	<b>19.6</b>
Other items (**)	-7067.9	-10101.8	5.8	7.4	-0.8	-0.9
GDP	855765.1	1101197.9	3.5	5.2	100	100

(\*) Excluding net import duties, after deduction of bank service charges.

(\*\*) Import duties less bank service charges.

(\*\*\*) Growth rates and percentages are rounded to the nearest decimal point.

Source: Ministry of Economy and Planning.

### ❑ *Agriculture, forestry and fisheries*

The agriculture, forestry and fisheries sector was envisaged under the Ninth Development Plan to achieve real growth estimated at an average annual rate of about 1.7% at constant 1999 prices, compared with 1.4% under the Eighth Plan. Contributions of the sector to GDP are expected to be about 4% by the end of the Ninth Plan. The target growth rate of the sector is consistent with the Ninth Plan's aim of adopting an integrated strategy for the administration, development and rationalization of water resources.

### ❑ *Mining and Quarrying*

The Ninth Development Plan envisages for the mining sector an average annual growth rate of 9.2% at constant 1999 prices, compared with about 3% under the Eighth Plan. The Plan expects that the establishment of railway lines will enhance the growth and expansion of this sector.

The Plan envisages a real growth of mining investment at an average annual rate of about 22.4%, compared with about -2.1% under the Eighth Plan. Higher rates of investment under the Ninth Plan are anticipated to result in employing capital-intensive production methods that rely on modern, highly productive technologies.

With the issuance of the new mining regulation, efforts will intensify to attract private domestic and foreign investments to exploit the abundant resources of this sector. The Plan expects that contribution of the sector to GDP will be about 0.4% in 2014.

### ❑ *Manufacturing*

The Ninth Development Plan envisages that the value added in manufacturing would grow at an average annual rate of 7.2%, compared with 5.9% under the Eighth Development Plan. Hence, the contribution of manufacturing to GDP is expected to increase from about 12.7% in 2009 to about 14% in 2014. The Plan also aims at an average annual rate of growth of the value added of the oil refining industry of 7%, compared with 2% under the Eighth Plan.

The petrochemicals industry is expected under the Ninth Plan to continue to play a significant role in diversifying the economy and increasing industrial and technical content, substantially increasing its value added, which is expected to grow at an average annual rate of about 5.7%, compared with 9.7% under the Eighth Plan, to reach a share in GDP of about 1.7% in 2014.

The value added of “other manufacturing industries” is expected to grow at an average annual rate of 7.6%, compared with 6.8% under the Eighth Plan. Hence, the Plan forecasts a contribution of these industries to GDP of about 9.2% in 2014. It is also envisaged that both investment and employment in these industries would grow under the Ninth Plan at average annual rates of about 15.3% and 0.3% respectively, compared with 6.3% and 0.8% respectively under the Eighth Development Plan.

#### □ *Electricity, gas and water*

Page  
70

Due to population growth and expansion of production capacities, the electricity, gas and water sector is expected to grow at an average annual rate of 7.5%, compared with 5.7% under the Eighth Plan, with both investment and employment in it growing at an average annual rate of 8% and 6.8% respectively, compared with 4.2% and 6.5% respectively under the Eighth Plan. Hence, contribution of the sector to GDP is expected to be 1.9% in 2014. To meet anticipated increase in demand for electricity, the production capacity of power plants would be expanded and the efficiency of the transmission and distribution networks would be raised.

#### □ *Construction*

The Ninth Development Plan projects an average annual growth rate of 7.2% in the construction sector compared with 4.7% under the Eighth Plan, with the share of the sector in GDP projected to be about 7.8% in 2014. In view of the linkages of this vital sector with total investment, the Plan envisages average annual growth rates of both investment and employment of about 23.7% and 1.3%, compared with –1.1% and 1.4%, respectively, under the Eighth Plan.



### ❑ *Trade, restaurants and hotels*

In view of increasing interest in tourism, particularly domestic, the Ninth Development Plan envisages growth in the value added of the trade, restaurant and hotel services sector at an average annual rate of about 7.3%, compared with 5.6% under the Eighth Plan. Both investment and employment in the sector are expected to grow at an average annual rate of 20.4% and 3.5%, compared with 2.2% and 6.4% respectively under the Eighth Plan, with the share of the sector in GDP reaching about 9.6% in 2014.

### ❑ *Transport and communications*

Under the Ninth Plan, the transport and communications sector is expected to grow at an average annual rate of 6.1%, thus increasing its share in GDP to about 7.1% in 2014, while both investment and employment in this sector are expected to grow at an average annual rate of about 14% and 0.2%, compared with 9.3% and 6.2%, respectively, under the Eighth Plan.

### ❑ *Finance, insurance, business and real estate services*

Under the Ninth Development Plan, this sector is projected to grow at an average annual rate of about 7.2%, compared with 5.2% under the Eighth Plan, which would increase its contribution to GDP from 13.3% in 2009 to about 14.7% in 2014. All the activities of this sector would contribute to achieving these rates. Real estate services are expected to grow at an average annual rate of 6.8%, compared with 3.7% under the Eighth Plan, while value added in finance, insurance and business services is expected to grow at about 7.6%, compared with 6.9% under the Eighth Plan, which would increase their contribution to GDP from about 6.6% in 2009 to about 7.4% in 2014. The Plan also envisages growth in investment and labour absorption in the sector as a whole at an average annual rate of 16.1% and 1.7% respectively, compared with about 8.7% and 6.5% under the Eighth Plan.

### ❑ *Community, social and personal services*

This sector, which includes many public services, such as municipal

services, and entertainment, cultural and sports activities, in addition to healthcare, education and social services provided by the private sector, contributes greatly to providing employment opportunities. Value added of this sector is expected to grow at an average annual rate of about 7.9% under the Ninth Development Plan, compared with 4.5% under the Eighth Plan, while investment and employment are envisaged to grow respectively at an average annual rate of 29.2% and 3.4%, compared with 2.3% and 0.9% under the Eighth Plan. Accordingly, contribution of the sector to GDP is envisaged to increase to 4.4% in 2014.

#### □ *Government services*

The government services sector reflects the pivotal role played by the State in advancing economic and social development and improving living standards and quality of life, by providing administrative services, facilities, infrastructure, and vital economic and social services, primarily health and education services.

**Page**

**72**

The Ninth Development Plan envisages for this sector an average annual growth rate of 4.8%, compared with 2.7% under the Eighth Plan, and expects quantitative expansion of government services to be accompanied by steady improvements in quality and efficiency of delivery.

#### □ *Crude oil and natural gas*

Estimates of growth of the oil and gas sector are based on conservative assumptions regarding evolution of global and domestic demand for crude oil and natural gas in the next five years. The Plan projects an average annual growth rate of the sector of about 1.2%, while investment in the sector is envisaged to grow at an average annual rate of 7.9%, compared with 24.4% under the Eighth Plan. The contribution of the sector to GDP is projected to drop from about 23.7% in 2009 to about 19.6% in 2014, which is in line with the strategic aim of increasing the contribution of the non-oil sector to GDP and enabling it to lead the development process.

### 4.4.3 Imports

Under the Ninth Development Plan, the value of imports of goods and services is anticipated to rise at constant 1999 prices from about SR512.6 billion in 2009 to about SR743.9 billion in 2014, at an average annual rate of 7.7%. There would be a concomitant rise in the share of imports in GDP from about 59.9% in 2009 to about 67.6% in 2014.

## 4.5 AGGREGATE DEMAND

The Ninth Development Plan aims to have components of aggregate demand growing at rates that ensure achieving the best possible outcomes in terms of both internal and external economic balance, (Table 4.3). The following are the most important targets in these components.

**Table 4.3**  
**Components of Aggregate Demand**  
**Ninth Development Plan**

Item	Value (Million Riyal)*		Average Annual Growth Rate (%) (**)			% of GDP (**)	
			Eighth Plan		Ninth Plan		
	2009	2014	Target	Actual	Target	2009	2014
Total Final Consumption:	760037.7	990417.2	3.3	8.3	5.4	88.8	90.0
Private Consumption	427223.7	545037.0	3.5	8.1	5.0	49.9	49.5
Government Consumption	332814.0	445380.2	3.0	8.5	6.0	38.9	40.5
Total Fixed Capital Formation:	259270.6	424379.3	10.7	11.2	10.4	30.3	38.5
<b>Private Sector</b>	190881.6	334012.4	10.4	10.2	11.8	22.3	30.3
Government Sector	55421.7	71410.0	3.2	12.8	5.2	6.5	6.5
Oil Sector	12967.2	18956.9	20.1	24.4	7.9	1.5	1.7
Change in Inventories:	33793.2	37310.4	4.0	7.8	2.0	4.0	3.4
Exports:	315232.8	392952.1	3.0	3.5	4.5	36.8	35.7
Crude Oil and Natural Gas	153418.6	132815.5	1.3	-2.52	-2.83	17.9	12.1
Oil Refining	28060.2	41394.3	2.7	5.5	8.1	3.3	3.8
Petrochemicals	47388.2	59307.7	6.5	12.3	4.6	5.5	5.4
Exports of services	43492.8	76649.2	7.0	17.1	12.0	5.1	7.0
Other Exports	42873.1	82785.4	13.4	13.4	14.1	5.0	7.5

(\*) At constant 1999 prices.

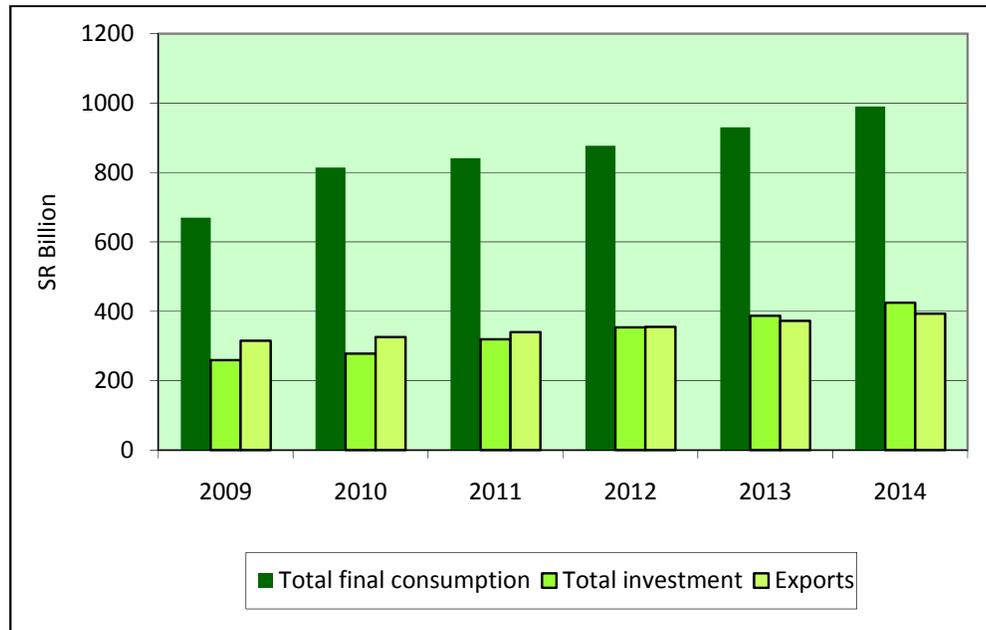
(\*\*) Growth rates and percentages are rounded to the nearest decimal point.

Source: Ministry of Economy and Planning.

## 4.5.1 Consumption

Despite unfavourable global conditions, the Ninth Development Plan aims to maintain an adequate level of final consumption expenditure on goods and services. Hence, it envisages growth of real final consumption at an average annual rate of about 5.4%, compared with about 8.3% under the Eighth Plan, bringing final consumption, at constant 1999 prices, from about SR760 billion in 2009 to about SR990.4 billion in 2014. This will account for about 90% of GDP at the end of the Ninth Plan, compared with 88.8% by the end of the Eighth Plan (Figure 4.2).

**Figure 4.2**  
**Main Components of Aggregate Demand**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning.*

### □ *Private Consumption*

Private consumption is expected to grow under the Plan at an average annual rate of 5%, increasing, at constant 1999 prices, from about SR427.2 billion in 2009 to about SR545 billion in 2014. Nonetheless, the Plan foresees a slight decrease in the share of private consumption in GDP from about 49.9% in 2009 to about 49.5% in 2014.

### ❑ *Government Consumption*

Government consumption is expected to grow under the Plan at an average annual rate of about 6%, increasing, at constant 1999 prices, from about SR332.8 billion in 2009 to about SR445.4 billion in 2014. Thus, its share of GDP is expected to increase from about 38.9% in 2009 to about 40.5% in 2014; a trend consistent with the role played by government spending, particularly its investment component, in advancing economic growth and laying foundations for sustainable development in the next five years.

### **4.5.2 Investment**

The Plan aims at a growth of total investment (gross fixed capital formation) at an average annual rate of 10.4% at constant 1999 prices, from about SR259.3 billion in 2009 to about SR424.4 billion in 2014. Thus, its share in GDP will increase from about 30.3% in 2009 to about 38.5% in 2014.

### ❑ *Private investment*

The Plan envisages growth of private investment at an average annual rate of 11.8% at constant 1999 prices, from about SR190.9 billion in 2009 to about SR334 billion in 2014. Thus, in 2014, its share in total investment (gross fixed capital formation) is expected to be about 78.7%, while its share in real GDP is expected to be about 30.3%.

### ❑ *Government investment*

In an effort to diversify the economic base and enhance capacity in provision of public health, education and social services, the Plan aims to implement a number of vital projects, in addition to meeting the replacement and maintenance requirements of existing projects. Government investment in fixed assets is expected to increase at an average annual rate of 5.2%, with its value rising from about SR55.4 billion in 2009 to about SR71.4 billion in 2014. However, despite the expected growth in government investment, its share of total expected

investments under the Plan will decrease to about 16.8% in 2014, compared with about 21.4% by the end of the Eighth Plan, to constitute in 2014 about 6.5% of GDP in real terms.

#### ❑ *Oil sector investment*

Investment in the oil sector is expected to grow at an average annual rate of 7.9%, with its value increasing from about SR12.9 billion in 2009 to about SR18.9 billion 2014, to constitute 4.5% of the total investments expected then. Consequently, the share of this sector's investment in GDP, at constant 1999 prices, is expected to increase to about 1.7% by the end of the Plan, compared with about 1.5% at the end of the Eighth plan.

### **4.5.3 Change in Inventories**

The value of inventories is expected to increase at an average annual rate of 2%, from about SR33.8 billion in 2009 to about 37.3 billion in 2014, at constant 1999 prices, with their share in GDP decreasing in real terms from about 4% in 2009 to about 3.4% in 2014.

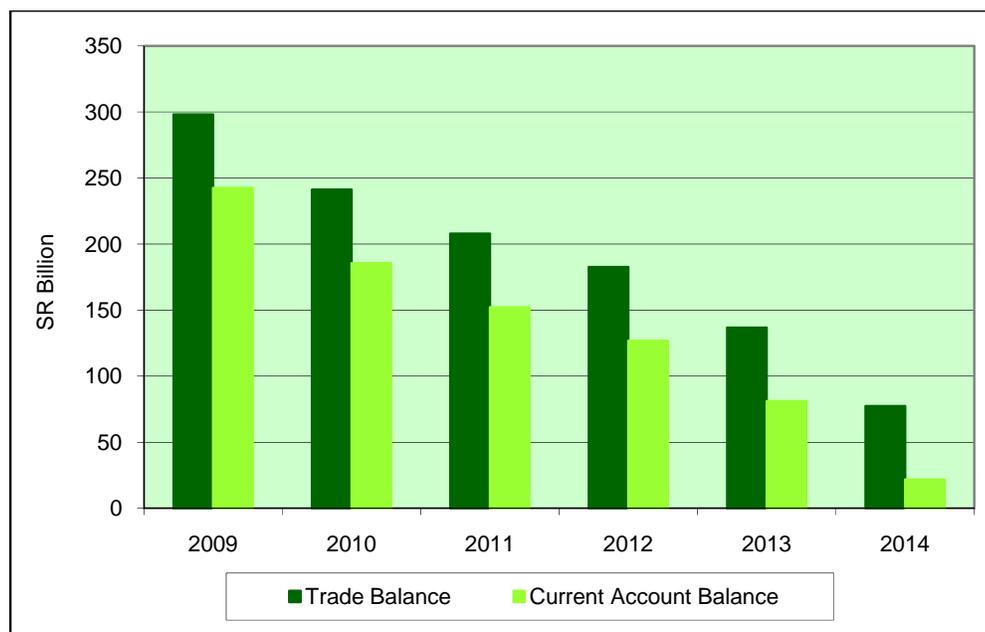
### **4.5.4 Exports**

The Ninth Development Plan envisages exports of goods and services growing at an estimated average annual rate of 4.5%, which means an increase in their value, at constant 1999 prices, from about SR315.2 billion in 2009 to about SR393 billion in 2014. In view of the targeted average annual growth rate of real GDP of 5.2%, the share of exports in real GDP will be about 35.7% in 2014 (Table 4.3). On the other hand, the Plan foresees a decrease in the value of exports of crude oil from about SR153.4 billion in 2009 to about SR133 billion in 2014; a decrease at an average annual rate of -2.83%. Hence, the share of oil exports in real GDP will decrease to about 12.1% in 2014, compared with about 17.9% in 2009, while the value of non-oil exports of goods and services is expected to increase at an estimated average annual growth rate of 10%, from about SR161.8 billion in 2009 to about SR260.1 billion in 2014, which amounts to an increase of their share of GDP from about 18.9% in 2009 to about 23.7% in 2014.

## 4.6 BALANCE OF PAYMENTS

Given the expected evolution under the Plan of the values of exports and imports (at current prices), the trade balance surplus is projected to decrease from about SR298.2 billion in 2009 to about SR77.4 billion in 2014 (Figure 4.3). In addition, the current account surplus is expected to decrease from about SR242.4 billion in 2009 to about SR21.7 billion in 2014, to constitute about 1.03% of GDP (at current prices), compared with 15.4% in 2009.

**Figure 4.3**  
**Trade and Current Account Balance at Current Prices**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning.*

## 4.7 FINANCIAL REQUIREMENTS OF DEVELOPMENT SECTORS

Achieving the objectives and growth rates referred to in this chapter requires appropriating sufficient funds for the various sectors. Table 4.4 shows the financial requirements of these sectors under the Ninth Development Plan, compared with appropriations under the Eighth Development Plan. The total amount needed to finance major

development projects is envisaged to be about SR1444.6 billion in the next five years, compared with SR863.9 billion under the Eighth Development Plan; an increase of 67.2%. This increase illustrates determination of the Kingdom to continue economic and social development, and improve the standard of living of citizens and their quality of life, even under inauspicious global economic conditions.

The data in Table 4.4 highlight the main characteristics of expenditure on major development sectors under the Plan:

**Table 4.4**  
**Financial Requirements of Development Sectors**  
**Ninth Development Plan**

Development Sector	SR Billion		Increase (%)
	Budget Appropriations (Eighth Plan)	Planned (Ninth plan)	
Human Resources Development	480.0	731.5	52.4
Social Development and Health	155.9	273.9	75.7
Economic Resources Development	105.8	227.6	115.1
Transport and Communications	56.5	111.1	96.6
Municipal and Housing Services	65.7	100.5	53.0
<b>Total Expenditure</b>	<b>863.9</b>	<b>1444.6</b>	<b>67.2</b>

*Source: Ministry of economy and planning.*

- **Human resources development:** the Ninth Development Plan aims to expend about SR731.5 billion on human resources development, including education, science and technology, and training. Thus, the amounts allocated to this sector in the Ninth Plan exceed those allocated under the Eighth Development Plan by 52.4%, and account for about 50.6% of total allocations for development sectors, which reflects the exceptional importance attached to human resources development programmes.
- **Social Development and Health:** The financial requirements for this sector in the Ninth Development Plan are estimated to be about SR273.9 billion, i.e. 19% of the total amounts allotted for all development sectors; an increase over comparable expenditure



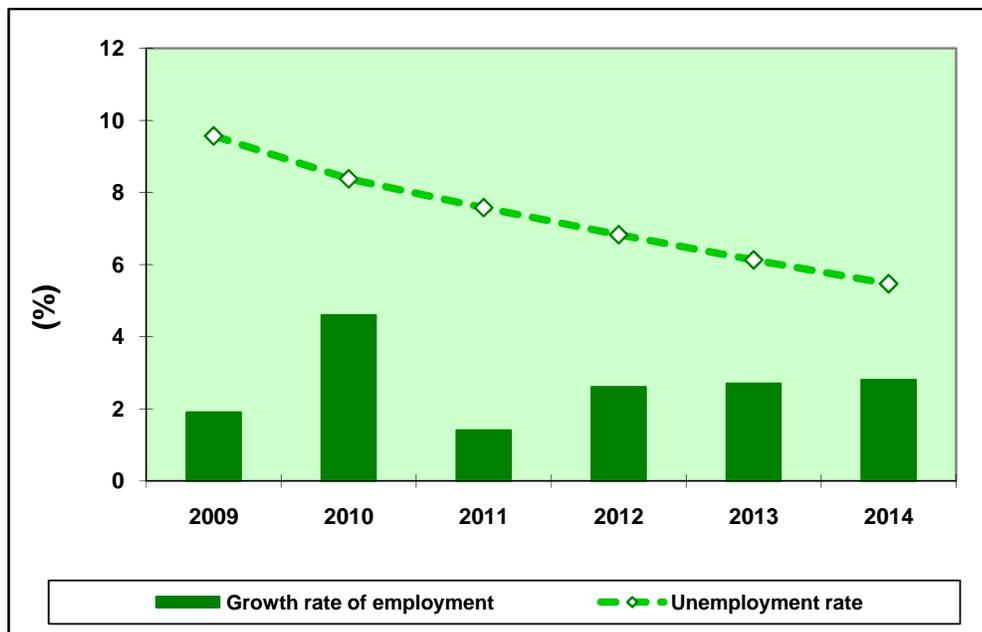
under the Eighth Development Plan by 75.7%. This allocation is consistent with the increased demand for services due to population growth and the target improvement in the standards of living and quality of life of citizens. Private sector participation in meeting healthcare needs is expected to increase.

- **Economic Resources Development:** The Plan aims to expend about SR227.6 billion on the development of economic resources, including agriculture, water, electricity, oil, gas, minerals, industry and general economic services. These amounts constitute 15.7% of the total allocation approved in the Plan for all development sectors, and exceed comparable allocations under the Eighth Development Plan by 115.1%, reflecting increased efforts to develop economic resources, improve the efficiency of their utilization, and maximize their economic and social returns.
- **Transport and communications:** The financial requirements for the development of the transport and communications sector under the Ninth Development Plan are estimated at SR111.1 billion, i.e. 7.7% of the total expenditure allocated for all development sectors. This allocation represents an increase of 96.6% over the comparable allocation under the Eighth Development Plan. The allotted resources will be invested in developing new projects, and in maintaining and expanding existing projects to increase their deployment in the various regions of the Kingdom, as well as in improving the quality of services to keep pace with accelerated economic and technical developments.
- **Municipal and housing services:** the Ninth Development Plan envisages expending about SR100.5 billion on the development of municipal services and housing. This represents about 7% of total allocations for all development sectors, and an increase of about 53% over amounts allotted under the Eighth development Plan. This increase reflects the central importance of municipal services and housing in the development of the regions and in improving living conditions.

## 4.8 EMPLOYMENT AND UNEMPLOYMENT

With the projected economic growth rates, implementation of the policies designed to increase investment by the private sector and diversify its activities, implementation of educational and training policies aimed at improving skills as a basic factor of human development, and giving priority in employment to the national labour force, it is envisaged that 1.22 million job opportunities would be provided under the Ninth Plan. Of these, the share of Saudi labour is projected to be about 1.12 million jobs; about 91.8% of total job opportunities, while expatriate labour would take about 100.8 thousand jobs, i.e. 8.2% of the total (Figure 4.4).

**Figure 4.4**  
**Employment and Unemployment Growth Rates**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning.*

Providing 1.12 million job opportunities for Saudis is envisaged to achieve significant progress in addressing the problem of unemployment and the economic and social challenges it poses. The rate of unemployment among Saudis is expected to drop from 9.6% in 2009 to 5.5% in 2014, and policies to encourage women to participate in economic activity, enhance their resources, and expand job opportunities for them are expected to continue.

## 4.9 LOW-INCOME GROUPS AND REGIONAL DEVELOPMENT

Continuing the approach pursued by successive development plans, the Ninth Plan pays special attention to providing care to, and addressing the problems of, the low-income groups, especially poor and needy families.

On the economic level, the Plan aims to create an environment conducive to increasing production, investment and employment. On the social level, it aims to expand health, education, housing, and other public services; especially in the least developed regions of the Kingdom. Furthermore, it aims to expand and increase the efficiency of social safety nets, provide training opportunities to, and enhance the skills of, needy social groups. In addition, the Plan seeks to encourage private investment, particularly in the least developed regions, through granting incentives, providing land to investors, and establishing more industrial cities similar to Jubail and Yanbu.

The attention directed by the Ninth Development Plan to the least developed regions complements its objective of caring for the low-income social groups by targeting them in development programmes and projects, and through policies and incentive packages designed to encourage the private sector to undertake economic projects in these regions.

## 4.10 PRODUCTIVITY AND COMPETITIVENESS

In view of local and global developments and challenges, especially the challenge of competition and raising efficiency and production capacities, the Ninth Development Plan gives priority to consolidating government efforts aimed at expanding and developing training and skill-building programmes; improving management and organization techniques; expanding utilization of information and communications technology (ICT) in all sectors; encouraging research, development and innovation; as well as at effectively helping private-sector establishments to develop their technological research and develop-

ment capabilities, through providing the necessary infrastructure and support facilities. Moreover, given the importance of increasing productivity in improving competitiveness of national products in domestic and international markets, the Plan strives to increase productivity of all factors of production and achieve optimum utilization of resources.

#### **4.11 INSTITUTIONAL AND ADMINISTRATIVE DEVELOPMENT**

Regulations, legislations, and institutional organizational frameworks under successive development plans have created an environment conducive to economic activity by both national and foreign private sectors in all areas of commerce, investment and production. Continuous development and modernization enabled them to contribute effectively to raising government efficiency, increasing domestic and foreign private investment, improving standards of organization, and enhancing efficiency of use of resources in the vital economic sectors. Examples of institutional and administrative development are the restructuring of government agencies, expansion of the use of modern technologies to increase efficiency of government agencies and improve quality of their services (electronic transactions), and modernisation of the regulations governing activities of the financial market, the banking system, competition and corporate governance.

**Page**  
**82**

The Plan seeks to continue institutional and administrative development efforts, taking into consideration the particular characteristics of the Saudi economy, developments in the global environment and requirements of improving the overall environment for economic activity.

#### **4.12 KNOWLEDGE ECONOMY**

Successive development plans paid special attention to the knowledge economy and its components, leading to tangible improvements in

research and development; science, technology and innovation; information and communications technology; and human capital development through education and training. The Ninth Plan aims to continue developing national capacities for knowledge generation through research and development; technology transfer, indigenisation, dissemination and utilisation in all economic activities; strengthening science and technology systems and consolidating their linkages with the productive and service sectors; motivating the private sector to undertake high value-added activities based on knowledge; and working to meet the needs of the national economy for scientifically and technically qualified national manpower.

### **4.13 ECONOMIC POLICIES**

In view of the global economic crisis, the challenges it posed, and the revision of many economic assumptions it imposed, increased attention is expected to be given under the Plan to details of economic policies, sub-processes of government institutions, and the role of private sector, in an effort to improve the economic environment, and continue to motivate enterprises and government agencies to implement institutional reforms and build their administrative capacities in order to enhance economic activity and raise its efficiency. The most important lesson of the current global financial crisis is that moving towards a market economy does not entail that the state abstain from playing an active role. Government economic policies are necessary to guide economic activity within the framework of adopted strategy. To guarantee feasibility of policies and flexibility in their implementation, as well as enhance their efficacy, the Plan clearly defines areas of economic policy, the tasks assigned to them and their tools, as follows:

#### **4.13.1 Fiscal Policy**

Through compensating for market failures and ensuring economic balance in order to achieve target income and employment levels, fiscal policy is one of the most important tools for managing and developing economic activity. Given the current global financial crisis and ensuing developments, the Ninth Development Plan adopts an

expansionary fiscal policy, based on expanding public expenditure and using it as a main tool for stimulating economic activity, through expanding production capacities and stimulating aggregate supply of goods and services by investment expenditure, and stimulating aggregate demand for goods and services by public expenditure as a whole. The adopted fiscal policy will seek linking budget programmes and allocations to the objectives and priorities of the Plan, and will continue to increase the capital of specialized lending institutions in line with the growing demand for loans by citizens and the private sector.

#### **4.13.2 Monetary Policy**

The Ninth Development Plan expects the Saudi Arabian Monetary Agency (SAMA) to continue playing a central role in managing monetary policy, through management of domestic liquidity to meet the needs of the markets and avoid inflationary pressures. The Plan also envisages continued stability of the banking system through measures designed to ensure effectiveness, efficiency and competitiveness. In view of the lessons learnt from the current global financial crisis, these measures include sustained enhancement of banking controls by SAMA, development of financial markets to increase their efficiency and enable them to enhance future privatisation programmes, and consolidating the developmental role of the private sector.

As under the Eighth Development Plan, the Ninth Plan will ensure continued stability of basic monetary variables, primarily the exchange rate of the Saudi Riyal, through continuance of monetary policies and measures to protect it from speculation.

#### **4.13.3 Investment Policy**

Expansion of both public and private investment is one of the most important mechanisms for dealing with current global developments, as well as for achieving the development goals of the Kingdom. Hence, the Plan seeks to promote an investment climate conducive to

attracting both Saudi and foreign private investors. Moreover, government investment expenditure would increase to ensure satisfying the growing needs for expanding and developing the economic (physical), social, and environmental infrastructure, in response to population growth and demands for improving the quality of public services, as well as to motivate economic and investment activity. The Plan will consolidate complementarity of government and private investment.

#### **4.13.4 Foreign Trade Policy**

Foreign trade policy stems from a long-term vision for the future aimed at achieving a number of major goals; mainly economic diversification, consolidating integration among economic sectors, enhancement of added values, and improvement of competitiveness of national products (internally and externally) in order to augment export capabilities and maximize benefits of membership in the World Trade Organization (WTO). Perhaps for a few years to come, consequences of the global financial crisis will constitute an incentive for close coordination with the private sector on foreign trade policy, through effective measures and programmes for quantitatively and qualitatively developing non-oil exports, along with promoting them in traditional markets and opening new markets for them and establishing free trade zones, while enhancing the developmental role of imports of intermediate and capital goods, as well as tightening import controls to reduce flow of counterfeit and fake goods. Foreign trade policy will also seek to achieve maximum benefit from economic integration with Arab Gulf states and Arab states in general, to increase national exports and enhance the relative importance of bilateral trade; all within the framework of high levels of economic openness at the regional level. Moreover, the Plan will pay special attention to upgrading the performance of government agencies concerned with foreign trade activities.

**Page**

**86**



# KNOWLEDGE-BASED ECONOMY

## 5.1 INTRODUCTION

A knowledge-based economy is defined as “an economy that is capable of knowledge production, dissemination and use; where knowledge is a key factor in growth, wealth creation and employment, and where human capital is the driver of creativity, innovation and generation of new ideas, with reliance on information and communication technology (ICT) as an enabler”. Moreover, there is a positive correlation and mutual interaction between the “knowledge society” and the “knowledge-based economy”. In addition, “knowledge” has become a critical requirement for enhancing competitiveness of countries in the twenty first century.

Theory, experience and present international practices affirm that contemporary global drivers of economic growth are different than in the past. More than ever before in human history, the economy is now dependent on the knowledge factor for growth. To respond positively to these developments and ensure enhancement of competitive capacities of the national economy, it is essential for economic policies to pay attention to knowledge; i.e., to innovation and its utilisation in all sectors, the new role of technology, entrepreneurship, education, lifelong learning, sharpening the skills of the workforce, and moving from hierarchical to horizontal management structures, along with benefiting from more efficient electronic transactions and communication networks.

The Eighth Development Plan focussed on fundamental developments that laid the basis for heading towards a knowledge-based economy. These included starting implementation of the first five-year plan of the National Science, Technology and Innovation Policy; adopting the National ICT Plan, the National Industrial Strategy, and the Strategy and Plan for Giftedness, Creativity and Supporting Innovation; establishing the Knowledge Economic City in Medina, and the Technology Zone of the Saudi Organization for Industrial Estate and Technology Zones in Dammam; proceeding with preparation of a new strategy for higher education (AFAQ); and advancing privatization.

The Ninth Development Plan adopts the drive towards a knowledge-based economy through focussing on education, which disseminates knowledge, paving the way for knowledge transfer and accumulation and thereafter knowledge generation, and utilisation of knowledge in various economic and social sectors, particularly in production and service activities. Through these endeavours, the Plan seeks to enhance the comparative advantages of the economy, add to it new competitive advantages, diversify it, and increase its productivity and competitiveness, as well as create appropriate employment opportunities for citizens.

This chapter presents an analysis of the current conditions and the key issues and challenges facing efforts to move towards a knowledge-based economy. In addition, the future vision, overall objectives, policies, and targets adopted by the Ninth Plan for seeking a knowledge-based economy are outlined.

Page

88

## **5.2 CURRENT CONDITIONS**

### **5.2.1 Dissemination of Knowledge**

From kindergarten all the way to post-university education, education is the principal means for dissemination of knowledge in society. As a result of the drive towards knowledge societies internationally, interest in children education, particularly pre-school education, mounted, as evidenced by the launch of several global programmes. In the Kingdom, statistics compiled by the Ministry of Education point to some progress, with the number of children enrolled in kindergartens increasing from 28 thousand in 1980 to 103.1 thousand in 2008.

General education constitutes the foundation for the capacity building required by the drive towards a knowledge-based economy. The chapter on human resources in this document addresses the current condition of general education in the Kingdom. King Abdullah's programme for education development (Tatweer) has been launched, with the aim of addressing issues at all levels of education needing

further attention, such as: quality of education; teacher training; curriculum development to focus on science, technology and mathematics; expansion of skill-development activities, particularly analytical thinking and hands-on skills; initiative; innovation; entrepreneurship; languages; and future and emerging sciences.

Higher education is one of the most important stages of the build-up towards a knowledge-based economy. The chapter on human resources development points out certain issues requiring development that have a direct impact on dissemination of knowledge, namely:

- Smallness of number of Master and PhD students and size of research-and-development (R&D) activities. The number of students enrolled in Master programmes increased from 5312 in 1994 to 9768 in 2006, and in PhD programmes from 1203 to 2410. During the same period, the number of Master-degree graduates increased from 615 to 1291 and PhD graduates from 163 to 228. These are small numbers by international standards; a failing that reflects negatively on R&D.
- Dearth of intermediary institutions linking higher education with production and service activities, such as business and technology incubators, science and technology parks, and venture-capital companies. The number of incubators in the Kingdom is five only, whereas the average number of incubators in developed countries is estimated to be six per million people.

### **5.2.2 Knowledge Transfer and Indigenisation**

The Kingdom aims for transfer and indigenisation of knowledge, and thereafter its generation internally through several channels including transfer of technology by private-sector companies and their partnerships with leading foreign companies, and cooperation with outstanding international scientific institutions to establish research universities and centres in the Kingdom. In this regard, King Abdullah University for Science and Technology and a number of private universities have been launched.

King Abdul-Aziz City for Science and Technology adopted technology transfer as one of its objectives. This objective is being achieved through a variety of means. In 2008, KACST drew a roadmap for implementing the Indigenisation of Strategic and Advanced Technologies Programme, which is one of the most important in technology transfer and development.

In addition, companies such as Saudi Arabian Oil Company (ARAMCO), Saudi Basic Industries Corporation (SABIC), and the companies of the Offset Programme, particularly in the field of electronics, are carrying an important technology-transfer-and-indigenisation activity. ARAMCO has worked on transfer and indigenisation of technology in the oil industry, establishing two R&D centres for that purpose. SABIC also has made similar efforts in the petrochemical technology transfer, expanding its SABIC Industrial Complex for Research and Development in Riyadh.

Page

### **5.2.3 Knowledge Production**

90

Production of knowledge is carried out through R&D and innovation activities. The first five-year plan for Science and Technology envisaged implementing programmes and projects worth SR7.9 billion in 2008, which constitutes a significant development in financing knowledge production activities. Moreover, in 2006-2007, the number of research centres at Saudi universities increased, with the establishment of seven research centres of excellence for environmental studies, medical genome sciences, oil refining and petrochemicals, renewable energy, materials engineering, biotechnology, and research on dates and palm trees. In addition, 32 training programmes were implemented within the framework of a project for innovation and excellence. Furthermore, several private-sector companies have realized the importance of R&D centres or units, and started to establish such centres, which would in due course lead to raising the knowledge content of their products and services.

## 5.2.4 Utilisation of knowledge

A knowledge-based economy is based on utilisation of the outputs of the knowledge system to create new products and services through innovation. Although, according to the Global Innovation Index, innovation in the Kingdom is still a significant challenge, a springboard for development of innovation has been put in place. For example, national industries have developed significantly over the past three decades, and now have strong bases of knowledge upon which to build towards the new economy, particularly with the adoption of the National Industrial Strategy, and its implementation mechanism that espouses knowledge-based economy, and the Strategy for Giftedness, Creativity and Innovation.

## 5.2.5 Favourable Environment

Dissemination, transfer, and production of knowledge require a favourable environment that provides the following five key elements:

### ❑ *Information and Communications Technology (ICT) infrastructure*

ICT performs two essential roles: providing the infrastructure to store, accumulate, transfer and disseminate knowledge; and constituting in itself a knowledge-based production and service sector. In both aspects, the Kingdom has made concrete progress towards a knowledge-based economy. The chapter on ICT reviews the current conditions, characterised by moving from dealing with information to dealing with knowledge, through, for example, use of expert systems, characterization of information, data and information mining, and knowledge management systems; as well as having ultra-advanced computers, such as distributed and parallel computers, which began to be used in King Abdullah University of Science and Technology. In addition, there has been a remarkable increase in the number of fixed and mobile telephone, internet and broadband subscribers to levels appropriate for moving towards a knowledge-based economy, particularly if the current rates of development are maintained.

### ❑ *Intellectual Property*

Intellectual property rights secure ownership of industrial, scientific, literary, artistic, and other outputs of intellectual activity. The Kingdom has achieved significant progress in protection of intellectual property rights, which was a requirement of WTO membership and is important for attracting foreign companies. Intellectual property in the Kingdom is classified according to two categories: industrial intellectual property, including patents, trademarks, industrial designs; and literary or copyrighted intellectual property. For example, the rights of inventors are protected through the patent law, which was issued by Royal Decree No. M/38 of 1989. By the end of 2008, a total of 1918 patents and 515 industrial designs were granted.

### ❑ *Regulations and legislation*

Page  
92

In adaptation to local, regional and international developments, regulations and laws that affect dissemination, transfer, production and utilisation of knowledge need to be developed.

### ❑ *Support Services*

Knowledge support services are important for establishing and developing a knowledge society and a knowledge-based economy. Though such services are being provided at a good level, there is room for improvement. The most important of these services include:

- a. Services providing digital content, such as libraries, databases, and websites have been developed in the Kingdom, with numerous major libraries, as well as with support from King Abdullah Initiative for Arabic Content, which was launched in 2007, and other initiatives.
- b. Specifications and standards services provided by the Saudi Standards, Metrology and Quality Organization.

- c. Laboratories in several institutions, such as the Ministry of Commerce and Industry, the Saudi Arabian Oil Company (ARAMCO), and King Abdul-Aziz City for Science and Technology.
- d. Scientific societies that play an important role in supporting and organizing knowledge activities and initiatives, which in 2007 numbered more than 75, distributed among the universities.

□ ***Awareness, enlightenment and information***

The Ministry of Culture and Information is the government agency responsible for visual, print, and audio media. It provides its services through radio and television broadcasting networks, as well as through printing, publishing and distributing books. Despite developments in radio and television services, there is still a crucial need for increasing the proportion of audio-visual programmes and materials related to transfer, production and utilisation of knowledge. In turn, this requires development of cultural and information policy to meet requirements of the knowledge society.

### **5.2.6 Projects Enhancing the Knowledge-Based Economy**

Under the Eighth Development Plan, several major public and private projects in various regions of the Kingdom were implemented. Paving the way to a knowledge-based economy, these include investment projects aimed at diversifying the economic base and achieving balanced development among the regions of the Kingdom, such as mining, ICT and petrochemical projects, the costs of which are estimated to reach around SR54 billion in 2009, in addition to projects for service delivery to existing industrial cities at a cost of SR2 billions. While enhancing the comparative advantages of the Kingdom, these projects also contribute to transforming such advantages into competitive advantages (Box 5.1).

**Box 5.1: Most Important Supporting Projects for Building a Knowledge-Based Economy:**

1. Economic cities under the Saudi Arabia General Investment Authority (SAGIA), namely:
  - King Abdullah Economic City in Rabigh.
  - Prince Abdul-Aziz Bin Musaed Economic City in Hail.
  - The Knowledge Economic City in Medina.
  - The Economic City in Jizan.
  - Establishment of two economic cities in Tabuk and the Eastern Region is being considered.
2. The Technology Zone in Dammam (Saudi Industrial Property Authority).
3. The ICT Park in Riyadh (High Commission for the Development of Riyadh)
4. The New Industrial Zones Projects that will be set up in various regions of the Kingdom to implement the Programmes of the National Industrial Strategy.
5. The e-Governmental Electronic Transactions Programme (YESSER).
6. The Riyadh Techno Valley and the Knowledge Oasis, within the Knowledge Centre Programme and the Knowledge Corridor Programme (Ruwaq) at King Saud University.
7. King Abdullah University of Science and Technology.
8. King Abdullah Scholarship Programme.
9. King Abdullah Programme for Development of Education.
10. King Abdullah Initiative for Arabic Digital Content.
11. King Abdullah Financial District in Riyadh.

## **5.3 ISSUES AND CHALLENGES**

### **5.3.1 Education and Dissemination of Knowledge**

To establish a learning pattern that develops analytical thinking, advances acquirement of practical skills, and promotes initiative and entrepreneurship, the system of education needs to address a set of issues ranging from curriculum development, lifelong learning, linking education with development, Arabization of knowledge, to privatization (Box 5.2). Such a learning pattern is crucially important for achieving a knowledge-based economy and a knowledge society, through development of the system of education, from early childhood education, which requires great efforts, all the way to post-university education, which requires expansion and more resources. In turn,



development of the system of education requires implementation of a national teacher-training programme, provision of the laboratories necessary for scientific and practical skill formation, and an ICT infrastructure in education.

**Box 5.2: Main Education Issues in the Kingdom**

- Arabization of knowledge: For the efforts and investments directed towards building a knowledge society to succeed, knowledge and scientific and technical information should be in Arabic, since language is the vessel within which knowledge develops. However, Arabization does not mean lessening interest in learning foreign languages; rather, that the issue of foreign languages proficiency should be dealt with independently of using them as a medium for learning.
- Curriculum Development: At all levels of the system of education, current science and mathematics curricula are deficient and need to be adapted to present and future needs of Saudi society.
- Lifelong Learning: There is a strong correlation between the number of years of learning and the capacity of the individual worker for acquiring and assimilating knowledge and technologies. Hence, lifelong education has become one of the most important requirements of moving towards a knowledge-based economy. Lifelong learning policies and programmes in the Kingdom need to be revised to increase their effectiveness in improving capabilities of the national workforce in all production sectors.
- Linking education with development: Education has the largest share in government budget allocations. As a result, the Kingdom made large strides in, for example, reducing illiteracy rates, increasing enrolment rates at all levels of education, and establishing universities and vocational and technical training colleges in various regions. However, effective solutions for aligning outputs of the system of education (supply) with labour market requirements (demand) are needed to rectify an imbalance that has led to unemployment among university graduates.
- Privatization of education: Privatization of education varies from one country to another. Indeed, there are several forms of privatization: private ownership, finance, management, services, or total privatization. However, to maintain values, heritage and particularities of society, educational policies and objectives remain the responsibility of the State. Hence, in addition to supporting, regulating and monitoring private education, in accordance with precise principles and a clear and firm strategy, privatization of education programmes should be adopted in specific educational stages.

### **5.3.2 Transfer and Indigenisation of Knowledge**

Knowledge is manifested in what is known as the knowledge content, which is an intangible asset that takes multiple forms in the both economy and society. Hence, indigenisation of the knowledge content in a knowledge-based economy amounts to formation of a national fortune. In the transfer and indigenisation of knowledge, the Kingdom faces many challenges related to knowledge content in products and services, as well as in exports and imports, in addition to the challenges related to digital content on the internet. Moreover, the challenges of attracting the best brains and benefiting from international cooperation are also important (Box 5.3). Meeting such challenges requires more efforts, as well as adoption of policies and measures to increase knowledge content in all activities and fields.

### **5.3.3 Knowledge Production Capabilities**

Page

96

Knowledge is produced through scientific research, technological development, and innovation. All three need to be increased in all sectors, as long as their outputs are in conformity with the requirements of the national economy. This requires facing many challenges, notably: intensifying efforts to build the necessary capacity for absorbing and indigenising knowledge; increasing material and human resources for research, development and innovation; expanding applied research and innovation; cultivating knowledge that developed countries compete to possess but do not disseminate or exchange and motivating the private sector to produce such knowledge (Box 5.4).

**Box 5.3: Main Challenges in Transfer and Indigenisation of Knowledge Content**

- Knowledge content in products and services: Increasing knowledge content in products and services and measuring such an increase are of great importance. Many countries seek to implement measurement programmes in various development sectors. Hence, to achieve higher added value in products, increase productivity and enhance global competitiveness, there is a need for raising the knowledge content in goods and services in the Kingdom.
- Knowledge content in exports and imports: The United Nations Industrial Development Organization (UNIDO) World Industry Report adopts a number of indicators to measure the extent of progress towards a knowledge-based economy, including the share of high and medium technology exports and imports in total exports and imports. These indicators need to be reviewed in order to identify the criteria for upgrading the knowledge and technical content in exports and imports.
- Knowledge digital content: This refers to the quality and quantity of knowledge available in Arabic on the internet. At 0.4% of the total on the internet, this content is still miniscule. King Abdullah's Arabic Content Initiative, launched in 2007, is an important step in addressing this issue. King Abdul-Aziz City for Science and Technology is undertaking the implementation of this initiative. However, there is a need for doubling the efforts being made to increase the Arabic digital knowledge content.
- Enlisting brainpower: Most developed countries, as well as countries aspiring to development, adopt policies to attract brainpower, particularly in science and technology. Policies for recruitment of foreign manpower as well as Saudization policies, should be designed to enhance the knowledge and technical contents of the economy. Seeking to attract the best brains from all over the world, King Abdullah University of Science and Technology is playing an important role in this regard. Recruitment and Saudization policies should therefore be developed in line with a vision set to meet the requirements of the transition to a knowledge-based economy.
- International cooperation agreements: Transfer of knowledge is one of the important benefits that countries seek through bilateral or multilateral cooperation agreements, which identify the nature of knowledge and technologies to be transferred, who is going to transfer it, the agreed-upon time frame, and the financing of the transfer process. The Kingdom should enhance the benefits derived from cooperation agreements with various countries, as well as with regional groupings, such as the European Union, and international organizations, such as the United Nations.

**Box 5.4: Main Challenges in Building Capacity for Knowledge Production**

- Building the necessary capacity to assimilate and indigenise knowledge, through developing knowledge-based human resources, establishing specialized institutions, strengthening scientific technological development and innovation, providing an appropriate regulatory and administrative environment, and financing of all kinds.
- Expanding material and human resources for research, development and innovation, through increasing the number of institutions and laboratories, as well as scientific-research workers in universities, in addition to increasing the ratio of teachers' hours allocated to research to teaching hours.
- Focusing research, development and innovation on areas important to the national economy, with the aim of addressing the relative imbalance between basic and applied research, development and innovation; an imbalance that is manifested in the number of R & D units, number of employees and total funding. In addition, research and development programmes should be under contract with the production and service sectors, not merely geared to academic publication and career promotion.
- Basing production of new national goods and services designed for global competition on competitive models of research, development and innovation, usually built by local capabilities, rather than imported.
- Motivating the private sector (national and foreign) to increase knowledge production, along with expanding partnerships between the private sector and the national system of research and development, in order to increase knowledge production nationally.

### **5.3.4 Transforming Knowledge into Products**

Education, training, and research and development transform wealth into knowledge. For the knowledge circle to be completed economically, knowledge should be transformed into wealth. In order to achieve this, the Kingdom has to resolve several issues, notably: support and increase of investment in knowledge activities in both the public and the private sectors; development of giftedness and creativity and expansion of their programmes; quantitative and qualitative expansion of intermediary institutions to interface education and R&D with production activities and services; and promotion of private sector participation in knowledge transfer, indigenisation, dissemination and

exploitation (Box 5.5).

**Box 5.5: Main Challenges in Transforming Knowledge into Products**

- Investment in knowledge activities: Public and private investments in application and use of knowledge need substantial support, particularly in view of persistent challenges in relation to economic diversification, productivity and competitiveness. Despite advances made, economic returns on investments are still relatively low because of the weakness in their knowledge content.
- Giftedness, creativity and innovation: Growing interest in developing talent, creativity and innovation has been manifested in the adoption of a National Strategy for Fostering Giftedness, Creativity and Innovation, the establishment of the King Abdul-Aziz and His Companions Foundation for Giftedness and Creativity, and the establishment of the King Abdullah University of Science and Technology. Nonetheless, more efforts are needed to enhance the thrust of the drive towards a knowledge-based economy, and achieve excellence in universities and higher-education institutes, as well as of scientists, technologists and innovators.
- Intermediary institutions: Institutions that interface education and R&D with production and services sectors play an important role in transferring the results of R&D to production lines and services and transforming knowledge into wealth. The Kingdom has begun to provide numerous forms of such institutions. Some are at universities, such as liaison offices; others at production sites, such as employment, training and qualification offices. Some are independent, such as “technology licensing organizations”. Others link R&D and educational establishments spatially or geographically with production activities and services, such as technology parks, knowledge cities of various kinds, centres of excellence, centres of technology transfer, and technology incubators, in addition to venture capital banks, funds and firms of all kinds. Nonetheless, more needs to be done. This brings into highlight the need to accord increasing attention to these institutions to finance the process of link-up between innovation and production lines.
- Participation of the private sector: Increased private-sector participation in knowledge transfer, indigenisation, dissemination and accumulation, and in particular investment, is one of the main issues of the knowledge-based economy, particularly within the context of state efforts aimed at effecting private-sector led development. For the private sector to be able to carry out this task, it needs to develop radically its knowledge and technological base with support from the state.

### **5.3.5 Knowledge Management**

Knowledge management has become a common worldwide practice. Among the issues and challenges that need to be addressed under the Ninth Plan are:

- Devising a roadmap for the knowledge-based economy by the relevant authorities.
- Coordinating among the numerous national knowledge-based economy initiatives.
- Adopting knowledge-management systems.
- Providing a variety of incentive packages for investment in knowledge-related activities.
- Applying quality standards, such as ISO 9000 and ISO 14000, in government agencies, in order to improve quality of work.
- Adopting digital indicators for assessing progress towards the knowledge-based economy and the knowledge society, and measuring this progress periodically during the Ninth Plan, through collaboration among the Central Department of Statistics and Information, King Abdul-Aziz City for Science and Technology, and the Ministry of Communications and Information Technology.

Page  
100

### **5.3.6 Knowledge And Community**

Moving towards a knowledge-based economy requires promoting the interest of citizens in knowledge and its sources, and increasing awareness of the importance of teamwork and team spirit, for without them, modern knowledge production would be difficult. In addition, a strengthened sense of the mission of the Kingdom, and increased awareness of its weight regionally and globally would accelerate the drive towards the hoped for objective.

## 5.4 DEVELOPMENT STRATEGY

### 5.4.1 Future Vision

By 2024, the economy of the Kingdom will have made great strides towards becoming knowledge-based, relying on a society that provides individuals with quality education, skills and experience, and will have begun to approach the levels of developed countries in this respect.

### 5.4.2 Objectives

- Promoting human development, dissemination of knowledge, and expanding available opportunities for community members to acquire knowledge, skills and experience.
- Strengthening efforts to transfer knowledge and its indigenisation in all economic and social sectors.
- Upgrading knowledge-production capabilities in all economic and social fields.
- Raising the level of knowledge content in production and service activities in the public and the private sectors
- Providing the needed technical, administrative and organizational environment, as well as the ICT infrastructure.
- Reducing the knowledge gap among regions, increasing awareness of citizens of the importance of knowledge, and increasing Arabic digital content.

### 5.4.3 Policies

- Adoption of mechanisms leading to increased dissemination of knowledge bases, thereby enabling knowledge transfer, and thereafter indigenisation, production and exploitation, as part of the drive towards a knowledge-based economy, through the following measures:
  - Providing education opportunities, improving enrolment rates, and reducing dropout rates at all levels of education, as well as enabling education to meet requirements of development and assimilate new knowledge.

- Developing graduate studies and increasing enrolment in them, as well as linking their work and outputs to the knowledge economy.
- Promoting giftedness, innovation and leadership.
- Developing Saudi manpower training programmes attuned to modern knowledge and technology.
- Developing educational curricula to keep up with knowledge developments.
- Arabizing science and technology and increasing Arabic digital content.
- Introducing product development skills in curricula, developing entrepreneurship, and teaching technologies.
- Working towards expanding knowledge transfer and knowledge-indigenisation capacities in all economic and social activities, through the following measures:
  - Entering into contracts to import, transfer and invest in knowledge, in addition to maximising knowledge transfer and indigenisation benefits from international cooperation agreements and programmes, and directing bilateral cooperation committees towards focussing on knowledge transfer.
  - Motivating the private sector to enter into partnerships or agreements to buy the outputs of major knowledge corporations.
  - Encouraging importation of goods and services with a high knowledge content.
  - Effective implementation and follow up of technology transfer provisions in the Economic Offset Programme.
- Achieving significant increases in public and private knowledge-generating activities, through the following measures:
  - Increasing funding for scientific research and technological development in universities and research institutions in all



government sectors.

- Motivating and supporting the private sector to expand its research, development and innovation activities.
- Encouraging establishment of research complexes, where small and medium enterprises could be incubated.
- Improving the knowledge content of goods and services produced in the Kingdom, with the aim of enhancing productivity and competitiveness, through the following measures:
  - Strengthening the science and technology system and entrenching its linkages with the production and service sectors.
  - Encouraging the private sector to move towards knowledge-based, high value-added activities.
  - Directing economic cities and development corridors towards increasing knowledge activities.
  - Establishing intermediary institutions to interface education and R&D with the productive and service sectors; such as incubators, technology parks, centres of excellence and industrial solidarity centres (centres for collaborative R&D and technology transfer for a specific industry).
  - Developing policies and funding channels for supporting the drive towards a knowledge-based economy and increasing investment in knowledge transfer and knowledge generation.
  - Providing more incentives to joint ventures and foreign direct investment in knowledge transfer and indigenisation.
- Providing an appropriate environment (technical, structural, systemic, financial, and administrative) for knowledge management, through the following measures:
  - Optimum use of ICT.
  - Providing institutional and regulatory environment appropriate to informatics, benefiting from successful

international experience.

- Developing a knowledge management infrastructure.
  - Adopting indicators to measure progress in moving towards a knowledge-based economy.
  - Improving the administrative and regulatory environment for knowledge exchange.
- Raising the knowledge level of members of the community, through the following measures:
    - Reducing the knowledge gap and the digital divide among all regions and among various social strata.
    - Preservation of the Arabic language and utilizing it in developing a knowledge society.
    - Cultivating the interest of citizens in, and increasing their awareness of, the importance of knowledge and its impact on their advancement and that of their society.

Page

104

#### **5.4.4 Targets**

- Continuing to increase funding for R&D and innovation to 1% of GDP by the end of the Ninth Plan; in line with the Science and Technology National Policy (STNP), with an aim to reach 2% of GDP by 2024.
- Doubling enrolment rates in preschool (kindergarten) education.
- Encouraging the private sector to expand its spending on R&D and innovation, to have its share of total such expenditure reach 23% by the end of the Plan.
- Increasing the number of (male and female) students who benefit from “giftedness and creativity” initiatives, to reach around 14 thousand annually by the end of the Plan.
- Upgrading the quality of science and mathematics education in the entire educational system and increasing the number of their teaching hours by the end of the Ninth Plan.

- Increasing private sector participation in education at all levels.
- Increasing industrial value added by the end of the Plan to around one and a half the 2009 level, in line with the National Industrial Strategy.
- Increasing the proportion of technology-based industrial products from 30% to 45% of total industrial production by the end of the Plan.
- Increasing the ratio of industrial exports from 18% to 26% of total exports by the end of the Plan.
- Developing specifications and standards systems in all areas.

Page

**106**

# COMPETITIVENESS OF THE NATIONAL ECONOMY

## 6.1 INTRODUCTION

Global economic and technological developments since the nineties of last century, characterised by economic and trade openness due to globalization, have created new challenges to the Saudi economy, including access of national products to foreign markets, increased competition between national products and their foreign counterparts in the local market, and increased global competition for foreign direct investment. In such a competitive environment and the challenges it poses to the integration of the Saudi economy into the global economy, and with efforts to strengthen private-sector enterprises, improvement of macroeconomic and microeconomic competitive capacities has become an important element of Saudi strategies for future development. Hence, the Ninth Development plan has put developing the competitive capacities of the national economy among its main priorities.

This chapter reviews the main features of the current conditions of the competitiveness of the national economy, highlighting achievements, key issues and challenges facing the effort to upgrade competitiveness at both the macroeconomic and microeconomic levels, underlining the strategic cornerstones of the strategy for future development and its basic goals and policies.

## 6.2 CURRENT CONDITIONS

### 6.2.1 Elements of Competitiveness

Competitiveness of the Saudi economy is based on several components; the most important of which are the resources and capabilities that provide a solid foundation for competitive advantages in the production of numerous goods and services for both domestic and

foreign markets. Among the factors conducive to building competitive advantages are the following:

- Saudi Arabia ranks first in the world in oil reserves, production and export; and fourth globally in gas reserves.
- The Kingdom offers numerous incentives to investors, including an open economy; high purchasing power of population; low rates of taxation; freedom for foreign investors to own real estate and projects; complete freedom of entry and exit of capital and transfer of income and profits; a stable exchange rate; and a stable political system supportive of investment and development.
- A young population, which provides human resources whose capabilities can be developed and skills refined to become a valuable asset for building and enhancing competitive advantages.
- An advanced banking system.
- Modern infrastructure.
- Outstanding geographical location.
- Four Economic Cities under construction, with the aim of establishing highly competitive industries based on the latest technologies, in addition to two other cities under study.

**Page**  
**108**

### **6.2.2 General Competitive Position**

The Eighth Development Plan attached great importance to raising effectiveness and efficiency of government agencies and institutions, with the aim of enhancing competitiveness of the national economy. To the same end, it also laid emphasis on developing manpower; diversifying the economic base; improving productivity of the national economy; increasing contributions of the private sector to economic and social development, in an appropriate competitive environment; developing science, technology and informatics systems; and supporting and encouraging scientific research and technological development.

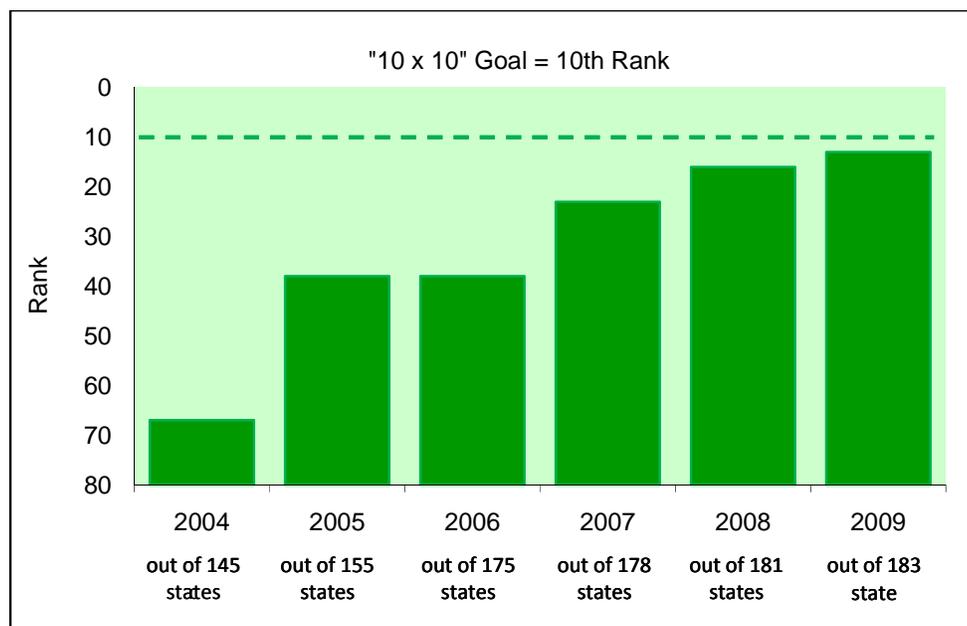
Extensive efforts were made to improve the competitive position of the Kingdom. A number of institutional and administrative development

measures were taken, business environment was improved. As a result, efficiency of government agencies was raised, and moves towards knowledge-based economy were accelerated. These efforts resulted in tangible improvement of the investment environment. As a result, the Kingdom occupied privileged positions in reports of international competitiveness (Box 6.1 and Figure 6.1).

**Box 6.1: Competitiveness of the Kingdom as Assessed by International Reports**

	<b>International report</b>	<b>Ranking of Kingdom</b>	<b>Areas of Excellence of Kingdom in Accordance with Sub-indicators</b>
1	Global Competitiveness Report issued by the World Economic Forum	* Assumed rank 35 in 2007. * Rank improved to 27 in 2008.	* Index of Macroeconomic Stability for 2008, which placed the Kingdom in ninth place. * Index of Health and Primary Education, which ranked the Kingdom 51 in 2008, compared with 71 in 2007. * Index of "Efficient Market for Goods", which ranked the Kingdom 34 in 2008, compared with 51 in 2007.
2	Doing Business Report issued by the International Finance Corporation (IFC) of the World Bank	* Ranked 67 in 2004, 38 in 2006, 23 in 2007, 16 in 2008, and 13 in 2009. * Among top 7 countries globally in 2009 in terms of reform of business environment	* Index of Registering Property, which ranked the Kingdom first in 2009, due to abolition of real-estate registration fees. * Index of Paying Taxes, which ranked the Kingdom 7. * Index of Cross-border Trade, which ranked the Kingdom 23. * Index of Protecting Investors, which ranked the Kingdom 16. * Index of Establishment of Institutions, which ranked the Kingdom 13
3	Report on Attracting Foreign Direct Investment issued by the United Nations Conference on Trade and Development (UNCTAD).	* Ranked 121 globally in 2004, rising to 51 in 2007	* Share of the Kingdom in total foreign direct investment inflows was \$19.4 billion in 2004. * Share of the Kingdom in total foreign direct investment increased to \$24.3 billion in 2007, and then to \$38.2 billion in 2008, which confirms effectiveness and success of policies to improve investment climate.

**Figure 6.1**  
**General Ranking of Kingdom in Doing Business Report**



*Source: Doing Business Report (2008–2009), IFC of the World Bank .*

Page

110

### **6.2.3 The Private Sector and Competitiveness of National Products**

The Eighth Development Plan period witnessed significant progress in the performance of the national private sector at both the local and international levels, with an increase in the number of companies and factories producing sophisticated goods and services with a high technology content, as well as with some national companies acquiring stakes in international companies producing goods with high competitive advantages; thus gaining easy access to world markets. These developments resulted in closer cooperation between the national and the international private sectors.

In an effort to protect and promote competition locally, thereby improving the competitive environment, the Kingdom issued the Competition Law of 2004, its executive regulation in 2006, and its governing rules in 2008. The Competition Protection Council, which was formed in 2005, is developing a strategy for promoting competition and its culture in society.



On the other hand, the Saudi Export Development Centre of the Council of Saudi Chambers of Commerce and Industry endeavours to enhance the competitiveness of national products, through conducting research to assess export potential in the Kingdom, analyse foreign markets and their capacities and conditions, and assess goods that compete with national products. Moreover, the Saudi Exports Programme of the Saudi Fund for Development provides for development of non-oil exports funding and guarantees facilities that amounted to around SR4.7 billion in 2008; an increase of 16.7% from the previous year. It is also worth noting the establishment by Council of Ministers Resolution 59 of 2007 of the Saudi Exports Development Authority, with the aim of preparing appropriate plans, programmes, and policies for developing non-oil exports, in addition to providing technical assistance and incentives to exporters in support of the competitiveness of national products

#### **6.2.4 National Competitiveness Centre**

Competitiveness is an important basis for promoting economic growth. International experience has shown that countries with a high competitiveness ranking have a high GDP, high growth rates, low unemployment rates, high rates of return on investment, and large volumes of goods and services exports. Recognising the importance of improving the competitive position of the Kingdom, the Saudi Arabian General Investment Authority (SAGIA) established the National Competitiveness Centre in 2006, with the mission of “providing an investment environment favourable to business; supporting establishment of highly competitive business sectors; improving performance of existing businesses and their competitive capabilities, through providing professional consultancy based on valid data on opportunities for improving competitiveness; and promoting establishment of advisory boards and taskforces in cooperation with key partners.” In this context, the activities of the Centre are identified as follows:

- a. Establishment of advisory councils for business sectors: to bring together the relevant authorities in both the public and the private sectors, with the aim of promoting cooperation and

dialogue on issues of improving competitiveness.

- b. Providing support to initiatives of SAGIA: to provide SAGIA with information and analyses in support of its policy initiatives, to ensure that they raise the level of competitiveness.
- c. Issuing an annual report on competitiveness: to review the competitive position of the Kingdom at both the macroeconomic and microeconomic levels. Occasionally, the report focuses on a particular sector or topic, such as education or individual investments.
- d. Measuring progress of the Competitiveness Programme: the Centre uses accepted international standards for measuring competitiveness to provide a ranking of the Kingdom, drawing on international expertise. The Centre also collaborates with King Abdul-Aziz University in conducting the requisite field surveys.

**Page**

### **6.2.5 Access Programme**

**112**

This Programme aims to make the Kingdom by the end of 2010 one of the best 10 countries in the world in terms of ease of doing business, by implementing further institutional reforms to create an economic environment conducive to businesses, as well as by providing services and incentives to enhance the investment climate.

## **6.3 ISSUES AND CHALLENGES**

### **6.3.1 Technology Content of National Exports**

Raising the technology content of export products is a major component of enhancement of their competitiveness, giving them access to global markets. Several countries, such as Turkey, Malaysia, Indonesia, and Brazil, have succeeded in increasing competitiveness of their exports by increasing the proportion of exports with medium and high technology contents; for example, to around 70% of Malaysian exports, 50% of Brazilian exports, and 30% of Turkish exports.

Saudi exports have continued to increase in total value over the successive development plans. Moreover, efforts to diversify exports and increase their technology content have persisted. Some progress has been achieved, but it is still short of what is expected. The structure of exports is still dominated by exports of crude oil and by industrial exports based on natural resources, such as refined petroleum products, basic metal products, cement and glass; in addition to some industrial exports with simple technology content, such as clothing, leather and paper products, iron and steel products, and jewellery. Exports of medium and high technology content (with the exception of petrochemical exports) constitute about 10% of total non-oil exports, including exports of manufactured goods, such as fertilizers, plastics, advanced iron and steel products, machinery, tools and electronic devices.

Persistence of this situation constitutes an obstacle to the development of competitive national exports. It has, therefore, become necessary to intensify efforts to upgrade the technology content of export products. In this context, the National Industrial Strategy, which aims to increase the technology content of industrial exports, is noteworthy.

### **6.3.2 Innovation**

In addition to providing a base for self-generation and sustainability of wealth, incentivising innovation is vital for enhancing the competitiveness of countries. States provide an enabling environment for stimulating innovation through: investment in education (especially, in scientific and engineering programmes); promoting scientific research; establishing and supporting research institutions; encouraging companies to invest in research, development and innovation; establishing close ties between the academic community and the business community; strictly protecting intellectual property rights; and granting awards for and commercializing innovations. Moreover, many countries that host foreign capital have controls to guarantee transfer and indigenisation of advanced technology through foreign direct investment. Furthermore, countries strive to link the value chains

of their national products to the value chains of global products based on high technology and advanced knowledge skills.

The Kingdom has made great efforts in this regard. It has enhanced the budgets of universities, research centres and King Abdul Aziz City for Science and Technology, to enable them to further research and development and play a fundamental role in improving the environment for innovation. Nonetheless, the Kingdom continues to suffer from a shortage of specialists and skilled manpower in science and technology. This, in turn, leads to a severe shortage of qualified national competencies in innovation that are capable of assimilating, indigenising and locally generating new technologies, and, consequently, producing new innovative goods and services.

Moreover, private sector investment in research and development is still limited, which impedes commercial use of results of scientific research and technology innovations. Recognising the importance of this issue and its negative impact on the efforts to move the Kingdom to a distinguished competitive position among nations, the Ninth Development Plan gives priority to adoption of policies and appropriate implementation mechanisms to address it.

**Page**  
**114**

### **6.3.3 Favourable Environment for Exports**

Many parties have participated in providing a favourable environment for exports, whether through establishing supportive institutions or through the activities of Chambers of Commerce and Industry. Yet, there is still a need for further work to increase competitiveness of Saudi exports of goods; most notably to: upgrade the skills of the national companies in global marketing, and organize exhibitions abroad; improve the quality of goods and services by encouraging quality management in national companies; apply internationally accepted specifications and standards to Saudi products; reduce cost of supporting financial services, such as export guarantees, banking and credit; improve infrastructure used for exportation, such as infrastructure for transport, communications and information; stimulate enhancement of means of production in national companies,

encouraging them to invest in improving productivity and adopting modern, knowledge-and-capital-intensive rather than unskilled-labour-intensive production methods; develop judicial procedures; complete establishment of commercial courts; and develop rules and regulations governing export and import procedures.

### 6.3.4 Employment in the Private Sector

A qualified workforce capable of assimilating new technologies is one of the cornerstones of development of competitiveness. In order to raise efficiency and improve productivity, thereby reducing costs of products and boosting their competitiveness in the market, the private sector in all countries is keen to recruit qualified human resources, capable of assimilating new technologies. However, the Saudi private sector still depends mainly on a workforce with low levels of education, which impedes expansion of utilisation of modern technologies and advanced means of production. Indeed, to improve competitiveness of Saudi products in both domestic and foreign markets, the private sector should increase the proportion of workforce with higher scientific and technical skills. For its part, the state is making efforts to provide a national workforce that is well qualified scientifically and technically, enabling it to contribute effectively to raising national competitive capacity and achieve the desired move towards a knowledge-based economy.

### 6.3.5 Business Clusters

Business clusters consist of several industries, companies, and institutions with strong interlinks and interrelationships, as well as spatial proximity (Box 6.2). Intensive interaction in a business cluster among customers, producers, suppliers and institutions contributes to enhancing competitiveness through:

1. Increasing productivity and raising efficiency through identification of best practices in the companies affiliated to the business cluster.

2. Stimulating innovation through identifying new opportunities and accelerating the process of generating ideas and knowledge.
3. Facilitating conversion of new goods and services to successful commercial products.
4. Providing opportunities for establishing new businesses.
5. Facilitating and coordinating external marketing and increasing the volume of exports.

Business clusters in the national economy are few, and linkages among enterprises of all sizes are weak. This is a constraint on developing competitive advantages for national products. By establishing industrial and technological zones and economic cities, the State has set up the supporting infrastructure for business clusters. However, further efforts are needed to promote economic integration among economic enterprises, build value chains in various economic sectors, and encourage company mergers and reduce market fragmentation in the Kingdom itself, as well as for GCC countries as a whole. Speedy implementation of the National Industrial Strategy should be one of the most important factors in providing a favourable environment for establishing such clusters.

**Box 6.2: Examples of Clusters**

Examples of successful business clusters abound internationally, such as:

1. Clusters of automatated machinery, cars and fax machines in Japan.
2. Clusters of ceramics, shoes, and equipment in Italy.
3. Clusters of aeroplane manufacture and construction equipment in the United States.
4. Clusters of diamonds in South Africa.

**6.3.6 Family Businesses**

The Saudi private sector consists mainly of family-owned companies in various legal forms. Success of some family businesses notwithstanding, they often pose many challenges; the most important of which is lack of a clear dividing line between ownership and management, which may lead to poor use of appropriate skills and

technical, administrative, and financial competencies, as well as to the use of obsolete management methods; in addition to limited application of effective control systems and corporate governance, poor use of modern technologies, and failure to apply total quality management.

These challenges hinder development of the competitive capacities of the private sector. Hence, there is a need to continue encouraging transformation of family-owned companies to joint stock companies, in order to facilitate raising capital, expanding scope of activities, and adopting advanced management methods and modern production techniques, while also encouraging merger of enterprises to take advantage of the benefits of economies of scale and all that which would upgrade the competitiveness of enterprises.

## **6.4 DEVELOPMENT STRATEGY**

### **6.4.1 Future Vision**

Continuing to upgrade the economy of the Kingdom to a high rank, in terms of global competitiveness, including: the competitive position of companies and their goods in the global market, the ability of national products and services to compete with imported products, and the ability of the investment environment to attract both national and foreign capital.

### **6.4.2 Objectives**

The general objectives of development of competitive capacities under the Ninth Development Plan are as follows:

- Moving the national economy to competitiveness based on innovation.
- Improving competitiveness of national products in domestic and external markets.
- Supporting competitiveness of non-oil exports and increasing their technology content.

- Raising the level of education and training, and expanding science and technology education.
- Continuing to develop the investment environment and the export environment.
- Intensifying technology transfer, indigenisation and generation, in order to enhance competitiveness and keep pace with globalization of production.
- Expanding establishment of business clusters with strong multiple forward and backward interlinks among their units, and promoting mergers of national companies and closer cooperation with foreign advanced-technology companies.
- Increasing investment in industrial and information infrastructure.
- Improving quality of goods and services

**Page**

**118**

### **6.4.3 Policies**

The policies of the Ninth Development Plan aimed at increasing competitiveness of the national economy are comprehensive and interlaced with the policies for various economic sectors. Most important among these policies are the following:

- Increasing investment expenditure on infrastructure and informatics.
- Maintaining price stability and reducing inflationary pressures.
- Continuing to develop services of banking and financial institutions.
- Accelerating the move to universal application of electronic transactions.
- Expanding establishment of investor services centres.
- Increasing specialization of judges in trade, and increasing numbers of specialized courts and departments.
- Developing and implementing streamlined legal procedures for starting businesses and investment in all regions of the Kingdom.



- Implementing comprehensively the National Strategy for the Protection of Integrity and Combating Corruption, and establishing the requisite agency.
- Providing comprehensive and timely information on government economic measures and actions with a direct impact on the private sector, through various media and e-government portals.
- Accelerating the application of the corporate governance system.
- Continuing the efforts aimed at improving productivity in the national economy, particularly in sectors of comparative advantage.
- Expanding application of internationally recognized quality standards in all sectors of economic activity, especially those linked to exports.
- Implementing programmes for disseminating the culture of quality, professionalism, and excellence among members of the community.
- Entrenching good management practices in government agencies.
- Establishing excellence awards given annually to the best performing companies or public bodies that improve performance and increase productivity.
- Energizing the National Export Development Centre, particularly in familiarising businesspersons with export opportunities and organizing trade fairs abroad to market national products.
- Awarding excellence awards to private-sector companies that adopt modern systems of management, planning, follow-up, and marketing, and those allocating high proportions of their resources to research, development and innovation.
- Implementing awareness-raising programmes in print, broadcast and visual media on competitiveness and its importance to private-sector companies.

- Introducing and promoting private-sector business clusters in all areas, with the possibility of allowing participation by public sector companies and foreign direct investment (tripartite participation).
- Implementation by Chambers of Commerce and Industry of educational programmes to demonstrate benefits of integration or merger of private-sector projects.
- Reducing administrative burdens associated with obtaining visas for highly skilled workers.
- Facilitating procedures for transformation of all forms of family businesses in joint-stock companies.
- Disseminating the culture and systems of e-commerce and promoting it among businesses and consumers.
- Furthering development of qualified nationals capable of innovation and assimilation of modern technologies.
- Continuing to pursue Saudization, while reducing expatriate manpower with low educational attainment.
- Applying the professional competence system that sets minimum educational and professional skill levels for technical and service jobs, to upgrade the educational and skill levels of expatriate and national manpower.
- Developing systems for distance work to increase employment opportunities for women.
- Implementing university and professional programmes for increasing the number of nationals working in modern-technology fields.
- Implementing programmes to impress upon young people the importance of enrolment in scientific and engineering disciplines, providing financial incentives for those who enrol in disciplines required by the labor market, and granting incentive awards to high achievers.

#### 6.4.4 Targets

- Increasing the volume of investment in basic infrastructure at a rate of about 9.5% per annum.
- Increasing investment in human development at a rate of about 8.4% per annum.
- Increasing the numbers enrolled in science and engineering colleges at a rate of about 22.4% over the years of the Plan.
- Increasing the number of students enrolled in technological and industrial institutes at a rate of about 11% over the years of the Plan.
- Increasing allocation for expenditure on scientific research, development and innovation at an average annual rate of about 0.08% to reach 1% of GDP by the end of the Plan.
- Increasing non-oil exports at an average annual rate of approximately 9.7%.
- Increasing participation of Saudi women in the labour force to about 13.9% by the end of the Plan.
- Reducing the rate of recruitment of illiterate foreign labour at an average annual rate of about 1.5%.



# INSTITUTIONAL AND ADMINISTRATIVE DEVELOPMENT

## 7.1 INTRODUCTION

Development of state administrative apparatus and various institutions is a key determinant of improvement of competitiveness of the national economy. Over the past decades, the Kingdom has witnessed comprehensive economic and social development, accompanied by expansion of activities of the government sector, and an ongoing process of institutional and administrative development. Transition has been effected from building new organizational structures of government, and revising existing structures and determining their tasks, to a more advanced stage, characterized by focusing on employment of technical advances and modern scientific knowledge in the development process, in response to the challenges of internal development and the requirements of globalization.

The Ninth Development Plan aims at continuing the efforts towards qualitative institutional and administrative development, employing modern technologies, thereby laying the foundations of a competent government apparatus capable of continuous development, and preparing the ground for transition to adopting performance excellence as the basis for evaluating efficiency of government agencies and the quality of their services. Moreover, efforts will continue to review structures of administrative bodies, facilitate government procedures and enhance their efficiency, and augment complementarity in public administration.

This chapter reviews the current conditions of institutional and administrative development, as well as the relevant changes during the Eighth Development Plan. Key issues and challenges, future vision, and objectives and target policies under the Ninth Development Plan are also presented.

## 7.2 CURRENT CONDITIONS

### 7.2.1 Overall Performance

Improvement of the overall performance of the government sector and the quality of its services was one of the main concerns of the Eighth Development Plan. In addition to several studies conducted to review the administrative structures of government agencies and institutions, enhancement of their performance efficiency through the use of modern technologies, by adopting e-government and related applications, received a great deal of attention. This was coupled with laying the foundations of a system to measure performance of government administration, and with adopting resolutions aimed at enhancing transparency and combating corruption.

The Ministerial Committee for Administrative Organization continued to work on reviewing the administrative structures of government agencies and institutions, with the aim of improving performance. Several sectoral studies and studies of individual government agencies were conducted, in addition to others on general themes of an organizational nature. The recommendations of most of these studies were adopted and work began on their implementation.

Under the Eighth Development Plan, a number of organisational and administrative measures were taken and new agencies were established to develop public services and enhance their quality, including, for example; the General Housing Authority; the National Population Committee; the Environment Council; the Saudi Railways Corporation; the Saudi Export Development Authority; and the Centre for Performance Measurement of Government Agencies at the Institute of Public Administration. In addition, village clusters were abolished and transformed into municipalities, and an Agency for Surveying and Land at the Ministry of Municipal and Rural Affairs was established, as were the Agency for the Registration of Real Estate at the Ministry of Justice; the Health Endowment Fund; the Consumer Protection Association and the Agency for Consumer Affairs at the Ministry of Commerce and Industry; the National Centre for Alternative and

Complementary Medicine at the Ministry of Health; and a national joint-stock company owned by the State, for providing of medicines, medical equipment and surgical supplies. Moreover, the name of the Technical Education and Vocational Training Corporation was modified to Technical and Vocational Training Corporation, health colleges and institutes were transferred to the Ministry of Higher Education, and teacher training colleges and Girls' colleges were transferred from the Ministry of Education to the Ministry of Higher Education.

To support efforts to raise administrative efficiency in government agencies, Council of Ministers Resolution No. 129 of 2007 required establishing an internal audit unit in each government agency and public institution to undertake evaluation of internal control systems and verification of adherence of government agencies to rules, regulations, instructions and financial procedures.

Under the Eighth Plan, a number of government agencies and institutions were also restructured, such as the Saudi Arabian Agricultural Bank whose name was changed to the Agricultural Development Fund, and some departments of the Ministry of Water and Electricity, which were turned into a joint-stock company under the name of the National Water Company.

In addition, the Ministry of Labour was reorganised, as were the Saudi National Centre for Organ Transplantation; the Ministry of Hajj; the Saudi Commission for Tourism and Antiquities; the Saudi Arabian Standards Organization, whose name was changed to the Saudi Standards, Metrology and Quality Organization. The name of the Saudi Red Crescent Society was changed to the Saudi Red Crescent Authority. The National Committee on the Programme on Man and the Biosphere was reorganised. Functions of the Ministry of Petroleum and Mineral Resources were clarified, as were those of the Presidency of Meteorology and Environment, in relation to the Convention on Climate Change and the Kyoto Protocol.

## 7.2.2 E-Government Transactions

The State has attached special importance to using modern scientific applications to upgrade performance of government institutions, thereby stimulating economic activity by ensuring speed and accuracy of transactions, both among government agencies and between them and citizens and the business sector. Under the Eighth Plan, a number of important measures were taken, which together formed a comprehensive legal system for the application of e-government transactions. Council of Ministers Resolution No. 40 of 2006 endorsed e-Government transactions controls, and Royal Decree No. M/18 of 2007 approved the electronic transactions system, with its embedded set of controls of electronic dealings and signatures and the legal framework it provides.

Moreover, the e-Government Programme, YESSER, was set up, with two tracks. The first was dedicated to providing the basic requirements for the programme, and the second to the implementation of a number of projects (Box 7.1). This programme allows measurement of the extent of the shift to electronic transactions by using specific indicators, and the results of this measurement are submitted to the Royal Court in a semi-annual report.

### **Box 7.1: Projects in the Field of Electronic Transactions**

- **Survey of Government Services Project:**  
Aims to identify the most important services offered by the State to individuals and businesses, and their essential characteristics, and thereafter develop appropriate electronic applications for them.
- **National Portal of Government Services Project:**  
Aims to create a unified internet website to facilitate dealing of citizens, residents and the private sector with government sectors, and enhance transparency.
- **Electronic Forms Project:**  
Aims to promote use of electronic forms among government agencies, whether in the form of printed, encrypted, machine-readable forms or electronic files sent securely and read automatically.
- **Government Agencies Directory Project:**  
Aims to develop an electronic directory of contact information with government agencies and affiliated information centres to be published electronically on the internet.



The above-mentioned resolutions and measures served to contribute to tangible progress in government departments implementing the electronic transactions programme, especially for business facilitation, through use of the internet to execute and follow-up transactions and to fill in forms on the websites of government and public institutions.

### **7.2.3 Protection of Integrity and Combating of Corruption**

This issue, which is a key determinant of government efficiency, is of widespread global concern. In response to this concern, Council of Ministers Resolution No. 43 of 2007 approved the National Strategy to Protect Integrity and Combat Corruption. The resolution pointed to the importance of founding a national body to combat corruption, which monitors, reviews and evaluates the results of the strategy, in addition to developing work programmes and implementation mechanisms.

The strategy comprised general objectives and means for achieving them, in order to ensure protection of integrity and combating of corruption in all its forms and manifestations, which would provide a favourable working environment and entrench the principle of openness and transparency in government institutions and agencies.

### **7.2.4 Performance Measurement in Government Agencies**

The shift towards globalization and economic and trade liberalization has led to increased use of development indicators designed to measure performance of specific sectors, such as the indicators of economic freedom, of business environment, and of competitiveness. Since efficient performance of government agencies of their task is a necessary condition for the efficiency and quality of the overall economy, measurement of the efficiency of these agencies has received a great deal of interest. Indeed, measurement of government performance is an integral part of the broader and deeper process of developing institutional performance, for it relates primarily to inputs and outputs of government agencies, and covers a set of clear, reviewable and measurable indicators. The results of measurement

reflect the extent of the efficiency of use of available resources to achieve goals, including improvement of the quality of service, the appropriateness of services provided to beneficiaries, and the extent of the contribution of these services to improvement of the quality of life.

Cognisant of the importance of measuring government performance for assessing conditions and identifying shortcomings and development paths, the Council of Ministers issued Resolution No. 187 of 2008 to establish at the Institute of Public Administration a centre for measurement of performance of government institutions. In the first stage, this centre will be directly under the director of the Institute. Upon evaluation, it will become, in the second phase, independent from the Institute and will report directly to the Prime Minister directly. The Centre will measure performance of government agencies, deriving annual performance indicators for them. The main tasks entrusted to the Centre include:

**Page**  
**128**

- Measurement of current rates of production of government agencies.
- Measurement of rates of change of production of government agencies by comparing production between two periods.
- Measurement of the efficiency of production of government agencies by examining how optimally they use their resources.
- Measurement of the effectiveness of government agencies, through measurement of the quality of the services they provide.
- Comparison of performance of branches of the same government agency in terms of production and efficiency.
- Comparison of the standard of performance of a government agency with that of similar agencies in other countries.
- Building a database allowing inputs and outputs of government agencies to flow to the measurement center.
- Preparation of reports on performance of government agencies benefiting from the service.
- Preparation of annual reports on achievements of the Centre.

- Making recommendations to government agencies benefiting from the performance measurement, thereby enhancing their strengths and addressing deficiencies in their performance.

## 7.3 ISSUES AND CHALLENGES

### 7.3.1 A Comprehensive Strategy for Institutional and Administrative Development

In response to the pragmatic need for monitoring the development targets of the national economy, as well as to the successive changes in the global environment, the Kingdom has, over the past decades, taken numerous institutional and administrative development steps. The development thinking of the Kingdom has moved from medium-term to long-term strategic planning. Hence, the system of comprehensive sustainable development has come to be based on a long-term perspective and development strategies that go well beyond the time horizon of the five-year development plans. As a result, these plans have come to constitute together an integrated series, aimed at achieving the hopes and aspirations of society.

In keeping with modern intellectual and practical trends in the Kingdom, it has thus become necessary to adopt for all aspects of institutional and administrative development a well-defined strategy, to be implemented within a specified period, thereby reflecting the long-term vision of the Kingdom. The strategy would at the same time adopt the best global methodologies to arrive at a clear definition of the process of institutional and administrative reform, delineating objectives, implementation and monitoring and evaluation mechanisms, and the role of various institutions and authorities. In addition, such a strategy requires consolidation of the decisions of the Ministerial Committee for Administrative Organization, by providing an effective tool for monitoring its decisions and the commitment of government agencies to their implementation.

### **7.3.2 Appropriateness of Organizational Structures**

Raising performance of government agencies is closely linked to the extent of appropriateness of their organizational structures to the tasks entrusted to them, as well as the availability of organizational manuals defining these tasks. Despite the efforts made to develop the organizational structures of government agencies, many still need further development to keep pace with developments in the tasks entrusted to them and to implement them at a higher level of efficiency. Furthermore, many agencies need to have organizational manuals that define procedures, responsibilities, and competencies. Absence of such manuals could result in lack of clarity of objectives and major tasks, which, in turn, may impede administrative work and subsequently impact development negatively.

### **7.3.3 Implementation of Public Projects**

**Page**  
**130**

The economic efficiency of investment depends on the size of financial resources invested and their distribution by economic sector, as well as on the efficiency of the implementation cycle of investment projects. In this regard, raising economic efficiency of government projects requires revision of adopted procedures and mechanisms in their three main stages: pre-contract, implementation, and post-implementation pilot operation. Ensuring effectiveness of the project implementation cycle requires:

- Ensuring the quality of feasibility studies and their inclusion of all generally accepted components.
- Adopting prior technical and financial qualification of contractors, limiting it to categories compatible with the requirements and nature of the project.
- Ensuring quality and clarity of technical standards, and introducing the performance standards expected of the project when operational as the final handover requirement.
- Taking due care in overseeing implementation of projects to correct errors before they escalate.

- Evaluating the project implementation process after it is completed and documenting experiences to benefit future projects.

### 7.3.4 Human Resources Development

Development of national human resources was accorded the greatest importance by successive development plans, which have striven to effect continuous development of skills and capabilities of human resources, through qualitative and quantitative expansion of education programmes, technical education and vocational training. However, government work requires moving on a large scale to electronic transactions, as well as laying the foundations of performance excellence. Hence, implementation of the programme for capacity building and development of electronic transactions skills in the government sector needs to be expedited, in addition to expanding its scope to cover all government agencies, thereby contributing to reduction of workflow, facilitation of processes and raising efficiency of staff of government agencies.

### 7.3.5 Performance Indicators

Measurement of government performance is one of the major components of the system of performance development and quality-of-service improvement in government agencies. Such measurement is conducted through a package of integrated indicators, covering all activities of government institutions and reflecting achievements made and extent of deviation from target levels. Ensuring continued success of institutional and administrative development, therefore, requires intensification of the efforts of the Centre for Performance Measurement of Government Agencies, along with providing the centre with the competencies required for developing indicators appropriate to the nature of activity of each government entity.

Notably, the system of electronic preparation and follow-up of the operational plans of government sectors, which will be applied by the Ministry of Economy and Planning under the Ninth Development Plan,

would be an important, effective building block in performance evaluation of these sectors.

## **7.4 DEVELOPMENT STRATEGY**

### **7.4.1 Future Vision**

Advanced institutional and administrative structure that ensures effectiveness, efficiency and equity in management of government business and activities, including planning, implementation and evaluation of development projects in general, and administrative development and reform in particular, ultimately leading to satisfaction of the needs of beneficiaries of government services and products, speedily and efficiently; in the context of state policies, and future directions.

### **7.4.2 Objectives**

**Page**  
**132**

- Upgrading and rationalizing administrative apparatus of the State, as well as controlling its cost within the limits of actual need, thereby achieving efficiency and effectiveness and keeping pace with developments and changes in various fields of development.
- Developing and invigorating various administrative agencies of the state and improving the quality of services provided to citizens.
- Continuing adopting the project for restructuring government apparatus and relevant supporting scientific, field studies, through the Ministerial Committee for Administrative Organization.

### **7.4.3 Policies**

- Developing of government agencies, administrative units in detail, in reference to objectives and service activities, removing duplication or conflict among them, and ensuring proportionality between the size of each government institution and the tasks assigned to it.

- Taking appropriate measures to increase organizational effectiveness, enhance efficiency of government agencies and employees, facilitate and improve workflows and work systems, with the aim of improving quality of services provided to citizens by government agencies.
- Working towards increasing compatibility between size of administrative units of government and requirements and conditions of employment on the one hand, and future aim of having fewer, more competent, better performing government agencies on the other.
- Reducing operating costs of the government apparatus, and directing the resulting savings towards increasing effectiveness and efficiency.
- Increasing complementarity with the private sector, promoting its role in overall development, and privatizing whatever is possible of government activities or managing them commercially.
- Accelerating completion of the e-government transactions programme (YESSER).
- Developing internal and external efficiency of government agencies.
- Promoting a culture of performance excellence among government employees and entrenching it in all government agencies.
- Ensuring compatibility of institutional structures of government agencies with the tasks assigned to them.

#### 7.4.4 Targets

- Completing the construction of internet websites for all government agencies.
- Including all relevant regulations, procedures and forms in government agencies websites.

- Establishing rules of excellence in all government departments serving citizens.
- Completing development of benchmark performance measurement models for all government agencies.
- Qualifying workers in various government departments for meeting the requirements of e-government applications, as well as for achieving excellence in performance.

**Page**

**134**



# THE PRIVATE SECTOR

## 8.1 INTRODUCTION

The Eighth Development Plan continued the efforts designed to support the private sector and provide an environment conducive to its growth and leadership of the national economy. The Plan drew the policies and proposed the programmes needed to develop regulations, improve the investment environment, and open new investment opportunities for the private sector to employ its resources, striking a balance between appropriate returns and achievement of the strategic goals of the country; such as balanced development, economic diversification, increasing productivity and enhancing competitiveness. Concomitantly, infrastructure was developed extensively, and specialized government lending institutions were stimulated and their capital increased to enable them to provide soft loans to finance private-sector activity.

Notwithstanding the global financial crisis and its negative repercussions over the last two years of the Eighth Development Plan, the efforts made under the plan have enabled the private sector to achieve good results at various levels. However, the crisis necessitated continued efforts to open up new investment opportunities and provide more facilities to encourage national and foreign private investment in the Saudi market.

This chapter addresses the current conditions of the private sector, the key issues and challenges facing it and the objectives it is expected to achieve under the Ninth Development Plan. The policies adopted by the Plan to continue enhancement and development of an environment conducive to achievement of the development goals of the sector are also presented.

## 8.2 CURRENT CONDITIONS

### 8.2.1 Overall Performance

The Eighth Development Plan created an investment environment favourable to increasing the developmental role of the private sector and enhancing its contribution to various activities. In consequence, indicators of the performance of the sector improved, in terms of its relative contribution to GDP, as well as the size of its investments. Hence, its ability to achieve the growth rates targeted by the Plan was also enhanced.

The relative contribution of the private sector to non-oil GDP increased during the Eighth Development Plan from 71.9% to 74.5% at constant prices of 1999, at an average annual growth rate of about 5.5%, compared with a target of about 5.66%. This was due to the value-added by the sector increasing from around SR376.7 billion to around SR491.2 billion, which led to the contribution of the private sector to GDP increasing from 52.2% in 2004 to 57.4% in 2009 (Table 8.1).

Page  
136

**Table 8.1**  
**Private Sector Performance Indicators\***  
**Eighth Development Plan**

Performance Indicator	Value (SR billion)		Average Annual Growth Rate (%)	Share in the Total (%)	
	2004	2009		2004	2009
Value added by private sector <sup>(*)</sup>	376.7	491.2	5.5	52.2	57.4
Fixed Investment in private sector <sup>(*)</sup>	117.7	190.9	10.2	77.3	73.6
Capital Stock of private sector <sup>(*)</sup>	1087.2	1472.2	6.3	55.4	58.9
Non-Oil Exports <sup>(**)</sup>	90.6	161.8	12.3	34.2	51.3
Total Employees (million)	6.1	6.9	2.5	84.8	84.3
Total Saudis Workers (million)	2.4	2.8	3.6	32.8	34.3

(\*) Values at constant 1999 prices. Values, growth rates and percentages are rounded to nearest decimal.

(\*\*) Includes all exports, except for crude oil and gas.

Source: Ministry of Economy and Planning.

Under the Eighth Development Plan, the private sector achieved real growth in investments at an average annual rate of about 10.2%, which is nearly equal to the target rate of 10.4%. The proximity of the two rates suggests that the impact of global financial crisis on private sector investments was limited. Indeed, these investments were in varied activities and to a large extent directed towards projects designed to meet the growing domestic demand for goods and services. Thus, private-sector investments rose from about SR117.7 billion in 2004 to about SR190.9 billion in 2009, and their share in total investments reached 73.6% by the end of the Plan (Table 8 .1).

Increased private investment contributed to an increase in the productive capacity of the national economy. The capital stock of the private sector rose under the Eighth Development Plan from SR1087.2 billion in 2004 to about SR1472.2 billion in 2009; representing approximately 58.9% of the total capital stock accumulated in the Kingdom, compared with about 55.4% in 2004. This accumulated stock of capital assets played a major role in increasing the value added of the private sector under the Plan.

As for export performance of the private sector, a significant increase in non-oil exports was achieved, from about SR90.6 billion in 2004 to about SR161.8 billion in 2009, which amounts to an average annual growth rate of about 12.3%. This positive development was achieved despite a drop in World Trade Indicators, as a result of the financial crisis and its repercussions on the economies that import Saudi private-sector products.

Expansion of private sector under the Plan was accompanied by an increase in provision of employment opportunities. The average annual growth rate of employment opportunities was about 2.5%, leading to workers in the private sector increasing from about 6.1 million in 2004 to about 6.9 million in 2009, which amount to approximately 84.3% of total employment (Table 8.1). Likewise, the number of citizens working in the private sector rose from about 2.4 million in 2004 to about 2.8 million in 2009, at an average annual growth rate of 3.6%. The country is making intensive efforts to raise this rate through

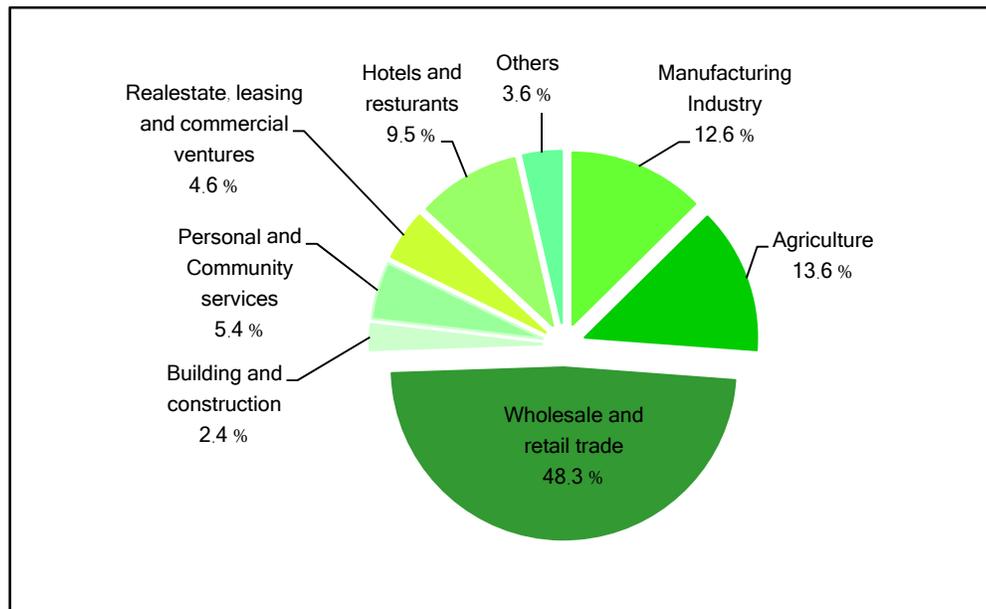
training and qualification of the national manpower to meet the needs of the labour market.

### 8.2.2 Private Sector Enterprises

In 2008, private-sector enterprises numbered 823.5 thousand, 94.2% of which were small enterprises. Wholesale and retail trade firms accounted for 48.3% of the total, followed by agricultural enterprises at 13.6%; manufacturing industries at 12.6%; hotels and restaurants at 9.5%; personal and community services at about 5.4%; real estate, leasing and commercial ventures at about 4.6%; and building and construction at about 2.4% (Figure 8.1). The number of enterprises of various sizes grew by the end of 2008 by around 31.9%, compared with the numbers recorded in the previous year.

**Figure 8.1**  
**Distribution of Private Sector Enterprises**  
**by Type of Economic Activity, 2008**

Page  
138



Source: Central Department of Statistics and Information.

Notably, medium-size enterprises account for relatively high percentages in certain activities, such as: financial intermediation, education, health and social services, mining and quarrying, and building and construction (Table 8.2). In contrast, in 2008, large-size enterprises accounted for a modest percentage of the total. Hence,

SMEs need to be encouraged to merge into larger entities to take advantage of internal and external economies of scale.

**Table 8.2**  
**Distribution of Private Sector Enterprises**  
**by Size and Type of Economic Activity**  
**2008 (\*)**

Economic Activity	Small Enterprises		Medium Enterprises		Large Enterprises		Total
	Number	%	Number	%	Number	%	
Agriculture, Forestry and Fishing	109,709	98.1	1,864	1.7	230	0.2	111,80
Mining and Quarrying	227	38.5	290	49.2	73	12.3	590
Manufacturing	94,264	90.8	7,739	7.5	1,793	1.7	103,796
Electricity, Gas and Water	2,465	88.1	248	8.9	85	3.0	2,798
Building and Construction	13,384	67.4	4,674	23.5	1,808	9.1	19,866
Wholesale and Retail	385,368	96.9	10,995	2.8	1,411	0.3	397,774
Hotels and Restaurants	73,029	92.9	5,144	6.5	381	0.6	78,554
Transport, Storage and Communications	14,352	85.0	1,993	11.8	535	3.2	16,880
Financial Intermediation	385	33.9	648	57.1	102	9.0	1,135
Real estate, Leasing and Commercial Ventures	35,662	93.3	2,147	5.6	431	1.1	38,240
Education	1,715	44.4	1,823	47.2	321	8.4	3,859
Health and Social Services	1,991	49.5	1,685	41.9	343	8.6	4,019
Personal and Community Services	43,361	98.2	642	1.5	146	0.3	44,149
<b>Total</b>	<b>775,912</b>	<b>94.2</b>	<b>39,892</b>	<b>4.8</b>	<b>7,659</b>	<b>1.0</b>	<b>823,463</b>

(\*) Small enterprises employ 9 workers or less, medium enterprises 10–49, large enterprises 50 or more. Percentages are to nearest decimal.

Source: Central Department of Statistics and Information.

Under the Eighth Development Plan, small enterprises provided about 43.3% of all job opportunities, while medium and large enterprises employed 19.2% and 37.5%, respectively. As for distribution of employment by type of economic activity, the service sector continued to have the largest proportion, up from 69% in 2004 to about 71.7% in 2009. With about 28.3% in 2009, compared with 31% in 2004, productive sectors came second.

Table 8.3 shows the continued concentration of private-sector capital stock in the production sectors, at the expense of other economic activities. This is an indicator that the private sector is responding to the government policies designed to encourage it to increase

investments in productive sectors, with the aim of achieving economic diversification, as well as attempting to reduce recruitment of foreign labour by enhancing the drive towards capital-intensive production activities; especially the oil refining, petrochemicals, electricity, gas and water sectors. The capital stock of the private sector in the production sectors increased from about 53.1% in 2004 to about 59.4% in 2009; an increase that is attributable to the manufacturing sector, which attracted some 35.5% of the total capital stock of the private sector in 2009 versus 26.4% 2004.

**Table 8.3**  
**Percentage Distribution of Private Sector Variables**  
**by Economic Activity**  
**Eighth Development Plan<sup>(\*)</sup>**

(%)

Sector	Capital Stock		Value Added		Employment	
	2004	2009	2004	2009	2004	2009
<b>Productive Sectors</b>	<b>53.1</b>	<b>59.4</b>	<b>46.4</b>	<b>44.8</b>	<b>31.0</b>	<b>28.3</b>
Agriculture, Forestry and Fishing	5.0	3.8	9.7	8.0	5.6	4.2
Non-Oil Mining	0.4	0.3	0.7	0.6	0.3	0.3
Manufacturing	26.4	35.5	20.7	21.3	9.3	8.6
• Oil Refining	7.8	15.8	5.5	4.7	0.3	0.3
• Petrochemicals	11.0	12.6	2.3	2.8	0.3	0.3
• Other Manufacturing	7.6	7.1	12.9	13.8	8.7	8.0
Electricity, Gas and Water	18.8	17.8	2.9	2.9	1.0	1.2
Building & Construction	2.5	2.0	12.4	12.0	14.8	14.0
<b>Private Services Sectors</b>	<b>46.9</b>	<b>40.6</b>	<b>53.6</b>	<b>55.2</b>	<b>69.0</b>	<b>71.7</b>
Trade, Restaurants and Hotels	6.6	5.6	14.5	14.7	18.8	22.7
Transport and Communications	6.6	6.1	9.7	11.5	4.6	5.5
Finance, Insurance, Business and Real Estate Services	30.9	26.5	22.6	22.4	4.9	6.0
Real estate Services	25.3	21.6	12.2	11.3	3.9	4.6
Finance, Insurance and Business Services	5.7	4.9	10.4	11.1	1.0	1.4
Personal and Community Services	2.8	2.4	6.8	6.6	40.7	37.5
<b>Total Private Sector</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(\*) Percentages are rounded to nearest decimal.

Source: Ministry of Economy and Planning.

### 8.2.3 Bank Credit

Bank credit to the private sector increased during the first four years of the Eighth Development Plan at an estimated average rate of about 23.8%; an increase that is attributable to increased financing by commercial banks of private sector activities in general, and its imports and exports in particular. Private sector imports financed by the commercial banks increased in 2008 to about 121.3% of its value in 2004, while private-sector exports financed by commercial banks increased during the same period to about 184.3% (Table 8.4).

**Table 8.4**  
**Evolution of Bank Credit to Private Sector**  
**Under Eighth Development Plan <sup>(\*)</sup>**

(SR billion) <sup>(\*\*)</sup>

Year	Bank Credit to Private Sector	Private Sector Imports Financed By Banks	Private Sector Exports Financed by Banks
2004	303.0	96.0	14.7
2005	420.8	116.2	16.9
2006	462.1	132.3	24.3
2007	557.4	168.5	30.8
2008	712.7	212.4	41.8

(\*) Up to the end of the fourth year of the Eighth Development Plan.

(\*\*) Values are rounded to nearest decimal.

Source: Saudi Arabian Monetary Agency.

### 8.2.4 Business Environment

According to the Doing Business report issued by the IFC of the World Bank, the Kingdom has made remarkable progress in improving the business environment under the Eighth Development Plan. It jumped from rank 67 among 145 states in 2004, to 38 among 155 in 2005, and maintained the same position in 2006 despite even though the number of competing states increased to 175. In 2007, 2008, and 2009, the Kingdom continued to improve its rank to 23 among 178, 16 among 181, and 13 among 183, respectively.

As a result of this outstanding performance, the Kingdom ascended to the list of the 25 countries providing the best environment for doing business. In addition, the 2009 Doing Business report put the Kingdom among the top seven countries in terms of reforms designed to stimulate investment. Moreover, the Kingdom came in this report top among Arab states, for its numerous organizational and procedural reforms to encourage investment by both the national and the foreign private sector.

**Page**  
**142**

The Kingdom adopts a comprehensive concept of business-environment development, based on integrating institutional and regulatory development of government agencies, especially those relating to private sector activities, with other efforts to create an investment climate. Hence, the pace of implementation of electronic transactions has been accelerated, and the e-government initiative (YESSER) was launched, along with implementation of an ambitious programme dubbed 10 × 10 for raising competitiveness of the Kingdom internationally, for it to become one of the top ten countries in 2010. These measures were reinforced through issuance of several regulations and rules, such as the Real- Estate Investment Funds Regulations, the Corporate Governance Regulations, the Investment Funds Regulations, and the Mergers and Acquisitions Regulations.

### **8.2.5 Chambers of Commerce and Industry**

Private sector development was paralleled by development of the activities of institutions concerned, notably the 25 Chambers of Commerce and Industry, spread across the Kingdom. These play an important role at various levels, such as organizing private-sector activities and promoting common economic interests of private-sector institutions. Partnership between the government and the private sector was bolstered by the activities of 29 national committees operating under the Council of Saudi Chambers. The committees studied several important issues of interest to the private sector, in addition to studying regulations, decisions and measures taken by government agencies to ensure their implementation or propose amendments aimed at protecting the interests of the private sector.



Moreover, Chambers of Commerce and Industry support competitiveness of the private sector, develop relationships between employers and employees, settle disputes and eliminate conflicts of interests among institutions of the sector, as well as participating in the activities of similar institutions within the Gulf Cooperation Council, in the Arab and Islamic world, and internationally.

Furthermore, in an effort to enhance trade and investment relations with sisterly and friendly countries, the Council of Saudi Chambers organized visits of Saudi delegations to most countries. In addition, 32 business councils were established by the end of the Eighth Development Plan. The councils and the visits of the delegations played an important role in promoting trade and flow of goods with all countries, as well as improving the investment climate by identifying obstacles and presenting them to the relevant public institutions.

Chambers of Commerce and Industry have constructed at their headquarters well-equipped buildings with meeting halls for businessmen to meet visiting foreign delegations. They also organized symposia addressing issues of interest to all businessmen, including traders, industrialists and professionals; built well-equipped exhibition centres; and established training centres to help young people enter the labour market.

Some of the work of the Chambers was specifically targeted towards helping achieve the goals and aspirations of the Kingdom in relation to increasing participation of women in economic activity. Centres for businesswomen were established, and the obstacles to economic empowerment of women were addressed.

### **8.2.6 The Private Sector and the Privatization Strategy**

Council of Ministers Resolution 219 of 11/11/2002 listed the facilities and activities to be privatized. There followed several important developments, the most important of which was a Council of Ministers Resolution in 2004 that offered for public subscription all state-owned shares in the National Company for Cooperative Insurance, which amounted to 50% of total shares.

Privatization efforts continued under the Eighth Development Plan. In 2006, studies of privatization of the Saline Water Conversion Corporation were completed and implementation of the transitional phase started: a plan for implementing the requisite organizational structure and administrative, financial and legal procedures was drawn, and a timetable for implementation set. The private sector was also allowed to contribute to electricity generation and transmission services, under the umbrella of the Saudi Electricity Company, which has attracted investments in important power generation projects, such as Rabigh on the Red Sea coast, and the eleventh generation plant in Riyadh.

**Page**  
**144**

In 2007, privatization contracts for a number of facilities in ports were completed, such as the general cargo and the bulk grain terminals at King Fahd Industrial Port, the container terminal and cargo berths at Jubail Commercial Port. In addition, the northern and southern support terminals at Jeddah port and the cargo terminal at Yanbu Commercial Port were leased. Likewise, the Saudi Industrial Property Authority began implementing the privatization of industrial cities, by allowing the private sector to implement projects to develop and expand these cities, as well as by privatizing the support services in them.

Currently, privatization plans for Saudi Arabian Airlines are being finalized, and the private sector is undertaking operating the free markets in the international airports. Telecommunications have been given over to a Saudi joint-stock company and the sector opened up for competition, while conversion of the railways to Saudi joint-stock company is underway.

## **8.3 ISSUES AND CHALLENGES**

### **8.3.1 The global financial crisis**

Since mid 2008, the world economy has been experiencing a severe financial crisis that turned into a deep economic crisis, which has had a negative impact on various countries to varying degrees, depending on the strength of their linkages to the main crisis economies. The economy of Kingdom was one of the least affected. Nonetheless, there

have been some consequences, the most notable of which are:

- Private sector export activity was affected by the global recession caused by the decline of demand in international markets leading to a decline in the volume of world trade. This constitutes a challenge to plans aimed at developing non-oil exports, especially of chemical products.
- Rates of growth of foreign direct investment inflows will probably be lower.

Prevailing uncertainty and low level of confidence throughout the world due to the global financial crisis notwithstanding, forecasts indicate that the national economy and the private sector would for several reason weather the crisis and its repercussions. Among the most important of such reasons is that the Kingdom has allocated of SR1500 billion (400 billion dollars) to investment expenditure, as was announced at the G20 summit in 2009 and has adopted an expansionary fiscal policy.

These steps reflect confidence in the ability of the national economy to overcome the consequences of the global financial crisis. Among other policies and measures, they are expected to provide more investment opportunities for the private sector; supported by the Saudi Arabian Monetary Agency continuing to adopt appropriate monetary policy instruments to enhance bank credit, support the resources of specialized credit institutions, and adopt an integrated set of corrective actions designed to advance the capital market.

### **8.3.2 The World Trade Organization (WTO)**

The Ninth Development Plan is expected to witness intensive international cooperation efforts by the Kingdom to enable the global economy to recover from the financial crisis and economic recession, as well as to enhance the ability of the private sector to benefit from accession to the WTO. The opportunities offered by membership of the WTO notwithstanding, there are challenges that require combined government and private-sector efforts, most notably:

1. Competitive capabilities of national firms, since predictions indicate that some enterprises, particularly small and medium (SMEs), may face great competitive challenges and difficulties.
2. The need for further technical support (within the limits allowed by the WTO) to enable industrial activities that are affected by accession to adapt to the emerging challenges resulting from increased competition between their products and imported ones.
3. Intensification of plans for promoting highly competitive national exports, especially to benefit from the status of most favoured nation in the markets of member states of WTO. Companies can benefit from various channels for promoting national exports, such as the Saudi Fund for Development, in addition to programmes provided by the Chambers of Commerce and Industry.
4. The need to enhance support for programmes to develop the regulatory environment for services, since the majority of companies and institutions that provide services need large investments in infrastructure and technology transfer.

**Page**

**146**

### **8.3.3 National Employment**

Employment of nationals is an issue that receives a great deal of special and growing interest from all those responsible for economic and social development. Unemployment in the Kingdom is classified as “structural”, resulting from qualitative and quantitative incompatibility between demand for and supply of national manpower. As such, unemployment among nationals is not due to a lack of jobs, but rather to mismatch between outputs of the education system and labour market needs, as well as to reluctance to work in the private sector, due to relatively low salaries and wages.

Considerable efforts have been made by the state to qualify and train national manpower to meet the requirements of the private sector. A number of resolutions committing the private sector to employ national manpower have been issued, to which the sector responded relatively positively. Nonetheless, the average annual growth rate of national employment in the private sector under the Eighth Plan was limited to

about 3.6%, compared with a target rate of 7.2%. Hence, challenges of employment of nationals in the private sector call for continuous action under the Ninth Development Plan, through an integrated, effective strategy.

### **8.3.4 Microfinance**

In addition to being essential seeds for medium and large enterprises, small ones play a key role in providing employment opportunities, development of less developed regions, and entrenching the culture of work and production. Successive development plans, particularly, the Eighth, sought to promote small enterprises. Yet, they still face at all stages of their evolution (establishment, building and equipping, and operation and expansion) several obstacles that negatively affect their performance and their contribution to private-sector growth.

Access to concessional financing is the major obstacle to development of small enterprises. Other obstacles are poor marketing, inability to procure high-quality production inputs, poor production and operation techniques, a weak regulatory and legal environment, and administrative obstacles.

Thus, small enterprises need suitable funding sources. Islamic finance could help meet the financial needs of small enterprises. Hence, the Ninth Development Plan adopts policies aimed at encouraging Islamic banks and financial institutions to expand Islamic finance formulae, the most important of which are lease-to-own, profit sharing (Murabaha) and partnering (Musharaka).

### **8.3.5 Institutional Framework for Development of SMEs**

The Ninth Development Plan adopts a number of measures in support of SMEs, the most important of which is removal of the administrative, organizational, technical, financial and marketing obstacles they face. Indeed, activation of the developmental role of SMEs requires establishing a specialized institution that addresses the challenges they face, coordinates facilitation of adequate funding, provides technical

and marketing support, and facilitates government procedures. Moreover, there is a need for stepping up creation of business and technology incubators and other basic facilities.

## **8.4 DEVELOPMENT STRATEGY**

### **8.4.1 Future Vision**

An efficient and diverse private sector that enjoys competitive advantages at a global level and attaches great importance to research, development and innovation, thereby contributing to socio-economic development, diversification of the national economy and enhancement of the competitiveness of national products internationally.

### **8.4.2 Objectives**

- Accelerating growth of the private sector and expanding its production and service activities, to enhance its role in diversifying the economic base, employment of national manpower, and increase its relative contribution to GDP.
- Achieving integration between government and private initiatives, reinforcing efforts to improve productivity and competitiveness, providing technical development requirements, and moving towards a knowledge-based economy.
- Developing systems to facilitate procedures related to private-sector activities, expanding opportunities for participation of women, and developing dispute settlement mechanisms.

**Page**  
**148**

### **8.4.3 Policies**

- Continuing to create an attractive investment environment for national and foreign private investment.
- Using appropriate monetary and fiscal policy tools to enable the private sector to overcome repercussions of the global financial crisis.

- Providing the private sector with more promising investment opportunities, with emphasis on strengthening linkages and integration among enterprises operating in industrial complexes, creating an enabling environment for competition and reducing monopolistic practices, and supporting technical development through joint initiatives between government and private sectors; as well as expanding public-private partnerships, focussing on infrastructure projects and developing health, educational and social development services.
- Reducing the size of the informal sector, fighting commercial and industrial fraud, and overcoming the obstacles to development of SMEs; with emphasis on providing skilled human resources and material resources to the agencies entrusted with inspection, and control of industrial and commercial fraud and counterfeit goods as well as on enforcing the provisions of the anticommercial fraud regulations, issued by Royal Decree No. M / 19, 2008 consistency.
- Continuing to adopt corrective measures for advancing of the stock market and other financial services, in order to promote efficient functioning of the private sector.
- Intensifying efforts of the Council of Chambers of Commerce and Industry to improve the capabilities of the private sector, to enable it to deal efficiently and flexibly with changes and developments at local, regional and international levels, through provision of information and data on regional and global markets, as well as studies and research to support its productive, marketing, management and competitiveness capacities; along with holding seminars and conferences to promote consultation and partnership between the public and the private sectors at all levels.
- Continuing to offer incentives to national and foreign private investment, with the aim of raising technical content in non-oil products and exports, thereby improving their competitiveness.
- Enhancing government and private sector initiatives related to development of SMEs and developing appropriate regulatory

frameworks to increase their contribution to non-oil GDP, with an emphasis on the following:

- Urging banks and financial institutions operating in the Kingdom to expand the financing of this sector
  - Removing administrative, organizational, technical and marketing obstacles facing these enterprises.
  - Studying the feasibility of establishing a programme to provide soft loans to support technical development of medium enterprises integrated with larger ones.
- Strengthening measures of ensuring the transparency and credibility of the financial statements published by joint-stock companies and providing specific mechanisms for legal accountability.
  - Toughening the sanctions against monopolistic practices, strengthening the competition law established by Royal Decree No. M / 25, 2004, and coordinating the work of the relevant agencies of the Ministry of Commerce and Industry, the Council of Saudi Chambers, and the Consumer Protection Society, particularly as regards raising the awareness of the private sector of competition and of means of combating monopolistic practices.
  - Raising environmental awareness among businessmen and investors in the private sector, and intensifying the support services and technical advice provided by the Saudi Industrial Development Fund to industrial projects, especially in the use of modern production techniques for waste disposal and recycling.
  - Adopting a comprehensive set of measures to deal effectively with the challenges arising from accession to the WTO, while taking advantage of the opportunities afforded by it.
  - Strengthening the export potential of the private sector, through reinvigorating the Saudi Exports Development Authority; preparing a long-term plan for the development of non-oil exports; and developing policies, programmes, incentives and technical assistance to exporters, in accordance with the specific



tasks entrusted to the Authority.

#### 8.4.4 Targets

- Increasing the value added in the private sector at constant 1999 prices from SR 491.2 billion in 2009 to about SR677.6 billion in 2014, i.e., at an average annual growth rate of about 6.6%.
- Increasing the share of private sector in GDP from about 57.4% in 2009 to about 61.5% in 2014.
- Increasing private investment expenditure at an average annual growth rate of about 11.8% to reach around SR334 billion in 2014.
- Growing non-oil exports at an average annual rate of about 10%.
- Growing total employment in the private sector at an average annual growth rate of about 2.5%.
- Growing Saudi employment in the private sector at an average annual growth rate of about 5.3%.

**Page**

**152**

# INVESTMENT

## 9.1 INTRODUCTION

In addition to its significant role in transforming comparative advantages into competitive advantages and laying down the foundations of the move towards a knowledge-based economy, investment is a cornerstone of sustainable development and economic diversification. Hence, the Eighth Development Plan emphasised improvement of the investment climate to attract more investment. Likewise, the Ninth Development Plan aims to increase public investment spending and provide more incentives to attract domestic and foreign private investment, through enhancing the investment climate and overcoming obstacles and challenges faced by investors. Notable among the envisaged efforts are: intensifying the partnership between the public and the private sectors, providing medium- and long-term concessional financing, establishing effective mechanisms for monitoring and evaluating investment performance, developing investment incentives systems, and increasing the number of skilled nationals in various investment sectors.

This chapter reviews the investment activities under the Eighth Development Plan, highlighting the efforts made by the Saudi Arabian General Investment Authority (SAGIA) to provide an investment climate favourable to both national and foreign investors. Key issues and challenges facing investment are addressed and the objectives, policies and targets set for investment under the Ninth Development Plan are highlighted.

## 9.2 CURRENT CONDITIONS

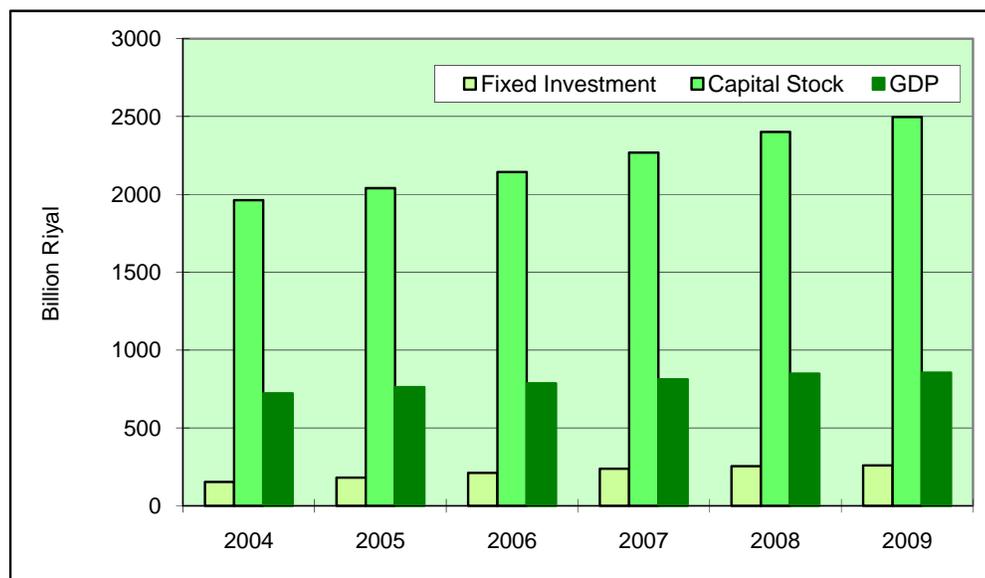
### 9.2.1 Overall Performance

Intensive efforts to enhance and develop the investment climate were made during the Eighth Development Plan, which led to an increase in fixed investment at constant 1999 prices from about SR 680.8 billion

under the Seventh Development Plan to about SR 1144 billion under the Eighth, reflecting an average annual growth rate of about 11.2% during the Eighth Plan.

Growth in fixed investment had a positive impact on the capital stock, which sustains productivity and enhances competitive capacity. It increased from about SR 1,963 billion in 2004 to about SR 2,498 billion in 2009, an average annual growth rate of 4.9%. This has supported real GDP to grow at an average annual rate of 3.5% during the period of the Plan (Figure 9.1) and helped to create more jobs, which grew during the same period at an average annual rate of 3.5%. Moreover, increased fixed investment led to development of infrastructure for public services, which in turn contributed to raising the standard of living and improving the quality of life of citizens.

**Figure 9.1**  
**Fixed Investment, Capital Stock and GDP**  
**Under Eighth Development Plan<sup>(\*)</sup>**



(\*) Values at constant 1999 prices.

Source: Ministry of Economy and Planning.

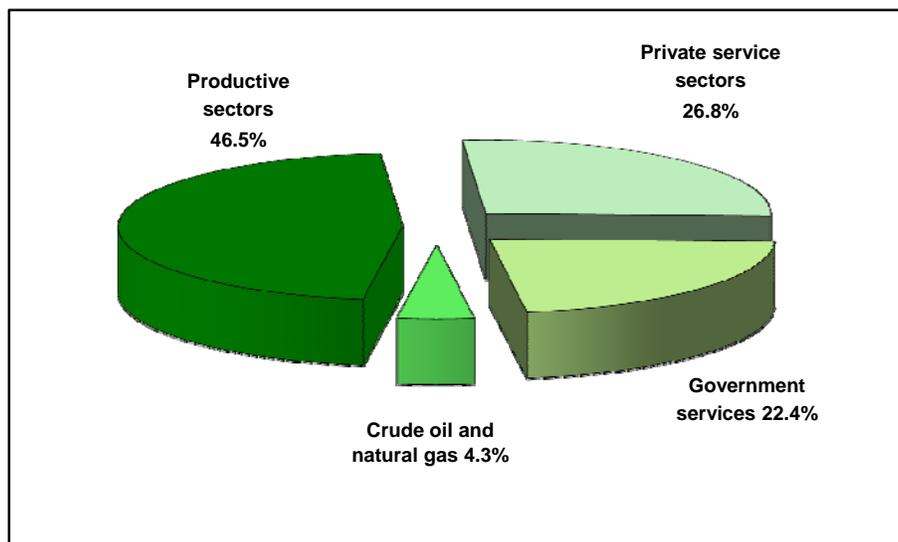
## 9.2.2 Sectoral Structure of Investment

The value of investments in non-oil sectors increased from about SR 662.3 billion in the Seventh Development Plan (2000–2004) to about

SR 1,094 billion in the Eighth Development Plan (2005–2009), an average annual growth rate of about 10.6%. Non-oil investments constituted about 95.7% of total fixed investments made under the Eighth Plan, while the oil and gas sector constituted 4.3%, which reflects continued economic diversification efforts (Figure 9.2).

The increase in investment is attributed to the growth of investments in the production sectors, at an average annual growth rate of 11.8% to reach about SR 534.2 billion, which is 46.5% of total investment. In turn, the increase in investments in the production sectors is attributed to the remarkable growth of investment in oil refining, petrochemicals, and other manufacturing industries, which recorded an average annual growth rate of about 32.6%, 6.4% and 6.3%, respectively. Indeed, investment in these sectors soared from about SR 60.1 billion, SR 67.8 billion, and SR 41.1 billion, respectively, under the Seventh Plan to about SR 193.1 billion, SR 116 billion, and SR 53 billion respectively, under the Eighth Plan, together constituting about 31.3% of total investment.

**Figure 9.2**  
**Sectoral Structure of Major Investment Expenditure Under Eighth Development Plan**



*Source: Ministry of Economy and Planning.*

Investments in the service sectors, including the private housing sector, increased during the Eighth Plan at an average annual growth rate of

about 7.7% to reach a total of SR 306.5 billion, compared with SR 244.3 billion under the Seventh Plan.

The net result of growth in investments in production and service sectors under the Eighth Plan was an increase in investment by the private sector to about SR 840.7 billion, an average annual growth rate of 51.2%, compared with SR 556.1 billion under the Seventh Plan.

The distribution of investment under the Eighth Plan by commodity categories (Table 9.1) shows that at 57.7%, machinery, equipment and transport equipment recorded the highest share of total investments, followed by non-residential buildings at 28.1%, with the remaining 14.2% being the share of residential buildings.

**Table 9.1**  
**Investment by Category of Capital Goods**  
**Eighth Development Plan,**  
**at Constant 1999 Prices**

Page  
156

Category of Capital Goods	Value (SR billion)	Relative Distribution (%) <sup>(*)</sup>
Residential Buildings	163	14.2
Non-residential Buildings	321.1	28.1
Machinery, Equipment and Transport Equipment	659.9	57.7
<b>Total</b>	<b>1144.0</b>	<b>100</b>

(\*) Percentages are rounded to the nearest decimal.

Source: Ministry of Economy and Planning.

### 9.2.3 Balance of Savings and Investment

Savings and investment continued to have a surplus balance under the Eighth Development Plan, increasing from SR 224.1 billion in 2004 to about SR 521 billion in 2008, then declining to about SR 292.5 billion in the last year of the Plan. Thus, they achieved an average annual growth rate of about 5.5%, with their share of GDP rising from 23.9% in 2004 to about 29.6% in 2008, then dropping to 18.6% in 2009 (Table 9.2).

Notably, national savings increased at an average annual rate of about 10.7%, constituting about 40.2% of GDP at current prices in 2009. Investment grew at an average annual rate of about 16.7%, representing 21.6% of GDP at current prices in 2009, compared with 16.6% of GDP in 2004, which reflects the relatively high growth rate of investment compared with the growth rate of savings.

**Table 9.2**  
**Balance of Savings and Investment**  
**Eighth Development Plan<sup>(\*)</sup>**

(SR billion)

Year	Investment		Savings		Balance of Savings / Investment	
	Value	Percentage of GDP	Value	Percentage of GDP	Value	Percentage of GDP
2004	156.3	16.6	380.4	40.5	224.1	23.9
2005	195.6	16.5	554.5	46.9	358.9	30.4
2006	233.1	17.5	614.9	46.0	381.8	28.6
2007	292.3	20.3	640.5	44.5	348.2	24.2
2008	339.8	19.3	860.8	49.0	521.0	29.6
2009 <sup>(**)</sup>	339.4	21.6	631.8	40.2	292.4	18.6

(\*) Values at current prices; percentages and values are rounded to nearest decimal.

(\*\*) Data for 2009 is preliminary.

Source: Ministry of Economy and Planning.

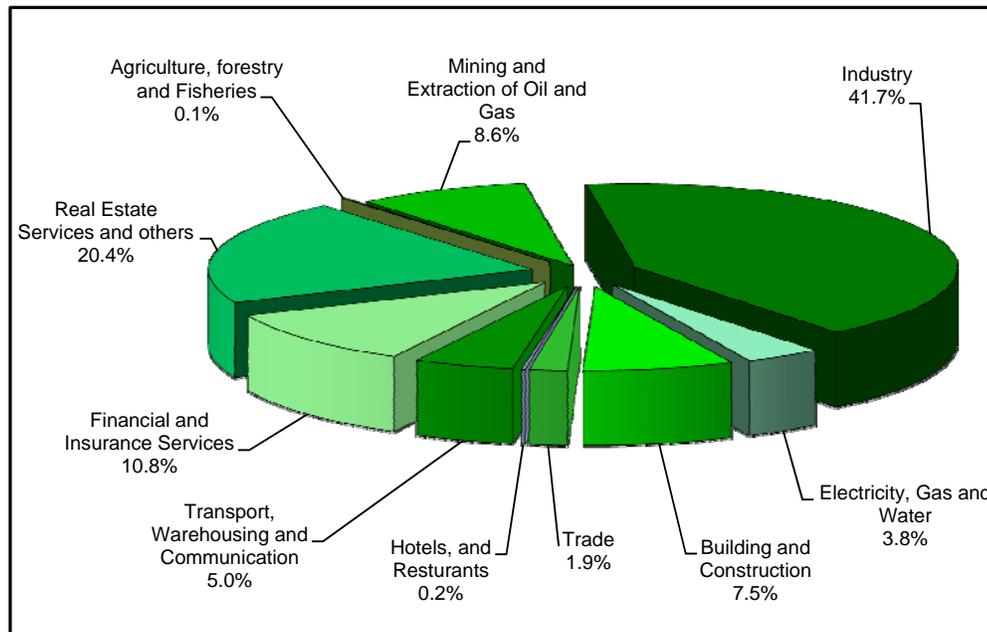
## 9.2.4 Foreign Direct Investment (FDI)

As a result of improvement in the investment climate and the elimination of numerous obstacles to investments, there was a marked increase in the share of FDI attracted by the Kingdom during the Eighth Development Plan. According to the periodic survey of foreign investment, conducted by the Saudi Arabian General Investment Authority in cooperation with UNCTAD for the year 2008, FDI increased from about SR 7.28 billion in 2004 to about SR 143.33 billion in 2008, an estimated average annual rate of increase of 110.6%.

The sectoral distribution of FDI was consistent with the distribution of investment during the Eighth Plan. The industry sector acquired the biggest share of the cumulative balance of FDI; estimated at SR 428.5

billion, constituting about 41.7% of the total cumulative balance of these investments by the end of 2008. Figure 9.3 shows the relative sectoral shares of FDI at the end of 2008.

**Figure 9.3**  
**Distribution of FDI Balance by Economic Sector**  
**(2008)**



*Source: Saudi Arabian General Investment Authority.*

### **9.3 IMPROVEMENT OF INVESTMENT CLIMATE**

Various agencies joined efforts under the Eighth Plan to improve the investment climate. Most notable among such efforts were those made by the Saudi Arabian General Investment Authority, which developed in 2005 a comprehensive strategy that included the following major initiatives:

- Providing comprehensive services and facilities, as well as information, to all investors (Saudi and non-Saudi).
- Marketing and promoting the investment opportunities based on the comparative advantages of the Kingdom.
- Contributing to the regionally balanced development of the Kingdom.



- Attracting new investors by offering investment opportunities to targeted international investors, as well as by forming a new generation of national investors.
- Focussing on attracting investments to promising economic sectors.
- Improving the investment climate by facilitating procedures and overcoming obstacles.
- Making efforts to raise the ranking of the Kingdom to one of the best 10 in the world in terms of competitiveness of the investment climate by the end of 2010.

To achieve these goals and implement these initiatives, SAGIA signed several agreements with government agencies related to investment, in order to develop practical mechanisms and solutions for overcoming the challenges business persons and investors face in setting-up investment projects in the Kingdom. The agreements focus on improving the Kingdom's investment climate with an aim to attract domestic and foreign investments.

Based on comparative advantages and several other economic benefits, SAGIA identified energy, transportation, and ICT as the three main investment sectors (Box 9.1). Moreover, the Authority commenced applying new regulations for granting licenses, designed to attract high profile, high value-added projects, along with increasing training, qualification and employment opportunities for citizens.

To encourage investment in the various regions with a view to achieving balanced development, the Authority launched in 2006 three economic cities, one in Hail, one in Madinah and one in Jazan, in addition to King Abdullah Economic City in Rabigh, which was launched in 2005. Furthermore, in order to complete the system of economic cities, the establishment of two more economic cities one each in Tabuk and the Eastern Region is under study.

As a result of the efforts of various agencies concerned with investment, in particular the Saudi Arabian General Investment Authority, according to the Doing Business Report, issued by the

International Finance Corporation (IFC) of the World Bank, the Kingdom has assumed a prominent status. It moved from rank 67 among 145 nations in 2004 to 23 among 178 nations in 2007, to 16 among 181 in 2008, then to 13 among 183 in 2009. The outstanding performance of the Kingdom reported in the Doing Business Report was further confirmed by its ranking 27<sup>th</sup> internationally by the Global Competitiveness Index, published by the World Economic Forum in 2008.

**Box 9.1: Sectoral Focus of SAGIA for Investment**

**Energy:** This sector is focussed upon since it reflects the comparative advantage enjoyed by the Kingdom. It encompasses industries based on oil and gas, such as petrochemicals; electricity; water; and industries with a high consumption of energy, such as mining.

**Transport:** This sector is focussed upon, in order to exploit the advantage afforded by the position of the Kingdom as a bridge and a crossroads between East and West, through working with various agencies to develop regulations and procedures at points of entry and exit of goods, and to direct capital to investments in railways, air and sea ports, and roads.

**ICT:** This sector is focussed upon due to its paramount importance for development of other economic sectors and for creating promising investment opportunities and high-income employment opportunities.

**Page  
160**

## **9.4 ISSUES AND CHALLENGES**

### **9.4.1 Public-Private Partnerships**

Due to the global financial crisis, the global economy is facing exceptional circumstances that may impede international trade and investment. This requires a stronger tripartite partnership between the public sector, the private sector and FDI. Moreover, to incentivize the national private sector to expand its investments at home and strengthen its capacity for dealing efficiently and flexibly with the repercussions of the global financial crisis, through the following measures:

- Implementing Council of Ministers Resolution No. 72 of 2007, which provides for: “expansion of partnership contracts between the public sector and the private sectors for implementing infrastructure projects and improving health and education services and social development, in addition to developing an appropriate regulatory framework for such contracts.”
- The Government continuing to offer projects and investment opportunities compatible with the directions of the development plans of the Kingdom, while providing appropriate incentives for them to be implemented by the private sector.
- Harmonizing the objectives of private investment with the economic and social directions of the development plan, through productive partnerships between the public sector and the national and foreign private sectors.
- Focusing the strategy for attracting foreign investment on quality, rather than quantity, i.e., realizing the developmental role of FDI through vigorously advancing technological development, improving competitiveness of national products, and linking incentives to the technical content of investment inflows and their role in developing the technical skills of national labour.

#### **9.4.2 Medium - and Long -Term Finance**

Short-term bank credit still accounts for the largest share of total credit, from about 58% in 2004 to about 64% in 2008; compared with medium-term bank credit, from about 12.9% to about 14%, and long-term bank credit, from 29.1% to 22%. Thus, providing the financing needs of private investment, which contributes most to diversification of the economic base, remains a challenge.

Indeed, establishing more investment banks has become an urgent need. Such financial institutions provide medium- and long-term loans to investment projects, and, additionally, play a developmental role by evaluating investment opportunities and monitoring implementation of investment projects.

### **9.4.3 Economic Cities**

The strategy of the Saudi Arabian General Investment Authority aims for economic cities to provide an attractive investment climate and additional high-quality job opportunities, help achieve regionally balanced development, and transform the comparative advantages enjoyed by the regions into competitive advantages. These development aspirations constitute a significant challenge to the investment development strategy of the Ninth Development Plan, and they reinforce the need for developing effective mechanisms for performance evaluation of private investments in economic cities.

### **9.4.4 Investment Incentives**

The Ninth Development Plan is keen on adapting to changes in local and international transitional conditions, and, in particular, to scientific and technological developments in all productive and service activities as the mainstay of the drive towards a knowledge-based economy. This trend is reflected in the selection by the Saudi Arabian General Investment Authority of priority sectors for development; most importantly the ICT sector, as previously mentioned.

However, the existing system of investment incentives does not reflect these changes and trends, for most incentives have been directed towards encouraging the flow of investments in general, and directing them to the less developed regions, in particular. Hence, more incentives need to target technological intensification, with the aim of attracting modern knowledge and technology, and adapting and indigenising them in all fields.

### **9.4.5 Entrepreneurs**

Entrepreneurs are the elite among business persons. They command knowledge, expertise and wealth, and they are, therefore, in a position to make, on the basis of technical studies and rational expectations, wise, daring, ambitious investment decisions and expand investment opportunities to achieve extraordinary profits. Successful international

experiences, in Japan, Malaysia and among other countries, show how effective the role of entrepreneurs could be in enhancing private-sector-led development. Although there are many successful national businessmen, meeting the development aspirations of the country requires the presence of more entrepreneurs.

## **9.5 DEVELOPMENT STRATEGY**

### **9.5.1 Future Vision**

An environment conducive to attracting national and foreign private investment by providing a comprehensive package of incentives designed to integrate the growing developmental role of such investment with that of government investment, with the aim of: accelerating rates of growth, both at the macroeconomic and sectoral levels; maintaining and increasing capital; and achieving structural changes in the national economy, by focusing on investment opportunities that contribute most to diversification of the economic base, improving productivity and competitiveness, harmonising increases in business profitability with social returns, and increasing the knowledge and technical content in national products and services.

### **9.5.2 Objectives**

- Increasing effectiveness of the developmental role of national and foreign private investment in accelerating the rate of growth at the macroeconomic and sectoral levels.
- Expanding areas of partnership between government investment and private investment, with a focus on investment opportunities that contribute the most to diversification of the economic base and achievement of balanced development.
- Enhancing the role of investment in the transition to a knowledge-based economy and in improving productivity and competitiveness through increasing knowledge and technical content in national production and service activities.

- Increasing the rate of domestic savings and net fixed capital formation in both the public and the private sectors.
- Creating a favourable environment and appropriate incentives for attracting FDI and repatriating national capital employed abroad.
- Encouraging investment in clean productive technologies that do not pollute the environment.

### 9.5.3 Policies

- Increasing partnership contracts between the public and the private sector in carrying out infrastructure projects, as well as in improving and developing health and education services and social development, while developing an appropriate regulatory framework for these contracts, in implementation of Council of Ministers' Resolution No. 72 of 2007.
- Establishing more investment banks to increase the relative importance of medium- and long-term bank credit, in implementation of Council of Ministers Resolution No. 72 of 2007 regarding enhancement of the developmental role of the banking sector by developing policies and mechanisms to provide the financing needs of the production sectors that are capable of diversifying the economic base.
- Monitoring the performance of the investment in economic cities to verify the extent of their adherence to the specified targets and remove the obstacles that could constrain the efficiency of their performance.
- Enhancing the role of national and foreign private investment in providing the requirements for moving towards a knowledge-based economy, focusing on:
  - Exploiting investment opportunities in high value-added, knowledge-and-technology intensive productive and service sectors, in an effort to improve productivity and competitiveness.

- Monitoring the contribution of FDI to preparing the national economy to move towards a knowledge economy, through contributing to technological development; supporting transfer, and production of technology; and contributing to development of technically qualified national manpower.
- Integrating initiatives of both the public and the private sectors for expanding establishment of intermediary institutions that link education and R&D with investment opportunities in production and service sectors, such as technology incubators and parks and centres of excellence.
- Conducting a regular survey to measure the knowledge level (or content) of production and service activities, in order to evaluate effectiveness of the drive towards a knowledge-based economy and to address deficiencies or imbalances.
- Promoting strategic alliances between private national companies and technically advanced international companies, in order to improve the technical content of national production activities and services and transfer production, management and marketing expertise.
- Promoting sustainable development efforts through commitment of all investment activities to the general rules of environmental protection, with a focus on:
  - Developing binding environmental controls on private investment, along with identifying means for reducing potential negative impacts on the environment and increasing penalties for violators.
  - Building an environmental information base, making it available to potential investors to help them rationalize their investment decisions.
  - Providing additional incentives for national and foreign private investments that tangibly apply advanced environment friendly production techniques.

- Continuing to maintain a regulatory environment favourable to investment, including facilitating business start-up procedures and reducing business costs in all regions.
- Encouraging investment in all regions, through establishment of provincial-investment boards, each cooperating with the Saudi Arabian General Investment Authority to support investment in the region concerned, remove obstacles and improve the investment climate.
- Continuing to support initiatives designed to improve competitiveness of the national economy by focussing on implementation of the 10 × 10 programme, which seeks to raise the ranking of the Kingdom to become by the end of 2010 one of the top 10 countries in terms of attractiveness of its investment climate.

#### 9.5.4 Targets

Page  
166

- Total investment growth at an estimated average annual rate of 10.4%, to reach about SR 1,762.7 billion by the end of the Ninth Plan.
- Investment growth in non-oil sectors at an estimated average annual rate of 10.5% under the plan, to reach a total value of about SR 1,680.8 billion, representing approximately 95.4% of the total.
- Investment growth of the production sectors at an estimated average annual rate of about 8.2% under the plan, to reach a total value of about SR 763.1 billion, representing approximately 43.3% of the total.
- Investment growth of private-service sectors at an estimated average annual rate of about 17%, to reach a total value of about SR 594.2 billion, representing approximately 33.7% of the total.
- Growth of government investment at an estimated average annual rate of about 5.2%, to reach a total value of about SR 323.4 billion, representing approximately 18.3% of the total.



**Table 9.3**  
**Planned Investment**  
**Ninth Development Plan<sup>(\*)</sup>**

Sector and Capital-Goods Category	Value (SR Billion)	Relative Distribution	Average Annual Rate Under the Plan (%)
<b>A. Non-Oil Sectors</b>	<b>1680.8</b>	<b>95.4</b>	<b>10.5</b>
Production Sectors:	763.1	43.3	8.2
1.1 Agriculture, Forestry and Fisheries	22.8	1.3	6.6
1.2 Non-Oil Mining and Quarrying	3.6	0.2	22.4
1.3 Manufacturing Industries	534.0	30.3	7.7
1.3.1 Petroleum Refining	272.4	15.5	3.0
1.3.2 Petrochemicals	163.1	9.3	12.2
1.3.3 Other Manufacturing Industries	98.5	5.6	15.3
1.4 Electricity, Gas and Water	179.9	10.2	8.0
1.5 Building and Construction	22.8	1.3	23.7
<b>Private-Services Sectors:</b>	<b>594.2</b>	<b>33.7</b>	<b>17.0</b>
2.1 Trade, Restaurants and Hotels	72.9	4.1	20.4
2.2 Transport and Communication	85.5	4.9	14.0
2.3 Finance, Insurance, Business and real estate Services	395.1	22.4	16.1
2.3.1 Real estate Service	335.9	19.1	16.1
2.3.2 Finance, Insurance and Business Services	59.2	3.4	16.2
2.4 Community and Personal Services	40.8	2.3	29.2
<b>Total Private Non-Oil Sector</b>	<b>1357.4</b>	<b>77.0</b>	<b>11.8</b>
3. Government Services	323.4	18.3	5.2
<b>B. Crude Oil and Natural Gas</b>	<b>81.9</b>	<b>4.6</b>	<b>7.9</b>
Total Investment	1762.7	100.0	10.4
Construction of Residential Buildings	181.6	10.3	2.7
Construction of Non-Residential Buildings	485.3	27.5	10.1
Machinery and Equipment and Transport Equipment	1095.8	62.2	12.0
<b>Total Capital-Goods Investment</b>	<b>1762.7</b>	<b>100.0</b>	<b>10.4</b>

(\*) Percentage and values are rounded to nearest decimal and at constant 1999 prices.

Source: Ministry of Economy and Planning.

## **9.6 FINANCIAL REQUIREMENTS**

The financial requirements allocated to the Saudi Arabian General Investment Authority under the Ninth Development Plan are SR 662.9 million.

**Page**

**168**

# MANPOWER AND THE LABOUR MARKET

## 10.1 INTRODUCTION

Development of human capital is a means and a target of socioeconomic development, for the human element has become the cornerstone of and the most important criterion for the progress of nations. In recognition, the Eighth Development Plan emphasised human development, allocating to it more than half of total approved budget allocations.

The Ninth Development Plan will continue to give priority to this strategic direction through adopting effective policies and programmes designed to enhance the national manpower's skills and productive efficiency, to enable it to contribute effectively to competitiveness of the Saudi economy and the drive towards a knowledge-based economy.

This chapter deals with the current condition of the Saudi labour force, the labour market and the key issues and challenges that should be addressed, as well as objectives of the Ninth Development Plan in relation to development of the Saudi labour force. The chapter also discusses the envisaged development of the labour market and upgrading its services and efficiency, in order to match Saudi manpower supply and demand, including the relevant Ninth Plan overall objectives and supporting policies.

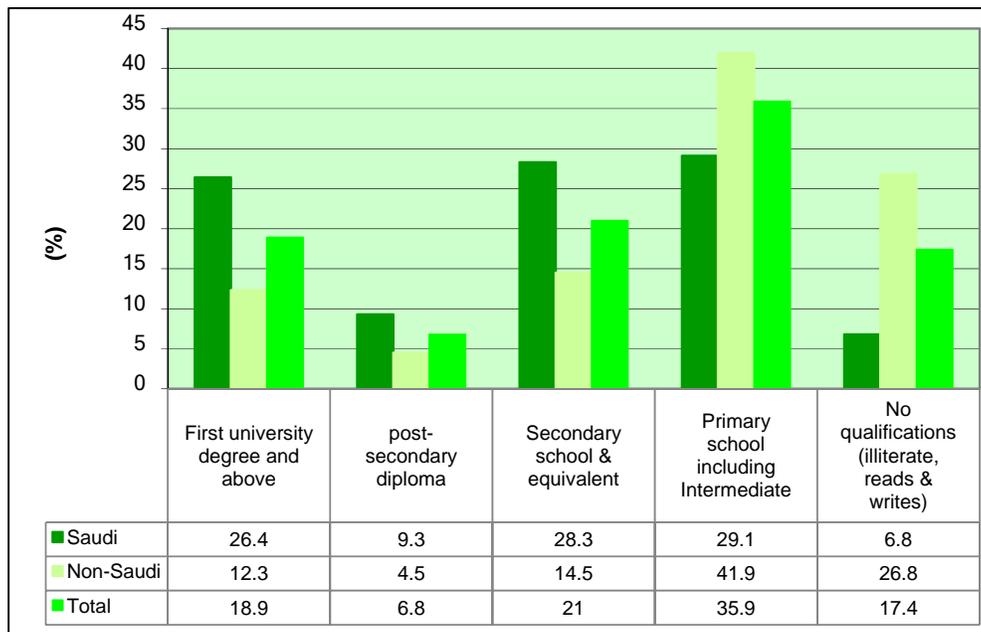
## 10.2 CURRENT CONDITIONS

### 10.2.1 Total Employment

Labour market data point to an increase in total employment from about 7.18 million workers in 2004 to about 8.02 million workers by the end of 2008, which would reflect an average annual growth rate of 2.8%. Saudi employment comprises 3.76 million workers, i.e., 46.9% of total employment, compared with 45.9% in 2004. Females constitute 12.8% of total Saudi employment. The increase in total employment reflects 836.8 thousand new job opportunities, 458.5 thousand of which were filled by Saudis, representing 54.8%.

As regards distribution of total employment by level of educational attainment, the percentage of those who do not have qualifications (illiterate, reads and writes) was about 17.4% of total employment in 2008. The percentage among expatriate workers is higher at around 26.8%, compared with 6.8% for Saudi labour. Saudis with a first university degree and above represent around 26.4% of total Saudi employment, while expatriate workers represent about 12.3% (Figure 10.1).

**Figure 10.1**  
**Percentage Distribution of Total Employment**  
**by Level of Education and Nationality (2008)**



*Source: Central Department of Statistics and Information, and Ministry of Economy and Planning.*

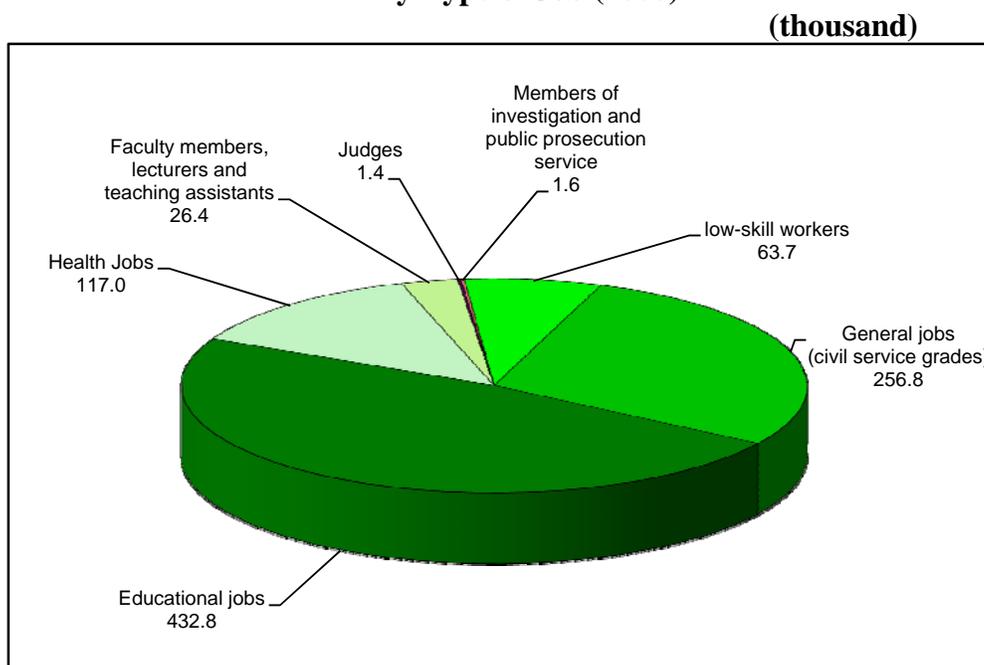
With regard to the relative distribution of total employment by major occupational group, the ratios ranged from approximately 30.6% for clerical occupations to around 2% for industrial, chemical and food industry professions. At 34.6%, Saudi employment is concentrated in service occupations; followed by scientific, technical and humanities professions at 18.4%, while at about 1.1%, the lowest proportion is in industrial, chemical and food industry professions. In contrast, expatriate employment is concentrated in basic engineering auxiliary professions at 36.2% of total expatriate labour.

## 10.2.2 Employment and Saudization of Jobs in the Public Sector

The statistics of 2008 show that total employment in the public sector in graded and professional jobs and employees (not including low-skill workers and direct employment and others) was 899.7 thousand, of whom 827.8 thousand were Saudis, representing 92%. Total Saudi female employment was 275.1 thousand, representing about 88.4% of total female employment in the sector, which amounted to 311.2 thousand.

The number of those in graded jobs positions in the public sector was 256.8 thousand, of whom Saudis represented 97.8%; the number of those in professional jobs was 579.2 thousand, of whom Saudis represented 88.6%; and the number of low-skill workers 63.7 thousand, of whom 99.7% were Saudis (Figure 10.2). These figures indicate high rates of job saudization in the public sector in general, although in the medium term, some jobs still require employment of expatriate workers, especially in education and health.

**Figure 10.2**  
**Distribution of Public Sector Workers**  
**By Type of Job (2008)**



Source: Ministry of Civil Service.

Saudization of jobs in the public sector proceeded through job creation and substitution. By the end of 2008, the net increase in graded, professional and low-skill jobs was 136.4 thousand, out of which 133.3 thousand, or 97.7%, were filled by Saudi labour. Out of the total increase, Saudi females filled about 44.1 thousand jobs, or 83.6% of the total increase in female employment, which amounted to 52.8 thousand. Employment of expatriates in the public sector increased by about 3.1 thousand; while, as part of saudization process, 1.8 thousand jobs previously occupied by expatriates went to Saudis, with the share of females being 5.5%.

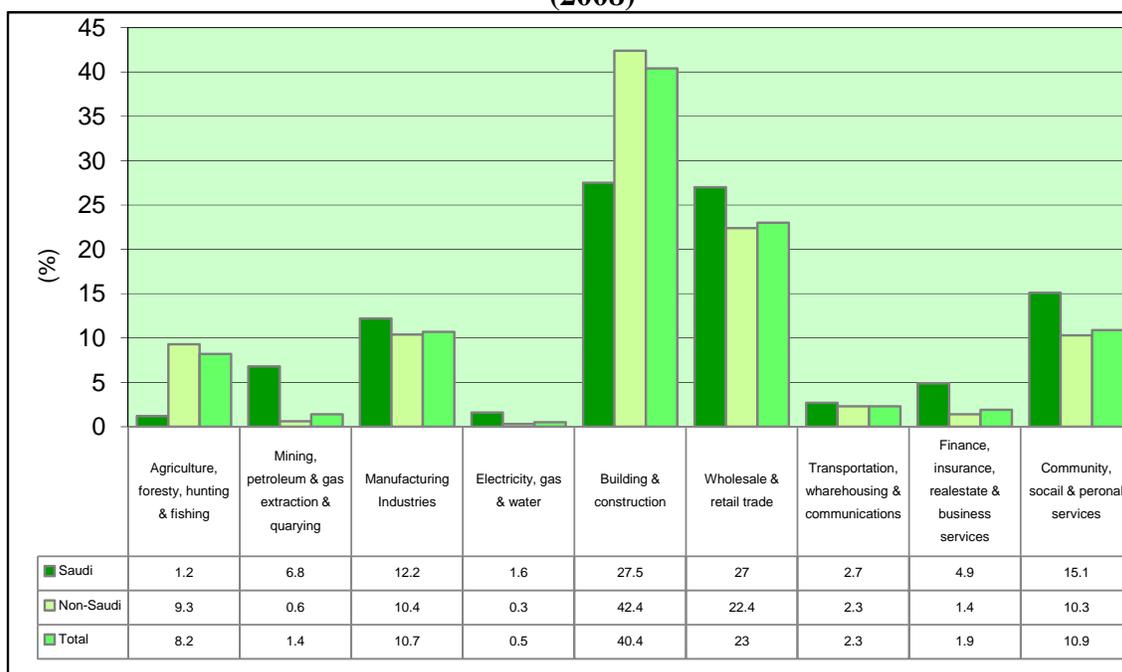
### **10.2.3 Employment and Indigenisation of Jobs in the Private Sector**

Ministry of Labour data for 2008 indicate that the total registered employment in the private sector amounted to about 6.22 million workers, of whom 829.1, or about 13.3%, were Saudis. The number of Saudi females employed by the sector was 51.5 thousand, representing about 36% of the 143.1 thousand females employed by the private sector.

Distribution of employment by main economic activity shows that the ratio of employment in the production sectors was 61.2% of total employment, compared with 38.1% in the service sectors, with the remaining 0.7% in un-designated activities. Saudi employment constituted 10.7% of total employment in the production sectors, and some 17.4% of total employment in the service sectors (Figure 10.3).

Ministry of Labour data also show that during the first four years of the Eighth Plan, the number of employees registered in the private sector increased by about 1.57 million, of whom 343.3 thousand, or some 21.8%, were Saudis. Saudi women acquired 28.1 thousand jobs, which amounts to 8.2% of the total increase in Saudi employment. During this period, the average annual rate of growth of total employment in the sector was 7.6%; 14.3% for Saudi labour, and 6.7% for expatriate labour. The high growth rate of Saudi employment in comparison with expatriate labour reflects the positive trend of the private sector increasingly relying on Saudi manpower.

**Figure 10.3**  
**Percentage Distribution of Employment in the Private Sector**  
**by Economic Activity**  
**(2008)**



*Source: Ministry of Labour.*

### 10.2.4 Institutional and Regulatory Development of the Labour Market

Qualifying Saudi manpower for employment is carried out within the framework of a comprehensive system of public agencies and institutions of education and training. In addition to institutions of higher education, general education, and the Technical and Vocational Training Corporation, numerous governmental and private institutes and centres, as well as Chambers of Commerce and Industry, contribute to training efforts. The Human Resources Development Fund plays an important role in coordinating efforts to train and finance Saudi manpower for employment through various programmes, as well as through providing financial support to train Saudi manpower for employment in the private sector, and providing support for training owners of small enterprises. The Centennial Fund helps young people to establish their own businesses. Furthermore, numerous companies and private-sector institutions provide specialized training for candidates that seek employment.

The Ministry of Civil Service undertakes recruitment and enforcement of labour regulations in the public sector, while the Ministry of Labour undertakes this task in the private sector. In addition to exercising overall supervision of the labour market, the Ministry of Labour makes decisions about requests for recruitment of expatriate labour and issues work permits for both the public and the private sectors. The Central Department of Statistics and Information conducts population and housing censuses, which contain comprehensive data and detailed information on manpower and employment. It also publishes a semi-annual manpower research report based on a field study. The report gives a comprehensive characterisation of the population 15 years and over, who are in or out of the labour force, broken down by gender and nationality, and it includes data and various statistical distributions of manpower. Furthermore, CDSI undertakes regular office studies and research closely related to manpower issues. For its part, the Ministry of Labour collects and publishes data on private sector employment that includes various statistical distributions of workers, as well as data on career opportunities and job seekers. The Ministry carries out its work through labour offices distributed over all regions of the Kingdom. Moreover, the website of the Ministry provides a portal for easy access to comprehensive electronic information, while the Ministry of Civil Service announces on its website the jobs available in the public sector.

## **10.3 ISSUES AND CHALLENGES**

### **10.3.1 Training of Saudi Manpower**

In enhancing Saudization and reducing recruitment of expatriate labour, training of Saudi manpower to meet the needs of the labour market is a major challenge that requires continuing emphasis on the necessity of continuous development of educational and training curricula, systems and outputs to keep pace with the accelerating development of production and services technologies. Importance of this issue stems from the fact that due to its openness to foreign and domestic competition, as well as to its work environment being different than in the public sector, the private sector, which is the principal employer of Saudis, is influenced relatively more rapidly by developments in production technologies.



Thus, the drive towards a knowledge-based economy requires development of scientific-education and training programmes, with the aim of creating “knowledge workers” through inculcation, throughout the various stages of education, with a culture of work, persistence and endurance, creativity and innovation. However, such a transformation needs a time span exceeding that of the Ninth Development Plan.

### **10.3.2 Productivity of Saudi Manpower**

Various studies of the labour market in the Kingdom have concluded that despite the efforts made to promote productivity of Saudi workers it is still relatively low. The Saudi Employment Strategy prepared by the Ministry of Labour concurred, affirming that "compared with the labour productivity in the 26 nations of the Organization for Economic Cooperation and Development, productivity of the Saudi worker ranked towards the bottom, just before Mexico, Poland and Turkey." A report on industrial employment issued by the Arab Labour Organization in 2008 revealed that worker productivity in a number of Middle Eastern countries is low, with productivity of the Arab worker being 37% of that of workers in some countries of East Asia and around 17% of that of the U.S. industrial worker. Hence, improving productivity of Saudi manpower is a pressing need.

### **10.3.3 Unemployment**

According to Labor Force Review (2008), the rate of unemployment among Saudis was about 10%; with about 6.8% for males and 26.9% for females. Detailed analysis reveals differences in rates by age group; the rate is significantly lower than the average for the 25–54 years age group, which is the productive group, as defined by the International Labour Organization, but significantly higher among young people in the 20–24 years age group. This latter group is a subgroup of the 15–24 years group, which is the youth category most in need of employment opportunities. Youth unemployment has several economic and social consequences requiring special attention by all relevant agencies to address its causes, the most important of which are the structural imbalances in the labour market.

### **10.3.4 Labour Force Participation of Saudis**

Given the sustained growth of the number of people of working age, as well as the efforts to develop the national economy, which is to provide more job opportunities and increasing the labour force participation of Saudis is a strategic objective. In 2008, that rate was about 36.3%; 61% for males and 11.5% for females. Thus, while the participation rate of males is relatively acceptable, that of females is low. The Ninth Development Plan aims to increase the overall participation rate, particularly that of females, in an effort to enhance economic empowerment of women.

### **10.3.5 Labour Market Services**

Efforts are continuing to improve and develop labour market services. The Ministry of Labour has reinforced these efforts through the information base it established to monitor labour movement, and publish the result on its website, as well as by formulating the Saudi Employment Strategy. This strategy, which is integrated within the Ninth Development Plan, with the aim of developing manpower and the labour market (Box 10.1).

Because of its direct association with labour productivity, it has become necessary to improve and monitor the quality of the work environment; a task that is part of the inspection role assigned to the Ministry of Labour by Chapter 13 of the Labour Regulation code issued by the Council of Ministers Resolution No. 219 of 2005. Development of the work environment is expected to contribute effectively to improving labour performance and productivity.

Strengthening labour-market services depends upon enhancing the efforts of the Ministry of Labour in implementing the Saudi Employment Strategy, as well as developing and spreading labour offices, to enable them to carry out the tasks entrusted to them by the labour regulations. These tasks include managing and controlling the labour market, particularly with regard to inspection and prosecution of irregular expatriate labour (marginal labour), as well as controlling and rationalizing recruitment of expatriate labour in the interest of the national economy.

### **Box 10.1: Saudi Employment Strategy**

In cooperation with the private sector and government agencies, the Ministry of Labour formulated the Saudi Employment Strategy to serve as a reference framework for addressing manpower and employment issues. The strategy, which covers twenty-five years over the short, medium and long terms was approved by Council of Ministers Resolution No. 260 of 2009. It aims to “provide sufficient numbers of jobs with appropriate wages, so as to achieve full employment of Saudi manpower and add a competitive advantage to the national economy”.

The overall objectives of the strategy are: full employment of Saudi manpower (eliminating unemployment and thereafter sustaining full employment), continuous increase in the labour force participation rate of Saudis, and raising their productivity to the level of labour productivity in developed economies (making Saudi worker the preferred choice of employers for his excellence in terms of capacity, efficiency and performance).

The interim objectives of the strategy include “control of unemployment” in the short term (two years), “reducing it in the medium term” (3 years), and achieving a competitive advantage for the national economy through reliance on Saudi manpower in the long term (20 years). In addition, the strategy includes a set of policies and implementation mechanisms for each stage, a target for each policy, the agency or agencies responsible for implementing the mechanisms, performance indicators associated with each target, and an elaborate system of evaluation and follow-up.

## **10.4 DEVELOPMENT STRATEGY**

### **10.4.1 Future Vision**

Continuing to develop Saudi manpower, provide enough jobs with reasonable pay, achieve competitiveness of Saudi manpower to enable its full employment, and expanding and developing labour market services.

### **10.4.2 Objectives**

- Raising the skill level of Saudi manpower scientifically and practically to meet requirements of the transition to a knowledge society
- Improving productivity of Saudi workers to increase their ability to compete in the labour market.

- Achieving relative balance in the structure of wages and employment in the labour market.
- Increasing labour force participation rates and supporting economic empowerment of Saudi women.
- Controlling and rationalizing recruitment of expatriate labour so as to reduce Saudi unemployment.
- Improving and expanding labour market services to meet requirements of globalization and enhance Gulf integration opportunities.

### **10.4.3 Policies**

#### **10.4.3.1 Policies for training and improving productivity of Saudi manpower**

- Supporting efforts to achieve harmonization between outputs of education and training systems and labour market requirements, in addition to strengthening coordination among relevant agencies, intensifying student guidance at all stages of education, and diversifying and developing specialisations in line with labour market requirements.
- Establishing standards for technical and vocational training, supporting continuous education and training of Saudi manpower (on-the-job training), keeping up with advances in skill development, knowledge and technology, and introducing knowledge and innovation concepts in curricula; in order to equip workers with the necessary skills for competition in the job market, through implementation of the following mechanisms:
  - Supporting the Technical and Vocational Training Corporation to enable it to expand the National Professional License Project to cover the various professions and skills required by the labour market.
  - Intensifying on-the-job training efforts in the public and the private sectors to improve the productivity of Saudi workers.

- Supporting the efforts aimed at continuous improvement of labour productivity, through supporting the IPA-based National Centre for Measurement of Performance of Government Agencies of the Institute of Public Administration.
- Raising awareness of the Saudi manpower by the Ministry of Labour, in coordination with the relevant agencies and through various media, seminars and forums, of the importance of training, and urging businessmen to contribute to training the Saudi manpower, either before work or on the job.
- Supporting the Human Resources Development Fund financially, administratively and technically, to expand its activities in supporting, qualifying and securing employment for the Saudi manpower.

#### **10.4.3.2 Policies for reducing unemployment and increasing Saudi labour force participation rates**

- Progressive, selective rationalization of expatriate workers in line with the needs of the labour market, and reducing Saudi unemployment, through the following mechanisms:
  - Continuing to enforce Council of Ministers Resolution No. 120 of 2004 on employment of women, and enhancing employment opportunities for them in the activities covered by the study referred to in this resolution.
  - Studying the possibility of establishing an administrative entity (body or institution), or developing one of the existing entities, to assume responsibility for SMEs, with the aim of facilitating procedures of their establishment and providing various forms of financial, technical and administrative support to increase their ability to recruit Saudi manpower.
  - Supporting the private sector, through soft loans, to encourage the use of modern technologies, and reduce its dependence on expatriate labour, especially unskilled labour.
- Supporting efforts to stimulate regionally balanced economic activity and balanced provision of employment opportunities for

Saudi manpower, through the following mechanisms:

- Improving employment opportunities in remote areas, away from major urban centres.
- Softening lending for commercial and industrial activities outside big cities.
- Implementing Council of Ministers Resolution No. 359 of 2008 to grant tax incentives to investment in less developed regions.
- Supporting investment in new economic cities and linking provision of assistance in these cities to employment of Saudi manpower, in addition to encouraging the relevant authorities to provide incentives to the private sector tied to employment of Saudi manpower.
- Supporting efforts to increase participation of Saudi manpower of both sexes in the labour market, through the following mechanisms:

**Page**  
**180**

- Developing programmes to promote Saudis-only career opportunities and professions, as well as jobs targeted for substitution of expatriate labour.
- Promoting labour market mobility by increasing recruitment of Saudi manpower and substitution of expatriate labour, and publicising available opportunities.
- Implementing employment-related items in the privatization strategy, in order to provide more job opportunities for Saudi manpower.

#### **10.4.3.3 Policies for supporting labour market services**

- Developing systems for the collection of manpower and labour market data and disseminating such data, through the following mechanisms:
  - Strengthening the human and material resources of the Central Department of Statistics and Information, in order to develop the cycle of statistical data and regularly provide key indicators of the labour market in shorter intervals.

- Providing financial and administrative support to the electronic database of the Ministry of Labour, to enable it to monitor movements in the labour market in all regions, as well as to complete the infrastructure necessary for implementing the Saudi Employment Strategy.
- Studying the possibility of the Ministry of Labour publishing a free-of-charge periodical, placed also on the Ministry's website on the internet, giving a detailed description of available jobs in the national labour market (and later in GCC countries).
- Monitoring by the Ministry of Labour of movements and available jobs in the GCC labour market, in synchronisation with GCC integration.
- Preparation of periodic reports and studies on the labour market in the Kingdom, as well as on labour markets in GCC countries.
- Supporting the Ministry of Labour to further improve the services of labour offices, through the following mechanisms:
  - Strengthening labour offices by adding career-guidance specialists fully versed in job characterisation and career-guidance methods.
  - Intensifying control and inspection of enterprises, particularly the small and the bogus, to eliminate marginal employment.
  - Continuing to develop and establish labour offices throughout the Kingdom, in addition to establishing special units for women and youth in those offices and establishing career offices in institutions of higher education.
  - Strengthening the efforts made by labour offices to collect detailed information on job seekers and their subsequent employment, in addition to updating the central database periodically.

## 10.5 LABOUR MARKET KEY INDICATORS

The Ninth Development Plan aims at increasing the Saudi labour force participation rate from 36.7% in 2009 to 39.3% in 2014. This increase would entail a rise of Saudi manpower (employed and unemployed) over the same period from about 4.33 million to about 5.33 million; i.e., an average annual growth rate of 4.2%. The plan also aims to increase total employment from 8.17 million to about 9.40 million, an increase of up to about 1.22 million, as well as raising the number of employed Saudis from about 3.91 million to about 5.04 million, an increase of about 1.12 million. The share of females of this increase would be 27.5%, and it is expected that about 100.8 thousand expatriate workers would be recruited. Hence, the ratio of Saudi to total employment (Saudization) is expected to increase from 47.9% to 53.6% (Table 10.1).

**Table 10.1**  
**Main Indicators of Labour Market<sup>(\*)</sup>**  
**Ninth Development Plan**

	2009	2014	Change	Average annual growth rate of the Plan %
<b>Saudi Manpower (thousands)</b>	<b>4329.0</b>	<b>5328.6</b>	<b>999.6</b>	<b>4.2</b>
Male	3636.5	4379.9	743.4	3.8
Female	692.5	948.7	256.3	6.5
<b>Participation rates %</b>	<b>36.7</b>	<b>39.3</b>	<b>2.6</b>	<b>1.4</b>
Male	61.7	64.8	3.0	1.0
Female	11.7	13.9	2.2	3.5
<b>Total employment (thousands)</b>	<b>8173.1</b>	<b>9396.3</b>	<b>1223.2</b>	<b>2.8</b>
Saudi	3914.6	5037.0	1122.5	5.2
Non-Saudi	4258.5	4359.3	100.8	0.5
<b>Contribution of Saudi employment %</b>	<b>47.9</b>	<b>53.6</b>	<b>5.7</b>	<b>--</b>
<b>Unemployed Saudis (thousands)</b>	<b>414.4</b>	<b>291.6</b>	<b>(122.8)</b>	<b>(6.8)</b>
Male	238.1	167.5	(70.6)	(6.8)
Female	176.3	124.1	(52.3)	(6.8)
<b>Unemployment rate %</b>	<b>9.6</b>	<b>5.5</b>	<b>(4.10)</b>	<b>(10.6)</b>
Male	6.5	3.8	(2.7)	(10.2)
Female	25.5	13.1	(12.4)	(12.5)

(\*) Figures in parentheses refer to negative numbers. Numbers and percentages are rounded to nearest decimal.

Source: Ministry of Economy and Planning.



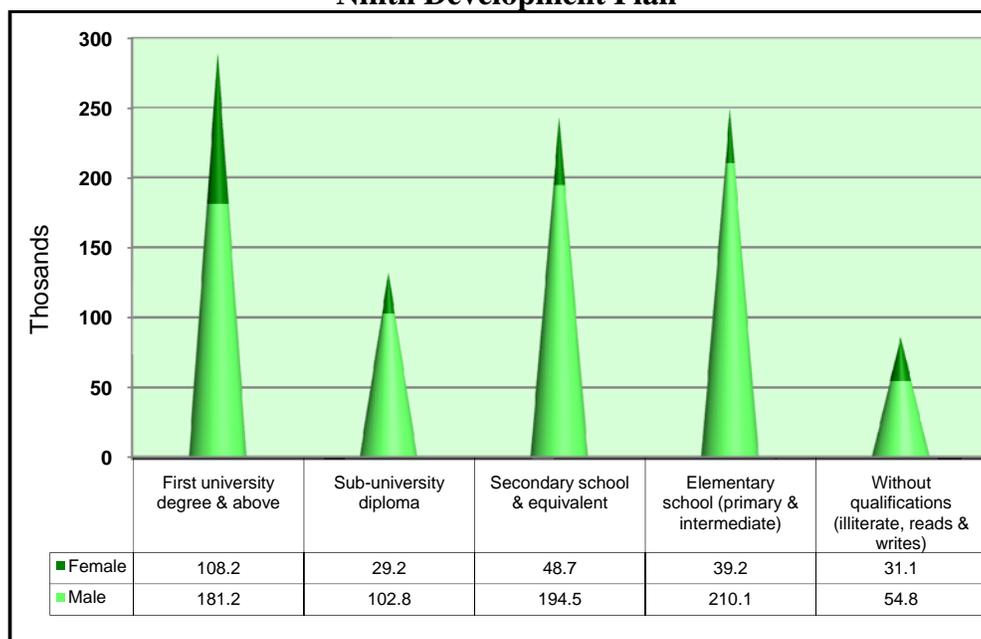
The Plan expects to reduce the number of unemployed by about 122.8 thousand, i.e., by 29.6% of the total unemployed, who number about 414.4 thousand. As a consequence, the unemployment rate is expected to drop from 6.5% to 3.8% for males, from 25.5% to 13.1% for females, and from about 9.6% to 5.5% for both genders combined.

## 10.6 SAUDI MANPOWER SUPPLY

Under the Ninth Development Plan, Saudi entrants to the labour market are expected to be 1.12 million, of whom 999.6 thousand (89.1%) are new entrants, with the remaining 10.9% are the unemployed to be absorbed in jobs created during the period of the Plan (Table 10.1).

Of the new entrants to the labour market, graduates of education and training systems are expected to be about 913.7 thousand, including 225.3 thousand females (24.6%), while those who do not have any qualification (illiterate, reads and writes) are expected to number about 85.9 thousand, including about 31.1 thousand females (Figure 10.4).

**Figure 10.4**  
**New Entrants to Labour Market by Level of Education**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning.*

The figure shows the following:

- The number of university-graduate (first university degree and above) entrants into the labour market is estimated at 289.4 thousand, i.e., 28.9% of the total, about 37.4% of them females. This indicates the need for jobs requiring high qualifications, particularly in the private sector.
- The number of secondary-school-graduate entrants into the labour market is estimated at 243.2 thousand, i.e., 24.3% of the total; while the number of elementary school-graduate entrants is expected to be about 249.3 thousand, i.e., 24.9% of the total. Thus, graduates of both elementary and secondary schools will together account for 49.3% of total entrants. This requires further support to the Human Resources Development Fund and other agencies concerned with training of such graduates and employing them in appropriate jobs in the private sector.

## **10.7 LABOUR DEMAND**

**Page**

**184**

Labour market needs required to achieve the projected annual growth rate of 5.2% in real GDP during the Ninth Development Plan are estimated at about 8.17 million workers at the beginning of the Plan, rising to about 9.4 million workers by its end; an increase of 1.22 million workers. Distributions of jobs by economic sector and by major occupational group are projected to be as follows:

### **10.7.1 Labour Demand by Sector and Economic Activity**

This may be summarized as follows (Table 10.2):

- The Non-oil private sector is expected to absorb 73.1% of the total increase in jobs under the plan, with an estimated average annual growth rate of jobs of about 2.5%; in contrast, the government sector absorption is expected to be about 26.2%, implying an average annual growth rate of 4.8%.
- Employment in the production sectors is expected to grow at an average annual rate of 0.9%, raising the number of workers from 1.96 million to about 2.05 million; an increase of about 92.2 thousand jobs, accounting for 7.5% of the total projected increase in

jobs under the Plan. The building and construction sector is expected to have 65.5 thousand jobs, representing about 71% of the total increase of jobs in production sectors.

- Employment in service sectors is expected to increase from 4.93 million to 5.73 million reflecting an average annual growth rate of about 3.1%; an increase of about 802.3 thousand jobs, which is equivalent to 65.6% of the total projected increase. The community, social and personal services are expected to have 470.6 thousand jobs, representing about 58.7% of the total increase of jobs in the service sectors.

**Table 10.2**  
**Total Employment by Sector and Economic Activity<sup>(\*)</sup>**  
**Ninth Development Plan**

Sector and Economic Activity	2009		2014		Change Under Ninth Development Plan		Average Annual Growth Rate Under Plan (%)
	Number (Thousands)	Ratio (%)	Number (Thousands)	Ratio (%)	Number (Thousands)	Ratio (%)	
Agriculture, Forestry and Fishing	292.6	3.6	271.8	2.9	-20.8	-1.7	-1.5
Non-Oil Mining and Quarrying	18.6	0.2	18.7	0.2	0.2	0.0	0.2
<b>Manufacturing Industries</b>	<b>594.9</b>	<b>7.3</b>	<b>609.2</b>	<b>6.5</b>	<b>14.3</b>	<b>1.2</b>	<b>0.5</b>
• Oil Refining	23.6	0.3	27.4	0.3	3.8	0.3	3.0
• Petrochemicals	19.2	0.2	21.1	0.2	1.9	0.2	1.9
• Other Manufacturing Industries	552.2	6.8	560.8	6.0	8.6	0.7	0.3
Electricity, Gas and Water	85.4	1.0	118.5	1.3	33.1	2.7	6.8
Building and Construction	965.4	11.8	1030.9	11.0	65.5	5.4	1.3
<b>Production Sectors</b>	<b>1956.8</b>	<b>23.9</b>	<b>2049.0</b>	<b>21.8</b>	<b>92.2</b>	<b>7.5</b>	<b>0.9</b>
Trade, Restaurants and Hotels	1564.2	19.1	1857.0	19.8	292.8	23.9	3.5
Transport and Communications	376.7	4.6	381.0	4.1	4.3	0.4	0.2
Real estate Services	313.4	3.8	336.3	3.6	22.9	1.9	1.4
Finance, Insurance and Business Services	93.7	1.1	105.4	1.1	11.7	1.0	2.4
Community, Social and Personal Services	2584.5	31.6	3055.0	32.5	470.6	38.5	3.4
<b>Service Sectors</b>	<b>4932.4</b>	<b>60.3</b>	<b>5734.7</b>	<b>61.0</b>	<b>802.3</b>	<b>65.6</b>	<b>3.1</b>
Government Services	1215.1	14.9	1535.5	16.3	320.4	26.2	4.8
<b>Non-Oil Private Sector</b>	<b>6889.2</b>	<b>84.3</b>	<b>7783.6</b>	<b>82.8</b>	<b>894.4</b>	<b>73.1</b>	<b>2.5</b>
Crude Oil and Natural Gas	68.8	0.8	77.2	0.8	8.4	0.7	2.3
<b>Total</b>	<b>8173.1</b>	<b>100.0</b>	<b>9396.3</b>	<b>100.0</b>	<b>1223.2</b>	<b>100.0</b>	<b>2.8</b>

(\*) Figures and percentages are rounded to nearest decimal.

Source: Ministry of Economy and Planning.

## 10.7.2 Labour Demand by Major Occupational Groups

Table (10.3) presents a forecast of overall labor distribution by main occupational groups during the Ninth Development Plan. This may be summarized as follows:

**Table 10.3**  
**Total Employment by Major Occupational Group<sup>(\*)</sup>**  
**Ninth Development Plan**

Major Occupational Group	2009		2014		Change In Number (Thousands)	Average Annual Growth Rate Under Plan (%)
	Number (Thousands)	Ratio (%)	Number (Thousands)	Ratio (%)		
Managers and business managers	326.3	4.0	391.1	4.2	64.8	3.7
Specialists in scientific, technical and humanities disciplines	656.8	8.0	799.9	8.5	143.1	4.0
Technicians in scientific, technical and humanities disciplines	891.5	10.9	1076.0	11.5	184.5	3.8
Clerical occupations	695.8	8.5	870.2	9.3	174.4	4.6
Sales occupations	835.0	10.2	987.4	10.5	152.4	3.4
Services occupations	2494.9	30.5	2741.5	29.2	246.6	1.9
Occupations in agriculture, animal & bird husbandry & hunting	340.7	4.2	349.2	3.7	8.5	0.5
Occupations in industrial & chemical processes & food industries	198.5	2.4	287.6	3.1	89.1	7.7
Basic auxiliary engineering occupations	1733.6	21.2	1893.4	20.2	159.8	1.8
<b>Total</b>	<b>8173.1</b>	<b>100.0</b>	<b>9396.3</b>	<b>100.0</b>	<b>1223.2</b>	<b>2.8</b>

\* Figures and percentages are rounded to nearest decimal.

Source: Ministry of Economy and Planning.

- Increases in jobs resulting from economic growth under the Ninth Development Plan are distributed unevenly over major occupational groups, with average annual rates of growth varying from about 0.5% for occupations in agriculture, animal and bird husbandry, and fishing to some 7.7% for occupations of industrial and chemical processes, and food industries.

- To meet the expected demand, employment opportunities for specialists and technicians in scientific, technical and humanities disciplines are expected to increase jointly by about 327.6 thousand jobs, i.e., by 26.8% of total job increases resulting from economic growth.
- Jobs in sales occupations are projected to increase from 835 thousand to 987.4 thousand; an increase of about 152.4 thousand jobs, representing 12.5% of total increases in jobs resulting from economic growth. It is worth noting that this is consistent with decisions to limit employment in certain professions to Saudis.

## 10.8 OCCUPATIONAL BALANCE OF EMPLOYMENT

Table 10.4 shows the balance between new entrants to the labour market, from Saudi manpower or expatriate labour, by major occupational group, and absorption of these entrants in jobs resulting from projected economic growth under the Ninth Development Plan.

- Saudi employment is forecast to be about 1.12 million, i.e., 91.8% of total employment resulting from economic growth. The remaining 100.8 thousand jobs, i.e., 8.2%, will be filled by expatriate labour.
- Jobs occupied by Saudis resulting from economic growth are distributed unevenly over major occupational groups, ranging from 0.7% for occupations in agriculture, animal and bird husbandry and hunting to about 21.4% for services occupations. Likewise, distribution of expatriate labour varies from 0.2% occupations in agriculture, animal and bird husbandry and hunting to 24.1% for basic auxiliary engineering occupations.

**Table 10.4**  
**Employment Balance by Occupational Group<sup>(\*)</sup>**  
**Ninth Development Plan**

**(thousands)**

Major Occupational Group	Jobs Growth In Economic Activities	Sources Of Supply		Total Employment	
		National Saudi Labour	Expatriate Labour	Number	(%)
Managers and business managers	64.8	60.3	4.5	64.8	5.3
Specialists in scientific, technical and humanities disciplines	143.1	130.0	13.1	143.1	11.7
Technicians in scientific, technical and humanities disciplines	184.5	161.6	22.9	184.5	15.1
Clerical occupations	174.4	172.0	2.4	174.4	14.3
Sales occupations	152.4	141.2	11.2	152.4	12.5
Services occupations	246.6	240.6	6.0	246.6	20.2
Occupations in agriculture, animal & bird husbandry & hunting	8.5	8.3	0.2	8.5	0.7
Occupations in industrial and chemical processes, and food industries	89.1	73.1	16.0	89.1	7.3
Basic auxiliary engineering occupations	159.8	135.5	24.3	159.8	13.1
<b>Total</b>	<b>1223.2</b>	<b>1122.5</b>	<b>100.8</b>	<b>1223.2</b>	<b>100.0</b>

(\*) Figures and percentages are rounded to nearest decimal.

Source: Ministry of Economy and Planning.

# POPULATION AND STANDARD OF LIVING

## 11.1 INTRODUCTION

The young dominate the age structure of the Saudi population. This represents an asset to the Kingdom in case of maximum utilization of the present and future capacities of this group. However, it imposes some challenges related to satisfying the needs of the youth, such as health care, education and training, social services and recreational services.

The Eighth Development Plan paid due attention to the different dimensions of the population issue by rationalizing and directing the population trends in a manner that serves development objectives, programs and projects, and contributes to raising the standard of living of the population and improving their quality of life.

The Ninth Development Plan aims at continuing the efforts initiated by the Eighth Plan. This will be implemented through the adoption of effective population policies which deal efficiently with population growth and geographical distribution on the one hand, and attempting to raise the standard of living and improve the quality of life, on the other. The latter objective will be reached through the provision of more jobs to citizens, the provision of high-quality public services, and continuing to pay due attention to low-income groups.

This chapter discusses the current condition of the population and the standard of living and presents the developments which took place during the period of the Eighth Plan. It also highlights the key issues and challenges that should be addressed during the Ninth Plan, as well as the future vision for improving the standard of living and the quality of life. Moreover, it presents the objectives, policies and targets of the Ninth Development Plan related to the issues of population and standard of living.

## 11.2 CURRENT CONDITIONS

### 11.2.1 Demographic Characteristics

#### □ *Population Size*

The total population of the Kingdom increased from about 7 million in 1974 to 16.9 million people in 1992 and to almost 22.67 million people in 2004. According to the population projections of the Central Department of Statistics and Information, the total population of the Kingdom is estimated at about 25.37 million in 2009.

Regarding the Saudi population, their number increased from about 6.2 million in 1974 to 12.3 million in 1992, 16.53 million in 2004 and to almost 18.50 million in 2009. With respect to non-Saudis, their number increased from about 0.8 million in 1974 to 4.6 million in 1992, 6.14 million in 2004 and to almost 6.83 million in 2009.

Page  
190

#### □ *Population Growth*

According to the results of the population and housing censuses, the average growth rate of population was estimated at 4.9% per year during the period 1974-1992. This rate of growth declined to 2.4% during the period 1992-2004. With respect to the Saudi population, the average annual growth rate declined from 3.9% during the period 1974-1992 to 2.5% during the period 1992-2004, while the average annual growth rate of non-Saudis declined from 9.8% to 2.3% over the same periods.

#### □ *Fertility*

The Kingdom is considered as a country with an intermediate level of fertility. Data from surveys indicate a steady decline in total fertility rate from over seven live births per woman in childbearing age to 3.3 live births, during the period 1979-2007. This decline is attributed to the decline of fertility of women of all age groups, particularly those



below age 30 years, due to the increase in age at marriage and the increased level of education and culture.

#### ❑ *Mortality*

The Kingdom has witnessed substantial improvement in mortality indicators. The crude mortality rate of the Saudi population declined from 15 per thousand to 12.5 per thousand during the period 1975-1980, and to 3.8 per thousand in 2008. This impressive decline in crude mortality rate is attributed to the increase in standard of living, the spread of education, the expansion in preventive and curative health services, the improved environmental conditions, as well as the youth-dominated population age structure.

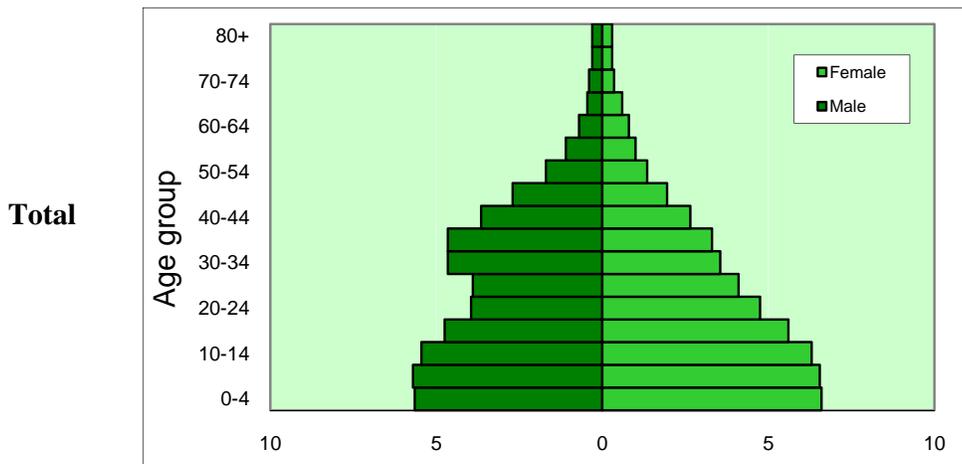
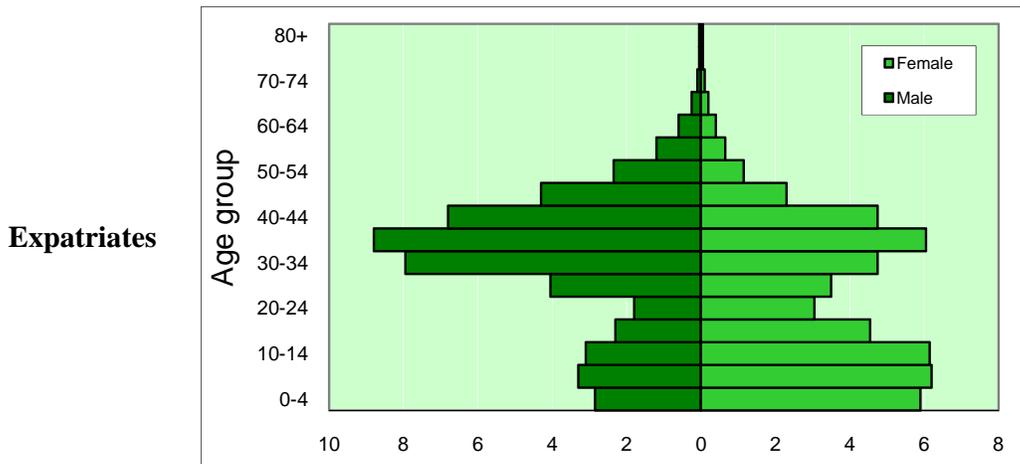
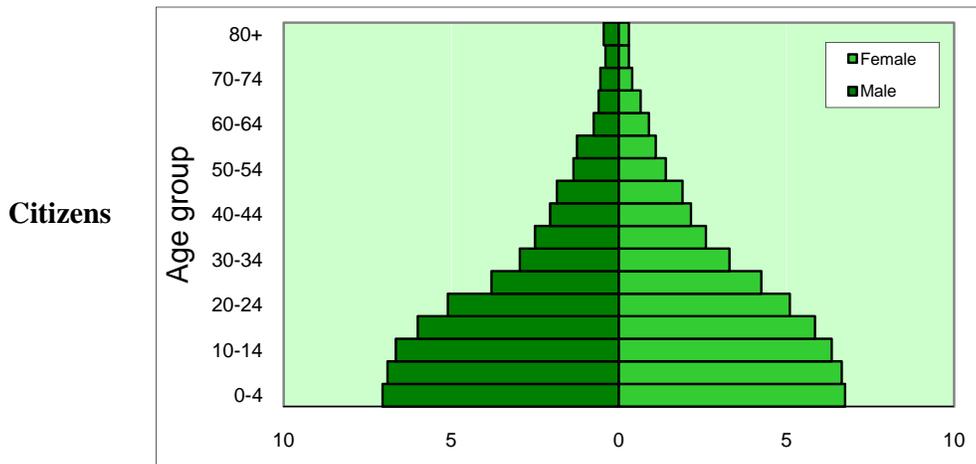
Infant mortality rate (the number of deaths of infants under one year old) declined from 118 deaths per 1000 live births in the early 1970s to 17.4 per 1000 in 2008. Because of this remarkable decline in infant mortality rate, life expectancy at birth increased from 53 years in the early 1970s to 73.7 years in 2008.

Maternal mortality rate (death of women due to complications of pregnancy, childbirth, and the puerperium), it declined from 42 in 1989 to 14.6 deaths per 100,000 live births in 2008.

#### ❑ *Age Structure of the Population*

Age and sex structure of populations is closely related to fertility, mortality and migration rates. With respect to the Kingdom, which hosts a large expatriate population, the age and sex structure of the expatriates affect the age and sex structure of the total population. The population pyramid (Figure 11.1) shows age and sex structure of the total population, Saudi population and non-Saudi population based on the results of the 2004 Population and Housing Census.

**Figure 11.1**  
**Population Pyramids of Saudis and Expatriates**  
**According to 2004 General Census of Population and Households**



Source: Central Department of Statistics and Information.

The Census indicates that the ratio of males to females among Saudis is about 101 to 100, but approximately 228 to 100 among expatriates, since the expatriate population consists mostly of unmarried males, or married males who left their families back home.

In terms of age structure of Saudis, the proportion of these aged less than 15 years declined from about 49.2% in 1992 to about 40.4% in 2004, while the proportion of the 15–64 years age group increased from about 47.5% to about 55.9%. The change in the age distribution of expatriates was negligible (Table 11.1).

**Table 11.1**  
**Distribution of the Saudi and Non-Saudi Population**  
**By Age Group, and the Estimated Median Age of the**  
**Saudi and Non-Saudi Populations**  
**1992 and 2004**

Age Group (Year)	1992		2004	
	Saudi	Non-Saudi	Saudi	Non-Saudi
Less than 15	49.2	21.9	40.4	19.9
15 - 64	47.5	77.4	55.9	79.0
65 +	3.3	0.7	3.7	1.1
Median Age (year)	15.4	30.1	19.0	30.3

*Source: Central Department of Statistics and Information.*

#### □ *Geographical Distribution of Population and Urbanization*

Results of the 2004 Population and Housing Census indicate the concentration of almost two thirds of the Kingdom's population in three administrative regions: Riyadh, Makkah and the Eastern region. The continued influx of population to these three regions over the past three decades increased their share of the total population from 56.4% in 1974 to 64.4% in 2004. As for urbanization, the share of the urban population in the total population increased from 49% in 1974 to 74% in 1992 and to around 80% in 2004.

#### □ *The National Population Committee*

With increased national concern about the implications of population issues on the development process and on various sectors of the national economy, the Council of Ministers issued in 2007 Resolution

No. 219 related to the formation of a National Population Committee. The tasks entrusted to the Committee are listed in Box 11.1.

**Box 11.1: Tasks of the National Commission on Population**

1. Propose the population policy and specify its objectives in line with the general policy of the state and endorse it according to the established procedures.
2. Incorporate the objectives and programs of the population policy in the national development plans and strategies.
3. Coordinate the efforts of the ministries and agencies responsible for population issues.
4. Monitoring the recommendations on population issues, proposed by the regional and international conferences and approved by the government, and incorporates them in the national population policies and programs.
5. Monitoring the progress made in the implementation of pertinent population policies and programs implemented by government agencies and private institutions, and assessing such progress.
6. Managing the aspects related to population issues.
7. Solicit technical support from regional and international organizations.
8. Contribute to the development of national capabilities in the field of demographic research and studies.
9. Establish relations and exchange expertise with similar regional and international institutions.
10. Participate in national, regional and international conferences on population issues.
11. Contribute to the design of plans related to population studies and demographic surveys.
12. Establish a population database.

### **11.2.2 Standard of Living and Quality of Life**

The "Quality of Life Index" is composed of many indicators that include: level and distribution of income, employment, education and health services, housing situation, family condition and environmental situation. The trends of these indicators point to a tangible improvement in the quality of life of citizens. The Quality of Life Index increased from 100 points in 1999 (base year) to 105.3 points in

2004 and to 111.3 points in 2009.

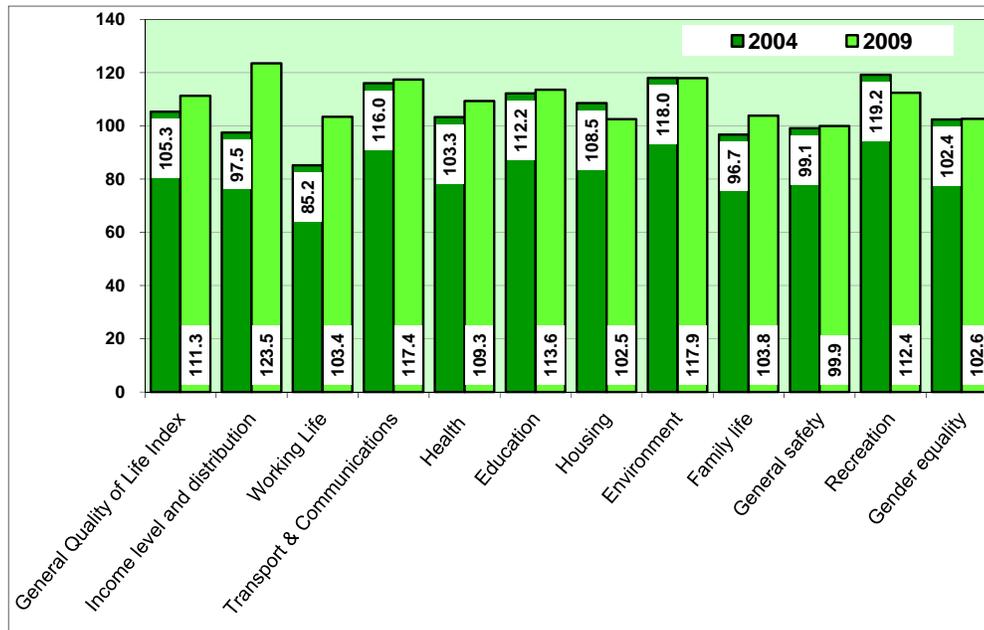
The progress in the Quality of Life Index is attributed to improvement in the income level and distribution indicator, which occupied the first rank in this field, rising from 97.5 points in 2004 to 123.5 points in 2009. This reflects the increase in per capita income over the Eighth Plan period and the decrease of the poverty level in the Kingdom.

The work life indicator was ranked the second, where it increased by about 18.2 points (compared with the base year of the Eighth Plan) reaching 103.4 points in 2009 compared to 85.2 points in 2004. This progress is due to an increase in the employment rate by around 3.1% and the unemployment rate remaining constant at 9.6% over this period.

With respect to family life and health indicators, they increased from 96.7 points and 103.3 points in 2004 to 103.8 points and 109.3 points, respectively, in 2009. Improvement in these two indicators is attributed to a relative decrease in the cases of divorce and juvenile delinquency as well as improved health care which led to a decrease in crude mortality rate and an increase of life expectancy at birth of males and females.

In contrast to the above-mentioned indicators, housing and recreation indicators decreased during the Eighth Plan period. The housing indicator decreased from 108.5 points in 2004 to 102.5 points in 2009, while the entertainment indicator decreased from 119.2 points to 112.4 points over the same period. This decrease entails further efforts to increase the number of housing units, particularly the number of affordable housing units, enhance the provision of water and sanitary services, and implement the property mortgage law and related rules. Moreover, additional land for development should be provided in all regions of the Kingdom, the General Housing Authority should be supported and a housing database should be established.

**Figure 11.2**  
**Quality of Life Index and its Components**  
**During the Eighth Plan**



Source: Ministry of Economy and Planning.

Page  
196

Improvement of the Quality of Life Index in general is attributed to developments in the national economy during the Eighth Plan, where real growth rate of the GDP stood at 3.5%, as well as to the many governmental resolutions which affected the income level and distribution indicator. The most eminent among these resolutions is the Council of Ministers Resolution No. 237 of 2006 and Resolution No. 11 of 2008, (Box 11.2).

## 11.3 ISSUES AND CHALLENGES

### 11.3.1 Population Issues and Challenges

#### ❑ *Growth of Population at a Relatively High Rate*

The relatively high rate of population growth, due to the high rate of natural increase of Saudi population and the continued influx of expatriates, leads to the emergence of the following challenges:

### Box (11.2): Main measures for reducing cost of living

The council of Ministers Resolutions No. 237 of 2006, No. 11 of 2008 and No. 89 of 2008 were the most significant resolutions that specified practical measures to reduce the cost of living and improve the quality of life of citizens. The main measures stipulated by these resolutions are the following:

- Establishing the **Supplementary Support Programme** aimed at bridging the gap between the actual income of the households and individuals, particularly of the poor, and the absolute poverty line.
- Increasing aid to orphans with special needs and the like, including subsidies to foster families, school stipends, end-of-foster-period compensation, marriage grants, and payments to residents of orphanages.
- Establishing an **Emergency Assistance Programme** to help families below the absolute poverty line facing emergencies.
- The State bears 50% of port charges for a period of three years, beginning in 2008.
- Adding a 5% Cost of Living Allowance to salaries and pensions of current and retired State employees for a period of three years, beginning in 2008.
- Increasing the Social Security payment by 10%, beginning in 2008.
- Continuing to subsidize basic commodities, to reduce the impact of the increase in cost of living, for three years, subject to review afterwards.
- Accelerating construction of low-cost housing, for which a sum of SR 10 billion is allocated. Such housing would consist of appropriate housing units, including multi-storey buildings. Additional funds would be appropriated in the future.
- Prohibit monopolistic practices, review the system of commercial agencies to prevent monopoly and promote competition.
- Reducing customs tariffs of 180 commodities, including food items and other basic commodities.

- Increased expenditure on provision of education, health services and housing for the growing population.
- Creating job opportunities for the growing number of Saudis of working age, especially in the presence of competition from foreign workers.
- Maintaining ecological balance, given the continued pressure on environmental conditions associated with population growth, urbanization and industrialization.

Thus, to address these challenges, there is a need to develop and implement the necessary policies to ensure the continued improvement in the standard of living and to maximize the utilization of human resources resulting from population growth.

#### ❑ *Population Structure*

Development activities in the Kingdom over the last four decades created the need to increase the number of expatriate workers to help implement these activities. Expatriates constitute around 27% of the total population. In view of the projected increase in the number of Saudis, particularly those of working age, it becomes imperative to review the current population structure to provide more job opportunities for Saudi manpower.

#### ❑ *High Growth Rate of Major Urban Centers*

The rapid expansion of the major Saudi cities poses numerous challenges: difficulty of providing adequate housing, traffic jams, air pollution, sanitation problems and high cost of supplying clean water. Addressing these issues requires implementation of the policies and mechanisms suggested by the National Spatial Strategy, which aim at achieving balanced and sustainable development among and within the regions of the Kingdom.

Page  
198

### **11.3.2 Issues and Challenges Related to Standard of Living and Quality of Life**

#### ❑ *Improving Health and Education*

Raising the standard of living requires improving health and education. To improve health conditions, it is crucial to reduce the incidence of communicable and non-communicable diseases, reduce infant and under-five child mortality rates and maternal mortality rate, and increase life expectancy at birth. This in turn requires: expanding the provision of primary health care, and improving its efficiency and accessibility to families throughout the Kingdom; provision of general



and specialized curative health care at the secondary and tertiary levels and raising the efficiency and quality of preventive, curative and rehabilitative health care. Addressing these challenges requires diversifying funding sources of health services to include, in addition to the state budget, revenues of cooperative health insurance, endowments (waqfs), donations, and others.

With respect to education, it is necessary to continue the efforts to eradicate illiteracy; expand pre-school education (kindergartens); provide universal education of children of school age; improve quality of education; continue the quantitative and qualitative improvement of higher education; continue increasing enrollment of females in education, and expanding the fields of specialization available to girls in line with the needs of the labor market and society.

#### □ *Housing*

The housing sector is one of the most important economic and social sectors in contemporary societies. The housing sector faces a number of challenges, including: inadequate supply of housing units; low level of house ownership; lack of affordability of owned or rental housing units; lack of financing of housing or residential land, and proliferation of slum neighbourhoods.

Despite the efforts of various bodies concerned with housing, progress in this area is still below aspirations, which requires enhanced cooperation among various stakeholders, giving top priority to low-cost housing geared towards the low-income segment of the population; supporting the General Housing Authority to enable it to fulfill its mission; completing development of the National Housing Strategy; development and periodic updating of sub-strategies for all the regions in light of results of population censuses and surveys; and accelerating efforts to deal with the phenomenon of slum neighbourhoods in major cities.

## □ *The Environment*

Because of rapid population growth, urbanization and industrialization, high density of land, sea and air transport, and increased volume of waste of all types, the level of pollution increased. Increased level of pollution negatively affected the environment indicator, which is a component of the Quality of Living Index. Hence, ensuring a safe and clean environment has become one of the major environmental issues that need attention. The Ninth Development Plan has considered the dimension of protecting the environment when developing guidelines and policies for future development activities. The Plan also stresses the importance of operationlizing the General Environmental Act and paying due attention to the environmental impact of anticipated population growth and expansion in development activities, while supporting institutional capacity building for environmental action, and ensuring safe and efficient disposal of waste of all types. The Plan also gives priority to environment-friendly projects in various development sectors. Thus, efforts to conserve the environment are expected to intensify during the Ninth Development Plan, reflecting awareness of the importance of assuring a sustainable environment-friendly development.

Page  
200

## **11.4 TARGET PATHS**

### *A. Population Policy:*

This represents one of the most important elements to achieve comprehensive development, particularly in light of the measures designed to achieve specific demographic objectives, within the general framework of the population strategy of countries of the Gulf Cooperation Council, and in line with related national strategies and the Millennium Development Goals (MDGs) adopted by the United Nations in 2000. The MDGs include poverty eradication, universal education, gender equality in access to education, improving maternal health, reduction of under-five child mortality, combating HIV/AIDS, malaria and other endemic diseases, ensuring environmental sustainability, and developing international partnerships for

development. This path addresses all population issues such as age and geographic distribution of population, improvement of health, education, housing and environmental conditions. The population policy focuses on the following seven major themes:

1. **Population and Development:** This theme covers the issues of rapid growth of population, age structure, fertility, mortality rates of various age groups, and the geographical distribution of the population. It also covers the impact of economic, social and behavioral factors on population on the one hand, and the mechanism for balancing population growth with resources, on the other hand.
2. **Health Services and Health Conditions:** The most important issues covered by this theme include: continuing to reduce mortality rates of all age groups, controlling communicable and endemic diseases, reducing disparities in provision of health services between different regions and between urban and rural areas, and improving the quality of health and social care provided by the state and community to the elderly.
3. **Education, Training and Challenges of the Future:** As one of the main themes of human development and an important mechanism of poverty alleviation, the most important issues addressed by this theme are: eradication of illiteracy, providing education to the growing number of children, satisfying the growing demand for education and training facilities, and aligning outputs of education and training with the actual needs of the labour market.
4. **Women and Sustainable Development:** The most important issues covered by this theme are: eradication of female illiteracy, motivating female students to study scientific instead of literary disciplines, and removing the constraints impeding participation of women in economic activities.
5. **Youth (education, health and employment):** As youth, if properly engaged, could form a solid foundation for achieving the desired leaps in development, this is one of the main themes

of the population policy. It involves developing policies to motivate greater youth participation in sport, youth and cultural facilities, continuing efforts to develop curricula, with the aim of keeping pace with scientific progress and labour market requirements, improving youth health and providing them with job opportunities.

6. **Emerging Issues:** This theme focuses on four main issues: unemployment, poverty, environment and housing. Each of these issues was studied in detail to identify its nature, causes and negative impact on population, with the aim of developing appropriate policies.
7. **Preparing the Appropriate Environment for Implementation of the Population Policy:** This theme includes three key elements: building population databases, developing training programs for employees of government agencies concerned with population issues, and intensifying demographic research and studies.

Page  
202

#### ***B. Standard of Living and Quality of Life:***

The standard of living and quality of life are reflected by several indicators: rates of investment and employment, macroeconomic and sectoral growth, degree of economic diversification, availability and standard of health, education and training services, availability and standard of basic services, such as water, sanitation, electricity, transportation and communications, and housing.

To achieve significant progress in all these areas, the Kingdom has adopted a comprehensive strategic planning methodology that sets the future vision of the Kingdom. The Eighth Plan constituted the first stage of this vision. During the period of the Plan, the Kingdom achieved several economic and social development targets. The Ninth Plan aims at continuing to accomplish various objectives that would contribute to raising the standard of living and improving the quality of life of citizens.

### ***C. National Strategy for Social Development:***

The National Strategy for Social Development of the Ministry of Social Affairs adopted an inclusive perspective, especially in relation to poverty alleviation. Rates of poverty (material and non-material) are reduced by improving the standard of living of the poor through: increasing their income, providing them with basic services, raising their education and health status, developing their skills and capabilities, and empowering them economically to actively contribute to the development process. Notably, the Strategy not only addressed poverty, but also maintaining the standard of living of the rest of the population, particularly the middle-income group, to prevent the incidence of poverty. The Ministry of Economy and Planning, in collaboration with the strategy team overseen by H.E. the Minister of Social Affairs, developed a scientific framework that takes into account the resources and conditions of the Kingdom, international conditions (rising prices of imports, the global financial crisis, and the global economic recession), and the experience of other countries in poverty alleviation.

Implementation of the National Strategy for Social Development is undertaken through building a database based on specialized surveys, which measures poverty and its various indicators, and identifies social groups and geographical areas in which the poor are concentrated. Moreover, causes of poverty are being studied in order to develop appropriate programmes and policies to alleviate it and mitigate its adverse effects. In addition, the Strategy covers several other aspects of raising the standard of living and improving the quality of life, particularly for the poor. To increase effectiveness of the policies and programmes aiming at containment of pockets of poverty, specific geographical areas are targeted. Mechanisms have also been developed for monitoring and evaluation of performance in all regions, to determine potential needs for each region, in order to achieve the objective of balanced regional growth and improved quality of life.

The National Strategy for Social Development aims to achieve the following objectives:

1. Enabling the poor to create and consolidate their human and material assets, through provision of jobs, credit, education and training, health services, and enable them to market their products.
2. Enhancing the ability of the poor to participate effectively in economic activities.
3. Improving the standard of living of the poor through reducing their exposure to risks, such as health problems, economic shocks related to market fluctuations and natural disasters, as well as assisting them to overcome such shocks.

The Strategy encompasses policies for alleviating poverty, along the following five themes:

**Page**  
**204**

**First: Balanced Economic Growth**, which includes policies for accelerating economic growth and distribution of its benefits in a balanced manner among all regions and social strata.

**Second: Economic Empowerment and Employment of the Poor**, which includes policies for providing poor individuals and families with means of production necessary for increasing their income, in addition to enhancing the production capacities of households and small and medium enterprises (SMEs), and policies aimed at improving employment opportunities and wages.

**Third: Developing Capacities and Human Capital**, which includes policies for improving health, education, training, housing and municipal services for the poor.

**Fourth: Social Safety Net**, which includes policies for improving the social security system, and consolidating the role played by the Saudi Credit and Savings Bank, charitable associations and voluntary societies in alleviating poverty.

**Fifth: Institutional Infrastructure and Good Administration**, which includes policies and programmes to enhance the performance of the agencies entrusted with implementation of the strategy.

## **11.5 DEVELOPMENT STRATEGY**

### **11.5.1 Future Vision**

Achieving balance between economic and natural resources and population growth rates, and making the most of the current and future age structure of the population, as well as upgrading all development indicators, in order to raise the standard of living, improve the quality of life and enhance the well-being of citizens.

### **11.5.2 Objectives**

- Raising the standard of living and improving the quality of life of citizens.
- Achieving balance between population growth and natural resources.
- Rationalizing migration to the major urban centers in the various regions of the Kingdom.
- Reducing the proportion of expatriates in the total population of the Kingdom.
- Reducing the infant mortality rate, under-five mortality rate and maternal mortality rate.
- Increasing utilization of human resources, particularly the youth.

### **11.5.3 Policies**

- Raising awareness of the close relationship between population and development issues through various media outlets (TV, radio, and press).
- Directing development efforts towards small and medium cities, through increased government spending and private investment (domestic and foreign) in these cities and in the least developed

regions, as well as enhancing the administrative, organizational capabilities and infrastructure of the medium and small cities, and establishing new settlements as growth centers, thereby enhancing the regional and international competitiveness of the Kingdom. Projects underway for new economic cities are a good example of such centers.

- Employing young human resources to enhance the development efforts and to meet labour requirements of the public and private sectors.
- Supporting funds and financial institutions and expanding their programmes, especially the employment-related training programmes, as well as programmes for financing labour-intensive SMEs, particularly those located in the least developed regions.
- Reducing the incidence of genetic and other diseases, through enforcement of medical examination before marriage, expansion of monitoring and treatment of genetic diseases among newly born children, providing health care services to pre-term births and to children born underweight, and continuing to expand the programme of immunizing children against communicable diseases.
- Encouraging safe reproductive behavior and expanding maternal and child health services, expansion of health education programmes on birth spacing, through prolonged breastfeeding, and on avoiding pregnancy at very young and old ages, improving nutritional status of mothers, especially young mothers, combating anemia among pregnant women, expanding obstetric services and encouraging mothers to pursue post-natal medical follow-up.
- Continuing to improve the quality of health, education and social services.
- Achieving greater integration between the government and private initiatives in employment, and Saudization of jobs to contribute to raising the standard of living.



### 11.5.4 Targets

- Reduce the average annual growth rate of expatriate population by 1.9%, so that their share of the total population reaches 26.6% by 2014.
- Improving the quality of life index, and its components, as shown by Table 11.2.
- Eradication of extreme poverty.
- Achieving economic empowerment of needy families, through:
  - Providing adequate, rewarding employment opportunities.
  - Transforming an increasing proportion of needy families to productive families.
  - Helping the largest possible number of needy families to own small enterprises.

**Table 11.2**  
**Main Indicators of Improved Quality of Life**  
**Ninth Development Plan**

Indicator	2009	2014
Income and the distribution of income	123.5	127.97
Working life	103.4	113.62
Health	109.3	110.58
Education	113.6	115.46
Housing	102.5	108.53
Environment	117.9	120.7
Family life	103.8	109.52
Public Safety	99.9	100.18
Entertainment	112.4	114.47
Gender equality	102.6	125.13
<b>General index of the quality of life</b>	<b>111.3</b>	<b>113.45</b>

*Source: Ministry of Economy and Planning.*



# REGIONAL DEVELOPMENT

## 12.1. INTRODUCTION

Under the Eighth Development Plan, expansion and development of infrastructure in various regions of the Kingdom covering primarily roads, railways, telecommunications, water and sanitation, and electricity, continued, in addition to improving education, health and municipal services. To promote balanced regional development, a set of strategies and studies were developed, the most prominent of which are: the National Strategy for Social Development, the Healthcare Strategy, the National Industrial Strategy, the National Transportation Strategy, Strategies for Developing Tourism at the level of administrative regions, and the Regional Economic Reports.

The Ninth Development Plan aims to continue efforts to achieve balanced regional development and develop institutional capacities of the agencies working in the regions to enable them to carry out their mission of improving the investment environment, increase productivity, and provide more employment opportunities.

This chapter addresses the current conditions of regional development, explaining developments under the Eighth Development Plan; reviews the key issues and challenges that must be addressed under the Ninth Development Plan; and highlights the future vision, objectives, policies and targets for regional development in the Ninth Development Plan.

## 12.2. CURRENT CONDITIONS

### 12.2.1 Pillars of Regional Development

The Kingdom enjoys unique geographical and topographical features: it is a bridge between Europe, Asia and Africa; its western coast along the Red Sea extends to approximately 1,760 km, while its eastern coast along the Arabian Gulf extends about 560 km. Because of its vast area, which amounts to two million square kilometres, the country also

enjoys a varied terrain and diverse natural resources. Hence, development plans continue to seek balanced regional development that aims at reducing development disparities, both among and within the regions by utilizing the diversity of resources and potentials of each region. Successive development plans adopted clear regional development policies; the main features of which are attaching importance to improving infrastructure, while taking into account the development potential of each region. Generally, the regional development methodology of the Kingdom is based on the following themes:

- The need to achieve relative population balance among the regions, taking into consideration the pattern of population distribution among as well as within regions.
- Methodically addressing the comparative advantages of each region, within the framework of comprehensive, sustainable development.
- Achieving regionally balanced development, by narrowing the development gap among the regions.
- Progressively reducing centralized management through strengthening local administration.
- Adopting a package of investment incentives to attract investors to the less developed regions, in accordance with the Council of Ministers Resolution No. 359 of 2008, which stipulated granting investors tax incentives of up to 50% of the costs of training and the annual wages of Saudi employees working in projects established in the areas of Hail, Northern Borders, Jazan, Najran, Baha, and Jawf. The Resolution also granted industrial projects and capital expansion in these areas additional tax incentives, at a rate not exceeding 15% of paid-up capital.
- Raising the level of services in the regions, in accordance with the system of regions instituted by Royal Order No. A/92 of 1992, of which Article 23 decrees that: "The Provincial Council shall study all issues that seek to raise the level of services in the region; particularly the following: identifying the needs of the region; proposing their coverage by the state's development plan;

and following up implementation of the region's development Plan and budget, and coordination thereof".

- Adopting the policies proposed by the National Spatial Strategy, which emphasize integrated development among and within regions. Among the most prominent of such policies are the "developmental corridors". These are important tools in the management of long-term urban development, as they facilitate progressive dissemination of development from the more developed to the less developed centres, through optimum use of existing infrastructure that connects cities and villages within a balanced hierarchical structure of population settlements.
- Adopting the strategic directions of government agencies that bear relation to balanced development, such as: the National Transportation Strategy, the National Strategy for Social Development, the Healthcare Strategy, the National Industry Strategy, The National Tourism Development Strategy, and the National Strategy for Development of Handicrafts and Traditional Industries.

### 12.2.2 Administrative Regions

In accordance with the System of Regions instituted by Royal Order No. A/92 of 1992 and its amendment by Royal Order No. A / 21 of 1993, the Kingdom consists of thirteen administrative regions; each comprising governorates and districts classified into two administrative levels (Grade A and Grade B).

According to statistics published in 2007 by the National Centre for Documents and Archives, administrative regions include 105 governorates of which 43 are grade A and 62 are grade B. The regions also comprise 1,356 administrative centres consisting of 582 grade A and 774 grade B centers. (Table 12.1)

**Table 12.1**  
**Administrative Hierarchical Structure in Regions**

Region *	Administrative Governorates			Administrative Centres		
	Grade A	Grade B	Total	Grade A	Grade B	Total
Riyadh	10	9	19	172	277	449
Makkah	5	6	11	38	78	116
Madinah	2	4	6	39	50	89
Qassim	4	6	10	64	91	155
Eastern Region	5	5	10	71	42	113
Asir	4	7	11	40	60	100
Tabuk	3	2	5	19	52	71
Hail	1	2	3	48	36	84
Northern Borders	1	1	2	7	11	18
Jazan	3	10	13	25	9	34
Najran	1	6	7	25	32	57
Baha	3	3	6	22	14	36
Jawf	1	1	2	12	22	34
<b>Total</b>	<b>43</b>	<b>62</b>	<b>105</b>	<b>582</b>	<b>774</b>	<b>1356</b>

\* Each region includes the headquarters of the principality.

Source: National Centre for Documents and Archives, 2007.

### 12.2.3 Population Trends

#### □ Population distribution

Concentration of resources and economic activities in specific regions resulted in a similar concentration of population (Table 12.2): three regions (Riyadh, Makkah and Eastern Region) together had almost two-thirds (64.2%) of total population in 2009. Over the period 2004–2009, the average annual rate of population growth in the regions ranged from 1.4% to 3%. As a result, this pattern of population distribution has put increasing pressure on public facilities and services, especially water and sanitation, electricity, health, education, roads, communications, housing, and municipal services.

**Table 12.2**  
**Population by Region**  
**Eighth Development Plan**

Region	2004		2009		Average Annual Growth Rate (%)
	Total Population	(%)	Total Population	(%)	
Riyadh	5458273	24.1	6247386	24.6	2.7
Makkah	5797184	25.5	6348357	25.0	1.8
Madinah	1512724	6.7	1719494	6.8	2.6
Qasim	1015972	4.5	1135744	4.5	2.3
Eastern Region	3360031	14.8	3714884	14.6	2.0
Asir	1687939	7.4	1858557	7.3	1.9
Tabuk	691716	3.1	794610	3.1	2.8
Hail	526882	2.3	580437	2.3	2.0
Northern Borders	279971	1.2	307036	1.2	1.9
Jazan	1187587	5.2	1365756	5.4	2.8
Najran	420345	1.9	488304	2.0	3.0
Baha	377900	1.7	404721	1.6	1.4
Jawf	361738	1.6	408226	1.6	2.4
<b>The Kingdom</b>	<b>22678262</b>	<b>100</b>	<b>25373512</b>	<b>100</b>	<b>2.3</b>

*Source: Central Department of Statistics and Information.*

#### □ *Inter-regional population movement*

Despite the concentration of population in the regions of Makkah, Riyadh and the Eastern Region, statistics show a decline in the rate of internal migration during the period 1992–2004. In Riyadh region, the number of Saudis living in a region other than that of their birth dropped from a ratio of 1 in 5 to 1 in 7; in Tabuk region the ratio dropped from 1 in 4 to 1 in 5; in the Northern Borders area it dropped from 1 in 5 to 1 in 8; and in Al-Jawf region, from 1 in 7 to 1 in 15. The drop in migration is attributable to the advances made in education, and health services and in infrastructure, as well as to the availability of employment opportunities in the regions, hence encouraging the population to settle in their regions.

In a sign of improved indicators of balanced development among regions, estimates of population movement in 2008 indicate that the internal migration trend continued to improve compared with 2004.

## **12.2.4 Economic Activity**

The volume of economic activity is linked to the geographic and economic characteristics of the locations in which it is conducted. Statistics indicate that the economic activities of the private sector in 2007 are highly concentrated in key urban and economic centres: of the 695 thousand operating businesses, 31% were in the Riyadh region, 26% in the Makkah region, and 17% in the Eastern region; a total of 74%. Economic activity is distributed among regions as discussed below.

### ***A. Industrial Activity***

Indicators of regional distribution of industrial activities show that they are concentrated in Riyadh, Makkah, and Eastern Regions, which have together 86% of all operating factories in 2008. Similarly, the indicator of number of industrial jobs per 10,000 people was about 314 in the Eastern Region, about 289 in Riyadh, about 207 in Makkah, about 118 in Medina, and about 109 in Qassim compared with 11 to 42 in the rest of the regions.

### ***B. Agricultural activity***

In 2008, the cultivated area was estimated at about 972 thousand hectares, distributed among regions depending on availability of cultivable soil and irrigation water, with Riyadh, Qassim and Al Jawf accounting for 26.4%, 15.3%, and 14.9%, respectively; a total of 56.6%. In contrast, cultivated land in the remaining regions is small, ranging from less than 1% of the total in both the Northern Borders and Baha regions to about 11% in Hail region. Riyadh, Hail, Qassim and the Eastern Region provide together about 84.1% of total wheat production, about 72.1% of vegetables, 58.3% of dates and 51.4% of fruits. Riyadh region accounts for about 72.5% of total milk production, followed by the Eastern Region at about 25%; while the regions of



Riyadh, Makkah and Qassim account for 74.4% of total poultry meat and egg production.

### *C. Services*

Distribution of services among the regions is closely linked to the population size and number of housing units in each region. For example, distribution of health services, hospital beds, primary healthcare centres, physicians and nursing staff is commensurate with population density, geographical location and health conditions. In 2008, there was one primary healthcare centre per 9,122 inhabitants, 2.17 beds per one thousand and 20 physicians and 39 nurses per ten thousand. Likewise, the distribution of general education (primary, intermediate and secondary) for boys and girls among regions depends on population density. There is, however, substantial convergence in student per class and teacher per student (for boys and girls) ratios, with the latter ratio amounting to eleven for the Kingdom as a whole.

The data of 2008 show the distribution of public and private universities and university colleges to be compatible with the demand in different regions, with 25 public and 8 private universities, and 375 public and 19 private university colleges, distributed over the various regions. This has enabled students to complete their higher education in their regions; thereby enhancing stability and reducing rates of internal migration.

The Kingdom enjoys a fast, high-standard network of intra-regional and inter-regional paved roads that enhances possibilities of developmental integration among regions.

Electric power coverage is also uniform and comprehensive (99%), with close convergence among all regions in terms of number of connections per one thousand homes.

### *D. Specialized Credit Institutions*

Table 12.3 shows the distribution of the values of the loans provided by specialized credit institutions (Saudi Industrial Development Fund, Real Estate Development Fund, Agricultural Development Fund and the Saudi Credit and Saving Bank) by region for the year 2008. The

Eastern, Medina, Makkah and Riyadh regions accounted for most of the industrial loans. Due to the concentration of large industries in the industrial cities of the Eastern Region, it has the largest share of these loans.

**Table 12.3**  
**Distribution of Developmental Credit among Regions**  
**in 2008**

Million SR

Region	Industrial	Real Estate	Agricultural	Credit and Saving
Riyadh	1,069	1,388	241	1,845
Makkah	426	895	13	1,480
Madinah	1,048	391	10	790
Qassim	18	565	94	390
Eastern Region	6,241	729	59	1,176
Asir	9	423	154	1,063
Tabuk	-	165	28	237
Hail	-	226	71	327
Northern Borders	-	119	1	327
Jazan	-	87	64	423
Najran	-	179	18	362
Baha	-	42	3	289
Jawf	-	117	36	481
<b>Total</b>	<b>8,811</b>	<b>5,326</b>	<b>792</b>	<b>9,190</b>

*Source: Annual Reports of Government Credit Institutions.*

The table also shows a more balanced distribution of real estate and agricultural loans among regions, while Riyadh, Makkah, Eastern, and Asir regions accounted for 60.5% of the total value of the loans of the Saudi Credit and Saving Bank.

### **12.2.5 Unemployment**

Manpower data for 2008 show that unemployment rates vary among regions, depending on the availability of job opportunities and total size of workforce. In all regions, the unemployment rate among females is higher than the overall rate, and unemployment rates among

males in the Riyadh, Makkah, Eastern, Asir, Tabuk and Baha regions are lower than the overall rate.

## **12.3. ISSUES AND CHALLENGES**

### **12.3.1 Production Base**

Provision of infrastructure and services in the various regions is essential for building a productive base built on their comparative advantages. Statistical data show significant discrepancies in economic activities and trade among regions, which may be attributable to limited demand for various economic activities in some regions. Hence, there is a need for adopting mechanisms for directing economic activities towards the less developed regions, in addition to enforcing the Council of Ministers' Resolution No. 359 of 2008, which grants investors in the less developed regions tax incentives, with the aim of strengthening the production base and reducing the developmental gaps among regions.

### **12.3.2 Database**

In spite of achievements in collection, analysis and dissemination of data on regional development by the Central Department of Statistics & Information and the Urban Observatories of the municipalities, there is still a need for reinforcement of such efforts.

### **12.3.3 Population Concentration**

Patterns of population movement among regions in terms of population stability have improved. Yet, population continues to be concentrated in a limited number of major cities which leads to an imbalance in population distribution, even among the governorates of the same region. For example, 82% of the total population of the Riyadh region are concentrated in the two governorates of Riyadh and Al-Kharj, with the rest distributed among the other 17 governorates. Similarly, in the region of Makkah, almost 73% of the total population are concentrated

in the city of Mecca and the Governorate of Jeddah, with the rest distributed among the remaining 9 governorates (Table 12.4).

**Table 12.4**  
**Ratios of Population Concentration in Largest Two Governorates**  
**By Region (2008)**

Region	Number of Governorates*	First City/ Governorate (%)	Second City/ Governorate (%)	Rest of Governorates (%)
Riyadh	19	Riyadh 76	Kharj 6	18
Makkah	11	Jeddah 50	Makkah 23	27
Madinah	6	Madinah 66	Yanbu 17	17
Qassim	10	Buraidah 50	Onaisa 14	36
Eastern Region	10	Al-Ahsaa 27	Dammam 22	51
Asir	11	Khamis Mushait 26	Abha 21	53
Tabuk	5	Tabuk 71	Umluj 8	21
Hail	3	Hail 68	Al-Ghazakla 18	14
Northern Borders	2	Arar 60	Rafha 26	14
Jazan	13	Jizan 21	Sibia 17	62
Najran	7	Najran 63	Sharurah 17	20
Baha	6	Baha 24	Baljarshi 16	60
Jawf	2	Skaka 54	Al-Qurayat 35	11

\* Excluding principality (emirate) of the region.

Source: Central Department of Statistics and Information.

The pattern of intra-regional population concentration calls for policies and mechanisms designed to enhance intra-regional population movement, with the aim of providing more development opportunities in the less attractive regions and governorates; thereby reducing migration to large cities.

### 12.3.4 Environmental Aspects

Environmental aspects of regional development are of vital importance whether in relation to water, sanitation, air and other pollution, or waste treatment. Intra-regional and inter-regional sustainable development requires activating and implementing "Basis and Standards of Sustainable Development", inter alia, optimal use of land

to ensure the right of future generations to a friendly spatial environment; effective implementation of cities and coastal management systems designed to reduce the main sources of environmental pollution, especially in coastal areas; and compliance of production and service projects with local and international environmental standards.

## **12.4. DEVELOPMENT STRATEGY**

### **12.4.1 Future Vision**

Achieving highly efficient developmentally balanced regions, within the framework of sustainable development, that are capable of providing stability to their inhabitants within their administrative boundaries and that are fully integrated with each other to create effective development systems leading to higher living standards and better quality of life.

### **12.4.2 Objectives**

- Achieving balanced regional development in a way that enhance its contribution to socio economic development.
- Raising living standards, improving quality of life and providing decent living for all members of society.

### **12.4.3 Policies**

- Enhance the developmental role of regional councils, limiting centralization, and reinforcing the role of the local community, and voluntary and cooperative institutions in regional development.
- Upgrade performance of municipalities, enabling them to invest in job creating projects, and strengthening cooperation with the private sector in implementation of development projects.

- Enhance the role of the specialized credit and financial institutions in supporting small and medium-size enterprises (SMEs), especially in regions and governorates that are less attractive to investment, and strengthening the technical assistance provided to these projects to enable them to overcome the regulatory and marketing obstacles in the various regions.
- Prepare an implementation action plan for the developmental corridors proposed in the National Spatial Strategy and follow up its implementation.
- Activate the role of national, regional and local growth centres, with a focus on the socio- economically least developed local centres.
- Enhance functional and productive integration among the centres of large, medium and small cities, to benefit from the economic resources and comparative advantages of the administrative regions and major cities in supporting the development of rural areas, and providing an environment conducive to investment, with the aim of increasing diversification of economic activities.
- Continue to implement the various themes of the National Strategy for Social Development, with emphasis on the role of women in productive and social work, in addition to establishing branches of the Centennial Fund in the various regions, in order to help the targeted groups and assist their integration into the development process.
- Develop regional strategies and programmes designed to benefit from opportunities generated by large national investment projects (such as new railways, utilization of phosphate and bauxite, and economic cities).
- Utilize databases of the Central Department of Statistics and Information, the ministries, government agencies and local development institutions in regional planning and development, to extract sectoral/spatial data for the preparation, implementation, monitoring and evaluation of plans.

#### 12.4.4 Targets

- Identifying tasks and responsibilities of local administrations so as to enhance opportunities for limiting administrative centralization.
- Identifying voluntary and cooperative institutions and their competencies, merging same-purpose institutions, and urging them to cooperate in achieving development goals, each according to its area of specialization and in accordance with the directions of development in each region.
- Identifying similar services in neighbouring municipalities, and providing them through cooperation and coordination.
- Implementing a number of pilot programmes in some municipalities, evaluating their performance and extending them gradually to other municipalities should they prove to be successful.
- Preparing feasibility studies of appropriate investment opportunities for start-up of small and medium-sized enterprises in the least developed regions, and providing various investment incentives to local people.
- Preparing implementation studies to promote integrated comprehensive development in existing spatial development corridors.
- Providing mechanisms for enhancing integration among central growth centers in governorates and linking them to spatial development corridors.
- Establishing spatial sectoral development databases (commercial, industrial, touristic ... etc.) and making them available to investors in the regions and governorates.
- Activating investment incentive mechanisms, in order to stimulate private-sector investment in the least developed regions.

- Developing a specific timetable for implementation of the various themes of the National Strategy for Social Development, giving priority to regions, that are most in need.
- Enabling women to establish production and services projects, by encouraging them to use available resources in the regions and benefit from specialized credit institutions.
- Directing the activities of the General Housing Authority to the least developed areas in the various regions.
- Setting development indicators for the regions, their governorates and administrative centres to be used in classification of development of regions, and measure development disparities, both among and within regions.



# BUILDING AND CONSTRUCTION

## 13.1 INTRODUCTION

Improvement of economic indicators and the investment climate under the Eighth Development Plan had a positive impact on performance of the construction sector, enhancing both its physical and technical capabilities. The building materials industry experienced improvements that raised the rate of import substitution of such materials, and increased their exports to regional markets. Moreover, contracting activities expanded throughout different regions of the Kingdom.

Economic efficiency of the construction sector in its widest sense (investment, production and organization) is envisaged to rise under the Ninth Development Plan, with expansion of use of advanced technologies and merger of medium-size companies to form large entities better able to face fierce competition in local and regional markets.

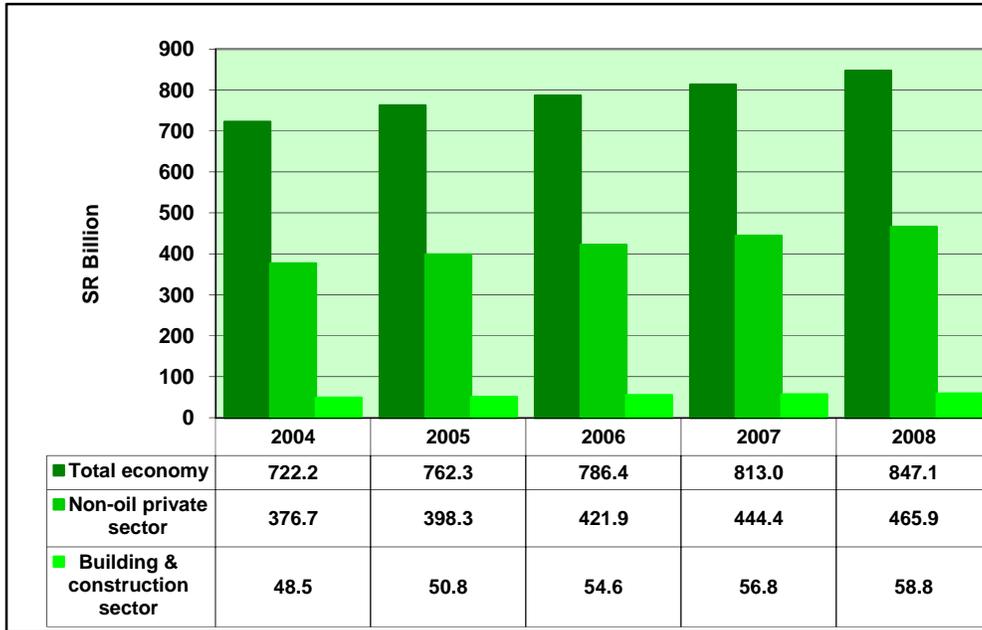
This chapter examines current conditions of the building and construction sector, highlighting developments under the Eighth Development Plan. It also reviews the key issues and challenges that must be addressed under the Ninth Development Plan, as well as the future vision, objectives, policies and targets envisaged.

## 13.2 CURRENT CONDITIONS

### 13.2.1 Developments

Over the first four years of the Eighth Development Plan, the construction sector achieved an average annual growth rate of 4.9%. Its contribution to GDP in 2008 was about 6.9%, compared with 6.7% in 2004; a rise that is attributable to the increase of its value added from about SR48.5 billion to about SR58.8 billion during the same period (Figure 13.1).

**Figure 13.1**  
**Value Added in Building and Construction Sector**  
**Eighth Development Plan\***



Page  
224

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Economy and Planning.

### 13.2.2 Capital Assets

In 2008, the value of capital assets of the building and construction sector was SR154.5 billion, up from about SR74.7 billion in 2004, reflecting an average annual growth rate of 19.9% (Table 13.1).

Over the first four years of the Eighth Development Plan, assets of ‘non-residential and other construction’ grew at an average annual rate of 26.1%, and its share of the total assets of the sector increased from 60.5% in 2004 to 74.1% in 2008. In contrast, ‘residential construction’ assets grew at an average annual rate of 8%, with its share of total assets of the sector declining from 39.5% to 25.9%.

**Table 13.1**  
**Capital Assets in Building and Construction Sector**  
**Eighth Development Plan\***

(SR billion)

	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Capital assets of building and construction sector	74.7	93.6	104.5	138.6	154.5	19.9
Capital assets of non-residential and other construction	45.2	61.6	70.1	100.8	114.5	26.1
Capital assets of housing construction	29.4	32.0	34.4	37.8	40.0	8.0
Ratio of non-residential construction assets to total building and construction assets (%)	60.5	65.8	67.1	72.7	74.1	–
Ratio of residential construction assets to total building and construction assets (%)	39.5	34.2	32.9	27.3	25.9	–

\* Up to the end of the fourth year of the Eighth Development Plan; in current prices.

Source: Central Department of Statistics and Information.

### 13.2.3 Building Permits

Over the first four years of the Eighth Development Plan, the total number of building permits for all facilities increased at an average annual rate of 10.8%, compared with 4.3% under the Seventh Development Plan. Notably, at 47.7%, the largest average annual growth rate was in permits for social and government services facilities, followed by non-residential facilities (large industrial and commercial facilities (13.2%), educational and health facilities and mosques (12.1%), taking advantage of the improved state budget (Table 13.2).

Permits for 'residential and small commercial' facilities, which account for 89.1% of total permits, rose by an average annual rate of 10.3% over the first four years of the Eighth Development Plan, compared with an annual average growth rate of 3.9% under the Seventh Development Plan. Distribution of permits over regions in 2008 is shown in Table 13.3, which shows that shares ranged between 29.6% and 0.9%.

**Table 13.2**  
**Evolution of Number of Building Permits**  
**by Category of Facility**  
**Eighth Development Plan<sup>(\*)</sup>**

Activity	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Small residential or commercial	34136	39803	49266	47941	50489	10.3
Large industrial or commercial	2133	3043	3494	3088	3499	13.2
Educational, health facilities and mosques	1137	1456	1883	1915	1798	12.1
Social and government services Facilities	179	419	726	827	851	47.7
Total number of building permits	37585	44721	55369	53771	56637	10.8
Share of 'residential or small commercial' in total permits (%)	90.8	89.0	89.0	89.2	89.1	—

(\*) Up to the end of the fourth year of the Eighth Development Plan.  
Source: Central Department of Statistics and Information.

Page  
226

**Table 13.3**  
**Building Permits by Region**  
**2008**

Region	Number of Permits	Share (%)
Riyadh	16741	29.6
Makkah	8554	15.1
Madinah	5001	8.8
Qasim	5092	9.0
Eastern Region	8577	15.1
Asir	3073	5.4
Tabuk	1555	2.7
Hail	2238	4.0
Northern Borders	935	1.7
Jazan	1015	1.8
Najran	1328	2.3
Baha	490	0.9
Jawf	2038	3.6
<b>Total</b>	<b>56637</b>	<b>100.0</b>

Source: Central Department of Statistics and Information.

## 13.2.4 National Employment in the Sector

Over the first four years of the Eighth Development Plan, the sector continued to grow at an average annual rate of 0.3% to a total employment of about 745.8 thousand in 2008, with the share of Saudi manpower increasing from 8.4% in 2004 to 10.0% in 2008 (Table 13.4).

The large supply of foreign labour has made companies reluctant to adopt capital-intensive production methods. Moreover, predominance of small, unclassified construction companies, which rely almost entirely on manual labour, lowers aggregate productivity indicators and consequently competitiveness of the sector.

**Table13.4**  
**Employment and Value Added**  
**in the Construction Sector**  
**Eighth Development Plan**

	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Employment (thousand workers)*	737.5	798.2	836.9	793.6	745.8	0.3
Ratio of Saudis (%)	8.4	9.3	9.3	9.8	10.0	–
Value added (SR billion at constant prices of 1999)	48.52	50.83	54.56	56.8	58.7	4.9

\* Results of manpower survey (first cycle), up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

## 13.2.5 Regulatory Environment

To assess their financial and technical capacity, contracting companies are reclassified every three years by the Agency for Classification of Contractors of the Ministry of Municipal and Rural Affairs. Classification is a prerequisite for participation in public bidding and tendering, and it plays an important role in determining the general scope of a tender. Table 13.5 shows the number of contractors

classified by grade, field and administrative region. The total number of contractors is 2,572 classified in 10,467 fields of activities, most of them classified in more than one field, which indicates significant development compared with the Seventh Development Plan. Moreover, the Eighth Development Plan saw a rise in the number of contractors in the first and second grades, which are granted only to companies with high financial and technical capabilities increased, indicating an improvement in presence of contractors in a number of administrative regions. In 2004, contractors in these two grades were present only in Riyadh, Makkah and Eastern regions. At approximately 76.5%, these three regions have the largest share of classified contractors: 47.7% in Riyadh region, 14.7% in Makkah region, and 14.1% in Eastern region.

**Table 13.5**  
**Distribution of Classified Contractors**  
**by Grade and Region**  
**Eighth Development Plan**

Page  
228

Region	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Number of Contractors	Share %	Number of Areas of Activity
Riyadh	190	178	218	370	271	1227	47.7	4959
Makkah	52	51	87	108	80	378	14.7	1405
Madinah	5	13	12	33	30	93	3.6	392
Qasim	4	11	16	51	37	119	4.6	395
Eastern Region	41	55	85	115	66	362	14.1	1594
Asir	2	5	29	60	54	150	5.8	670
Tabuk	0	3	0	4	6	13	0.5	29
Hail	0	4	5	18	13	40	1.6	115
Northern Borders	1	2	1	13	4	21	0.8	100
Jazan	0	2	3	8	7	20	0.8	102
Najran	0	4	11	42	40	97	3.8	530
Baha	0	0	4	8	16	28	1.1	68
Jawf	0	2	2	9	11	24	0.9	108
<b>Total</b>	<b>295</b>	<b>330</b>	<b>473</b>	<b>839</b>	<b>635</b>	<b>2572</b>	<b>100.0</b>	<b>10467</b>

Source: Ministry of Municipal and Rural Affairs.

To improve sector performance, several committees were formed under the Eighth Development Plan to examine constraints and propose solutions. Several topics were examined; the most important of which are: constraints on implementation of government projects by the national contractors; methods and procedures for ensuring achievement of the objectives of the system of classification of contractors; administrative and financial procedures to ensure speed in awarding government projects and disbursement of contractor dues; and mechanisms for compensating contractors for price increases.

### 13.2.6 Indicators of Activity in Building Materials

Over the first four years of the Eighth development Plan, imports of building materials increased at an average annual rate of 14.7%, while exports grew at a higher average annual rate of 16.9%, to constitute 24.2% of total trade in these materials in 2008, up from 22.9% in 2004 (Table 13.6). The neighbouring countries as well as Middle Eastern and North African states are the main destinations for Saudi exports of basic building materials, especially cement.

**Table 13.6**  
**Exports and Imports of Basic Building Materials**  
**Eighth Development Plan\***

(SR Million)

	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Imports	3153.0	3566.0	3794.0	4147.0	5461	14.7
Exports	934.0	1080.0	1236.0	1474.0	1742	16.9
Total trade	4087.0	4646.0	5030.0	5621.0	7203	15.2
Share of exports in total trade (%)	22.9	23.2	24.6	26.2	24.2	1.4

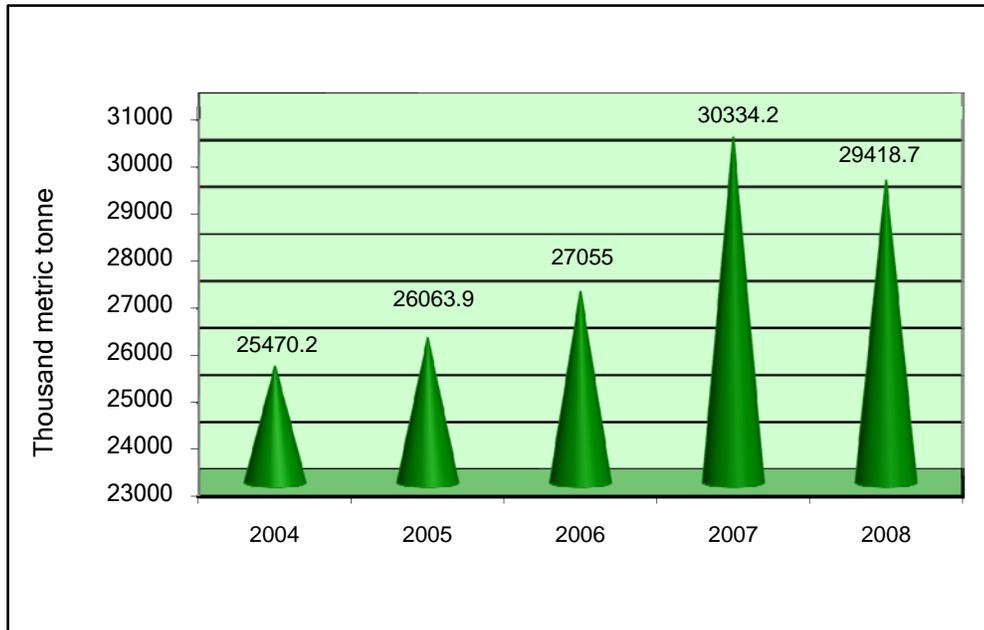
\* Up to the end of the fourth year of the Eighth Development Plan; in current prices.

Source: Central Department of Statistics and Information.

The basic building materials industry expanded with the growth of the sector. For example, over the period 2004–2008, domestic cement production increased at an average annual rate of 3.7%, reaching in 2008 a total of 29.4 million metric tons, produced by eight cement

factories (Figure 13.2). To keep pace with growth in demand for cement, 37 new cement-manufacturing facilities licensed in 2007 covering all regions of the Kingdom. Hence, total cement production capacity is expected to increase to about 40 million metric tons in 2009.

**Figure 13.2**  
**Cement Production**  
**Eighth Development Plan (\*)**



(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

## 13.3 ISSUES AND CHALLENGES

### 13.3.1 Economic Efficiency of Contracting Activities

Economic growth under the Eighth Development Plan resulted in increases in demand for products of the building and construction sector at rates exceeding its capacity, which led to increases in the prices of various inputs, especially over the second half of the Plan. In turn, price increases resulted in a decline of the number of large projects offered for bidding, as well as in a shortage of supply of skilled and unskilled labour, which necessitated bringing in more expatriate labour. Envisaging continued economic and population



growth in the foreseeable future, the Ninth Development Plan will focus on strengthening the capacity of the sector, which requires improving the economic efficiency of construction companies, in terms of investment, productivity and organizational capacity.

### **13.3.2 Productivity and Saudization of Jobs**

Raising the currently low labour productivity in the sector to internationally accepted levels, through expansion of investment in modern high-tech equipment and tools, is an important challenge to the efforts aimed at enhancing competitiveness of the national economy. In view of the impact of wages on productivity, technological development of the sector is a prerequisite for providing Saudis with rewarding-wage job opportunities.

Despite the numerous employment opportunities that could be provided by this sector in the engineering, technical and semi-skilled fields, participation of Saudi manpower in the sector is relatively low. It is estimated under the Eighth Development Plan at less than 10%. Hence the importance of enhancing efficiency of education and training, particularly technical and industrial.

### **13.3.3 Institutional and Organizational Development**

The Eighth Development Plan espoused development of an institutional and organizational framework for the building and construction sector as an objective and adopted implementation policies including: setting-up and applying the Saudi Building Code, applying environmental and safety standards, and adopting professional licensing. However, implementation has not proceeded at the hoped-for level. Hence, it is essential to reinforce development processes, and enhance stability in contracting, especially under conditions of rapid fluctuations in prices of major inputs such as cement, iron and others, by linking the cost of these inputs in various construction contracts to appropriate benchmark indicators. For these reasons, development of the institutional and regulatory framework for

the building and construction sector is an important requirement of the Ninth Development Plan.

### **13.3.4 Information and Databases**

Development of the sector requires adapting to changes and developments, particularly in technology. Moreover, a better understanding of the strengths and weaknesses of the sector, through further scientific research and economic studies, is essential.

## **13.4 DEVELOPMENT STRATEGY**

### **13.4.1 Future Vision**

A developed, efficient building and construction sector led by highly competent contracting companies with high-level technical capabilities, spread in all regions of the Kingdom, backed by a modern building materials industry, and by an integrated and flexible regulatory and contractual environment, to meet the requirements of the national economy and contribute effectively to economic development.

### **13.4.2 Objectives**

- Expanding the capacity of the sector at all levels and in all regions of the Kingdom.
- Raising standards of productivity and efficiency of the sector.
- Increasing rates of participation of national manpower in the activities of the sector.

### **13.4.3 Policies**

- Incentivizing dissemination of capacity of the sector to all regions of the Kingdom.
- Encouraging expansion of domestic production of all building materials to contribute to rationalization of imports.
- Increasing participation of qualified local contractors.

- Developing an institutional and regulatory framework for the sector.
- Continuing to improve oversight over building and construction activities and application of regulations.
- Improving quality of products of the sector, and adopting technologies to rationalise energy and water usage in building and construction operations.
- Supporting quantitative and qualitative research in the sector.
- Improving performance of small and medium-size contracting companies.
- Raising rates of participation of national manpower in the activities of the sector.
- Intensifying training of national manpower and qualifying them in the various professions involved in the sector.
- Reviewing and developing work policies related to the sector.
- Encouraging foreign direct investment and foreign participation in building and construction activities.
- Reviewing and updating terms of reference of contracts, in collaboration with the Chambers of Commerce and Industry and other relevant actors.
- Establishing a comprehensive database for the sector.
- Studying the establishment of a programme to provide soft loans to support technical development of building and construction companies.
- Expanding technical and engineering education in building and construction.
- Applying the Saudi Building Code to improve quality standards in building.
- Developing of cost indicator for building and construction by the Central Department of Statistics and Information covering the various administrative regions, as well as for the Kingdom as a whole.

- Improving safety conditions of workers in building and construction sites, and adopting a professional licensing system for workers in the sector.

#### **13.4.4 Targets**

- Achieving an average annual growth rate of approximately 7.2% in the sector over the Ninth Development Plan.
- Increasing domestic production of building materials at an average annual rate between 8% and 9%, using international production techniques to save water and energy, and conserve the environment.
- Increasing the percentage of Saudis in the various building and construction activities, from about 10% of total employment in the sector at present to about 15%.

# ENVIRONMENTAL MANAGEMENT

## 14.1 INTRODUCTION

Preservation, development and protection of the Environment received considerable attention in successive development plans, with efforts designed to reconcile requirements of sustainable development with upgrading macroeconomic, sectoral and spatial indicators. This approach has been reaffirmed by Article 32 of The Basic System of Government, which stipulates, "The State shall work towards the preservation, protection and improvement of the environment, as well as prevent pollution."

During the Eighth Development Plan, there were numerous developments at various levels related to the environment and its protection. The Presidency of Meteorology and Environment (PME) completed the first phase of establishing a network of radiation monitoring; in addition to environmental protection, management, monitoring, analysis, forecasting and control projects, and the national network for monitoring air quality. Moreover, several environmental national strategies and plans were issued, including: the National Strategy and Work Plan for Forests, the National Biodiversity Strategy, and the National Strategy for Health and Environment. Furthermore, the Saudi Wildlife Commission (SWC) continued its wildlife preservation activities in the protected areas, as well as its efforts to protect endangered species. It also issued wildlife preservation laws and regulations, conducted research and studies, and launched environmental awareness programmes.

The Ninth Development Plan aims to highlight the strategic role of environmental management, through encouraging various developmental sectors to participate effectively in environmental activities, and developing the institutional and technical capacities of the parties concerned. The plan will also focus attention on enforcement of the General Environmental Law and Rules for Implementation, addressing ecological issues and related challenges at both the domestic and international levels, in addition to conserving,

protecting, and developing both terrestrial and marine wildlife, in order to achieve ecological balance.

This chapter addresses the current conditions of the environmental management sector, elaborating on developments under the Eighth Development Plan and reviewing the key issues and challenges that must be addressed under the Ninth Development Plan. It also highlights the future vision, objectives, policies and targets for the sector under the Ninth Plan.

## **14.2 CURRENT CONDITIONS**

### **14.2.1 Environmental Protection**

Enactment of the General Environmental Law by Royal Decree, No. M/34 of 2001 is an important turning point. The decree tasked PME with the responsibility for enforcing and implementing its provisions, in coordination with the relevant agencies. As a result, PME promulgated in 2006 the Rules for Implementation of the Law, and conducted a study to ascertain adequacy of environmental policies for the set requirements and its own ability to undertake the tasks entrusted to it by the General Environmental Law and Rules for Implementation.

PME began implementing a plan in the regions to modernise and develop the environmental standards and guidelines for air and water quality, and implemented a project for environmental inspection of facilities, as well as studying the establishment of an environmental database. In an effort to improve environmental protection capacity and services, PME is conducting a study to identify and adapt international best practices.

To maintain coastal areas and limit their environmental degradation, PME, in collaboration with several government agencies, implemented a set of measures, including working towards issuing the National Coastal Zone Management Plan and its executive orders, enforcement of the National Plan for Combating Pollution by Oil, and development of air and sea monitoring along the shores of the Kingdom.

To tackle the problem of reducing air pollution in industrial zones and urban areas, PME, in collaboration with several scientific research centres, implemented a set of measures, including commencing to identify the types of pollutants and the level of their concentration in the ambient air of polluted and populated areas, conducting studies to establish an inventory of emissions and identify their sources, assessing the health and economic cost of air pollution, and identifying the best policies for pollution reduction.

To improve environmental management in the Arab region, PME launched the Saudi Arabia Award for Environmental Management. This award, which is offered every two years by the Arab Organization for Administrative Development of the League of Arab States, aims to establish broad environmental management in the Arab world, stimulates interest in sustainable development, publicize distinguished Arab environmental management efforts and successful practices, and encourage environmental practices and activities in the Arab countries.

During the Eighth Development Plan, a programme for periodic inspection of gas, washing and lubrication stations was launched by PME, through the use of units equipped with the latest test and inspection equipment. PME encourages the private sector to expand its use of this test programme, while being committed to transferring advanced technologies and training Saudis for this work, with the aim of reducing pollution resulting from the operation of such stations.

To raise environmental awareness, PME, in collaboration with numerous stakeholders, implemented a package of measures, including: establishment of the first environment satellite TV channel (Be'aty), expansion of awareness-raising campaigns on environmental issues, holding workshops on environment and development, and establishing the National Centre for Environmental Awareness.

### **14.2.2 Wildlife Protection**

Within the framework of interest in biodiversity, the SWC developed a national system of measures and policies for protecting flora, fauna

wildlife, as well as marine wildlife in the Red Sea and the Arabian Gulf. This aims at achieving ecological balance through the diversification of genetic resources, taking into account rational exploitation of available natural resources to ensure their sustainability. SWC also reintroduced endangered species into their natural habitats, developed environmental human resources capacity, and adopted the principle of community participation to strengthen the role of the private sector in the development of wildlife habitat.

In a clear sign of the concern for terrestrial and marine wildlife protection, SWC administers 16 protected areas, covering approximately 82.7 thousand square kilometres, i.e., 4.26% of the entire territory of the country (Table 14.1). SWC also developed some regulations, primarily the Protected Areas and Rangers Regulations. In addition, it commenced preparing draft zoo regulations, developed a plan to identify priorities for protection, and worked towards raising awareness of environmental issues related to wildlife.

**Table 14.1**  
**Existing Protected Areas until 2008**

No.	Name of Protected Area	Administrative Region	Area (km <sup>2</sup> )	Year Established
1.	Harat AL HURRA	Jawf	13775	1987
2.	Al-Khanfa	Tabuk	20450	1987
3.	Al-Woaul	Riyadh	2369	1987
4.	Mahazat Al-Said	Makkah	2100	1987
5.	Um Al Gamari Islands	Makkah	1	1987
6.	Tubaig	Tabuk	12200	1988
7.	Farasan	Jazan	697.4	1988
8.	Raida	Asir	9	1988
9.	Magamea Al-Hadab	Riyadh	2200	1991
10.	Erouq Bani ma-arid	Riyadh	11980	1992
11.	Nufud Al-Ariq	Madinah	1960	1994
12.	Taisiya	Hail	4262	1994
13.	Al-Gandaliya	Northern Borders	1160	1994
14.	Saja – Umm Al-Ramth	Makkah	7190	1994
15.	Jubail	Eastern Region	2300	1992
16.	Shada Al'ala mountain	Baha	67	2000

Source: Saudi Wildlife Commission.



SWC, through its affiliated research centres, undertook work on propagating some endangered wild fauna species and reintroducing them to some protected areas (Table 14.2). In addition, SWC continued its environmental monitoring work, in an effort to identify changes in the ecosystems of the protected areas, such as changes in vegetation cover. It conducted periodic studies to assess biodiversity and map out important biological areas, in addition to demarcating the proposed protected areas by using a geographic information system (GIS).

As part of its efforts to encourage participation of the private sector in the development of wildlife, SWC identified 38 sites as proposed protected areas, and is working on identifying parties that could be involved. In addition, in cooperation with the Saudi Commission for Tourism and Antiquities, SWC organizes eco-tourism (on an experimental basis) in some protected areas (Mahazat Al-Said, Bani Ma-arid, Al-Woaul, Farasan and Raida).

**Table 14.2**  
**Number of Reintroduced Animals and Birds**  
**Eighth Development Plan**

Animal/Bird	Name Of Protected Area	Number
Arabian Oryx	Mahazat Al-Said	350–400
	Erouq Bani Ma-Arid	200
Reem Gazelle	Mahazat Al-Said	700–1000
	Erouq Bani Ma-Arid	380
Idmi Gazelle	Al-Woaul	40
	Erouq Bani Ma-Arid	121
Ostrich	Mahazat Al-Said	150–160
Houbara Bustard	Mahazat Al-Said	500–600

*Source: Saudi Wildlife Commission.*

### 14.2.3 Combating Desertification

Increased population activity, overgrazing, logging, expansion of agriculture, and urban expansion, coupled with lack of rain and vulnerability to recurrent droughts, have increased pressure on renewable natural resources and have led to desertification in various

regions. The Ministry of Agriculture is exerting intensive efforts to combat desertification and sand creeping, while preserving the desert environment and the biodiversity therein. It is also working towards raising public awareness of the importance of community work in implementing national action programmes to combat desertification.

The Ministry of Agriculture has identified 40 sites in the various regions for protecting pastoral plants from overgrazing. It has also set up 3 stations for the propagation of pastoral-plant seeds, 27 pastoral- and forestry-plant nurseries, and a plant gene bank. In addition, several national parks that are important for tourism and entertainment have been offered for investment, in an effort to enhance private-sector participation in their development and highlight the role of national parks in preserving the environment. Moreover, a centre has been established to receive satellite images of movement of sand dunes, to monitor and study such movements that threaten areas that are suitable for human settlement and agricultural production. Furthermore, efforts have been made to rehabilitate the vegetation cover in rangeland and forests, and a special centre for studying deserts and combat of desertification was established.

**Page**  
**240**

#### **14.2.4 Pollution and Environmental Health**

Within the framework of the endeavour to maintain the safety of the environment and protect it from pollution and degradation, provide a healthy and clean environment, improve environmental health, reduce pollutants of various types, and develop national environmental capacities, a National Strategy for Health and Environment was adopted by the Council of Ministers Resolution No. 292 of 2008, covering a number of basic issues including, among other things: air quality, potable water, coastal areas, solid waste, hazardous waste, safe use of chemicals, and radioactive contamination, as follows:

##### **□ *Air quality***

Implementation of some projects under the successive development plans, and the high level of consumption of energy and other products,

resulted in a number of air-quality challenges that are being addressed under the General Environmental Law and Rules for Implementation.

#### ❑ *Quality of potable water*

Development efforts under the successive development plans have succeeded in providing access to safe and clean potable water to 1,660 cities, villages and hamlets. About 4,060 other villages and hamlets are supplied by tankers. Expanded of the consumption of potable water, resulting from population growth and urban expansion in various regions, represents a challenge to water management systems.

#### ❑ *Wastewater and its reuse*

The lengths of sanitation networks extend to more than 17,6 thousand kilometres, and the number of household connections is more than 831 thousand. The sanitation networks cover about 42% of the areas of major cities, while sewage treatment stations receive wastewater at rates that exceed their maximum designed capacity. The treated wastewater is a renewable resource that can contribute to alleviating the load on other sources.

#### ❑ *Coastal areas*

The length of the coastal areas of the Kingdom is 2,320 km; about 76% on the Red Sea coast and about 24% on the Arabian Gulf. Pollution has increased as a result of the growing number of development projects along the two coasts; for example, oil refineries, petrochemical plants, power stations, desalination plants, recreational and commercial projects, wastewater purification plants, and industrial cities. Moreover, traffic of ships and oil tankers increased, and population density in coastal cities grew. In 2008, the population of coastal cities accounted for some 23% of the Kingdom's total population.

#### ❑ *Solid Waste*

As a result of expansion of commercial and industrial activities, the

volume of solid waste has grown in absolute terms, as well as per capita, while recycled waste is still below 35%. Landfills are also under pressures, the most important of which are the decrease in assumed lifespan due to the increasing quantities of waste and encirclement by residential land subdivisions. Intensive efforts are needed under the Ninth Development Plan to address such environmental pressures and challenges.

#### ❑ *Safe use of chemicals*

The expansion in the use and circulation of chemicals , both in warehouses and factories, led PME to develop and implement the National Programme on Chemical Safety, which aims to develop an integrated national plan for ensuring safety and reducing pollution when handling chemical substances, and for managing hazardous waste in accordance with local regulations and international conventions. Work is under way to develop regulations that govern entry of chemicals into the country and their circulation within it.

Page

242

#### ❑ *Monitoring and forecasting*

Natural disasters affect the economy of many countries significantly, wasting 10%–15% of GDP. Hence, protecting society requires studying and understanding the potential dangers and providing adequate early warnings to support fully the efforts of civil defence in mitigating effects of natural disasters.

### **14.2.5 Institutional and Organizational Development**

The Presidency of Meteorology and Environmental Protection (PME) was established by Royal Decree No. M/34 of 2001, with responsibility for environmental protection and conservation of natural resources; in addition to monitoring, coordination and analysis. However, there are other government agencies concerned with environmental issues, underscoring the importance of coordination to enhance effectiveness.

## 14.2.6 National Strategies and Plans for Environmental Protection

During the Eighth Development Plan, several strategies and plans for the protection of the environment were issued, including:

### ❑ *The National Strategy and Action Plan for Forests*

This was endorsed according to the Council of Ministers Resolution No.306 of 2006, with the aim of preserving and enhancing the vegetation cover and ensuring that the accruing environmental, economic and social benefits are enjoyed sustainably for the present and the future.

### ❑ *The National Biodiversity Strategy*

This was adopted by Council of Ministers Resolution No. 197 of 2008, and aims to preserve biodiversity and make its preservation central to national planning. In addition, Royal Decree No. M/5 of 2007 approved accession to the Cartagena Protocol on Biosafety, specifically the Convention on Biological Diversity, which came into force in the Kingdom in 2007.

### ❑ *The National Strategy for Health and Environment*

This was approved by Council of Ministers Resolution No. 292 of 2008. PME was entrusted with overseeing its implementation, directing all competent agencies to develop detailed measurable implementation plans, and produce annual performance reports. The Strategy covers issues related to health and environment, including: air quality, food safety, potable water quality, wastewater and its reuse, housing and urbanization, coastal areas, solid waste, hazardous waste, safe use of chemicals, radioactive contamination, noise pollution, and development and conservation of renewable natural resources.

### □ *The National Plan for Combating Pollution of Marine Environment*

The National Plan for Combating Pollution of Marine Environment by oil and other harmful substances was approved by Council of Ministers Resolution No.157 of 1991. Article 5 stipulates that PME will monitor the application of procedures for combating and reducing pollution in the marine environment. Furthermore, PME was given the task of coordinating activities of other agencies associated with responding to incidents of marine pollution in cases of emergency.

## **14.3 ISSUES AND CHALLENGES**

### **14.3.1 Coordination of Environmental Action**

To enhance the efficiency of addressing environmental challenges, government and private agencies concerned with environmental issues need to coordinate with each other and with PME in implementation of environmental activities. This must be carried out according to the General Environmental Law, with all agencies complying with the environmental benchmarks and guidelines issued by the PME. Moreover, there is a need to unite environmental work under the umbrella of the General Environmental Law, through a unified national strategy for protecting the environment, as well as to adopt international environmental standards as a methodological reference for environmental management in enterprises.

### **14.3.2 Natural Resources**

Given the steady increase of demand for natural resources, their limitedness is a major issue. Use of non-renewable groundwater resources to meet growing demand was one of the most prominent issues under the Eighth Development Plan, for it has the following serious implications: increase of water salinity; decline of proven water reserves; and increase of soil degradation and soil salinity due to constant planting of crops, particularly those that are stressful to the soil. Moreover, unregulated overgrazing and logging resulted in

increased pressure on rangelands; dilapidation of natural vegetation cover; and increased rates of desertification, which constitutes one of the major challenges to natural resources and vegetation cover in the Kingdom.

### **14.3.3 Environmental Pressures**

Population growth over the past four decades has resulted in escalation of pressures on the environment and natural resources. Environmental pollutants generated by various human activities, notably solid and liquid waste (domestic, industrial and medical) increased, and the growing quantities of wastewater put pressure on purification and treatment facilities.

Likewise, demand for water in cities for municipal and industrial usage has increased. Incessant expansion of desalination plants put pressure on the marine environment. The steady rise in the number of cars in cities increased pressure on the atmospheric environment. Moreover, as already mentioned, overgrazing and logging caused environmental damage, with soil erosion and transformation of the rangelands to desert. Furthermore, urban growth imposed challenges and put pressure on agricultural areas, which were increasingly exploited for residential and commercial purposes.

### **14.3.4 Marine Environment**

Under the Eighth Development Plan, increase in trade and maritime transport led to environmental problems, the most prominent of which are pollution resulting from disposal of waste from ships and super tankers in the Arabian Gulf, and the continued environmental damage caused to the Red Sea and Gulf shores by urban development and over-exploitation of shores. These problems have affected fishing and coastal tourism, in addition to their impact on coral reefs that provide the necessary environment for maintenance of marine life (invertebrates, phytoplankton and zooplankton and crustaceans), in addition to their importance to fish and migratory birds.

### **14.3.5 Exhaustion of Wildlife Resources and their Natural Habitats**

Despite the Wild Animals and Birds Hunting Act issued in 1999, harmful hunting practices continue to pose a threat to wildlife and its natural habitats, especially with availability of advanced technologies that have facilitated chasing and hunting of wild animals. As a result, the rate of loss of large mammals is relatively high compared with world standards, as evidenced by the extinction of the Arabian lion, Arabian ostriches and the leopard, as well as the decline in the number of wild animal species. Hence, there is a need for enforcing hunting regulations.

Various factors have contributed to loss of wildlife habitats, the most important of which are harmful grazing and logging, expansion of agriculture, urbanization, intensive use of fertilizers and pesticides, and pollution of fresh water or exhaustion of its resources. Hence, there is a need for applying rangeland cycles in cooperation with the administrative authorities in governorates and centres, enforcing the ban on logging, and taking environmental considerations into account in urbanization and road building. Moreover, environmental assessment of water treatment projects; factories; refineries; and disposal of agricultural, industrial, and medical waste should be enforced.

**Page**  
**246**

## **14.4 DEVELOPMENT STRATEGY**

### **14.4.1 Future Vision**

Improving environmental indicators over the next two decades, with clean manufacturing and environment-friendly means of transportation, while balancing natural resources with the objectives of development, through the conservation of natural resources and the rationalization of their utilization to achieve long-term economic and social objectives.



## 14.4.2 Objectives

- Protecting and safeguarding the environment from pollution and degradation, and reducing all pollutants and their impact.
- Conserving, protecting, and developing terrestrial, and marine wildlife, to ensure environmental balance and diversification of genetic resources.
- Achieving an optimal balance between development and environment, to ensure sustainable development through making environmental planning an integral part of comprehensive planning for development in all areas.
- Reintroducing rare, endangered wildlife species into their natural habitats.
- Developing national capacities for maintenance and protection of the environment and dealing with environmental disasters.
- Raising awareness of environmental issues, instilling a sense of individual and collective responsibility for their preservation and improvement, in addition to encouraging national voluntary efforts in this area, and raising awareness of climate change and of methods to cope with and adapt to its impact.
- Mitigating consequences of natural disasters, maintaining safety of lives, protecting property, and developing safety indicators for maritime, land and air transport.
- Upgrading meteorological services and supporting climate studies.

## 14.4.3 Policies

- Improving environmental performance indicators for the sectors concerned with the protection of the environment, through promotion of preventive mechanisms for protection of the environment, natural resources and maintenance of the health of the population.
- Developing specialized environmental management human resources, through education and training programmes within and outside the Kingdom.

- Strengthening environmental management, through enhancing coordination mechanisms and channels and cooperation between PME and all stakeholders.
- Strengthening databases and studies dealing with various issues of environmental protection.
- Preparing to address the environmental issues and challenges that may arise from escalation of climate change and global warming.
- Promoting private-sector participation in implementation of environmental development programmes.
- Addressing pressures resulting from escalating urbanization and development in various sectors, in an effort to maintain sustainability of development.
- Ensuring accuracy in monitoring and projection, and contributing to mitigation of natural disasters.
- Adding new protected areas, in view of priorities and requirements of maintenance of wildlife.
- Employing modern technologies and establishing genetic banks to preserve rare endangered species.

#### 14.4.4 Targets

- Installing 4 radars to monitor the weather.
- Installing 10 fixed marine monitoring stations.
- Supplying and installing 100 agro-climatic monitoring stations.
- Supplying and installing 21 automatic monitoring stations.
- Installing 40 air-quality monitoring stations.
- Supplying 3 mobile stations for measurement of noise levels.
- Installing 8 weather monitoring equipment in protected areas.
- Developing a national plan for dealing with environmental disasters.
- Declaring and operating five protected areas in each of: Jabal Aga, Ras Suaihel, Kasaba, Jabal Qragher, Difatt Al wajh, and Ras Braid
- Establishing the National Centre for Meteorological, Environment and Sustainable Development Information.

- Establishing centres for combating pollution by oil in the Eastern, Western, Tabuk, and Jazan regions.
- Creating an early-warning network in valleys at risk of flooding.
- Establishing a centre for preservation of the genetic stock of wildlife.
- Measuring levels of noise in industrial areas and comparing them with global standards.
- Updating regulations for chemical safety and dealing with hazardous materials.
- Conducting land, sea and air environmental studies to identify their impacts on the population.

## 14.5 FINANCIAL REQUIREMENTS

The financial requirements for development programmes in the environment sector (PME and SWC) are estimated under the Ninth Development Plan at SR3.75 billion.

**Page**  
**250**

# TOURISM AND ANTIQUITIES

## 15.1 INTRODUCTION

In many countries, tourism is one of the most important sources of national income. In some, such as France, Turkey and Malaysia, it stimulates growth of income and employment in various economic sectors. Among the positive aspects of tourism are that it attracts investments in tourist and other related projects, it increases sources of income and develops the national economy and it generates job opportunities, since it is more dependent on human resources than other production and service sectors. Tourism also contributes to increasing the demand for many products and services, such as transportation, housing, food, banking and entertainment, capital and consumer goods used in travel and tourism; and it helps maintain the cultural and natural heritage of the Kingdom.

Under the Eighth Development Plan, the tourism and antiquities sector developed in many ways through the provision of infrastructure and public services, such as hotels, apartments, restaurants, parks, and shopping centres. In addition, a number of regulations were issued. As a result of these developments, the ratio of domestic tourism to outward tourism increased, as did the contribution of tourism to GDP.

The Ninth Development Plan aims to enhance the contribution of tourism to GDP, through expanding and developing infrastructure and tourist products, and providing the skilled manpower required by the expected job opportunities generated by the sector, as well as through providing an environment conducive to private-sector investment therein.

This chapter addresses current conditions of the tourism and antiquities sector, highlighting developments under the Eighth Development Plan, reviews the key issues and challenges that should be addressed under the Ninth Development Plan, and presents the future vision, objectives, policies and targets for the sector formulated under the Ninth Plan.

## 15.2 CURRENT CONDITIONS

### 15.2.1 Tourist Attraction Factors

#### ❑ *Patterns of tourism*

The Kingdom is endowed with ample touristic potential, provided by areas of natural beauty and archaeological and architectural heritage with appropriate basic facilities and varied services. Patterns of tourism are multifaceted. They range from exhibitions, conferences and business tourism; eco-tourism; recreation parks, festivals, exploration and adventure tourism; educational and training tourism; sports tourism, shopping and healthcare tourism; to culture, heritage and archaeology and tourism in agricultural and rural areas.

#### ❑ *National parks*

Page  
252

There are 25 natural parks and 16 protected zones distributed all over the country. The Assir National Park is the most famous, with an area of 450 thousand hectares; it is followed by the Zulfi National Park, with 200 thousand hectares; and the Taif Park, with 51 thousand hectares. Two more protected zones, namely Al-Khanfa and Harat AL Hurra, were established in 1987, in addition to the protected zone of Erouq Bani Ma'aridh established in 1992, which is one of the largest and best-known reserves in the Kingdom.

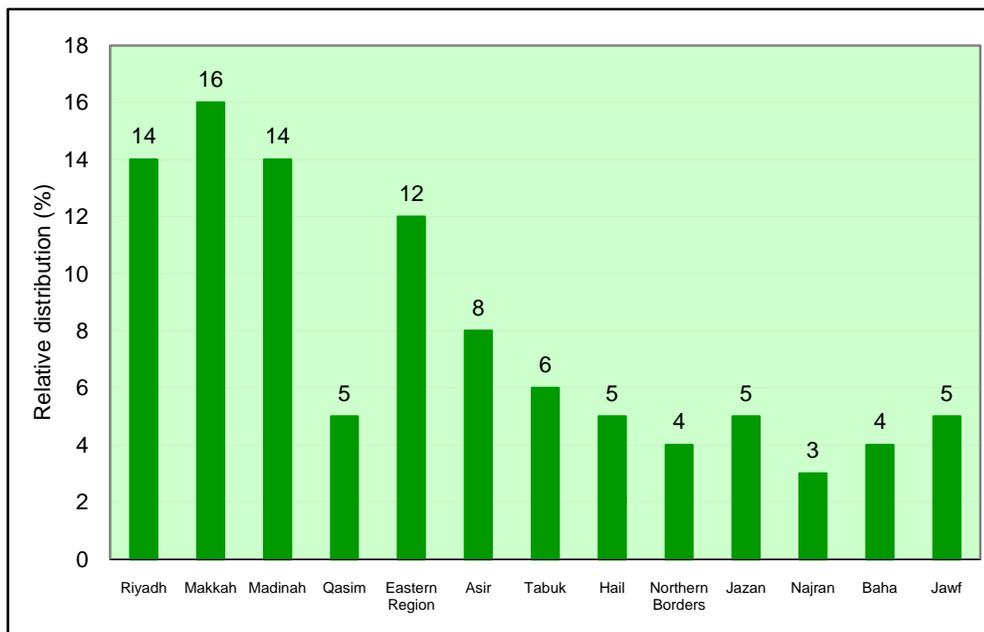
#### ❑ *Archaeological sites*

The Kingdom is distinguished by the multiplicity and diversity of its archaeological and heritage sites. Statistics show that these sites number around 7,670, comprising 3,668 archaeological sites, 169 sites mentioned in the biography of the Prophet Muhammad (Sira), 140 historic sites, 1,985 urban heritage sites, 287 handicrafts- and traditional-industries' sites, 479 historic desert sites, 868 historic mountain sites, and 74 historical marine sites.

## ❑ *Traditional Handicraft Industries*

The Kingdom has about 45 main traditional handicraft industries, each producing a wide range of products. These industries employ more than twenty thousand craftsmen and craftswomen, distributed over all regions (Figure 15.1), depending on the distribution of the primary animal and mineral raw materials they use.

**Figure 15.1**  
**Percentage Distribution of Craftsmen and Craftswomen**  
**over Regions (\*)**  
**2008**



(\*) Percentages are rounded to the nearest integer.

Source: Saudi Commission for Tourism and Antiquities (SCTA).

### **15.2.2 Tourist Services**

At the forefront of varied tourist services come accommodation and transport services and leisure and entertainment facilities. Statistics show that the number of hotel rooms was about 102.3 thousand in 2008, 78.1% of which are in the regions of Mecca and Medina. The number of furnished apartment units was around 4,342 flats, 53.4% of which were in the regions of Mecca and Riyadh. These two regions together constituted 40% of the total number of beds in youth hostels, and 65.5% of the total number of licensed tourist and travel agencies (Table 15.1).

**Table 15.1**  
**Tourist Services by Region**  
**2008**

Region	Hotel Rooms		Number of Furnished Apartments		Beds in Youth Hostels		Licensed Tourist and Travel Agencies	
	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)
Riyadh	9672	9.5	824	19	435	19	499	34.7
Makkah	60227	58.9	1,493	34.4	495	21	442	30.8
Madinah	19676	19.2	648	14.9	132	6	58	4.0
Qasim	699	0.7	95	2.2	230	10	27	1.9
Eastern Region	7918	7.7	592	13.6	380	16	255	17.8
Asir	1710	1.7	403	9.3	120	5	50	3.5
Tabuk	555	0.5	39	0.9	20	1	22	1.5
Hail	234	0.2	64	1.5	150	6	13	0.9
Northern Borders	295	0.3	5	0.1	00 <sup>(*)</sup>	00 <sup>(*)</sup>	1	0.1
Jazan	389	0.4	32	0.7	150	6	23	1.6
Najran	442	0.4	61	1.4	50	2	22	1.5
Baha	187	0.2	58	1.3	106	5	9	0.6
Jawf	315	0.3	28	0.6	60	3	15	1.0
<b>Total</b>	<b>102319</b>	<b>100</b>	<b>4342</b>	<b>100</b>	<b>2328</b>	<b>100</b>	<b>1436</b>	<b>100</b>

(\*) Not available.

Source: Saudi Commission for Tourism and Antiquities (SCTA).

### 15.2.3 Size of Tourism Market

The national tourism market consists of three types: inward tourism, domestic tourism and outbound tourism. Their indicators developed as follows:

#### 15.2.3.1 Inward Tourism

Data in Table 15.2 show that in 2008 there were about 8.6 million tourist trips to the Kingdom. Business and conferences trips amounted to about 43%, visits to friends and relatives to about 33%, leisure and shopping to around 13%, and others to about 11%.

Data in Table 15.2 also show that the total expenditures of tourists who came to the Kingdom in 2008 amounted to SR18.7 billion. The



estimated share of business and conference tourist spending was about 60% of the total, expenditures on visiting friends and relatives were about 21%, and spending on holidaying and shopping accounted for about 13%.

**Table 15.2**  
**Distribution of Inward Tourist Trips and Spending**  
**by Purpose of Visit**  
**2008**

Purpose of Visit	Number of Trips (Thousands)	Share (%)	Spending (SR Million)	Share (%)
Holidaying / Shopping	1154	13	2378	13
Visiting friends and relatives	2877	33	3903	21
Business and conferences	3660	43	11325	60
Other purposes	898	11	1117	6
<b>Total</b>	<b>8589</b>	<b>100</b>	<b>18723</b>	<b>100</b>

*Source: Saudi Commission for Tourism and Antiquities (SCTA).*

Spending of inward tourists in 2008 was on accommodation facilities (35%), shopping (25%), means of internal transport (16%), food and beverages (15%), entertainment (4%), and other items (5%).

In 2008, tourists came mainly from Kuwait, United Arab Emirates, Qatar, Egypt and Bahrain. They accounted for a share estimated at about 60.7% of the total number of trips. At about 23.5%, Kuwait had the highest proportion, followed by United Arab Emirates at 15.4%, Qatar at 8.8%, Egypt at around 8.6%, and Bahrain at about 4.4%.

### 15.2.3.2 Domestic Tourism

Under the Eighth Development Plan, domestic tourism developed significantly, with tourist trips reaching around 24.6 million in 2008. Main destinations were Makkah, Riyadh and the Eastern Region, the share of which accounted for about 36.5%, 13.5% and 14.6% respectively. The three regions combined accounted for 64.6% of total tourist trips, with the remaining trips (35.4%) distributed among other regions (Table 15.3).

Shopping and visiting relatives and friends are the two major purposes of domestic tourism trips, as they accounted for 54% and 38.3% respectively of the total domestic tourism trips in 2008.

**Table 15.3**  
**Domestic Tourist Trips**  
**by Destination and Purpose**  
**in 2008**

(thousands)

Destination	Holidaying / Shopping	Visiting Friends and Relatives	Business and Conferences	other	Total	Share of Region (%)
Riyadh	1260	1665	261	133	3319	13.5
Makkah	5751	2582	457	172	8962	36.5
Madinah	995	783	100	95	1973	8.0
Qasim	213	221	15	4	453	1.8
Eastern Region	2072	1221	202	92	3587	14.6
Asir	1327	928	83	36	2374	9.7
Tabuk	375	433	67	13	888	3.6
Hail	243	297	14	18	572	2.3
Northern Borders	95	104	17	5	221	0.9
Jazan	415	296	38	5	754	3.1
Najran	35	92	4	1	132	0.5
Baha	414	706	37	20	1177	4.8
Jawf	60	71	15	2	148	0.6
Total	13255	9399	1310	596	24560	100
<b>Share of total trips by purpose (%)</b>	<b>54</b>	<b>38.3</b>	<b>5.3</b>	<b>2.4</b>	<b>100</b>	

Source: Saudi Commission for Tourism and Antiquities (SCTA).

### 15.2.3.3 Outbound Tourism

In 2008, trips abroad numbered 4.1 million, with 79.2% for holidaying and shopping, and total spending was SR19.6 billion. Table (15.4).

**Table 15.4**  
**Tourist Trips Abroad and Spending**  
**by Purpose of Visit**  
**2008**

Purpose	Tourist Trips Abroad (thousands)		Spending (%)	
	Number of trips (thousands)	Share (%)	Spending (SR million)	Share (%)
Holidaying /Shopping	3247	79.4	15572	79.2
Visits to friends and relatives	384	9.4	1071	5.4
Business and conferences	242	5.9	1962	10.1
Other purposes	215	5.3	1048	5.3
<b>Total</b>	<b>4088</b>	<b>100</b>	<b>19653</b>	<b>100</b>

*Source: Saudi Commission for Tourism and Antiquities (SCTA).*

Egypt was the most favoured destination for holidaying, shopping, and visits to friends and relatives, while most trips for business and conferences were to the United Arab Emirates (Table 15.5).

**Table 15.5**  
**Top Five Destinations for Tourism Abroad**  
**by Purpose of Visit**  
**2008**

	Holidaying / Shopping	Visits to Friends and Relatives	Business and Conferences	other
1	Egypt	Egypt	United Arab Emirates	Egypt
2	Jordan	Syria	Egypt	Jordan
3	Syria	Kuwait	Syria	Syria
4	United Arab Emirates	Yemen	Indonesia	India
5	Bahrain	India	Switzerland	Yemen

*Source: Saudi Commission for Tourism and Antiquities (SCTA).*

### **15.2.4 Achievements of the Saudi Commission for Tourism and Antiquities (SCTA)**

Under the Eighth Development Plan, SCTA launched several initiatives and activities to raise performance of the sector, most notably: completion of the institutional structure of the tourism sector,

developing plans and programmes for tourism manpower, formulating regional strategies for development of tourism, conducting tourism awareness and marketing campaigns, and building a tourist information database using geographic information system (GIS). SCTA also established a specialized programme for culture and heritage tourism, developed tourist relations with other countries and promoted bilateral tourism, and, through conducting studies, field surveys and discussion panels, SCTA identified potential for investment in tourism.

In the context of implementation of its long-term strategy, SCTA identified and registered more than 12 thousand natural, historical and cultural sites with a high tourist potential. The Board of SCTA made 950 of these sites available for private sector tourist projects. SCTA also identified natural sites and institutions of touristic importance, including 111 museums that highlight the natural, historical and cultural features of the Kingdom. Out of this total, 49 are cultural heritage, 32 are historic, 25 are scientific and 4 are educational museums, and there is one military museum.

**Page**

**258**

In addition, SCTA sponsors various activities and cultural events, such as the Buraidah Dates Festival. It supports sporting events, such as the Hail Rally, as well as media activities and events, in which picture booklets, guides, travel and tourist maps, and other tourist brochures are distributed. For their part, other competent agencies make strenuous efforts to maintain and preserve heritage in all urban and rural areas, including, for example, the renovation of the old districts of Jeddah, Aldariah and the heritage-villages project.

SCTA is preparing plans for tourist development such as, for example, the project for developing Al Aqeer, the Taif Mountain destination, and Souk Okaz. There are plans for tourist destinations in Dawmat Al jandal, Jarra, Al yazeed, Juzur Al fursan, Ras Al Tarafeh and Al Layth, in addition to the establishment of a desert park in Hail. The Commission is also advanced in its efforts to revive local cultural heritage sites, such as Al Ghat, Rajal Almaa, Dhe Ain, Wajba, and Ula. Moreover, it prepared a "strategy for the development of the meetings, conferences and exhibitions market."

In coordination with the Central Department of Statistics and Information, and in order to give tourism its suitably prominent place in the national economy, a tourism satellite was included in the National Accounts System, following the methodology established by the World Tourism Organization. Furthermore, in addition to regular surveys on inward and outward tourism, SCTA carried out in 2007 a survey of tourism establishments.

In an effort to develop tourist products and services, SCTA, in cooperation with the competent authorities, prepared the “National Strategy for the Development of Traditional Crafts and Industries (2007–2025)”, in addition to its five-year implementation plan. The strategy and implementation plan addressed all professional, organizational, financial, and marketing aspects of the crafts and handicrafts sector, and identified the most important constraints on it.

### **15.2.5 Institutional and Organizational Development**

Efficiency of the tourism and antiquities sector depends on success in integrating government and private initiatives. The Saudi Commission for Tourism and Antiquities mobilizes the efforts of all the government agencies concerned, in order to ensure provision of the infrastructure and public services necessary for developing tourism. In turn, the private sector undertakes providing tourist services, such as accommodation, restaurants, cafes, parks, car rental companies, shopping malls, cultural and sporting events. To support development of the sector, SCTA established departments of tourism in various regions, to follow-up implementation of the National Tourism Development Project (2001–2020), in addition to facilitating and supporting establishment of tourist projects generally. SCTA also adopted the National Tourism Human Resource Development Project, which is designed to increase the rate of indigenization of jobs in the sector.

Under the Eighth Development Plan, several important regulations were issued; notably, the Council of Ministers Resolution No. 78 of 2008, amending the name of the agency from the “Supreme

Commission for Tourism" to the "Commission for Tourism and Antiquities", and the Council of Ministers Resolution No. 66 of 2009, stipulating that the Commission shall undertake the development of mechanisms for administering urban heritage sites, in accordance with specified regulations. Furthermore, Council of Ministers Resolution No. 209 of 2009 stipulated that "government funding mechanisms and channels be put in place to support development of domestic tourism, with devising the machinery for participation of governmental credit funds in financing domestic tourism projects, in addition to other incentivising measures". The Commission, for its part, applied quality standards to its services, earning in 2008 an ISO certificate of excellence.

## **15.3 ISSUES AND CHALLENGES**

### **15.3.1 Domestic Tourism**

**Page**  
**260**

Tourism within the country (inward and domestic) faces strong regional and international competition. Regionally, several neighbouring countries possess an abundance of attractive tourist resources and potential. Hence, there is a need for continuing to develop and support domestic tourism; improve its services, archaeological sites and infrastructure; provide investment incentives to help diversify services, increase market competition, reduce costs of services, and raise their quality; all with the aim of expanding domestic tourism and increasing its attractiveness. Such an outcome would have a positive impact on the balance of services and transfers in the balance of payments, increase the contribution of tourism to GDP, and diversify sources of income in the national economy.

### **15.3.2 Tourism Awareness**

Awareness of the importance of tourism to the country and its citizens is still below aspirations. In fact, raising this awareness is one of the most important challenges facing the efforts to develop domestic tourism. This calls for launching media (visual, written and audio) campaigns aimed at the various groups of citizens in all regions to

advocate the importance of domestic tourism and the role of citizens in its revitalization.

### **15.3.3 Tourist Products**

Despite the efforts to develop innovative, attractive and competitive tourist products, their supply is still limited in quantity and quality. This calls for further development and raising the quality of tourist sites and their rehabilitation and exploitation; development of recreational marine and desert tourist products and oases tourism; and expansion of technical and scientific conference and seminar tourism.

### **15.3.4 Infrastructure**

As a consequence of non-completion of infrastructure in some tourist sites, private sector investment focussed on urban centres and nearby locations, and the Red Sea and Arabian Gulf shores, while remaining limited in the interior of the country. This is attributable to the fact that infrastructure in some areas is still below modern international standards, which calls for development and upgrading of infrastructure, and encouraging the private sector to invest in such projects. In return, the public sector will link tourist infrastructure to public infrastructure networks (such as roads, electricity, water and telephone lines), in addition to the application of international standards on signage, safety procedures and others.

### **15.3.5 Traditional Crafts and Industries**

As a result of the social and economic transformations that took place over the past decades, several traditional crafts in several areas have declined in magnitude. A considerable number of craftsmen are there, yet, few are active in production of craftwork, which is exhibited at national festivals.

The growing importance of traditional industries in emphasizing cultural identity and preserving national heritage, contributing to the development of tourism , and providing job opportunities, calls for

establishing a government agency (new or within an existing agency) to supervise this sector, with the private sector and craftsmen undertaking implementation; all within the framework of a national plan for the development of crafts and traditional industries.

## **15.4 DEVELOPMENT STRATEGY**

### **15.4.1 Future Vision**

Developing a high-profile tourism which leads to social, cultural, environmental and economic benefits, based on the authenticity of the long-established heritage of the Kingdom and its traditional hospitality.

### **15.4.2 Objectives**

- Developing a competitive tourism industry based on rich tourist facilities and services.
- Increasing contribution of tourism to GDP, by finding new sources of income and providing job opportunities for competent national manpower.
- Developing and conserving touristic and archaeological sites and facilities.
- Increasing public and private investment to cover all regions of the country so as to provide job opportunities.
- Developing and upgrading employment in tourism.
- Promoting civic awareness of the importance of tourism as a tool for utilizing the cultural and historical heritage of the state.
- Strengthening the role of tourism in supporting opportunities for mutual understanding with other nations, through exchange of tourist visits and delegations, designed for promoting proper familiarization with the culture and heritage of the Kingdom.
- Developing and protecting traditional crafts and industries.
- Preserving the environment and rationalizing the use of water and energy in tourist facilities.



### 15.4.3 Policies

- Identifying, evaluating, and maintaining tourist, archaeological and architectural heritage assets, crafts and handicrafts in various regions, and developing appropriate plans to protect and develop them, through cooperation between the public and the private sectors.
- Improving the business environment through development of regulatory frameworks and facilitation of procedures related to development and investment in tourism, particularly private-sector investment (national and foreign).
- Raising standards of quality of national tourist products and services and their competitiveness, while preserving the environment.
- Implementing and following the Tourism Human Resource Development National Project , through supporting efforts to establish and develop appropriate educational and training institutions.
- Supporting efforts to establish companies, and trade and professional associations supporting tourism.
- Developing highly efficient marketing plans and programmes, relying on integrated promotional tools and distribution channels, locally and internationally, to market the national tourist product.
- Promoting public awareness of the value of tourism to the country and its citizens, through educational programmes broadcast by various media.

### 15.4.4 Targets

- Increasing tourist accommodation facilities to about 141 thousand hotel rooms and about 92.2 thousand furnished units by the end of the Ninth Development Plan.
- Increasing training opportunities in tourism to about 245.7 thousand.

- Increasing job opportunities in tourism to about 462 thousand by the end of the Ninth Development Plan.
- Presenting archaeological, historical, popular heritage sites and important historical roads and tracks.
- Renovating, rehabilitating and re-using palaces, castles and old towers.
- Improving and developing the six regional museums in Hofuf, Najran, Ula, Taima, Jawf, and Sebia.
- Establishing five new regional museums in Abha, Baha, Tabuk, Dammam , and Hail.
- Establishing five specialist museums: the Museum of Camels, the Museum of Palms and Dates, the Museum of Arab horses, the Museum of Traditional Clothing and Jewellery, and the Museum of Hawks.

**Page**

**264**

## **15.5 Financial Requirements**

Under the Ninth Development Plan, the financial requirements for the development programmes of the Commission for Tourism and Antiquities are estimated at SR 7.1 billion.

# TRADE

## 16.1 FOREIGN TRADE

### 16.1.1 Introduction

Under the Eighth Development Plan, foreign trade improved considerably, as reflected in its higher contribution to GDP; as well as in its enhanced role of providing the requirements of development projects for capital and intermediate goods, transforming comparative advantages into competitive advantages, and supplying the needs of domestic market of consumer goods. An important part of these developments is attributable to continued economic openness, the substantial rise in international oil prices and the consequent high surpluses in the trade balance and the current account of the balance of payments.

The Ninth Development Plan will continue efforts to reinforce the role of foreign trade in economic and social development and in diversifying the economic base, as well as to increase its contribution to GDP. The Plan will also seek to create an enabling environment for the development of non-oil exports, rationalize imports, and reduce the deficit in the services and transfers balance, in order to improve the balance of payments. In addition, it will strive to attract foreign investment and joint projects that contribute to the development of national exports, and address challenges to foreign trade.

This chapter examines the current conditions of the foreign trade sector, explaining developments under the Eighth Development Plan, and reviewing key issues and challenges that must be addressed under the Ninth Development Plan. It also highlights the future vision, objectives, policies and targets for the sector under the Ninth Development Plan.

### 16.1.2 Current Conditions

#### 16.1.2.1 Trade in merchandise

Trade in merchandise developed remarkably over the first four years of the Eighth Development Plan, with its value rising at current prices

from about SR650.1 billion in 2004 to about SR1,607.2 billion in 2008, an average annual rate of growth of 25.4%. This is attributable, among other factors, to the rise in world oil prices, food and intermediate goods, and to the low exchange rates of the dollar against most major currencies.

A measure of the degree of openness to the global economy is the ratio of the volume of external trade in merchandise to GDP, which was about 91.4% in 2008, compared with about 69.3% in 2004, reflecting advanced integration in the global economy. Furthermore, the structure of exports and imports developed positively, with an increase in the proportion of non-oil exports to total exports, and a decrease of the proportion of consumer goods imports to total imports. Developments in commodity trade are highlighted in the following:

#### □ *Commodity exports*

Over the first four years of the Eighth Development Plan, the total value of commodity exports at current prices grew at an annual rate of 25.6%, up from SR472.4 billion in 2004 to SR1,175.5 billion 2008, constituting 73.1% of total merchandise trade. The increase in the value of commodity exports is attributable, in the first place, to the increase in the value of oil exports, resulting from the rise in international oil prices until October 2008, with the value of crude oil exports increasing at an average annual rate of 28.5%, from SR348.2 billion to SR948.8 billion, leading to a higher relative contribution to the total value of commodity exports to 80.7% in 2008, compared with about 73.7% in 2004. However, these rates highlight the need to intensify efforts to diversify exports, which, in turn, require diversification of the economic base.

The value of exports of refined petroleum products grew at an average annual rate of 12.3% over the first four years of the Plan, from SR66 billion to SR104.9 billion. Yet, its relative contribution to the total value of commodity exports declined from 14% to 8.9% (Table 16.1.1).

**Table 16.1.1**  
**Development of Commodity Exports**  
**Eighth Development Plan \***

(SR billion)

	2004		2008		Average Annual Growth Rate (%)
	Value	Share (%)	Value	Share (%)	
Crude Oil	348.2	73.7	948.8	80.7	28.5
Petroleum Products (refined)	66.0	14.0	104.9	8.9	12.3
Non-Oil Exports	58.2	12.3	121.8	10.4	20.3
<b>Total</b>	<b>472.4</b>	<b>100</b>	<b>1175.5</b>	<b>100</b>	<b>25.6</b>

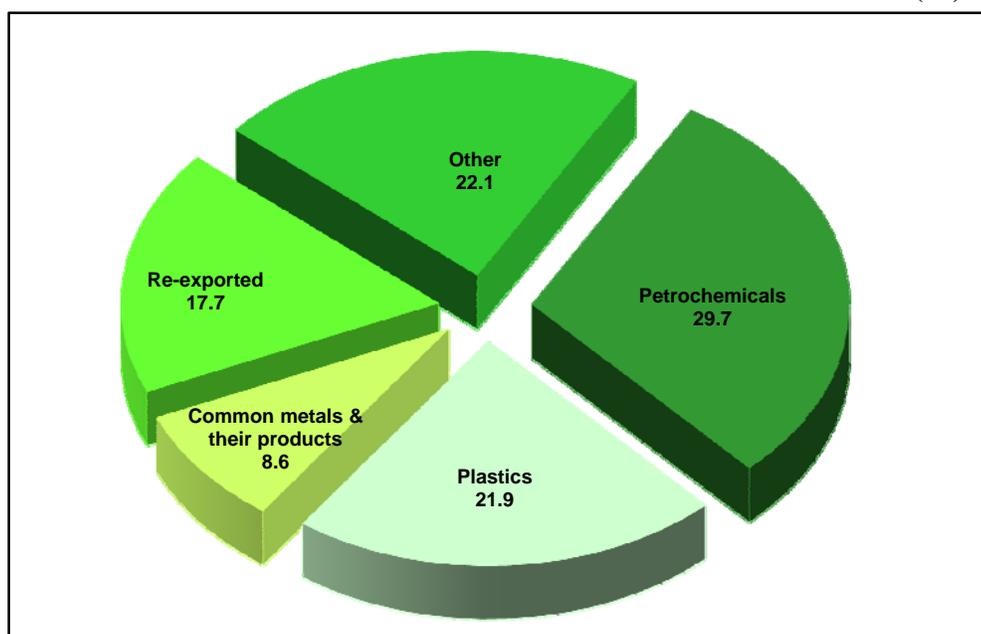
\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

Non-oil exports rose from about SR58.2 billion in 2004 to about SR121.8 billion in 2008. However, their relative contribution to total exports fell from 12.3% to 10.4%. In 2008, the 29.7% share of petrochemicals was the largest of non-oil exports, followed by exports of plastics with a share of 21.9%, and re-exported goods at 17.7% (Figure 16.1.1).

**Figure 16.1.1**  
**Percentage Distribution of Non-Oil Exports by Major Item**  
**2008**

(%)



Source: Central Department of Statistics and Information.

As for the distribution of the total value of commodity exports by major groups of countries, Asian countries (non-Arab, non-Islamic) accounted for the largest share, about 51.4%, with exports to this group amounting to SR604.6 billion in 2008, compared with SR210.9 billion and a share of about 44.6% in 2004, which translates to an average annual rate of growth of 30.1%. North American countries came second, with their value of exports increasing over the same period from SR84.9 billion to SR203.2 billion, but with their share falling slightly from about 18% to about 17.3%. Western European countries came third, though their share declined over the same period from 16.4% to 10.6%. The GCC countries ranked fourth with SR82.7 billion, and an estimated share of 7% (Table 16.1.2).

**Table 16.1.2**  
**Commodity Exports by Major Group of Countries**  
**Eighth Development Plan<sup>(\*)</sup>**

Country Group	2004		2008		(SR billion)
	Value	Share (%)	Value	Share (%)	Average Annual Growth Rate (%)
GCC Countries	30.8	6.52	82.7	7.04	28.0
Other Arab Countries	24.3	5.14	63.9	5.44	27.3
Islamic Countries (Non-Arab)	24.8	5.25	54.6	4.64	21.8
Asian Countries (Non-Islamic, Non-Arab)	210.9	44.64	604.6	51.43	30.1
African Countries (Non-Islamic, Non-Arab)	12.2	2.58	24.8	2.11	19.4
Australia	1.5	0.32	3.2	0.27	20.9
North America	84.9	17.97	203.2	17.29	24.4
South America	5.5	1.16	13	1.11	24.0
Western Europe	77.4	16.38	125	10.63	12.7
Eastern Europe	0.1	0.02	0.4	0.03	41.4
Other Countries	0.1	0.02	0.1	0.01	0.0
<b>Total</b>	<b>472.5</b>	<b>100</b>	<b>1175.5</b>	<b>100</b>	<b>25.6</b>

(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

## □ *Commodity imports*

The total value of commodity imports grew at current prices from SR177.7 billion in 2004 to SR431.7 billion in 2008, an average annual growth rate of about 24.8%. The share of imports of capital goods in total commodity imports increased significantly, from 17.5% in 2004 to 24.7% in 2008, while the share of imports of intermediate goods rose from 44.2% to 45.7%. Thus, the total share of capital and intermediate goods imports increased from 61.7% to 70.4%, which is a positive indicator, given the importance of both capital and intermediate goods in the implementation of development projects. In contrast, due to inflation and rising import prices, the share of consumer goods in total commodity imports declined over the same period from 38.3% to 29.6% (Table 16.1.3).

**Table 16.1.3**  
**Commodity Imports**  
**Eighth Development Plan\***

	2004		2008		Average Annual Growth Rate (%)
	Value	Share (%)	Value	Share (%)	
Capital Goods	31.2	17.5	106.5	24.7	35.9
Intermediate Goods	78.5	44.2	197.2	45.7	25.9
Consumer Goods	68.0	38.3	128.0	29.6	17.1
<b>Total</b>	<b>177.7</b>	<b>100</b>	<b>431.7</b>	<b>100</b>	<b>24.8</b>

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

### 16.1.2.2 Trade in services

In 2008, trade in services between the Kingdom and the outside world was valued at SR335.7 billion, compared with about SR295.6 billion in 2007, an increase of about 13.6%. This is attributable to a significant growth in the value of imports of services by 19%, i.e. from SR234.9 billion to SR279.6 billion.

In contrast, exports of services declined in 2008 compared with the previous year by 7.6%, from SR60.7 billion to SR56.1 billion. These exports, which include transport, travel, communications, government services and other services, constitute a modest proportion of total trade in services, amounting to about 16.7% in 2008. This underlines the importance of improving the balance of services, through accelerated growth of service sectors and the development of exports of services (Table 16.1.4).

**Table 16.1.4**  
**Exports and Imports of Services**

(SR billion)

Description	2007		2008		Change (%)	
	Exports	Imports	Exports	Imports	Exports	Imports
Transport	6.9	34.4	9.3	58.4	34.8	69.8
Travel	22.4	75.6	22.2	56.7	-0.9	-25.0
Communications	0.9	3.0	1.5	2.6	66.7	-13.3
Construction	-	23.7	-	16.8	-	-29.1
Insurance	-	3.7	-	6.8	-	83.8
Financial	-	9.5	-	5.7	-	-40.0
Government	0.9	62.8	0.9	96.2	0.0	53.2
Other Services	29.6	22.2	22.2	36.4	-25.0	64.0
<b>Total</b>	<b>60.7</b>	<b>234.9</b>	<b>56.1</b>	<b>279.6</b>	<b>-7.6</b>	<b>19.0</b>

*Source: Central Department of Statistics and Information.*

### 16.1.2.3 Inter-trade

Inter-trade with countries of the Gulf Cooperation Council (GCC) underwent some developments under the Eighth Development Plan. The value of imports of goods from these countries increased to about SR18.7 billion in 2008 compared with about SR8.2 billion in 2004, an average annual growth rate of about 22.7%. Notwithstanding this significant growth, the relative share of imports of goods from GCC countries in total imports is still modest; it is estimated at about 4.3% in 2008, compared with about 4.6 % in 2004. The United Arab



Emirates comes first in terms of value of imports, with a share in the total value of imports from GCC countries in 2008 amounting to 58%, followed ,with a large margin, by the Kingdom of Bahrain at 23.7%.

Over the same period, non-oil exports to GCC countries rose only slightly to around SR28.3 billion in 2008, from about SR27.3 billion in 2004, which translates into an average annual growth rate of only 0.8%. This modest rate is attributable to the significant decline in the value of exports to the Kingdom of Bahrain, at an estimated average annual rate of -24.8%. The overall relative importance of exports to GCC countries remained modest, accounting for about 23.2% of the total non-oil exports in 2008, compared with about 46.9% in 2004 (Table 16.1.5).

**Table 16.1.5**  
**Non-oil Trade with GCC Countries**  
**Eighth Development Plan<sup>(\*)</sup>**

(SR Million)

	2004		2008		Average Annual Growth Rate (%)	
	Exports	Imports	Exports	Imports	Exports	Imports
Emirates	10045	4450	12612	10814	5.9	24.9
Qatar	1588	706	4934	478	32.8	-9.3
Kuwait	3687	770	4785	1168	6.7	11.0
Bahrain	11062	1690	3543	4429	-24.8	27.2
Oman	933	604	2379	1763	26.4	30.7
<b>Total</b>	<b>27315</b>	<b>8220</b>	<b>28253</b>	<b>18652</b>	<b>0.8</b>	<b>22.7</b>

(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

Exports to other Arab countries increased from SR24.3 billion in 2004 to SR63.9 billion in 2008, an average annual growth rate of 27.3%. Similarly, imports from these countries increased over the same period at an average annual rate of 22.8%, from SR5.9 billion to SR13.4 billion. Although the surplus in the balance of trade with Arab countries is in favour of the Kingdom, there is still a need to intensify efforts to develop inter-Arab trade within the framework of the Greater Arab Free Trade Zone.

### 16.1.2.4 Balance of payments

The data in Table 16.1.6 show that the balance of payments improved significantly over the period 2004–2008 due to the large increase in the balance of trade surplus, despite the steady increase in the deficit of the balance of services and transfers. The most important indicators derived from this table are as follows:

**Table 16.1.6**  
**Main Items of Balance of Payments**  
**Eighth Development Plan (\*)**

(SR billion)

Items	Year				
	2004	2005	2006	2007	2008
Balance of Trade Surplus (FOB)	308.3	472.6	552.0	564.9	795.0
% of GDP	32.8	40.0	41.3	39.2	45.2
Current Account Surplus	184.8	337.5	371.0	350.0	502.7
% of GDP	19.7	28.5	27.8	24.3	28.6
Deficit of Balance of services and Transfers	-123.4	-79.7	-118.1	-151.0	-206.0
Annual Percentage Change	–	35.4	48.2	27.9	36.4

Page  
272

(\*) Up to the end of the fourth year of the Eighth Development Plan. Values and ratios are calculated at current prices.

Source: Saudi Arabian Monetary Agency.

- The surplus in the balance of trade was about SR795 billion in 2008, compared with SR308.3 billion in 2004, which amounts to an overall increase of about 158%. As a result, its ratio to GDP rose from 32.8% to 45.2%.
- The current account surplus increased from SR184.8 billion in 2004 to about SR502.7 billion in 2008. As a result, its ratio to GDP rose from 19.7% to 28.6%.
- Over the same period, there was a steady increase in the deficit of the balance of services and transfers, which rose by 67% from SR123.4 billion in 2004 to SR206 billion in 2008.

### **16.1.2.5 Institutional and organizational development**

Under the Eighth Development Plan, the foreign trade sector achieved significant institutional and regulatory progress; most notably accession to the World Trade Organization (WTO) in 2005, which will lead to opening of the markets of member states to Saudi products, and correspondingly opening the local market to competition by products from these countries. In addition, a number of resolutions aimed at boosting exports were issued, including Council of Ministers Resolution 59 of 2007, which approved establishment of an independent government body, the Saudi Exports Development Authority, to foster development of non-oil exports. The tasks of the Authority include: participation in formulating state policies for development of non-oil exports; improving the export environment, through development of programmes, offering incentives to exporters, and protecting investments; providing administrative and technical assistance and advisory services and incentives to exporters; assisting local companies in joint investments with foreign companies, and linking investment to exports. In addition, in an effort to reduce inflation, the Supreme Economic Council Resolution No. 11 of 2008 stipulated that 50% of port charges be borne by the state for a period of 3 years.

### **16.1.3 Issues and Challenges**

#### **16.1.3.1 The global financial crisis**

In the last quarter of 2008, the global financial crisis broke out. As a result, global economic growth slowed down, banks reduced financing of importing companies, and protectionist policies and tendencies emerged. These developments had an impact on the Kingdom's foreign trade. International oil prices dropped, leading to a decline in revenues from oil exports, and, consequently, a reduction in the budget surplus. Moreover, as a result of falling global demand for non-oil products, implementation of horizontal and vertical expansion projects that contribute the most to development of non-oil exports will likely slow down. Furthermore, foreign direct investment may also decline.

Addressing the challenges posed by the global financial crisis calls for adoption of flexible policies and measures, monitoring their implementation and evaluating their results, in view of international developments.

### **16.1.3.2 Non-oil exports**

Under the Eighth Development Plan, intensive efforts were exerted to promote non-oil exports, remove obstacles that hinder their development, and provide a range of incentives and funding facilities, credit and marketing, through the Saudi Export Programme, managed by the Saudi Fund for Development, which aims to help Saudi exporters overcome the risks of recovering export earnings, and through the Saudi Export Development Centre and the Saudi Exports Development Authority.

Despite the efforts made and the achievements realised, there is still a need for adopting a long-term strategy for developing non-oil exports. Such a strategy would aim at expanding production for export, increasing competitiveness of exported goods, and creating an enabling environment for their development; in addition to continuing to strengthen the Saudi Export Programme of the Saudi Fund for Development, the Saudi Export Development Centre of the Council of Saudi Chambers, and intensify the efforts made by Chambers of Commerce and Industry to develop export awareness and follow changes and developments in regional and global markets.

### **16.1.3.3 Free zones**

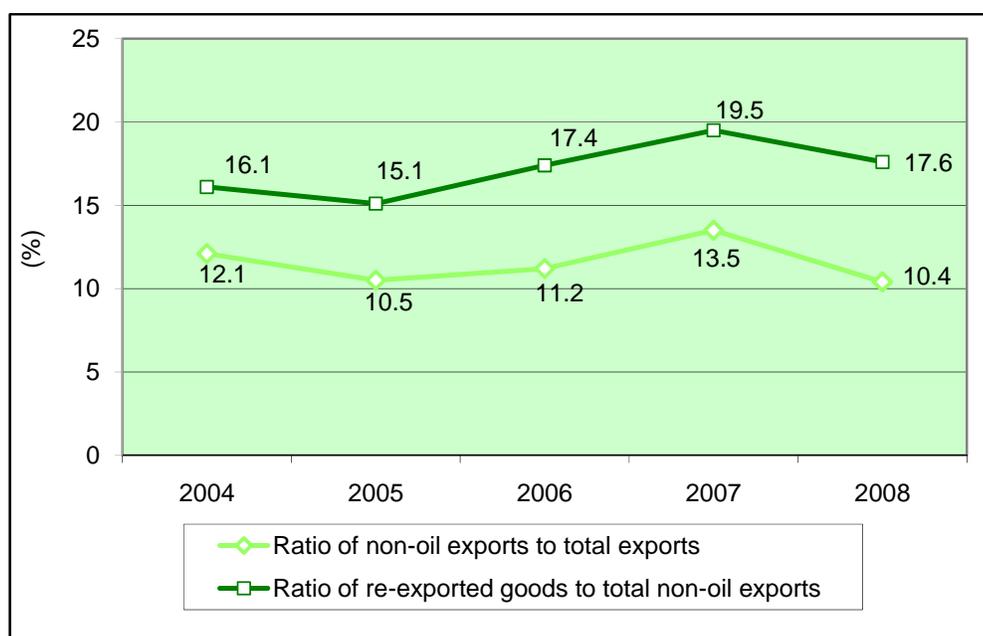
Global experience in development of exports underlines the important role of free trade zones in contributing to the development of foreign trade, through attracting foreign direct investment and joint ventures.

Factors of success of free zones in the Kingdom are numerous: appropriate locations, infrastructure, facilities, and material and human resources. Yet, the delay in establishing such zones is hampering development of non-oil exports, given their importance in increasing the relative contribution of re-export activities. Free zones contributed

an estimated 17.6% of the value of non-oil exports in 2008 (Figure 16.1.2).

To address this issue and boost non-oil exports, particular re-exports, free trade zones need to be established, taking care to provide an excellent geographic location, appropriate infrastructure, incentives, and physical and organizational facilities.

**Figure 16.1.2**  
**Non-Oil Exports and Re-Exported Goods**  
**Eighth Development Plan<sup>(\*)</sup>**



(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

#### 16.1.3.4 Balance of services and transfers

The deficit in the balance of services and transfers is attributable to the growth of imports of services, the steady increase in private transfers abroad, without a corresponding growth in service exports or investment returns.

Reducing this deficit requires incentivizing the formation of national and joint companies providing shipping and insurance services to both

the public and the private sectors, providing more appropriate investment opportunities to expatriates, and encouraging commercial banks to provide them with adequate savings channels.

### **16.1.3.5 Competitiveness of national exports**

Invigorating national exports requires specialized information databases that meet the needs of both regional and international exporters for data, for example, on: volume of demand of major foreign markets for the products to be exported and the rate of change of the demand, marketing channels suitable for promoting products, main importers, competing products and commodities and their prices, technical specifications and packaging requirements of key export markets, means of improving competitiveness, ways of obtaining technical assistance, and the most important regional and international developments and how to deal with them. In establishing the information databases, account should be taken of the most modern competitiveness intelligence systems for business to help develop non-oil exports, rationalize imports and protect national products from unfair competition from some imported goods.

**Page**  
**276**

In this context, a survey of highly competitive non-oil exports (Table 16.1.7) shows a group of highly competitive goods that displayed an average annual growth rate of more than 25%. A second group, comprising goods with an average annual growth rate between 8% and 24.9%, has the potential of achieving greater excellence through effective policies and programmes designed to develop them and promote them in international markets.

Such data would be useful in guiding the decisions of exporters and producers, as well as in conducting studies and research, and marketing and export plans aimed at improving competitiveness of non-oil exports.

**Table 16.1.7**  
**Competitive Non-oil Exports**  
**2004–2007 (\*)**

Group with an Average Growth Rate of More than 25%			Group with an Average Growth Rate of Less than 25%		
Code	Commodity	Average Annual Growth Rate (%)	Code	Commodity	Average Annual Growth Rate (%)
343	Natural gas	114.5	334	Refined oil products	24.8
598	Miscellaneous chemical products	64.3	048	Cereals or flour preparations (starch)	24.6
575	Basic plastic materials	60.5	682	Copper	22.8
773	Electrical distribution equipment	58.4	522	Other non-organic chemicals	22.8
781	Passenger motor vehicles; not for public transport	57.5	611	Leather & leather products	22.0
782	Motor vehicles for the transport of goods	53.9	893	Various plastic materials	20.7
581	Plastic tubes, pipes & hoses	50.1	012	Meat & meat products	19.9
641	Paper and paperboard	48.3	741	Heating & air conditioning	19.2
723	Civil engineering Equipment	45.3	533	Paints & derivatives	19.1
542	Medicaments (including veterinary medicaments)	44.7	897	Jewellery & precious Materials	18.6
574	Polyacetals & polycarbonates	43.9	642	Paper products	18.5
024	Cheeses & curds (fresh and dry)	42.4	573	Polymers of vinyl chloride	17.4
513	Carboxylic acids & derivatives	40.9	022	Milk and milk products	16.9
691	Iron, steel or aluminium structures	36.5	511	Hydrocarbons & derivatives	16.5
111	Non-alcoholic beverages	35.9	673	Various steel products	15.9
571	Polymers of ethylene in primary Forms	33.1	554	Soap, cleansing & polishing preparations	15.5
821	Furniture & beddings	32.5	692	Metal containers for storages & transport	14.2
661	Lime, cement & ready mixed building material	28.7	059	Fruit & vegetable juices	11.7
676	Iron & steel bars & sections	26.7	664	Glass	9.6
562	Fertilizers	26.7	784	Vehicle spare-parts & accessories	9.2
679	Iron tubes & pipes	26.1	864	Aluminium	8.7
421	Vegetable fats & oils	25.6	659	Floor coverings	8.6
699	Basic mineral products	25.3			
553	Perfumes, toiletries and cosmetics	25.1			

(\*) Average annual growth rates calculated over 2004–2007. Goods are listed in descending order based on average annual growth rate.

Source: Central Department of Statistics and Information.

## **16.1.4 Development Strategy**

### **16.1.4.1 Future vision**

Reducing dependence on crude oil exports, rationalizing imports, improving competitiveness of non-oil national products in domestic and foreign markets, developing the service sector, and providing rewarding investment opportunities to attract expatriate savings to reduce the persistent deficit in the balance of services and transfers, as well as to achieve maximum benefit from Arab and Gulf economic integration to raise the relative importance of inter-trade.

### **16.1.4.2 Objectives**

- Developing non-oil national exports and enhancing their competitiveness.
- Rationalizing imports to reduce opportunities for the inflow of counterfeit and pirated goods, and promote the developmental role of imports by providing intermediate and capital goods.
- Reducing the chronic deficit in the balance of services and transfers, in order to improve the balance of payments and strengthen foreign reserves.
- Upgrading and raising the efficiency of government and private agencies concerned with development and promotion of exports.

**Page**  
**278**

### **16.1.4.3 Policies**

- Dealing efficiently and flexibly with the consequences of the global financial crisis and its impact on revenues from oil and non-oil exports.
- Increasing effectiveness of non-oil exports' development programmes and promoting these exports in international markets.
- Intensifying technical, administrative and marketing advisory services related to development of non-oil exports.



- Coordinating long-term export development plans and short- and medium-term export promotion programmes.
- Taking appropriate measures to combat dumping and reduce inflow of fake and counterfeit goods from abroad.
- Establishing industrial export zones, and considering establishment of “free trade zones” in appropriate locations, providing them with infrastructure and providing various incentives to attract national and foreign private investments to contribute to the development of re-export activities.
- Developing an integrated system for export data and information, enhancing it with specialized databases to meet the needs of exporters and investors.
- Adopting an integrated set of measures to reduce the persistent deficit in the balance of services and transfers, within the framework of policies designed to improve balance of payments.

#### 16.1.4.4 Targets

The main targets for the development of external trade sector under the Ninth Development Plan (at current prices) are as follows:

- Increasing total exports by an average annual rate of about 5.5%.
- Increasing total exports of refined oil by an average annual rate of about 11.3%.
- Increasing petrochemical exports by an average annual rate of about 8.4%.
- Increasing service exports by an average annual rate of about 13.9%.
- Increasing total imports by an average annual rate of about 12%.

## **16.2 DOMESTIC TRADE**

### **16.2.1 Introduction**

Under the Eighth Development Plan, domestic trade underwent several developments: expansion in registrations of companies, individual-owned establishments, agencies and trademarks; increase in licenses for offices of professional services and private laboratories; increase in calibration of weights and measurements, and inspection of local and imported goods and materials; and increase in the facilities and funding and marketing support provided by government for small and medium enterprises.

Despite the developments witnessed by the sector, the Ninth Development Plan covers issues and challenges that should be addressed; notably, the need for a classification of business activities, the provision of an integrated database, continued efforts to overcome obstacles to development of SMEs, raising the employment rate of national labour in the sector, the reduction of monopolistic practices, enforcement of commercial fraud combat regulations, and providing effective solutions to problems of trade fronting and Non-Sufficient Funds (NSF) cheques.

This part of the chapter examines the current conditions in the domestic trade sector, explains developments under the Eighth Development Plan, and reviews the key issues and challenges that must be addressed during the Ninth Development Plan. It also highlights the future vision, objectives, policies and targets for the sector under the Ninth Development Plan.

### **16.2.2 Current Conditions**

#### **16.2.2.1 Domestic trade indicators**

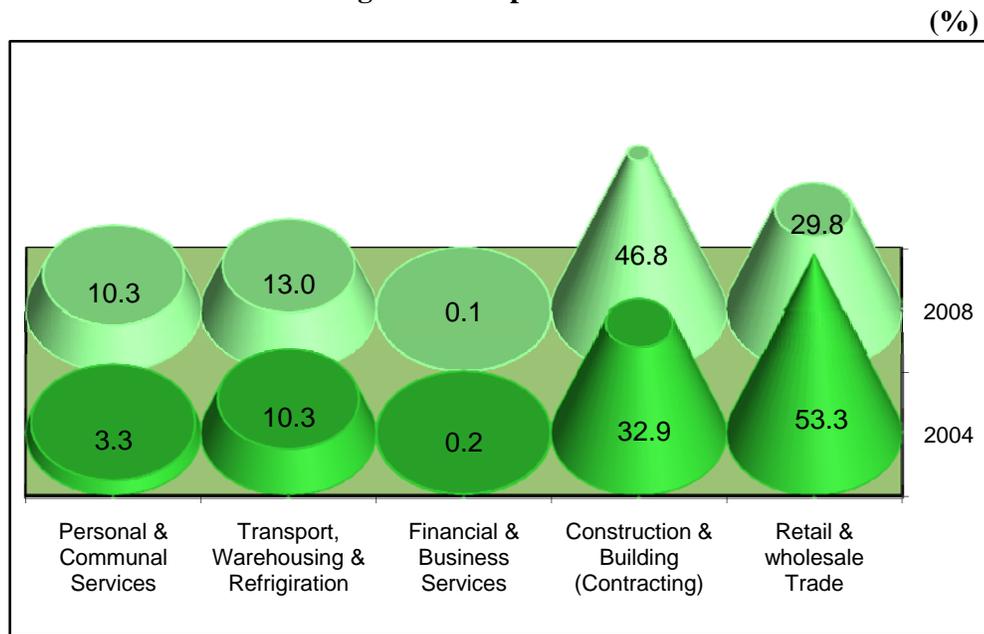
Domestic trade contributes to the development of national income, sources, in addition to providing goods and services and employment opportunities to citizens. The sector includes a large number of

individual-owned enterprises that operate freely within a regulatory framework. The sector is monitored and guided by the Ministry of Commerce and Industry, with Chambers of Commerce and Industry cooperating with the Ministry in looking after the interests of companies and enterprises operating in the sector.

The sector witnessed substantial activity over the first four years of the Eighth Plan, with the number of registrations nearly doubling, from 37,322 to 68,412 between 2004 and 2008, which translates into an average annual growth rate of about 16.4%. At an average annual rate of increase in the number of registrations of about 54.3%, the personal and community services sub-sector was the fastest growing; followed by the building and construction sub-sector, at about 27.1%; and the transport and storage sub-sector at 23.2%.

The wholesale and retail trade, construction and building (contracting), and transport, storage and refrigeration sub-sectors accounted for the majority of existing registrations, although their total share of total registrations declined from 96.5% in 2004 to 89.6% in 2008 (Figure 16.2.1).

**Figure 16.2.1**  
**Structure of Existing Registers for Activities of Domestic Trade**  
**Eighth Development Plan<sup>(\*)</sup>**



(\*) Up to the end of the fourth year of the Eighth Development Plan.  
 Source: Ministry of Commerce and Industry.

The data of Table 16.2.1 show the evolution of the number of registered companies, and the number of licenses and certificates of origin and standards that have been issued over the period 2004–2008. A total of 191 trade fairs were held in 2008, including 7 for national industries, 9 for consumer products, and 56 held in hotels and charity bazaars. A number of regulations were issued, including Council of Ministers Resolution No. 45 of 2007 on continuation of Saudization of gold and jewellery shops, and the Anti-Commercial Fraud Law issued by Royal Decree M/ 19 of 2008. These contributed to improving the performance of the sector, which achieved an estimated annual average growth rate of 5.6% over the first four years of the Eighth Development Plan; a rate close to the target of about 5.7%.

**Table 16.2.1**  
**Activities of Domestic Trade and its Services**  
**Eighth development Plan<sup>(\*)</sup>**

Activity and Service	Measurement Unit	2004	2008	Average Annual Rate Of Growth (%)
Company registrations	company	1148	2831	25.3
Individually-owned company registrations	enterprise	25418	63279	25.6
Commercial agency registrations	agency	162	430	27.6
Trademark registrations	Trademarks	5606	16463	30.9
Professional services office licenses	office	450	610	7.9
Gold shop and workshop licenses	shop	101	320	33.4
Certificates of origin for domestic products	certificate	182499	259193	9.2
Calibration of weights, measurements and standards equipment	calibration	9029	17538	18.1
Inspection and analysis of local and imported goods and materials	sample	348470	2915118	70.1

(\*) Up to the end of the fourth year of Eighth Development Plan.

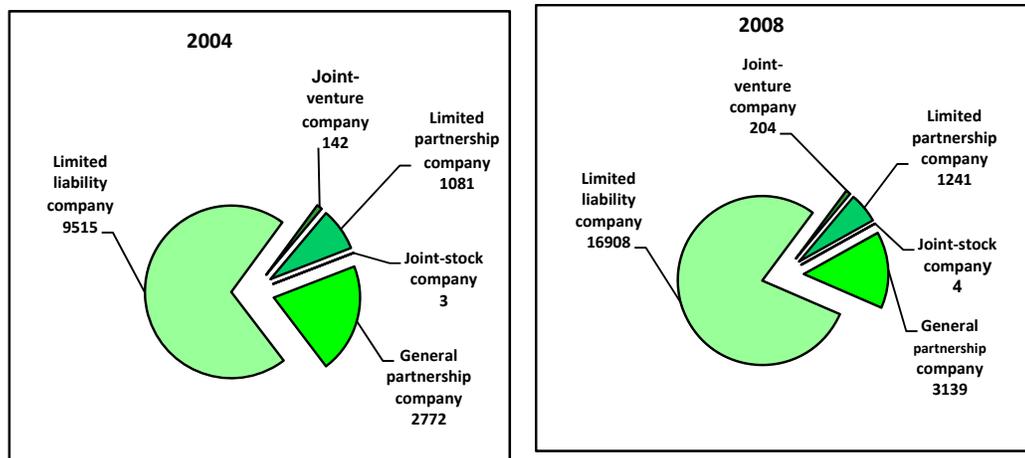
Source: Ministry of Commerce and Industry.

### 16.2.2.2 Commercial Companies

Organization and structure of domestic-trade companies developed under the Eighth Development Plan, and numerous constraints faced by small enterprises were eased, encouraging an increase in capital investment in this sector. Data in Figure 16.2.2 show the most important developments by type of company over the period 2004-2008. These are summarized in the following:

- The number of limited-partnership companies increased by about 14.8%; Joint-stock companies by 33.3%; general partnerships companies by 13.2%; limited liability companies by 77.7%; and joint-ventures by 43.7%.
- The total capital of these companies increased by about 188.6% in 2008, compared with 2004.

**Figure 16.2.2**  
**The Number of Companies**  
**Eighth Development Plan<sup>(\*)</sup>**

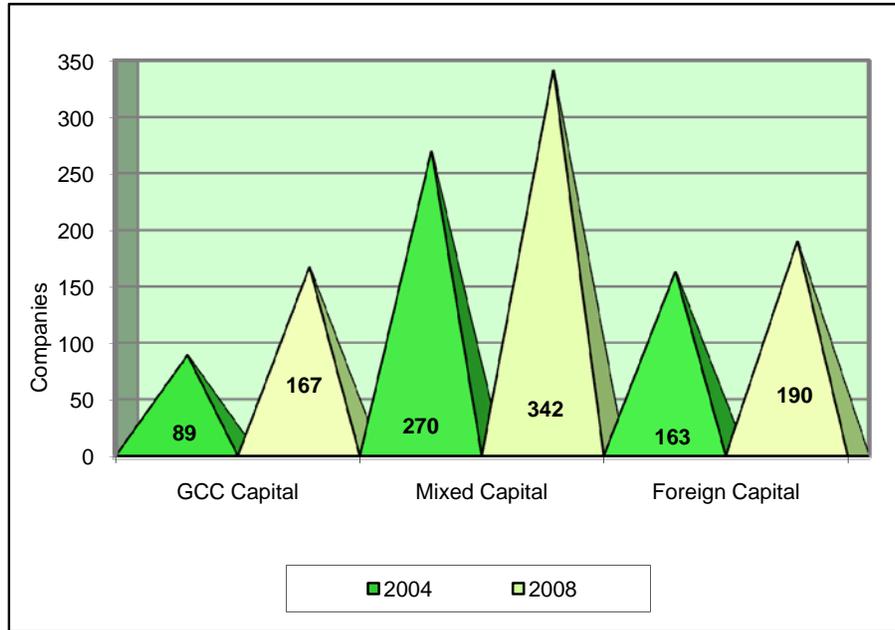


(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Commerce and Industry.

The data in Figure 16.2.3 show the notable growth of both the number of domestic-trade companies (GCC, mixed and foreign) and their invested capital over the period 2004–2008. The number of these companies grew by about 33.9% and their invested capital by about 81.3%, reflecting the improvement of the investment climate in Saudi Arabia.

**Figure 16.2.3**  
**Number of GCC, Mixed and Foreign Companies**  
**Eighth Development Plan <sup>(\*)</sup>**



**Page**  
**284**

(\*) Up to the end of the fourth year of the Eighth Development Plan.  
 Source: Ministry of Commerce and Industry.

### 16.2.2.3 Specifications and standards

The Board of Directors of the Saudi Standards, Metrology and Quality Organization (SASO) decided to adopt international standards. This, in addition to the obligations arising from accession to the World Trade Organization (WTO), led to approval of a large number of international standards. 14,434 Saudi standard specifications were approved under the Eighth Development Plan, raising the total number by the end of the Plan to 16,721. Moreover, 2,151 specifications were modified and updated, raising the total number to 2,399. 4,425 industrial licenses were investigated to confirm compliance of products with approved standards, raising the total number investigated to 23,048. The right to use a quality designation was granted to 108 national enterprises, raising the total number to 283, and 17 laboratories were approved within the special programme for approving private-sector laboratories, raising the total number of approved laboratories to 31.

SASO finalized the Saudi Building Code within the timeframe envisaged by the Eighth Development Plan. This will have a positive impact on the building and construction sector, since the code encompasses technical building specifications and conditions. SASO also issued 2,087 export certificates to national factories, and offered 2,599 technical consultations to various agencies. In addition, 2,287 measurement calibrations were carried out in the calibration and standards laboratories affiliated to SASO.

#### **16.2.2.4 Institutional and organizational development**

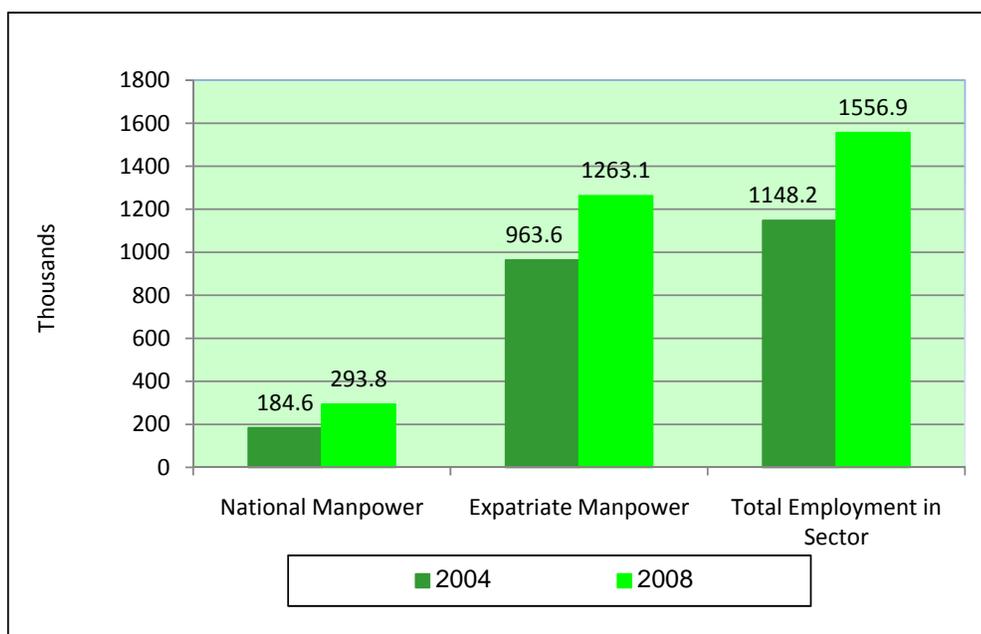
To enhance the efficiency of commercial activity and improve the investment environment, as well as to meet the requirements of the WTO, development of trade regulations and by-laws received considerable attention during the Eighth Development Plan. An agency for Consumer Affairs was established under the Ministry of Commerce and Industry, as was an independent civil association for consumer protection. In addition, several by-laws and regulations were issued, such as: the National Committee for Consumer Protection regulation, the mortgage regulation, the anti-fronting regulation, the general competition regulation, the sales-by-instalment regulation, the warehousing regulation, the trade fraud control regulation, the protection of confidential business information regulation, the control of joint-stock real estate ventures regulation, the executive law of the common trade policy of GCC countries, the trademarks for GCC countries regulation, the consolidated anti-dumping regulation, and the compensation and pre-emption measures for GCC countries.

As for standards and specifications, the Regulations for Energy Efficiency Card for Electrical Appliances was adopted and implemented. In collaboration with the Communications and Information Technology Commission, 57 technical regulations for communications and information technology equipment were adopted as mandatory Saudi standards. SASO, in cooperation with the Ministry of Water and Electricity, is conducting a study to standardize electric voltage in the Kingdom with the international system.

### 16.2.2.5 Employment

The data in Figure 16.2.4 show that employment in the domestic trade sector increased from 1.15 million workers in 2004 to 1.56 million in 2008, which translates into an average annual growth rate of 7.9%. Over the same period, the share of the sector in total employment rose from 16% to 19.5%, while the share of Saudi nationals in total employment rose from 16.1% to 18.9%. Nevertheless, the sector needs to intensify efforts to enhance employment opportunities for Saudi manpower.

**Figure 16.2.4**  
**Employment in Domestic Trade Sector**  
**Eighth Development Plan<sup>(\*)</sup>**



(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Central Department of Statistics and Information.

### 16.2.3 Issues and Challenges

#### 16.2.3.1 Classification of trade activities

There is an urgent need for providing integrated databases that cross-classify the activities of domestic trade, both by sector and by major group of goods and services. Such databases would aid in determining appropriate policies and programmes for developing the sector and



addressing its structural problems, in an effort to enhance its efficiency and its contribution to GDP.

Hence, the Ministry of Commerce and Industry will intensify its efforts, in cooperation with the Central Department of Statistics and Information, the Council of Saudi Chambers, and all other agencies concerned, on several fronts, including:

- Preparing studies on the classification of domestic-trade activities, based on international experience, along with developing standards for monitoring performance, both by sector and by major group of goods and services.
- Conducting field surveys to provide appropriate databases reflecting the current conditions of domestic trade activities as well as a complete integrated database about the various activities in this sector.

#### **16.2.3.2 Small and Medium Enterprises (SMEs)**

Constraints, such as poor financial, organizational and marketing capabilities, lower efficiency and performance of most SMEs, constitute an important challenge to the developmental role of domestic trade. Hence, the Ninth Development Plan seeks to overcome the obstacles to the development of SMEs, through intensification of the following government and private-sector initiatives:

- Supporting the "Kafalah" Programme for SMEs financing, which is managed by the Saudi Industrial Development Fund and removing the obstacle impeding its development and the expansion of its activities, with the programme issuing annual reports highlighting its performance indicators and opportunities for developing them.
- Building databases on SMEs classifying them by type of activity, capital and manpower, to enable monitoring their growth indicators and their contribution to the development of domestic trade.

- Expanding provision of technical assistance to SMEs, either during preparation of feasibility studies or to ease regulatory and marketing constraints.
- Taking advantage of international programmes for developing SMEs, such as World Bank and UNIDO programmes, focusing on coordination between government and private initiatives, and encouraging Chambers of Commerce and Industry to establish special regional administrative units to support SMEs.
- Promoting the culture of self-employment in the community, through various media, to highlight the role of SMEs in reducing unemployment rates.
- Continuing to support the Saudi Credit and Saving Bank, to enable it to expand provision of professional loans and help the development of various domestic-trade activities.

### 16.2.3.3 Inflationary pressures

The impact of intermittent inflationary pressures, particularly on prices of food products and basic commodities and materials, such as building materials, needs to be limited. Over the past few years, Saudi Arabia faced inflationary pressures mostly due to external causes, but it was able to contain them, through a range of measures, helped later by the decline in international prices of some commodities following the global financial crisis. However, the evolution of inflation indicators over the last few years shows a number of contributory domestic factors. These were addressed by Council of Ministers Resolution No. 11 of 2008 with a system of urgent policies and procedures, including:

- Actively enforcing the competition system.
- Preventing all forms of monopoly practices and reconsidering the system of commercial agencies to guard against monopoly.
- Finalizing the proposed food-supply policy system, as a matter of urgency.

- Intensifying efforts to control prices and combat commercial fraud.
- The Ministry of Commerce and Industry, the Ministry of Economy and Planning (Central Department of Statistics and Information), the Ministry of Finance (Customs Department), and other concerned agencies continuing to conduct periodic (weekly and monthly) field surveys to monitor and publish information on price movements in the markets.

Under the Ninth Development Plan, continuing to enhance protection of the domestic trade sector from inflationary pressures requires implementation of the resolutions issued, especially with regard to prevention of monopolistic practices, it requires active enforcement of the competition regulation, price controls, and toughening penalties for manipulation of domestic prices of food, and other essential goods.

#### **16.2.3.4 Commercial and industrial fraud and counterfeit goods**

Commercial and industrial fraud and counterfeit goods, which tend to be more widespread in the markets of developing countries, pose economic, social and health risks. To remove this negative phenomenon, the Ninth Development Plan aims to apply the anti-commercial fraud system issued by Royal Decree No. M / 19 of 2008, which focuses on:

- Reinvigorating the control and executive agencies responsible for preventing circulation of counterfeit and fraudulent goods.
- Supporting the material and human resources of anti-commercial fraud committees, increasing monitoring missions of local markets, carried out by the Ministry of Commerce and Industry, to seize fraudulent and counterfeit goods, and take necessary actions against their dealers.
- Increasing the number of laboratories at customs points to expand examination of imported goods.

- Toughening sanctions to deter offenders who produce, sell or promote fraudulent and counterfeit goods.
- Supporting and bolstering the Consumer Protection Association, and raising consumer awareness.
- Coordinating Gulf and Arab efforts aimed at developing common mechanisms for combatting commercial and industrial fraud and counterfeit goods.

#### **16.2.3.5 Contribution of Saudi manpower**

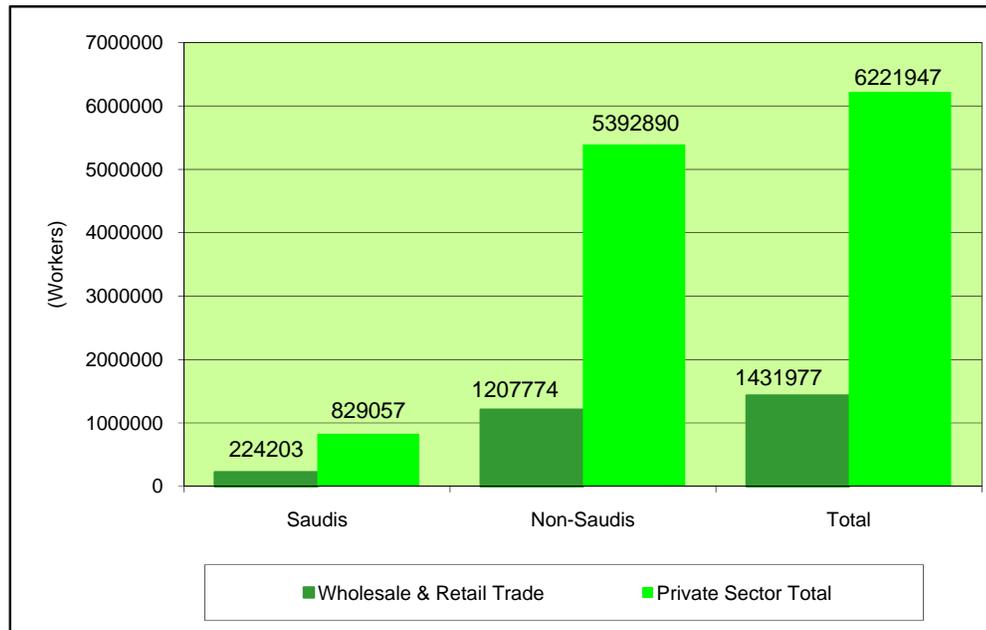
Despite the efforts of various ministries and agencies to increase employment opportunities for Saudi labour, the domestic trade sector is still suffering from low Saudi labour force participation, especially in respect of implementation of Council of Ministers Resolution No. 50 of 1994, stipulating increasing the employment of Saudi manpower in establishments and companies by 5% annually; and the resolutions to Saudize some commercial activities. Data of the Ministry of Labour on registered workers indicate that in 2008 Saudi participation in wholesale and retail trade was 15.7%; better than their overall participation in all private-sector activities, which was 13.3% (Figure 16.2.5). Nevertheless, there is still great potential for creating job opportunities for Saudis by replacing expatriates in numerous wholesale- and retail-trade activities. Hence, the Ninth Development Plan attaches particular importance to developing mechanisms for employing Saudi manpower in domestic trade, within the framework of the National Employment Strategy.

**Page  
290**

#### **16.2.3.6 Fronting and issuance of NSF Cheques**

With the expansion of economic, trade and service activities, and with the spatial development of urban and rural areas in various regions, fronting has become a problem. Issuance of the anti-fronting regulations is expected to limit its spread. The Ninth Development Plan aims to improve performance of the administrative control and inspection personnel and intensify efforts to saudize commercial activities afflicted by fronting.

**Figure 16.2.5**  
**Number of Workers in Wholesale and Retail Trade**  
**(2008)**



*Source: Ministry of Labour.*

Despite criminalization of non-sufficient-funds (NSF) cheques, persistence of this problem leads to loss of confidence in cheques as a payment tool, with consequent negative impacts on overall commercial activities.

The Ninth Development Plan seeks to eliminate this problem, protect dealing with cheques as a payment tool, and continue intensive efforts to raise awareness of importance of cheques in commercial and civil transactions; along with adopting appropriate mechanisms to enhance dealings with cheques, including reviewing the sanctions in the commercial instruments regulations.

### **16.2.3.7 Joint-stock real estate ventures**

Joint-stock real estate ventures play an important role in development and reinvigoration of real estate to serve other production and service sectors. However, under the Eighth Plan, about 47 joint-stock real estate ventures failed. Investment in these failed ventures amounted to SR6,928 million; about 52% of the total value of joint-stock real estate

ventures licensed by the Ministry of Commerce and Industry.

The Ministry of Commerce and Industry has taken measures to liquidate these failed ventures, while ensuring shareholder rights, and has succeeded in doing so in several cases.

However, in view of continuing reliance on joint-stock real estate ventures, and to address the reasons for the failure of some such ventures and safeguard the rights of shareholders, Council of Ministers Resolution No. 220 of 2005 established a real estate investment fund, in accordance with regulations set by the Ministry of Commerce and Industry, in collaboration with the Capital Market Authority.

In addition, Council of Ministers Resolution No. 130 of 2008 called for accelerated liquidation of failed joint-stock real estate ventures. The Ninth Development Plan pays particular attention to establishing effective regulatory and institutional frameworks for monitoring performance of joint-stock real estate ventures, as well as for enhancing their role in developing the real estate sector.

**Page**  
**292**

## **16.2.4 Development Strategy**

### **16.2.4.1 Future vision**

Enhancing the developmental role of the domestic trade sector, by increasing its contribution to the development of productive and service sectors and to the provision of employment opportunities for Saudi manpower; in addition to meeting the needs of the domestic market for local and imported products and achieving food security; all within the framework of competition and elimination of all forms of monopolistic practices.

### **16.2.4.2 Objectives**

- Developing domestic trade and directing it towards fulfilling the needs of the national economy, and increasing its relative contribution to GDP.

- Stimulating private investment in this sector, while encouraging national enterprises to merge, forming bigger, more competitive entities enjoying the benefits of economies of scale.
- Qualifying Saudi manpower to replace expatriate workers.
- Ensuring meeting the needs of local markets, in all regions, of goods and services, in accordance with national and international specifications, at reasonable prices through a competitive market.
- Reducing harmful practices, such as commercial fraud, dumping, fronting, and monopolistic practices.
- Further developing the Saudi standards specifications and quality systems, and raising the level of compliance with approved specifications, especially in the national industries.

#### **16.2.4.3 Policies**

- Reviewing, developing and facilitating ways, procedures and methods of doing business, in response to the needs of the national economy.
- Classifying domestic-trade activities, both by sector and by major group of goods and services, and conducting field surveys to provide a comprehensive database of information on the status of domestic trade.
- Continuing efforts to remove obstacles to the development of SMEs, with a focus on supporting and developing the "Kafalah" Programme run by the Saudi Industrial Development Fund; providing a comprehensive database of information on the evolution of SMEs; and spreading the culture of self-employment.
- Developing mechanisms for ensuring full implementation of the anti-commercial fraud regulations established by Royal Decree No. M / 19 of 2008; while intensifying control and inspection campaigns, introducing stiffer penalties, supporting the Consumer Protection Association, and coordinating efforts with Gulf and Arab countries to combat

commercial fraud.

- Intensifying efforts to increase participation of Saudi manpower in this sector, through identification of the requirements of businesses providing appropriate education and training programmes.
- Enhancing confidence in dealing in commercial instruments, combating dumping of goods and trade fronting, stiffening penalties for monopolistic practices, and reinvigorating the Competition Protection Council, to ensure strict application of competition regulations.
- Continuing efforts to liquidate failed joint-stock real estate ventures, while safeguarding the rights of shareholders, in implementation of Council of Ministers Resolution No. 130 of 2008.
- Increasing consumer awareness among citizens, through familiarising them with ways for verifying quality of goods, and their validity and conformity to specifications, while toughening sanctions on violation of specifications.
- Coordinating and reinforcing government and private initiatives to raise environmental awareness among workers in the sector, through joint awareness programmes, sponsored by the Ministry of Trade and Industry and Chambers of Commerce and Industry.
- Supporting the efforts of the Saudi Industrial Development Fund in providing technical advice, by assisting in feasibility studies or easing technical, regulatory and marketing constraints.
- Intensifying efforts of Chambers of Commerce and Industry to increase importers' awareness of the importance of developing their activities and their abilities to deal with developments in domestic and international markets.
- Providing strategic stocks of basic food supplies, in order to guard against sudden price increases, meet any shortfalls in supply, and respond effectively to emergent crises.



#### 16.2.4.4 Targets

- Supporting and developing the "Kafalah" Programme and monitoring its performance by having it issue an annual report.
- Providing a comprehensive database of the various domestic-trade activities, properly classified by sector and by major group of goods and services.
- Achieving a steady increase, commensurate with increasing demand, in registrations of companies, establishments and commercial agencies, as well as in trademarks, certificates of origin, and licenses of private laboratories.

#### 16.2.5 Financial Requirements

The financial requirements allocated for the Saudi Standards, Metrology and Quality Organization are SR598.1 million, while the financial requirements allocated for the trade sector are included within the Ministry of Commerce and Industry allocations.

**Page**  
**296**

# FINANCIAL SERVICES

## 17.1 INTRODUCTION

During the Eighth Development Plan, performance of the financial services sector was positive, in spite of the repercussions of the global financial crisis, which emerged at the beginning of the fourth quarter of 2008. Intensity of the impact of the crisis varied from country to country. As a result of the efficiency and flexibility of the "pre-emptive and preventive" measures taken, Saudi Arabia was one of the least affected.

The Ninth Development Plan aims at enhancing effectiveness of policies for developing financial services; preventive measures for dealing with repercussions of the global financial crisis; and reinvigorating the developmental role of investment banks, specialized lending institutions, insurance activities, and venture-capital companies.

This chapter addresses the current conditions of the financial services sector; explains relevant developments under the Eighth Development Plan; reviews key issues and challenges that must be addressed under the Ninth Development Plan; and highlights the future vision, objectives, policies and targets for the sector in the Ninth Development Plan.

## 17.2 CURRENT CONDITIONS

### 17.2.1 Performance of Commercial Banks

The banking sector performed well over the first four years of the Eighth Development Plan. Its performance indicators over the 2004-2008 period can be summarized as follows (Table17.1):

- The value of investments abroad and foreign assets of commercial banks rose by 65.8% and 66.8%, respectively.
- The capital account achieved significant growth, estimated at about 135.2%, with capital and reserves of banks growing by approximately 152.7% and their cumulative earnings by about 80.1%.

- Claims on the private sector grew by 134%, due to an increase of bank credit to this sector by 135.2%, while investment in private securities grew by 100%. In contrast, receivables from the government sector increased by 37.7%, due to an increase of bank credits to the government sector by 10.3%. In addition, investments in government securities by banks increased by 43.1%.
- The average annual growth rate of the money supply (in its broad definition, M3), decreased slightly, from 18.8% in 2004 to 17.7% in 2008, while the relative contribution of time deposits and savings deposits in the money supply increased from 27.6% to 39.6%, which is a positive saving and investment indicator.

**Table 17.1**  
**Monetary and Banking Indicators**  
**Eighth Development Plan<sup>(\*)</sup>**

(SR billion)<sup>(\*\*)</sup>

Indicator	2004	2008
<b>1. Total foreign assets and investments abroad:</b>	<b>131.7</b>	<b>218.8</b>
- Foreign assets of commercial banks	92.8	153.9
- Investments abroad by commercial banks	38.9	64.9
<b>2. Capital account:</b>	<b>68.8</b>	<b>161.8</b>
- Capital and reserves of banks	52.2	131.9
- Cumulative profits	16.6	29.9
<b>3. Banks claims on private sector:</b>	<b>313.9</b>	<b>734.6</b>
- Credit to private sector	303.0	712.8
- Investment in private securities	10.9	21.8
<b>4. Banks claims on government sector:</b>	<b>175.8</b>	<b>242.0</b>
- Credit to government sector	29.1	32.0
- Investment in government securities	146.7	210.0
* Treasury Bills	0.3	119.2
* Development Bonds	146.4	90.7
<b>5. Consumer loans</b>	<b>115.3</b>	<b>174.0</b>
<b>6. Credit-card loans</b>	<b>3.3</b>	<b>9.5</b>
<b>7. Growth rate of money supply (M3) (%)</b>	<b>18.8</b>	<b>17.7</b>
<b>8. Relative contributions of M3 (%):</b>	<b>100</b>	<b>100</b>
- Currency in circulation outside banks	12.1	8.9
- Demand deposits	42.6	36.9
- Time deposits and savings deposits	27.6	39.6
- Cash-equivalent deposits,	17.7	14.6

(\*) Up to the end of the fourth year of the Eighth Development Plan.

(\*\*) Values are rounded to nearest decimal.

Source: Saudi Arabian Monetary Agency.

## 17.2.2 Banking Sector and the Global Financial Crisis

The global financial crisis was triggered by the American banking sector, specifically the bankruptcy of Lehman Brothers. Collapse of some banks in the United States and Europe followed. Aware of the seriousness of the crisis, for the banking sector in particular, the Saudi Arabian Monetary Agency (SAMA) initiated a comprehensive set of preemptive measures, aimed at enhancing domestic liquidity, easing pressure on commercial banks and increasing their ability to lend, and calming all those, who deal with the banking sector. The most significant of these measures were:

- a. Introducing more than one cut of the interest rate on lending by SAMA to banks (repo), reducing it from 5.5% in mid-2008 to 2% in April 2009.
- b. Introducing a similar reduction of the reverse repurchase rate (reverse repo), which is the rate paid by SAMA for deposits from commercial banks, decreasing it from 2% to 0.5% over the same period.
- c. Reducing the reserve requirement ratio on demand deposits from 13% to 7% over the same period, in an effort to increase domestic liquidity and improve the lending ability of banks.
- d. Providing foreign-currency liquidity to the banks by injecting the equivalent of about SR11.5 billion; which boosted domestic liquidity and supported the lending ability of banks.
- e. Conducting a comprehensive review of the credit risk departments of branches of foreign banks operating in the Kingdom, to ensure compliance with Basel 2, in addition to intensifying control and supervision of Saudi banks.

Generally, available indicators confirm the solidity of the financial position of Saudi banks, even in the worst stages of the global financial crisis. The most important of such indicators are:

- Rise of capital adequacy ratio of Saudi banks to 21.9% in 2008 using the Basel 2 standard, which specifies a minimum of 12%.
- Increase of total assets of banks from 2004 to 2008 by 98.7%; from SR655.4 billion to about SR1,302.3 billion.

- Increase of the capital account balance (reserves + capital + accumulated profits) from 2004 to 2008 by about 135.2%; from SR68.8 billion to about SR161.8 billion.

### 17.2.3 Development of Stock Market Performance

As shown in Table 17.2, the Saudi stock market experienced unusual developments over the 2004–2008 period. These may be summarized in the following:

- The general share price index experienced sharp fluctuations, resulting in unjustified rises in the prices of numerous stocks, which ultimately led to strong correction through a wave of sharp declines that took the index down by about 52.5% during 2006.
- In 2007, there was relative improvement in stock market indices. The general share price index rose by about 39.1% and the market value of shares increased by approximately 58.8%. The market then remained stable until the last quarter of 2008; specifically, until the outbreak of the global financial crisis in October 2008, when the share price index fell sharply by about 56.5% by the end of 2008.

Page  
300

**Table 17.2**  
**Saudi Stock Market Indicators**  
**Eighth Development Plan<sup>(\*)</sup>**

Year	Number of Companies	Number of Traded Shares (million)	Value of Traded Shares (SR billion)	Market Value of Shares (SR billion)	General Share Price Index 1999 = 100	Share Turnover Ratio of Shares
2004	73	10298	1773.9	1149	8206.2	154.4
2005	77	12281	4138.7	2438	16712.6	169.8
2006	86	68515 <sup>(**)</sup>	5261.9	1226	7933.3	429.2
2007	111	57829	2557.7	1946	11038.7	131.4
2008	127	58727	1962.9	924	4802.9	212.3

(\*) Up to the end of the fourth year of the Eighth Development Plan.

(\*\*) Data modified to exclude impact of splitting the nominal value of shares of listed companies to become 10 Riyals per share instead of 50.

Source: Saudi Arabian Monetary Agency.

The most important factors that contributed to the decline of the Saudi stock market since the crisis are the following:

- Decline of most global financial market indicators after the crisis; spread of rumours and concerns among traders, due to lack of clarity over possible developments; and doubts about the extent of effectiveness of government intervention around the world in mitigating the negative impacts of the crisis; i.e., the crisis created an overwhelming state of doubt and uncertainty.
- Decline of international oil prices following the crisis, due to the expected decline in the global demand for commodities and the possibility of a global recession.
- Lack of commitment to transparency by some international companies and financial institutions in disclosing their financial and credit positions following the crisis, and the worsening situation following successive bankruptcies of several such companies and institutions.
- Many banks liquidated portfolios of clients, especially after devaluation of their shares in the stock market, provoking a state of uncertainty for dealers in the stock market.

The Saudi Capital Market Authority took a number of important measures to address the repercussions of the global crisis, including:

- Disclosing the largest shareholders, in order to establish the principle of transparency.
- Changing the unit price of shares, in order to improve market performance.
- Opening the market to foreign investors, on condition that their transactions be carried out through licensed brokerage firms.
- Allowing exchange agreements to transfer economic benefits of the shares of companies listed in the stock market to brokerage firms, in accordance with specific controls.

## 17.2.4 Investment Funds

As shown in Table 17.3, investment funds performed well during the period 2004–2008, with an increase in the number of funds, the value of local investments, total assets, and number of subscribers. However, due to the uncertainty created by the global financial crisis and its negative impact on the stock market, there was a significant decline in the performance indicators of the funds during the last quarter of 2008, compared with the previous year, as follows:

- Total assets declined by the end of 2008 by 28.7%.
- The values of both domestic and foreign investments declined by the end of 2008 by 23.3% and 46%, respectively.
- The number of subscribers to the funds declined by the end of 2008 by 12%.

**Table 17.3**  
**Main Indicators for Investment Funds**  
**Eighth Development Plan<sup>(\*)</sup>**

(SR billion)<sup>(\*\*)</sup>

Year	Number of Operating Funds	Value of Domestic Investment	Value of Foreign Investments	Total Funds' Assets	Number of Subscribers (Thousand)
2004	188	44.5	15.8	60.3	198.4
2005	199	115.7	21.3	137.0	568.3
2006	214	61.3	22.8	84.1	500.0
2007	252	79.9	25.2	105.1	426.1
2008	262	61.3	13.6	74.9	375.0

(\*) Up to the end of the fourth year of the Eighth Development Plan.

(\*\*) Values are rounded to nearest decimal.

Source: Saudi Arabian Monetary Agency.

## 17.2.5 Development of Activity of Specialized Lending Institutions

The data in Table 17.4 show the development of funding provided by specialized lending institutions and credit funds over the period 2004–2008. The following facts are noteworthy:



- The total value of loans actually disbursed increased to SR30.6 billion in 2008; an increase of about 456.4% compared with 2004, which reflects the growing demand for loans from these institutions.
- The volume of outstanding loans owed to specialized lending institutions rose from SR119.1 billion to about SR155.2 billion during the period; a total increase of 30.3%. These indicators reflect a slowdown in collection of outstanding loans and the fact that repaid loans are inadequate for covering new loans, with total collection declining by about 34.4% in 2008, compared with 2004.
- Performance of specialized lending institutions is no longer tied to success in being self-financing, i.e., balancing as far as possible the volume of actual disbursements of new loans with the volume of collected past loans. This is attributable to the growing demand for loans by individuals and the private sector, which led actual loan disbursements to grow by 456.4% in 2008, compared with 2004.

**Table 17.4**  
**Performance of Specialized Lending Institutions**  
**Eighth Development Plan\***

(SR billion)\*\*

	2004	2008	Change %
Total outstanding loans	119.1	155.2	30.3
Total collected	16.3	10.7	(34.4)
Actual outgoings	5.5	30.6	456.4

\* Up to the end of the fourth year of the Eighth Development Plan

\*\* Values are rounded to nearest decimal. Percentages in parentheses indicate negative values.

*Source: Saudi Arabian Monetary Agency*

The "expansionary fiscal policy" played a crucial role in enabling the specialized lending institutions to double their funding abilities by increasing their capital as follows:

- a. Increasing the capital of the Industrial Development Fund by SR13 billion, bringing it to about SR20 billion in 2006, which led to actual disbursements increasing in 2006 by 36.9%, compared with 2005.

- b. Increasing the capital of the Real Estate Development Fund by SR43 billion, which led to actual disbursements increasing in 2006 by 57.6%, compared with 2005.
- c. Increasing the capital of the Public Investment Fund by SR20 billion in 2006, which led to actual disbursements increasing by 288.9% in 2007, compared with 2006.
- d. Increasing the capital of Saudi Credit and Saving Bank by SR5 billion in 2008, in addition to supporting it by a deposit of SR10 billion, in order to help it continue providing several types of soft loans to low-income individuals including: social loans, vocational loans, car-purchase loans, as well as enabling the Bank to support SMEs.

### **17.2.6 Insurance Market**

The Kingdom is the largest insurance market in the GCC. The insurance industry covers several areas, including vehicles, health, fire, engineering, and aviation.

The system established by the Cooperative Insurance Companies Control Act in 2004 was an important step towards strengthening the insurance network and insurance services. This system covered three key elements: the legal framework, including the governing (executive) body that undertakes application of the system; control and supervision of the sector; and the dispute resolution mechanism.

Over the 2004–2008 period, there was substantial activity in the insurance market, evidenced by the rapid expansion, intensification and deepening of the market. In 2004, there was only one insurance company, but by the first half of 2008, the Council of Ministers had approved the licensing of 22 insurance companies. By the end of 2008, other positive indicators emerged, as follows:

- The insurance market grew significantly in 2008; by about 27%, while total insurance premiums paid were about SR10.9 billion, compared with about SR8.6 billion in the previous year.
- Total health insurance premiums increased by 55% to approximately SR4.8 billion, compared with SR3.1 billion a

year earlier.

- Demand for general and health insurance rose in 2008 by 6% and 75%, respectively, compared with the previous year.
- The depth of the insurance market rose to 0.62% in 2008, compared with 0.53% in the previous year. The depth of an insurance market is the ratio of total subscribed insurance premiums to GDP.
- Density of the insurance market (per capita spending on insurance) rose to SR440, compared with SR358 in the previous year.

It is worth noting that by the end of the first quarter of 2009, the Council of Ministers approved the establishment of 29 insurance and reinsurance companies. These companies were provided licenses to begin their operation.

### **17.2.7 Islamic Banking and Sukuk (Bonds)**

Islamic Banking and sukuk are promising for financial services development in the Kingdom. Available data indicate that until 2007, Sukuk issued in Saudi Arabia totalled SR11.6 billion in value. In addition to the Islamic windows in conventional banks, there are 4 Islamic banks in the Kingdom. According to a report issued by the World Islamic Banking Conference on competitiveness of Islamic banks, the Kingdom ranks first, as measured by the earnings of Islamic banks over the period 2000–2006. In addition, Islamic banks developed their investment policies to cover several areas of production and services, and they adopted innovative banking methods, such as "lease-purchase."

Notably, due to the controls adhered to by Islamic banks in their investment policies, Islamic banking and securities did not suffer from the repercussions of the global financial crisis and were not affected by the bottlenecks caused by the subprime mortgage crisis in the United States of America. This reinforces the importance of Islamic banking and instruments in the development of finance in the coming period.

It is also worth noting that the Saudi Capital Market Authority approved in 2009 establishing a capital market for trading Islamic securities in the Kingdom, and the Saudi stock Market Company (Tadawul) started taking measures and adopting implementation mechanisms, in order to activate the Islamic sukuk market.

## **17.3 ISSUES AND CHALLENGES**

### **17.3.1 Global Financial Crisis**

The impact of the global financial crisis on the economies of developing countries varied depending on several criteria, including the degree of economic openness, the level of integration of national financial institutions with global financial institutions, and the degree of linkage of the national financial market with global financial markets. The regulatory and control role of the state in addressing distortions of market mechanisms as they arise, before they develop into a crisis, is certainly important. Nonetheless, undertaking this role requires identification of financial health indicators that reflect the ability of the national economy to absorb and address financial crises. Such indicators fall into two main groups, namely:

- Banking sector risk indicators, such as: capital adequacy, asset quality, profitability and yield, and vulnerability to market risks.
- Risk indicators for financial institutions, the household sector, market liquidity, and real estate markets.

### **17.3.2 Developmental Role of Investment Banks**

Council of Ministers Resolution No. 72 of 2007 stipulated reinforcement of the developmental role of the banking sector, by developing policies and mechanisms to provide the financing requirements of the production sectors that are capable of diversifying the economic base. Implementation of this resolution requires analysis of the current conditions and trends of bank credit. Such an analysis points to diminution of the relative importance of medium and long-term bank credit, compared with a steady increase in the relative

importance of short-term bank credit, not to mention expansion of consumer loans and credit-card loans; all of which may limit ability of the banks to meet the growing demand for long-term business loans.

Hence, expansion of investment banks is a more effective solution to the problem of medium-and long-term credit. Investment banks are financial institutions specialized in granting medium-and long-term financing, relying on their relatively stable resources derived from their capital and medium-and long-term deposits, in addition to issuing bonds and long-term borrowing, i.e., the primary goal of such banks is to finance medium-and long-term investments.

### **17.3.3 Developmental Role of Islamic Sukuk**

Within the context of the current conditions of the financial services sector, the indicators related to Islamic sukuk are positive. However, these securities still face some regulatory and technical obstacles that need to be addressed, by focusing on three major areas:

- Developing new regulations to offer Islamic securities and list them in the financial market, with emphasis on facilitating procedures and benefiting from international experiences in this area.
- Establishing a secondary market for trading in Islamic sukuk in the Kingdom.
- Developing legislation to control offering, listing and trading Islamic sukuk.

### **17.3.4 Scarcity of Venture-Capital Companies**

Activities of venture capital companies vary. However, their dominant common characteristics are high-risk component, terms of financing and pursuit of high rates of profit. This is usually done either through financing projects that face difficulties in borrowing from banks, due to their inability to provide sufficient guarantees, or through purchasing troubled projects or projects suffering accumulated debts and weakened repayment capacity, for which the venture capital company

would undertake to develop and implement effective rescue programmes. Thus, venture capital companies contribute effectively to financing and managing high-risk investments. Other non-traditional examples of financing carried out by venture capital companies are lease financing and future sales financing.

The Ninth Development Plan aims to incentivise partnerships between private national and foreign-direct investors to establish venture capital companies and remove the regulatory obstacles that limit their contribution to the development of financial services in the Kingdom. Technological business incubators provide the optimal environment for formation and success of venture capital companies, where capital is invested in converting ideas and new industrial innovations to goods and products that serve both domestic and foreign markets.

### **17.3.5 Specialized Lending Institutions**

**Page**  
**308**

As a result of steady increases, demand for loans from the specialized lending institutions far exceeded the volume of collected loans. This, as explained previously, led the State to increase the capital of these institutions during 2006–2007. Based on the following considerations, forecasts indicate future demand for loans beyond the current capabilities of these institutions:

- Growing demand for loans from the Industrial Development Fund by national and foreign investors, due to the significant improvement of the investment environment in the Kingdom.
- The initiative announced by the Industrial Development Fund in March 2009 to raise guarantees (Kafalah Programme) for loans extended by domestic banks to SMEs from 50% to 75% of the value of the loan, and raise the upper limit of the value of the guarantee from SR1.0 million to SR1.5 million.
- Initiation of implementing the national strategy for industry, which will result in increased demand for the financial services of the Industrial Development Fund.
- Increased demand for loans from the Real Estate Development Fund, as a result of population increase and in the light of the

trend, encouraged by the State, towards increasing house ownership rates.

- Increased demand for the social and vocational loans offered by the Saudi Credit and Saving Bank.
- The need to increase the resources of the Public Investment Fund to enhance its contribution to major development projects.

## **17.4 DEVELOPMENT STRATEGY**

### **17.4.1 Future Vision**

Enhancing the capabilities and own resources of the financial services sector, to achieve the greatest possible degree of horizontal and vertical expansion of these services, with emphasis on improving their quality and competitiveness, increasing their relative contribution to GDP, and reinforcing their developmental role. This is to be achieved through the mobilization of savings, providing the necessary funding to advance various economic activities, and ensuring the presence of an efficient banking system, well-developed financial markets and comprehensive competitive insurance services, thereby contributing effectively to improving the performance of the private sector and the national economy as a whole.

### **17.4.2 Objectives**

- Achieving financial and economic stability and enhancing the investment climate, which would reflect positively on the performance of the national economy and its various sectors.
- Providing funding for various economic activities, especially small and medium enterprises (SMEs).
- Improving performance of the private sector, increasing and diversifying sources of income, providing more job opportunities for nationals, raising living standards and improving the quality of life.

- Enhancing the efficiency and effectiveness of the banking system, developing the financial markets, reinforcing the developmental role of the specialized lending institutions and insurance services, and improving their quality and ability to compete.

### **17.4.3 Policies**

- Promoting "preventive measures" to deal with the repercussions of the global financial crisis, through fiscal and monetary policy tools that would support domestic liquidity and stimulate the ability of banks to lend, with emphasis on the commitment to transparency; and establishing an early warning system for financial crises.
- Persisting with the regulatory and control role of the state, while enhancing the measures for promoting the stock market and improving performance of the investment funds and raising investment awareness among citizens.
- Enhancing the developmental role of banks, through establishing more investment banks, and increasing the relative weight of long-term loans, in order to meet the needs of the activities that would contribute most to diversification of the economic base.
- Increasing the developmental role of Islamic sukuk and insurance activities, and stimulating national and foreign private investment to establish more venture capital companies.
- Continuing to support the capital of specialized lending institutions, in line with the steady increase in demand for their loans, to expand their contribution to the developmental role of the private sector, and to raising living standards and improving the quality of life for citizens.
- Expanding the technical assistance and advice provided by the Industrial Development Fund, especially to SMEs.

**Page**

**310**



- Continuing the efforts to coordinate monetary and fiscal policies in the GCC countries to promote integration of financial services, and intensifying efforts by the Kingdom to contribute to the development of a new global financial system, through its membership of the Global Financial Stability Council.
- Continuing the efforts of the Saudi Arabian Monetary Agency to develop the financial system of the Kingdom, strengthen the banking system, while emphasising supervision and control over the activities of commercial banks.

#### **17.4.4 Targets**

- Achieving an average annual growth rate of about 7.6% in the financial services sector over the period of the Plan.
- Increasing the total value of loans provided by specialized lending institutions (excluding the Public Investment Fund) to about SR142.7 billion over the period of the Plan.
- Developing an early warning system for financial crises, supported by specific indicators, to monitor the financial security of the Saudi economy and its financial institutions.

**Page**  
**312**

# YOUTH AND DEVELOPMENT

## 18.1 INTRODUCTION

The Kingdom of Saudi Arabia is currently witnessing developmental progress in the different social, economic and cultural aspects of life. Youth represent an important factor in this development. They are the generation with high enrolment rates in education and low illiteracy rates, and, hence, are a more influential forces in the labour market. Moreover, they are the group most amenable to accepting change and assimilating developments and the most able to interact with and respond to scientific and technical progress. However, this energy remains latent unless society succeeds in creating an enabling environment for taking advantage of it through appropriate policies and programmes.

Within a comprehensive framework that considers youth issues as a developmental unit whose elements integrate to ensure developed youth status, the Eighth Development Plan witnessed positive advances in all youth educational, health, social, cultural and sports aspects.

In this context, the Ninth Development Plan constitutes a qualitative step towards addressing youth issues from a holistic perspective involving economic, social and cultural dimensions of development, taking into account the various roles played by young people as well as their needs.

This chapter addresses the current conditions of the youth sector, explains developments under the Eighth Development Plan, and reviews the key issues and challenges that must be addressed under the Ninth Development Plan, and it highlights the future vision, objectives, policies and targets for the sector envisaged by the Ninth Development Plan.

## 18.2 CURRENT CONDITIONS

### 18.2.1 Demographic Profile of Youth

For several reasons, 'youth' refers here to the 15–24 years age group. Apart from being consistent with international usage, this definition guards against extending the limits to such an extent that the group becomes so heterogeneous as to hinder effective planning and implementation of development programmes. Nevertheless, there is a need for taking into account sub-categories that need special programmes, such as adolescents (15–18 years), or the higher sub-category for which issues of marriage and employment have priority.

The age distribution of the Saudi population is such that in 2009, the number of youth in the 15–24 years age group was about 3.9 million, accounting for about 21% of total Saudi population and about 35% of population of working age. The median age is 19 years, i.e., half the population are under this age. The proportion of the population under the age of 25 years was in 2004 about 61%, but decreased to 58.4% in 2007.

Young people are more or less evenly distributed by gender. In 2007, the number of young women in the age group exceeded that of young men by about 40 thousand. However, disparities between the two subgroups are evident in education, employment, health, marriage, place of residence, and family type.

The marital status of young people affects their lives dramatically and has implications for youth policy. It is common to deal with young people first and foremost as non-married. However, the data of Table 18.1 shows that some 96% of females in the 15–19 age group are unmarried, while 39.3% of the 20–24 age group are married. Likewise, 99.7% of males in the 15–19 age group are unmarried, while 12.2% of the 20–24 age group are married women. In 2007, the average age at marriage was 27.2 for males and 24.6 for females.

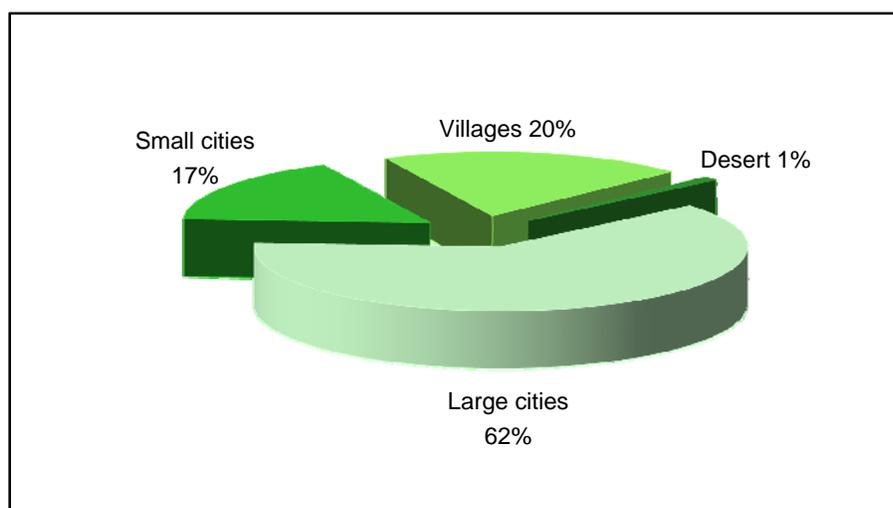
Place of residence is important to consider when addressing youth issues and the development programmes and activities required. It may be classified into major cities, small towns, villages and desert. Figure 18.1 shows that 62% of young people live in large cities (100 thousand inhabitants or more). Development plans seek to match distribution of facilities and programmes and spending to the distribution of the youth according to place of residence, in addition to seeking a balance in terms of quality, since programmes and facilities suitable for villages and the desert are different in nature from those that are suitable for large cities where large facilities and equipment have priority.

**Table 18.1**  
**Distribution of Young People**  
**by Marital Status 2007**

Age group	Single		Married		Divorced		Widowed		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
15–19	99.7	96.0	0.3	3.9	0.0	0.1	0.0	0.0	100
20–24	87.7	59.9	12.2	39.3	0.1	0.7	0.0	0.1	100
15–24	93.9	78.6	6.0	20.9	0.1	0.4	0.0	0.1	100

*Source: Central Department of Statistics and Information, Results of the 2007 Demographic Survey.*

**Figure 18.1**  
**Distribution of 15–24 Year Olds**  
**by Place of Residence**  
**2004**



*Source: Central Department of Statistics and Information, General Census of Population and Households, 2004.*

Employment is an important aspect in analysing youth issues (Table 18.2). The majority of young people are enrolled in schools and universities, with the ratio for the 15–19 years old age group amounting to approximately 86%; 89.8% of young men and 81.3% of young women. However, the ratio drops to almost half for the 20–24 years old age group, and difference between genders narrows significantly; 41.3% of young men and 39.2% of young women. Of the 20–24 years old age group, the proportion of young males in the labour market is 57.2%, with their ranks increased by dropouts from the education system, while 46% of young women in the same age group are devoted to domestic work, and only 14.5% are engaged in the labour market.

**Table 18.2**  
**Distribution of Young People in and out of the Workforce**  
**2004**

(%)

Page  
316

Age Group	In workforce		Out of workforce						Total
			Student		Full-Time Domestic Work		Other		
	Male	Female	Male	Female	Male	Female	Male	Female	
15–19	9.5	3.1	89.8	81.3	0	15.2	0.7	0.4	100
20–24	57.2	14.5	41.3	39.2	0	46.0	1.5	0.3	100
15–24	30.7	8.3	68.2	62.1	0	29.2	1.1	0.4	100

*Source: Central Department of Statistics and Information, General Census of Population and Households, 2004*

## 18.2.2 Institutions Concerned with Youth

### □ General Presidency for Youth Welfare:

Since its inception, the General Presidency for Youth Welfare has been keen on providing its services to Saudi youth in all regions of the Kingdom. It concentrated on sports, as well as cultural and social activities to ensure balanced development across all youth activities.

Royal Order No. A/2 of 2003 entrusted cultural activity to the Ministry of Culture and Information. Hence, the Presidency focused on overseeing clubs and agencies involved in youth sports and social

activities. Services of the Presidency cover more than 107 towns and villages through 123 government facilities, and extend to all areas of the Kingdom through cooperation and coordination with relevant governmental bodies, particularly the Ministry of Social Affairs.

The General Presidency for Youth Welfare is the government agency currently responsible for sports and social activities, civil-society organisations working in this domain, and the establishment of sports facilities. Table 18.3 presents the facilities of the Presidency that provide services to young people, broken down by region. The Table indicates the importance of expanding sporting services and activities to ensure coverage of all regions of the Kingdom.

**Table 18.3**  
**Care Services for Youth**  
**by Administrative Regions**  
**2009**

	Riyadh	Makkah	Madinah	Qasim	Eastern Province	Asir	Tabuk	Hail	Northern Border	Jazan	Najran	Baha	Jawf	The Total
Sports Cities	2 <sup>(*)</sup>	3	1	1	4	1	1	1	1 <sup>(*)</sup>	1	1	1	-	18
Youth Hostels	5	3	1	2	3	1	1	1	-	2	1	1	1	22
Sports Centres	8	3	3 <sup>(**)</sup>	4 <sup>(**)</sup>	7	1 <sup>(**)</sup>	-	1	-	-	1	-	1	29
Public Squares	4	-	-	-	3	2	1	-	1	-	-	1	1	13
Sports Stadiums	3	1	-	1	1	-	-	-	-	-	-	-	-	6
Gymnasiums	2	2	1	-	2	1	-	-	-	-	-	-	-	8
Head Offices	1	1	1	1	1	1	1	1	1	1	1	1	1	13
Sub-Offices	5	2	-	1	2	-	-	-	-	-	-	-	-	10
Sports Federations	29	-	-	-	-	-	-	-	-	-	-	-	-	29
Permanent Camps	-	-	-	-	-	1	-	1	-	-	-	-	-	2
Private Clubs	43	12	6	14	32	10	6	9	3	6	3	4	5	153

(\*) Under implementation (Wadi Al-Dawaser, Arar).

(\*\*) Under implementation (Uhud, Abha, Al-Raed).

Source: General Presidency for Youth Welfare.

Data on the numbers of beneficiaries indicate that only a limited number of young people attend these facilities. Hence, there is a need for studying the causes and suggesting appropriate programmes and mechanisms to ensure wider participation, and coordinating this effort with the Ministry of Education, the Ministry of Social Affairs, and other relevant authorities.

#### □ *Other Agencies*

The Ministry of Education and the Ministry of Higher Education are the two main authorities that provide services to young people. Both concentrate on academic and educational preparation and qualification of young people through the various stages of formal education. However, in addition, both sponsor a comprehensive range of extra-curricular scientific, cultural, and sports activities enabling youth to make use of their free time in ways that serve educational ends. Moreover, some universities established research centres specializing in youth issues, such as the National Centre for Youth Research, which was established at King Saud University in 2007 to conduct research on various life concerning issues in the life of youth.

**Page**  
**318**

Within the context of labour force development through training, the Technical and Vocational Training Corporation focuses on training of youth, in an effort to increase their technical and professional proficiency in response to labour market needs. Interest in this effort has been reflected in the expansion of the capacities of training institutions.

The Ministry of Health provides health services to young people as part of the population in general. However, given the large size of this category of population and its particular health requirements, especially in health awareness (of the harm done by smoking, unhealthy diet, or drugs) and medical tests before marriage for both young men and young women, the direct role of the Ministry of Health in this regard is expected to increase over the coming years.



The Ministry of Social Affairs offers a wide range of programmes with a social content addressing young people. It supports rural and sports clubs, summer camps, free-time programmes, cultural and sports competitions, and training courses. The Ministry is also responsible for taking care of juveniles at risk, through the role of social guidance houses, as well as for care and correction of juvenile delinquents of both sexes, through social observation homes and young women's welfare institutions. In addition, the Ministry coordinates with the General Directorate of Cultural Activities of the General Presidency of Youth Welfare the organization of joint cultural encounters for the youth of the rural clubs run by rural development centres registered at the General Presidency of Youth Welfare.

The Ministry of Culture and Information undertakes cultural development activities through accredited cultural clubs that young people can frequent. There are 16 literary clubs, with more than 3 thousand members; 13 branches of the Saudi Arabian Society for Culture and Arts, in addition to its headquarters in Riyadh; and 3 branches of the Philatelic Society, in addition to its headquarters in Makkah, with around 4,200 members.

The Ministry of Municipal and Rural Affairs provides services to youth, through the municipalities, which establish municipal arenas and walking tracks and which offer theatre productions and art exhibitions aimed at young people. One example is the initiative of the Riyadh Municipality to establish 100 municipal arenas in various districts of the city over 2007–2009, with the aim of creating amenities for young people where they can enjoy sporting activities within their residential neighbourhoods.

Apart from government agencies, the private sector plays an important role in the care for young people, with 153 authorized sports clubs. This sector also supports charity projects that offer financial and in-kind assistance directly to young people, such as projects that help young people to get married and others that cover costs of study in private schools and colleges.

Moreover, some private-sector companies, institutions and banks facilities the entry of young graduates of various educational backgrounds to the professional, technical and administrative labour market. This is done through training programmes ending in employment, support for small projects, and helping people with special needs by providing them with job opportunities; in addition to supporting sports activities in more than 550 private-sector sports centres in all regions.

### **18.2.3 Achievements**

Chapters of the Ninth Plan (for example, on education, training, and health) detailed the progress made in achieving the objectives of the Eighth Development Plan related to youth. For its part, the General Presidency for Youth Welfare achieved much. It completed the construction of several facilities: Jeddah Stadium, Al-Fatah Club, the Gulf Club, and the Onaiza Stadium in Qassim. It also completed some 40% of the two sports cities in Arar and Wadi Dawaser, and it established 9 public yards in various regions of the Kingdom. In sports activities, the Kingdom participated in 1765 international competitions, and more than 2820 domestic sports competitions were organized, while there were 796 sports-for-all competitions. In addition, 15,000 young people were trained. Moreover, the Presidency has contributed significantly to social activities, having organized 776 recreation camps, 15 work camps, 398 trips, and 520 public-service activities.

**Page**  
**320**

## **18.3 ISSUES AND CHALLENGES**

### **18.3.1 Social Issues**

#### **❑ *Social changes and the family***

The family is a key element of society and social dynamics and is affected by social developments and changes. The Ninth Development Plan aims to keep pace with social dynamics, contributing to economic and social development of the family and its multifarious roles, so that it provides a psychological, educational and social environment in

which a young man or woman could build a strong, balanced, creative personality and contribute to the development of society.

Hence, the agencies concerned with social issues should make a joint effort to develop the family and its role, with the aim of gradually expanding areas of interaction and dialogue within the family, among all its members: between both sexes of the same generation, and between children and parents. Certainly, development of the role of the family is indispensable in mitigating the generational conflict and the conflict between globalization and identity, as well as for keeping children away from excess and harmful behaviour. However, this can be achieved only on the basis of acceptance by families and policy makers of more flexible family relationships, geared towards achieving the common goals of parents, children and the community alike.

#### ❑ *Marriage and family formation*

Data on marriage reveals a trend towards delaying the marriage age, with its average rising from 25.3 years for young men and 20 years for young women in 1979 to 27.2 years and 24.6 years, respectively, in 2007.

Large dowries and the high costs of marriage ceremonies, acquiring reasonable housing, equipping and furnishing the marital home are factors contributing to reluctance of many young people to get married or delaying marriage for years, or marrying non-Saudi women, which in turn contribute to increase the rate of women who have never been married.

The rising cost of marriage and the difficulty of securing adequate housing require a systematic approach to addressing these societal problems by adopting measures for facilitating marriage; otherwise, the financial burden is likely to tax the economic resources of the family after marriage.

#### ❑ *Free time*

Free time is that time when a person may occupy himself or herself with whatever he or she desires outside study or work commitments. It

is a time for developing one's personality and enjoying one's hobbies. However, this cannot be achieved without an enabling environment; otherwise, free time is waste.

Youth of both sexes suffer from the lack of means for utilizing their free time and from appropriate recreation facilities. Several studies suggest that many young people have 4 to 12 hours a day of free time. Mostly, this time is not utilized fruitfully; a situation that carries with it educational and social risks, as it generates anxiety among young people and among these responsible for them. Hence, efforts are needed to provide appropriate recreational activities for young people.

#### ❑ *The problem of drugs*

In today's world, the problem of drugs is faced by all societies. Youth are the group most targeted by drug producers and dealers, with the results that abuse of drugs is found among them more than in the rest of society.

**Page**

**322**

Drug abuse is due to a combination of reasons, the most important of which are, perhaps, the following: access to drugs, ample purchasing power, influence of peers, family breakdown, and lack of useful means of spending free time. Such factors generate social and psychological pressure, primarily on the youth who resort to drugs as a form of escapism. Drug abuse, though limited, is a cause for concern, lest it spreads, particularly since it reflects individual and social crises that require prevention, awareness, and treatment.

### **18.3.2 Educational Issues**

In 2007, enrolled students amounted to about 31.4% of the total Saudi population. Students have a special relationship with the educational institution in which they are enrolled. After all, they spend in it long hours, most days of the year, for many years. And this relationship does not affect the student alone, but extends to his or her family, directly and indirectly. Thus, after the family, education is the second most important element in the social development process of youth.

Hence, the relationship between educational institutions and society does not only hinge on the outputs of education meeting the needs of the labour market, but also on schools and universities being where students qualify for life in society. Young people expect educational institutions to provide them with knowledge, life skills and the means to achieve their aspirations. Furthermore, educational institutions are expected by parents, the State and society to prepare young people to conduct their social and economic work as producers and active citizens. Balancing these multiple functions is required from the educational institutions of the Kingdom.

### 18.3.3 Economic Issues

Two young age groups need to be distinguished in reference to employment and unemployment: the 15–19 years-old age group, most of whom would be enrolled at educational institutions, and the 20–24 years-old age group, whose members choose between further study and entering the labour market.

The main issue for young people is not merely to escape unemployment. Finding an appropriate job is an important cornerstone of the life project of young men and women. Indeed, this is an issue that preoccupies all young people who seek a job that provides a suitable income, have a recognized social value, and agrees with personal inclinations.

However, another aspect of the work culture among some young people is worth noting. Relative abundance of resources in the Kingdom and the tradition of the state bearing responsibility for providing services have produced a special kind of social culture, with young people becoming dependent on the state to provide employment opportunities, particularly in the public sector, without making a parallel effort on their part to improve their qualifications and skills. Nonetheless, one should not be tempted to generalize. Some young people and citizens achieved excellence, even at the international level, as in medicine and complex medical operations and others.

### 18.3.4 Health Issues

Health issues and problems faced by young people are many, largely due to lifestyle, notably:

- **Nutrition and lifestyle:** The community in general, and youth in particular, have adopted unhealthy nutrition and lifestyles. Young people consume too much fast food and soft drinks, while having a sedentary lifestyle devoid of physical and muscular effort. This results in numerous health problems, such as obesity, diabetes, incidence of early cardiovascular disease and high blood pressure, and quick fatigue. Hence, there is a need for addressing these health issues through prevention, advocacy, exercise of oversight on the quality of food products, and promotion of good health habits.
- **Traffic accidents:** This a major issue. According to official statistics, during the Eighth Development Plan the average number of deaths caused by traffic accidents amounted to about 6 thousand annually, while the average number of injuries amounted to 35.5 thousand cases a year. Casualties are heavily concentrated among young males, with traffic accidents being the primary cause of death among young people and the most important source of disability. This requires immediate action that is not limited to regulating traffic and imposing harsher penalties on violators of regulations, but extends to organization of a relentless national awareness campaign.
- **Reproductive health:** Youth is a biological transition and maturation phase resulting in specific health problems and needs that cannot be overlooked. Adolescents and young people need sources of reliable, comprehensive knowledge about general health (nutrition, exercise, personal hygiene, and reproduction). The family, the school and agencies of the Ministry of Health should provide appropriate information and advice for young men and young women, in candour that has always characterized our society and Islamic culture and traditions. This would achieve two interrelated goals. The first relates to preventive health. The second is social-cultural, since dealing directly in a healthy manner with the

needs and problems of young people guards against the risk of individuals searching for information from unsound sources, with all the attendant health and unacceptable social behaviour risks.

### **18.3.5 Issues Concerning Young Women**

Young women have specific circumstances and needs, requiring particular attention by youth policies. Such consideration ought to be integrated into general youth policy. However, equally importantly, there is a need in some areas for specific policies and interventions in the interest of young women.

The following are noteworthy in this regard:

- Youth policies and services are concentrated on sports (football, in particular) and activities geared specifically towards young males. The strategy based on professional sports; league clubs; large and central sports cities; games competitions; and camps is evidently geared towards males, not females. However, current thinking calls for the expansion of athletic opportunities for females within the appropriate framework of the social values of the Kingdom.
- Family, social and cultural constraints still limit the study, work or hobby choices available to young women, and they restrict their societal participation. However, such participation increased under the Eighth Development Plan.

These are some issues concerning young women. They point to the need for adapting youth policies and programmes to render them more flexible, less centralized, and more responsive to the needs of young women; along with socially acceptable special programmes, facilities and activities suited to their inclinations and hobbies, offered in their places of study or close to their homes.

## **18.4 DEMAND FORECASTS**

Analysis of demand is based mainly on the data from the current

experience of the General Presidency for Youth Welfare, but also on data on non-sporting services and activities dealt with in other chapters of this Plan.

### 18.4.1 Youth Activities

The General Presidency of Youth Welfare provides services to youth through a variety of programmes and sports and social activities. Table 18.4 estimates the demand for youth activities for the Presidency under the Ninth Plan.

**Table 18.4**  
**Demand Forecast for Youth Activities**  
**Ninth Development Plan**

Activity	2009	2010	2011	2012	2013	2014	Total Increase
International Competitions	1765	1820	1875	1930	1985	2040	275
Domestic Competitions	2820	2920	3020	3120	3220	3320	500
Sports for All	796	826	856	886	916	946	150
Sports Training	15000	15750	16537	17365	18173	19081	4081
Recreation Camps	776	809	842	875	908	941	165
Work Camps	15	16	17	18	19	20	5
Trips and Visits	398	418	438	458	478	498	100
Community Service	520	547	574	601	628	655	135

*Source: Ministry of Economy and Planning.*

### 18.4.2 Sports Facilities

The Presidency aims for its services to reach a broad base of young people. Hence, it needs to build more sports facilities, especially in areas not covered with youth services, where population density and growth rates are high. The services of the Presidency cover mainly the 15–24 years-old age group, but also the 12–14 years-old age group. The Presidency envisages focussing on building public yards in



neighbourhoods and small towns, including at least 20 sports arenas, in addition to 2 sports cities in regions where there is none. It also aims to provide at least 5 sports facilities for private clubs and 4 permanent youth camps. This expansion should be in concert with addressing the causes of the reluctance of young people to frequent youth facilities (Table 18.5).

**Table 18.5**  
**Demand Forecast for Sports Facilities**  
**Ninth Development Plan**

Facility	2009	2010	2011	2012	2013	2014	Total Increase
Sports City	18	18	18	19	20	20	2
Sports Facility for Club	29	30	31	32	33	34	5
Public Yard	13	17	21	25	29	33	20
Permanent Camp	2	3	4	5	6	6	4

*Source: Ministry of Economy and Planning.*

## 18.5 DEVELOPMENT STRATEGY

### 18.5.1 Future Vision

To inspire generation of young people with educational, physical and life abilities and skills, acting responsibly towards themselves, family, community and country, and effectively participating in the development process.

### 18.5.2 Objectives

- Achieving the social integration of young people and expanding their participation in the various areas of youth activity.
- Combating drug abuse among young people, and other types of behaviour that are harmful to their physical and psychological wellbeing.

- Reducing the gap between what schools offer to students and youth perception of their need for life skills and information that help them live better and build their future.
- Improving the lives of young people and meeting the special needs of young people in low-income families.
- Providing young people with job opportunities that are consistent with their dispositions, abilities and competencies, increasing their participation in the workforce, and combating unemployment among their ranks.
- Fostering a generation of young people enjoying good physical and emotional health.

### **18.5.3 Policies**

- Developing family counselling services for youth and parents.
- Addressing the problem of large dowries and high costs of marriage ceremonies.
- Establishing sports facilities in all regions in a balanced manner and in accordance with specific criteria.
- Establishing more small and medium-sized sports facilities in neighbourhoods and using school sports facilities in youth sports activities.
- Providing the requirements for involving persons with special needs in various youth activities, and organizing their own activities when needed.
- Supporting drug-abuse prevention programmes, expanding treatment of drug addiction and smoking cessation programmes.
- Widening participation of pupils and students in school and university activities, and effectuating the concept of making the school more connected to society.
- Spreading the culture of productive work, reducing excessive reliance on the state for securing employment, and combating consumerism among young people.
- Promoting a healthy lifestyle in nutrition and behaviour.

- Reducing the spread of harmful, dangerous behaviour, especially reckless car driving, smoking, and drug abuse.
- Intervening preventatively to address some social problems and provide support and treatment for the special groups that need them.
- Adopting the methodologies and procedures necessary for achieving the highest levels of social integration of persons with special needs.
- Promoting volunteerism and community participation of youth in all areas.
- Enabling young people to enjoy their hobbies through sports, cultural, social and recreational activities of their choice, consistent with social values and their preferences and interests.

#### 18.5.4 Targets

- Launching awareness campaigns and advice addressed to parents on caring for children educationally, intellectually, and behaviourally, and providing advice to family members through schools, centres of the Ministry of Social Affairs, television programmes and other media.
- Designing a package of prototypical activities aimed at enhancing family cohesion.
- Mapping the distribution of sports and youth facilities against the geographical spread and population distribution in the regions and governorates.
- Design a comprehensive system for the use of school facilities, playgrounds and halls in youth activity, with the participation of parents and in coordination with the concerned authorities.
- Providing places of youth activities with the equipment necessary for enabling persons with special needs to participate in various activities.
- Studying means for advancing the developmental role of schools, training needs, and forms of cooperation with local bodies.

- Planning a joint campaign by government agencies, the media, educational institutions, and the private sector to influence social culture and the culture of Saudi youth, instilling values of productive work in ways commensurate with the needs of society.
- Designing a special programme of vocational guidance in general education schools including work value concepts.
- Implementing a study of the health of young people, and using the results in policy-making and in awareness campaigns.
- Introducing awareness-raising materials on preventative health, nutrition and healthy behaviour in school curricula and school activities in a permanent systematic manner and at an early age.
- Launching a national campaign to combat excessive speeding and traffic accidents among young people.
- Launching a continuous campaign to combat smoking and drug abuse among young people.

**Page**

**330**

## **18.6 FINANCIAL REQUIREMENTS**

Under the Ninth Development Plan, the financial requirements for implementing the programmes and various activities of the youth sector (the General Presidency for Youth Welfare) amount to SR7.2 billion.

# WOMEN AND THE FAMILY

## 19.1 INTRODUCTION

The attention given by the Kingdom of Saudi Arabia to the social, economic and cultural development of women and the family is a priority embodied in the basic law of government and the strategic goals of the successive development plans. Significant progress has been made through implementation of relevant programmes and projects under these plans. Under the Eighth Development Plan in particular, the status of women in education, health and economic development was enhanced, and the standard of living of families improved steadily. There was also a vibrant dialogue in the media on the effective role of women and the family, emphasizing its developmental viability in this respect.

The Ninth Development Plan could prove to be a turning point in dealing with issues pertaining to women, the family and society, for it seeks to weave these issues into a comprehensive set of interlocking functions and roles. An educated woman can help reduce waste resulting from lack of knowledge. Hence, she is an essential element for developing the family and enhancing its performance, while having a positive impact outside the family by participating in social activities. Indeed, it is not possible to consider the impact of women on the community (for example, participation in economic activity) in isolation from their roles as wives and mothers. Likewise, it is not possible to view the family as an effective social entity, with the woman and the man constituting its cornerstones, without considering the impact of women on the sustainable development of this entity.

In addition to this integrated view of the issues of women, the family and society, the Ninth Development Plan not only seeks to consolidate the achievements made, but it also aspires to expand them and adopt mechanisms of coordination among the parties concerned to ensure effectiveness of the integrated framework, in securing social cohesion and simultaneously implementing the strategic objective of the Ninth

Plan of promoting human development and expanding options available to members of society to acquire knowledge, skills and expertise and benefit from them.

This chapter addresses the current conditions of the women and the family, reviews developments, and key issues and challenges that must be addressed under the Ninth Development Plan. It also presents forecasts of demand for services of women and the family, and highlights the future vision, objectives, policies and targets set by the Ninth Plan.

## **19.2 CURRENT CONDITIONS**

### **19.2.1 Main Features of Conditions of Women and the Family**

#### **□ *Marital status***

**Page**

**332**

Changes in marital status are a key indicator of social development pertaining to women and the family, for marriage is the first step in building the family, and the family performs important tasks in meeting the basic needs of society, helping to sustain social patterns through primary social upbringing and providing personal stability to its members. Although the institutions of marriage and the family were and will remain the focus of human life, they have undergone several stages of change on many levels.

Results of the 2007 Demographic Survey show that there is a difference between the singulate mean age at first marriage (SMAM) of males and females; 27.2 for males versus 24.6 for females, compared with 28.4 years for males 24.7 for females in 2000.

The results of the Demographic Survey also show that among Saudi women (15 years and over) 32.1% were unmarried, 60.2% married, 5.4% widowed, and 2.3% divorced, with the corresponding ratios for males being 40.1%, 58.7%, 0.4% and 0.8%, respectively. Notably, proportions of the divorced were small, but had increased, albeit

slightly, compared with 2004 when they were 1.6 % for females and 0.6% for males. In addition, the data of marital status by age group show that at 96%, the percentage of Saudi women in the 15–19 age group who had never married was high, which confirms a general trend towards later marriage.

Family support takes many forms and is largely associated with whether the family is nuclear or extended. With urbanization and economic development, the nuclear family predominates. The data indicate that over 2004-2007, the ratio of nuclear families to the total rose from 58.9% to 64.9% and the share of extended families declined from 41.1% to 35.1%. Notably, until 2007, the average sizes of the nuclear family and the extended family were 5.7 and 6.2 individuals, respectively, and families were overwhelmingly headed by males, with the proportion of households headed by women not exceeding 4.4% of the total.

While the increasing number of nuclear families points to a tendency towards economic and social independence, it is important to emphasize that existing family links are still strong and continue to provide moral (and whenever possible economic) support to family members even when they live independently. The results of a survey conducted by the Ministry of Social Affairs points to frequent family visits, with 37% paying one to two visits per week to the family of the husband and 23% to the family of the wife. These statistics emphasize the depth of family ties and their influence in enhancing the status of the family in the Saudi social structure.

#### □ *Housing and environmental conditions*

The results of the 2007 Demographic Survey show that main requirements for modern, environment-friendly housing were available for Saudi families, with 60% of housing units occupied by owners, which provides a great deal of family security.

To ensure environmental sustainability, electricity supply reaches 99% of the housing units occupied by Saudi families; safe drinking water is

provided to 95.6%, through water distribution networks and tankers; 99% are connected to sanitation networks or have septic tanks; 95% dispose of their waste into public containers, and this is done daily by 72.2% of households; and 95.3% use gas for cooking, while 3.8% use electricity. All these indicators confirm that the housing conditions of the Saudi family are environmentally safe.

Furthermore, results of the 2007 Demographic Survey show that Saudi families enjoy a good level of economic well-being, as expressed by ownership of durable goods and modern means of technology. As the data in Table 19.1 show, a high proportion of households own such goods and means, with the rate of ownership exceeding 72% for all items except three: computers, internet use, and home library.

**Table 19.1**  
**Household Possessions of Saudi Families in 2007**

	Households (%)
Mobile Telephone Line (one or more )	90.0
Fixed Telephone Line (one or more )	72.2
Internet Use	41.3
Computer (one or more )	46.4
Television (one or more )	94.2
Satellite receiver	79.7
Car (one or more )	86.0
Home Library	30.7

*Source: Central Department of Statistics and Information, Results of the 2007 Demographic Survey.*

#### ❑ *Health conditions*

Development of family health, specifically the health of mother and child, is high on the priorities of health policies and programmes. The Kingdom is partaking of the global efforts to achieve the eight Millennium Development Goals (MDGs), the fourth of which stipulates “reducing child mortality”, and the fifth “improving reproductive health (maternal health)”. Associated with each goal is a set of specific targets and indicators for monitoring implementation and measuring progress, and goals are to be achieved by 2015. Saudi



Arabia has issued four reports on progress towards implementation of the MDGs. Table 19.2 shows progress achieved, measured by motherhood and childhood millennium indicators, which indicate that the Kingdom is moving towards achieving the specific childhood targets of reducing under-five mortality to one third and reducing maternal mortality at birth to one quarter before the target year.

**Table 19.2**  
**Progress Made in MDGs Maternal and Children Indicators**

<b>Maternal and Child Health Millennium Indicator</b>	<b>1990</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Maternal mortality (per hundred thousand live births)	48	14.9	14.6	14.6	14.6
Proportion of births attended by skilled health professionals (%)	88	96	96	97	97
Proportion of pregnant women immunized against neonatal tetanus (%)	–	–	87.1	95.5	96.1
Mortality of children under five years of age (per thousand live births)	44.0	20.3	21.7	21.7	21.1
Infant mortality (per thousand live births)	34.0	18.5	18.6	18.6	17.4
Proportion of children immunized against measles during first year after birth (%)	88.2	96.5	95.2	95.7	97.4

*Source: Ministry of Economy and Planning, Millennium Development Goals, 2009.*

### **□ People with Special Needs**

When required, care for people with special needs is a complex challenge to the family in general, and women in particular, since they shoulder the largest share of home care. Such care has three interlinked

dimensions. The first is healthcare provided by health institutions; the second is social care provided by competent state institutions; and the third is sustainable care provided by family members. Success requires concerted efforts along all three dimensions.

Results of the 2007 Demographic Survey show that 0.77% of the total Saudi population, or 134,956 persons, have special needs; 65% of whom are males and 35% are females. Since population is concentrated in the three regions of Riyadh, Makkah, and the Eastern region, 58.8% of all persons with special needs reside in these regions. The 5–29 age group accounted for 59.1% of the total. The most widespread are physical disabilities, which accounted for 32.9% of the total, followed by mental disabilities at 21.9%, and multiple disabilities at 15.9%.

#### □ *Educational conditions*

Page  
336

Through expansion at all stages of education, the Eighth Development Plan consolidated a positive trend in the educational structure of the population. This process can be viewed from two perspectives: distribution of population (15 years and older) according to educational certificate or degree, and enrolment volume in the various stages of education. The overall picture indicates that education attainment in the typical family in the Kingdom is steadily improving, with a general trend towards completion of university education by males and females alike.

Comparing the distribution of population (15 years and older) by educational attainment in 2007 to that in 2004 shows that the ratio of those who do not have a school certificate (illiterate / reads and writes with no education certificate) to total population declined from 15% to 13.6% for males and from 32.6% to 30.2% for females. However, the ratio for females is still high, especially in older age groups (i.e., women older than school age), which calls for intensification of efforts and programmes to eliminate illiteracy in these groups.

During the same period, the ratio of holders of second-level certificates (intermediate and secondary) increased from 37.8% to 40.9% for females and from 49.5% to 50.7% for males. These ratios are higher than those for all other levels (without certificate, first level --primary certificate, second level certificate, third level degree --Diploma / university / postgraduate). In other words, the base of the educational pyramid is transitioning towards advanced levels of education.

#### ❑ *Employment conditions*

Despite progress in their health and education, participation of women in economic activity is still limited, compared with the total number of women of working age or the total labour force. The ratio of working Saudi women of working age (15 years and older) to total Saudi women in 2008 did not exceed 8.4%, and their participation in the labour force did not exceed 11.5%. However, though their participation is limited, a number of features ought to be taken into consideration when considering female employment.

The main feature of female participation in the labour market in 2008 is the predominance of the educated women. The ratio of employed Saudi women (15 years and older) without a certificate to total working women was 2.8%, compared with 7.4% for males. Moreover, the ratio of working women holding third level certification (i.e., diploma, bachelor degree and higher education) to the total was 81.8%, compared with 29% for males. In addition, there is for this group of working women a close linkage between occupation and academic specialization.

Another notable feature of female participation in the labour market is the concentration of employment in the education sector, where 77.6% of total working women work, as do 84.8% of those holding a bachelor degree. Clearly, employment opportunities for educated females are in teaching. Hence, in recent years, Saudi women have made the rational choice of turning towards specialising in education, where job opportunities are concentrated. However, with the education sector

approaching sufficiency, graduates with degrees in education will face increasing difficulties in finding jobs that meet their aspirations.

Diversification of female employment and achieving broader sectoral participation of women require not only expansion of employment opportunities for females in economic sectors other than education, but also ensuring that female graduates of all educational stages have the competencies needed for competition; hence the need for changes in the disciplinary structure of outputs of higher education.

Traditionally, women's work was looked upon as an impediment to carrying out full family duties. However, availability of goods that facilitate housework and changes in social culture enabled many women to combine family duties with work outside the home. Labour force data for 2008 show that 67.6% of the total Saudi women workers in the age group 15 years and older are married, compared with 74.7% for males. This is an indication of change in social culture pertaining to married women's work.

**Page**

**338**

In spite of the great progress made in the contribution of the private sector to economic development, participation of women in the private sector is still limited. Data on employment in private-sector enterprises for 2008 show the ratio of women to total Saudi workers in these enterprises was only 6.2%, with more than half of women workers, 55.9%, working in "personal and community services". Of all women workers, 37.3% were holders of a bachelor degree, and 32.5% were high-school graduates. In contrast, 56.2% of males were concentrated in "building and construction" and "wholesale and retail trade", and 37% were high-school graduates, 17.9% were holders of an intermediate education certificate, and 17% can "read and write". Clearly, females were concentrated in the services sector, even though their numbers were less than those of males by a large margin. Indeed, female employment is concentrated in services, in both the public and private sectors. Another characteristic of female employment in the private sector is concentration in urban areas, where 90.4% of the total Saudi women workers are employed in Riyadh, Makkah and the Eastern

Region, which indicates that outside the big cities, women's work in the private sector is not favoured.

### ❑ *Social welfare services*

The Ministry of Social Affairs is responsible for providing social-welfare services to individuals who need them. Table 19.3 shows the social-services institutions of the Ministry of Social Affairs and the number of beneficiaries.

**Table 19.3**  
**Beneficiaries of Governmental Social-Welfare**  
**and Social-Development Institutions**  
**2008**

Type of Institution	Number	Beneficiaries			
		Males	Females	Homes for the Disabled	Total
Social nursery	4	243	296	–	539
Social-education home for boys	9	692	–	–	692
Social-education home for girls	3	–	301	–	301
Social-guidance home	5	180	–	–	180
Social-observation home	14	15042	–	–	15042
Care institution for girls	4	–	1741	–	1741
Social-care home for the elderly	10	419	268	–	687
Child-care institution for the paralytic	2	110	106	–	216
Vocational rehabilitation centre and section for vocational rehabilitation in a comprehensive rehabilitation centres	12	166	89	–	255
Comprehensive rehabilitation centre for the severely disabled	29	4027	2509	1284	7820
Day-care centre for children with disabilities	One centre (78) Section	4078		–	4078
Social-development centres	28	806660			806660

*Source: Ministry of Social Affairs, Fourth Follow-up Report; and Ministry of Social Affairs, Department of Planning and Administrative Development.*

Table 19.3 shows the volume of care and social development services offered by the Ministry of Social Affairs. These services can be

classified into four types that vary in terms of number of beneficiaries. The first comprises care services for those who are in need economically and socially, such as nurseries, educational institutions, and homes for the care of the elderly. The second comprises care services for delinquent children and young people, such as guidance and observation institutions and care institutions for girls. The third type comprises services for persons with special needs, such as comprehensive rehabilitation centres, vocational rehabilitation centres, centres for the care of paralytic children, and day care centres for children with disabilities. The fourth type comprises services having a direct developmental component, and is directed to communities in rural and urban areas.

**Page**  
**340**

One of the main characteristics of the Kingdom's approach to provision of social care and social development services is the complementarity between the work of official bodies and that of civil society institutions. In 2008, charitable societies numbered 484 in total, 32 of which were women's associations. These societies, which are found in all regions, carry out a wide range of tasks, including: maternal and child care; care for orphans, the elderly and persons with special needs; literacy campaigns, qualifying women for selected professions and activities; and provisions of health services. Complementarity in the provision of services can be noted by reviewing the data on the Social Development centres of the Ministry of Social Affairs. In areas that are not served by existing centres, local committees are formed to achieve local social goals. In 2006, the number of such committees was 139. In 2007, they implemented 1,668 projects and programmes, with the total number of beneficiaries reaching 536,314.

### **19.2.2 Institutions Serving Women and Family**

One of the features of the services provided to the family and women is their horizontal spread, with several governmental and nongovernmental agencies involved. Some specialize in providing services to women, while others provide such services as part of their services to the entire population or to certain categories of population.

The Ministry of Higher Education and the Ministry of Education provide educational services to all members of the family, with private educational institutions contributing to this effort. The Ministry of Health cares for family health, particularly maternal and child health, with the private medical sector participating through its institutions. The Ministry of Social Affairs provides social welfare services in cooperation with civil-society organizations.

## 19.3 ISSUES AND CHALLENGES

### 19.3.1 Domestic Violence

Development of community awareness of family practices guaranteeing the rights of all family members, and adoption of appropriate policies and mechanisms for social protection of the family are cornerstones of the effort envisaged by the Ninth Development Plan for reducing domestic violence.

Although cases of domestic violence are limited in number, the Kingdom has always been keen on addressing this problem, based on Islamic teachings and the principles that govern the developmental effort of the Kingdom, which cover supporting the family and maintaining the social fabric.

Reported cases of domestic violence are few. Yet, studies of families whose members were subjected to violence call for development of social guidance and family protection mechanisms, as well as for supporting both the government and the private agencies concerned (for example, the General Directorate of Social Protection of the Ministry of Social Affairs, police departments, the National Family Safety Programme, and civil society institutions). However, in order for these agencies to reduce domestic violence effectively, through monitoring or receiving cases, and providing guidance and social and psychological support to families, they themselves (whether governmental or private) must be provided with support, especially training professionals to enable them to carry out their tasks at a high level.

### **19.3.2 Divorce**

As an indicator of family breakdown, divorce has serious repercussions on family and society. Many negative social phenomena, such as juvenile delinquency and problem youth, have their causes in divorce and family breakdown. While divorce harms all family members, women and children are most affected; hence providing them with various forms of support is an immediate need.

Providing support requires information and data on divorce cases and trends. Between 2004 and 2007, a slight rise in the ratio of divorced people (male and female) to the total Saudi population (15 years and older) was noted. However, reaching conclusions about trends must take into account that social changes generally take hold over longer periods, hence the need to examine changes over relatively long time spans.

**Page**  
**342**

Regardless of the number of cases of divorce or the extent of its spread, providing family counselling to thwart divorce and support to families when it occurs is a social responsibility. Three agencies are involved. The Ministry of Justice provides guidance prior to the divorce and during the course of proceedings, in order to delay or prevent it; the Ministry of Social Affairs provides guidance and family support; and civil society institutions provide material support to divorced women.

### **19.3.3 Unemployment**

Unemployment is one of the most prominent economic issues that have a social impact. The 2008 labour force data show the impact of unemployment on family conditions, especially on women and young people, for whom rates of unemployment are high. Despite a fall in the rate of unemployment among Saudis (15 years and older) from 11% of total national labour force in 2004 to about 10% in 2008, unemployment among women and youth remained high.

High unemployment among women acquires particular importance in view of the educational profile of the unemployed. 78.3% of



unemployed women have a bachelor degree, compared with 14.9% for males, which indicates a mismatch between current higher education for women and labour market needs.

Unemployment not only reduces family income, thereby increasing the financial burden on the family, but also frustrates the unemployed, with consequent social and psychological effects on them, as well as on other family members. Addressing unemployment among women and youth requires concerted efforts by various state actors and the private sector, not only to provide women and young people with employment opportunities that satisfy their aspirations to building a career and a family, but also to prepare them in disciplines and for professions that meet labour market needs and requirements. This, in some respects, means a comprehensive review of academic disciplines and training programmes to ensure compatibility with the economic and social needs. However, a top priority for expanding economic participation opportunities for women remains implementation of Council of Ministers Resolution No. 120 of 2004 and all its provisions.

### **19.3.4 Illiteracy**

Eradication of illiteracy is one of the main tasks on the agenda of development. As a result of the adopted educational policies and programmes, it was possible to reduce illiteracy, through raising rates of enrolment in education. In this way, the Kingdom has successfully reduced the number of illiterates at notable rates. In 2007, the ratio of illiterate males to total male Saudi population (15 years and older) was 8.6%, compared with 23.6% for females. While this is an achievement as compared to previous years, rates of illiteracy among females are still high, requiring efforts designed to eliminate them within a specified period of time.

Data on illiteracy in 2007 by age cohort show that it is concentrated in the older age groups. Out of the total Saudi women illiterates (15 years and older), women in the age group 15–24 accounted for 4.8%, while those in the 60 and over age group accounted for 30.1%. These numbers mean two things. First, efforts to avert the flow of new

illiterates have achieved success. Secondly, efforts need to be focused on eradication of illiteracy among the economically active population, where there are still pockets of illiteracy. It is important to emphasize, however, that enhancing and expanding literacy programmes requires concerted efforts from both relevant government agencies and civil society institutions.

### **19.3.5 People With Special Needs**

Even though the number of people with special needs is relatively small, continued support for them by government agencies and civil society institutions is essential. Equally important, this support needs to be reviewed constantly to ensure meeting emergent needs. Under the Ninth Development Plan, government agencies and civil society institutions should address issues highlighted by the 2007 Demographic Survey, which indicated the need for programmes not only for ensuring eradication of illiteracy among this segment of population, but also for facilitating enrolment of its members in formal education.

**Page**  
**344**

Another issue highlighted by the 2007 demographic survey pertains to marital status. 64.2% of the total Saudi population with special needs (15 years and older) were unmarried, 26.4% were married, 3.0% were divorced, and 6.4% were widowed. These percentages indicate the need for effective programmes to provide psycho-social support, in addition to matrimonial counselling and education.

### **19.3.6 Social Care Services**

Determining the required scale of expansion of social care services to meet needs and ascertaining appropriateness of the services provided requires developing mechanisms for measurement and performance evaluation by the research institutes of the competent authorities.

However, ensuring the required qualitative shift in the development of social care services requires strengthening the participatory approach that seeks to coordinate the work of government authorities with that of

civil society institutions. Within this framework, it is necessary to develop mechanisms for monitoring performance quality and efficiency by the Ministry of Social Affairs.

While the experience of the Kingdom shows the important role of civil-society organizations in providing social care services, through adopting scientific criteria for measuring requirements and effectiveness of services, the Ninth Development Plan aims to make the Kingdom's experience a model in this field.

### **19.3.7 Social Safety Nets**

In its support for groups at economic and social risk, the Kingdom adopts a wide range of policies and mechanisms, aimed at addressing causes of risk and mitigating its effects on the family; mostly within the framework of the National Strategy for Social Development.

Through four follow-up reports on implementation of the MDGs, the Kingdom has monitored progress in the efforts to achieve the goal of addressing poverty in its broad sense. It is useful to note in this regard that the concept of poverty covers more than just material deprivation; it also covers lack of educational, health care and employment opportunities, as well as other elements of social and economic deprivation. It is within this broad framework that programmes to address cases of poverty in the Kingdom are placed. Success in health and education may be measured through reduction in mortality and illness rates, increase in life expectancy at birth, and higher enrolment rates of population of school age, in addition to sustainable environment indicators, which show significant expansion of drinking water networks and spread of sanitation networks and other services.

Through assistance and social security pensions, the state provides direct financial support to enhance incomes of poor families. The amounts paid have risen over the past years. The average annual growth rate of expenditure on social security pensions over 1993–2008 was 10.3%, reaching SR9,675 million in 2008, while expenditure on

temporary assistance grew over the same period by 20.8% annually, reaching SR3,988 million in 2008.

The National Strategy for Social Development includes a wide range of policies and programmes designed for addressing all aspects of poverty. These policies and programmes were classified under five themes: balanced economic growth, economic empowerment and employment of the poor, human-resource and social-capital development, expansion of social safety net and enhancement of institutional infrastructure and good management. Through this integrated approach, the strategy aims to eradicate extreme poverty and accelerate the reduction of absolute poverty, while adopting policies and programmes to ensure that other segments of society do not fall into the poverty trap.

## **19.4 DEMAND FORECASTS**

**Page**  
**346**

Various chapters of the Ninth Development Plan estimated demand for various social services such as education, health, and employment. These estimates cover the needs of women, family members, and the family as a social unit. Here, the additional demand for the social care services provided by the Ministry of Social Affairs is estimated.

The most important criteria used in estimating the demand for social care services and centres under the Ninth Development Plan are: population increase; annual average growth in number of individuals eligible for social services; and balance in geographical distribution of services, taking into account the special circumstances of some beneficiary groups and their need to receive care in the areas where they and their families live and in their own social environment.

Table 19.4 shows estimates of the additional demand for care units and community centres affiliated to the Ministry of Social Affairs under the Ninth Development Plan. These estimates ensure balancing provision among regions.

**Table 19.4**  
**Additional Demand for Care Units and Community Centres**  
**Ninth Development Plan**

Region	Comprehensive Rehabilitation Centres For The Disabled	Social Care Homes for the Elderly	Social Nurseries	Social Education Institutions for Girls	Social Education Institutions for Girls	Model Educational Institutions	Social Guidance Homes for Boys	Social Observation Homes for Boys	Social Care Institutions For Girls	Offices For Combatting Begging, and Social Follow-Up	Social Development Centres	Local Development Committees
Riyadh	4	-	-	-	-	-	1	3	1	-	3	20
Makkah	1	-	-	2	-	-	2	2	1	-	-	20
Madinah	1	-	1	-	-	1	-	-	-	-	1	20
Qasim	-	-	-	-	1	1	-	-	1	-	-	20
Eastern Region	-	-	-	-	-	1	2	1	1	-	-	20
Asir	1	-	1	-	1	1	1	-	-	-	1	20
Tabuk	1	1	1	1	1	1	1	-	1	-	-	20
Hail	-	1	1	-	1	1	1	-	1	-	1	20
Northern Borders	1	-	1	-	1	1	1	-	1	1	-	20
Jazan	-	1	1	-	1	1	1	-	1	1	-	20
Najran	-	1	1	1	1	1	1	-	1	1	-	20
Baha	-	1	1	-	1	1	1	-	1	1	-	20
Jawf	1	-	1	-	1	1	2	-	2	1	-	20
<b>Total</b>	<b>10</b>	<b>5</b>	<b>9</b>	<b>4</b>	<b>9</b>	<b>11</b>	<b>14</b>	<b>6</b>	<b>12</b>	<b>5</b>	<b>6</b>	<b>260</b>

Source: Ministry of Social Affairs.

## 19.5 DEVELOPMENT STRATEGY

### 19.5.1 Future Vision

Building a cohesive, enlightened family, where efforts of man and woman are joined to advance economic, social and cultural conditions of the family, and develop the knowledge and skills of its members, imbuing them with a sense of community responsibility, and

promoting their initiative and their integration in the community, within the framework of values inspired by Arab and Islamic heritage.

### **19.5.2 Objectives**

- Strengthening family cohesion.
- Enabling Saudi women to participate in achieving development goals.
- Enhancing the status of women and their influence in family and society.
- Enabling the family to perform its functions efficiently and effectively.
- Developing social care programmes for the needy groups, and combating domestic violence.
- Strengthening and supporting community participation in development and social care.
- Promoting participation of women in economic activity, and providing the facilities required to increase their participation.
- Eradicating illiteracy among females.
- Consolidating and enhancing quantitative and qualitative progress in education of Saudi girls in all stages of education.
- Encouraging private sector input into development programmes and social care projects.
- Developing mechanisms for disbursing subsidies and social security assistance to beneficiaries to enable them to improve their incomes through their own efforts.
- Improving quality of services provided to beneficiaries of social-security services.
- Developing effectiveness and efficiency of government bodies and performance of civil-society institutions in development and social care.
- Supporting social research and development agencies in the Kingdom.

### 19.5.3 Policies

- Developing family support and counselling programmes.
- Supporting expansion of private activity in the provision of maternity and childhood services.
- Continuing to establish social outreach units in the regions.
- Issuing and enforcing the social protection regulations.
- Completing establishment of social protection units in the regions.
- Supporting persons rehabilitated by social guidance and observation institutions to prevent their relapse.
- Encouraging establishment of civil societies to develop programmes for the prevention of domestic violence and to provide shelters for battered women.
- Cooperating with media outlets in raising social awareness and offering social counselling.
- Providing the necessary resources to improve family environment for persons residing in social care institutions.
- Encouraging and supporting alternative and foster families to care for orphaned children and those with special circumstances.
- Expanding deployment of integrated social development services in urban and rural areas, in coordination with all relevant agencies, and increasing the number of community development committees.
- Supporting and developing programmes of the social development centres and their activities.
- Supporting productive family programmes for women and girls, through training, production and marketing programmes.
- Encouraging establishment of women's charities.

- Implementing social and guidance programmes to raise awareness of Saudi women and encourage them to participate in development and social care programmes.
- Conducting information campaigns by government agencies and civil societies to increase social acceptance of participation of women in economic activity.
- Adopting specific measures to address female unemployment, particularly unemployment among educated women.
- Encouraging women to work in economic and social activity and providing them with access to loans.
- Incentivizing women towards higher education disciplines consistent with labour market needs.
- Encouraging establishment of cooperative societies in areas that need them, and continuing to provide financial, technical and administrative support to cooperative societies.
- Supporting charities technically, administratively and financially, and encouraging establishment of new associations and charities.
- Promoting volunteerism and expanding involvement of women in voluntary work.
- Encouraging cooperative and civil charitable societies to carry out economic and social projects.
- Supporting assistance programmes for care of persons with disability within the family.
- Continuing to provide social security pensions and assistance to beneficiaries who are eligible to benefit from the social security system.
- Encouraging recipients of social security to undertake productive projects to enable them to move from being dependents to providers, while continuing to assess these projects.
- Simplifying payment procedures of social security pensions and benefits.



- Enacting legislation, regulations and resolutions to encourage private and community sectors to participate in managing social institutions supervised by the Ministry of Social Affairs, along with providing material, moral and technical support to the two sectors.
- Conducting new social research and studies aimed at quantitative and qualitative advancement of development and care service activities.

#### 19.5.4 Targets

- Continuing to expend assistance to existing and future cases: families of persons with special needs, paralytic children, foster and alternative families, marriage of persons residing in social institutions, individual projects for the disabled, pensions and social security benefits.
- Assisting social security beneficiaries in the following areas: covering part of medical treatment and expenses; paying in part for basic consumer goods; paying a share of electricity and water bills; restoration, refurbishment and furnishing of homes; providing school bags and uniforms to all pupils of beneficiaries of social security each school year.
- Providing personal care to residents of residential homes who are unable to look after themselves, the disabled, paralytic children, the elderly and children in social nurseries.
- Expanding social care institutions in the regions: establishing 14 homes for social guidance, 12 institutions for the care of girls, 6 homes for social observation, 8 villages for orphaned children, 4 homes of social education for boys, 7 guest houses for girls, 5 homes for social welfare, 21 units for social protection, 10 centres for comprehensive rehabilitation, 15 offices for Social Security, and 6 new development centres.
- Continuing to provide and support local development subsidies to help maintain local development activities and programmes.

- Encouraging establishment of new cooperatives and supporting them.
- Encouraging establishment of new civil charity societies and supporting them.
- Supporting research and studies in social development and care.

**Page**

**352**

# HOUSING

## 20.1 INTRODUCTION

Housing is one of the most important social and economic sectors in contemporary societies. It has received increased attention by successive Saudi development plans in general, and by the Eighth Development Plan in particular. Council of Ministers Resolution No. 136 of 2007 established the General Housing Authority and entrusted it with a number of tasks, foremost among which are to: increase home ownership, increase supply of housing and residential land, build adequate housing for the needy, develop a comprehensive housing strategy for the Kingdom, and propose regulations, systems, policies and organizations pertaining to housing. In addition, the capital of the Real Estate Development Fund (REDF) was increased, enabling it to increase the number of housing units financed and increase the rates of building housing for the employees of a number of military, educational and health agencies. The private sector continued to build residential projects and develop land and housing schemes.

The housing sector in the Kingdom faces several issues and challenges, including: adequacy of supply of housing units, rate of home ownership, prevailing price and rent levels for housing units, and availability of finance for housing and residential land.

The Ninth Development Plan aims to: complete preparation, adoption and accelerate implementation of the comprehensive housing strategy, reduce the growing gap between housing supply and demand by starting to implement housing programs of various kinds in all regions of the Kingdom, continue to support resources of the Real Estate Development Fund, work and follow up on the organizational development of the sector, approve and apply real estate financing and mortgage regulations, approve and apply regulations on rights of tenants and owners of residential units, and develop regulations to encourage private sector participation in housing activities and programs. The Plan also aims to improve the quality of housing, through adopting appropriate standards for housing density,

rationalizing residential spaces, encouraging the use of economies of scale in all stages of house building, and applying the Saudi Building Code.

This chapter reviews the current conditions of the housing sector and highlights the developments and achievements under the Eighth Development Plan. It also discusses the key issues and challenges to be addressed under the Ninth Development Plan, and presents the housing demand forecasts, the future vision, general objectives, policies and targets of the Ninth Plan.

## **20.2 CURRENT CONDITIONS**

### **20.2.1 Overall Performance**

Housing objectives of the Eighth Development Plan were mainly two; first, to provide adequate housing for every family who does not own a house, needy families, in particular; and secondly, increasing home ownership by citizens. Under the Plan, progress was made towards achieving both objectives. According to the General Census of Population and Housing carried out in 2004, the total number of residential units at the end of the Seventh Development Plan was about 4 million. The number of housing units constructed under the Eighth Development Plan, estimated on the basis of the number of building permits issued, was about 600 thousand; an increase of 34% over what was added under the Seventh Development Plan. This brought the total number of housing units at the end of the Eighth Development Plan to about 4.6 million. Moreover, density of occupancy, represented by the average number of persons per unit, improved, dropping from 6.1 individuals to about 5.7 during the same period.

The private sector played a key role in meeting the needs of the market, as well as in funding most housing construction under the Eighth Development Plan. Having increased under the Eighth Development Plan at an average annual rate of 15.4%, real estate loans from commercial banks point to the growing role of the private sector in providing and financing housing.

The capital of the Real Estate Development Fund increased progressively by SR43 billion during the 2005–2008 period, which enabled it to increase the volume of loans granted to about SR19.5 billion, compared with SR8.6 billion under the Seventh Development Plan; with the number of housing units financed increasing to approximately 105 thousand units, compared with about 43 thousand units under the Seventh Development Plan.

The Eighth Development Plan aimed to provide about 66 thousand housing units under the Social Housing Program to meet the housing needs of needy families. In 2006, the state appropriated SR10 billion from the budget surplus for this program. Developments in the housing sector required a review of the institutional and administrative arrangements to ensure achievement of the set objectives. Responsibility for this program was transferred to the General Housing Authority upon its establishment in 2007. The Authority began work by launching in 2009 its first housing projects for the needy in Hafer Al Baten, Qurayat, Arar, and Jazan. Under the Eighth Development Plan, housing activities carried by charitable bodies increased; most notably by King Abdullah Bin Abdul Aziz Foundation for Development Housing, which provided housing for the most needy. Housing activities of charitable societies are expected to expand under the Ninth Development Plan.

### **20.2.2 Home Ownership**

Data of the General Census of Population and Housing of 2004 showed that about 60% of the 2.7 million Saudi households owned their homes, and the 2007 demographic survey did not reveal a significant change in this rate. The Census also showed that about 35% of Saudi families lived in rented units, and 5% reside in units provided by employers.

### **20.2.3 Types of Housing**

Statistics derived from the General Censuses of Population and Housing in 1992 and 2004 point to a clear improvement in the types of

housing, with housing units providing comfort and welfare (villas and apartments) increasing, and the share of traditional and other housing types decreasing (Table 20.1).

**Table 20.1**  
**Housing Units by Type**  
**General Censuses of Population and Housing**  
**1992 and 2004**

Type of Housing Unit	1992		2004		Change 1992–2004		Average Annual Growth Rate (%)
	Number	Relative Share (%)	Number	Relative Share (%)	Number	Relative Share (%)	
Villas	454365	16.4	729780	18.3	275415	22,6	4.0
Traditional Houses	909005	32.7	1114456	27.9	205451	16,9	1.7
Apartment	847233	30.5	1505429	37.7	658196	54,2	4.9
Floor in Villa or Building	241317	8.7	386911	9.7	145594	12,0	4.0
Other Housing	325002	11.7	255207	6.4	-69795	-5,7	-2.0
<b>Total occupied units</b>	<b>2776922</b>	<b>100.0</b>	<b>3991783</b>	<b>100.0</b>	<b>1214861</b>	<b>100,0</b>	<b>3.1</b>

*Source: Central Department of Statistics and Information.*

**Page**  
**356**

These statistics cover housing for both Saudi and non-Saudi households. In 2004, households living in villas and traditional houses constituted 46.2% and households living in floors or apartments constituted 47.4%.

The vast majority of housing stock consists of small units. Residential units consisting of one or two bedrooms represent 64.3% of the total housing stock; those of three bedrooms 19.1%; and larger units (more than three bedrooms) 16.6%.

#### **20.2.4 Institutional and Organizational Development**

Under the Eighth Development Plan, there were structural improvements in the housing sector aimed at developing the management of housing policy and raising its efficiency, as well as strengthening the financial and technical capacity of the agencies concerned. The General Housing Authority (GHA) was established in 2007. Responsibility for the Social Housing Program was transferred

from the Ministry of Social Affairs to the General Housing Authority at the beginning of fiscal year 2008. Similarly, responsibility for developing and implementing housing strategy and establishing a housing information base was transferred from the Ministry of Economy and Planning to GHA. The capital of the Real Estate Development Fund was increased and new procedures for regulating lending and collection were established. As a result of increased capital and enhanced collection, loans granted increased to levels greater than under the Sixth and Seventh Development Plans. Moreover, preparation of draft financing and mortgage regulations, which will create, when approved, to a suitable environment for effective participation of companies and banks in real estate financing.

## **20.3 ISSUES AND CHALLENGES**

### **20.3.1 Affordable Housing**

Data from the 2004 General Census of Population and Housing show that 56.3% of the total housing units occupied by Saudi households are characterized by density of occupancy per room above the national average, i.e., they are overcrowded. Generally, these units consist of one or two bedrooms. The demographic survey conducted by the Central Department of Statistics and Information in 2007 did not note any changes in density.

Addressing the multi-dimensional issue of enabling citizens to secure adequate housing at a reasonable cost and with a capacity commensurate with the size of the family requires building the largest possible numbers of housing units, as demand of Saudis for two-bedroom and three-bedroom housing units is estimated to reach 450 thousand units (300 thousand two-bedroom units and 150 thousand three bedrooms units) by the end of the Eighth Development Plan. It also requires taking into account residential overcrowding when planning and implementing real estate financing programs supported by the state, whether through the Real Estate Development Fund or other housing programs.

### **20.3.2 Home Ownership**

The long-term strategy of the Saudi economy aims to raise the rate of home ownership among the citizens to about 80% by 2024. Notably, results of the General Census of Population and Housing in 1992 and 2004 and the demographic survey carried out in 2007 have shown the rate of Saudi home ownership to be stable at about 60%.

Delay in implementation of the Social Housing Program, the limited number of agencies that offer housing to their employees (both public and private), and insufficient private real estate funding have all contributed to delayed progress in this area. Hence, achieving progress requires strengthening the capacity of citizens to finance the building of homes. In this regard, real estate funding and mortgage systems are expected to expand private lending, especially to middle-income groups, which represent the largest segment among citizens.

### **20.3.3 Costs of Housing Units**

Page

358

The surge in demand for building and construction materials (locally and globally) in recent years resulted in a significant increase in construction costs, which led to significant increases in both house prices and rents under the Eighth Development Plan.

This poses a challenge to both the public and private sectors and requires the development of an effective strategy to secure economies of scale in the housing sector. In view of the prevailing economic and social environment, meeting the structural demand for housing requires adopting standards and normative designs that facilitate construction of large numbers of units of affordable housing. It has also become necessary for these standards to include regulations to ensure rational use of resources, such as energy and water, and rationalize total areas of houses.

### **20.3.4 Real Estate Development Fund (REDF)**

Despite increasing the capital of Real Estate Development Fund under the Eighth Development Plan by SR43 billion, the backlog of more than 500 thousand funding applications points to the importance of



strengthening its financial resources, in order to reduce the current long waiting period. Reduction of the waiting period and covering the growing demand require strengthening resources of REDF at rates that may be difficult to maintain, regardless of the size of public resources or improvement of rates of collection of existing debt.

Addressing this situation requires reviewing lending strategy and improving means of collection, along with enhancing funding opportunities from private sources, especially that implementation of financing and mortgage regulations has started.

### **20.3.5 Real Estate Financing**

Although the domestic market has an abundance of liquidity, real estate finance is limited. This constitutes a major challenge, especially since finance of the real estate sector in the Kingdom is still below prevailing global levels. At an average of 8.1% under the Eighth Plan, it is half that of countries of the European Union, which may be due to the lack of financing and mortgage regulations over the past period.

However, in spite of the various constraints in the market, in the past few years, provision of mortgage finance by commercial banks has expanded, and the number of companies specializing in finance and real estate development increased. These companies are expected to play a growing, important role in the real estate market.

When they come into force, finance and real estate mortgage regulations are expected to safeguard the rights of creditors and debtors and enhance the role of the banking sector and finance companies in meeting the needs of the real estate and housing markets.

### **20.3.6 Requirements of Housing and Urban Planning**

Analysis of the demand for new housing units under the Ninth Development Plan shows that 70% of total demand is concentrated in major urban centres. However, meeting this demand faces numerous challenges; foremost of which is that of providing residential land

supplied with highly efficient and sustainable infrastructure and public services. Hence, modern non-conventional mechanisms are required, such as increasing the density of residential units and commercial facilities through vertical expansion in the cities, taking advantage of vacant land within urban boundaries, and delivery of services to the housing-grant schemes, and redevelopment of old residential neighbourhoods and unplanned settlements.

### **20.3.7 Housing Sector Database**

The General Census of Population and Housing, the periodic demographic surveys, and the housing strategy provide a good basis for building a database for the housing sector, enabling researchers and developers to derive national indicators and compare them with international indicators. As in developed countries, and in order to inform economic and social development and urban planning, there ought to be comprehensive, permanent records of housing units compiled on the basis of registration of established residential units, rather than licenses granted, since the latter may not reflect the actual number of housing units or their structural features. In this context, of importance is the completion of the housing strategy, and publication of data on house and land prices and rent categories, in order to provide transparency in the real estate market.

**Page**  
**360**

## **20.4 DEMAND FORECASTS**

Demand for housing under the Ninth Development Plan was estimated on the basis of the following assumptions:

- During the period, the Saudi population will grow at an annual average rate of 2.23%, and Saudi households will increase by 750 thousand, which will require about 800 thousand housing units.
- During the period, the non-Saudi population will grow at an annual average rate of 1.86%, which will require about 200 thousand housing units.

- Meeting unsatisfied cumulative demand for housing units by the end of 2009 will require about 70 thousand housing units.
- Replacement of dilapidated housing units will require about 70 thousand housing units.
- Covering a reserve housing stock (about 10% of demand) will require about 110 thousand units.

Table 20.2 shows a summary of forecasts of demand for housing units. The number of housing units required to satisfy this demand is 1.25 million units, for which the area of land required to be added under the Ninth Development Plan is estimated at 350 million square metres, assuming that the average total area required for each housing unit is 280 square metres. Table 20.3 shows the distribution of demand for housing and residential land by administrative region.

The Ninth Development Plan envisages satisfying 80% of the demand by building one million housing units by the Public Housing Authority, Real Estate Development Fund and the private sector.

**Table 20.2**  
**Demand for Residential Units**  
**Ninth Development Plan**

	(Thousand units)
New housing units (Saudis)	800
New housing units (non-Saudis)	200
Housing units to meet unsatisfied demand for housing carried -over from the Eighth Development Plan	70
Housing units required for replacement	70
10% reserve units to ease rent inflation	110
<b>Total housing units for the Ninth Development Plan</b>	<b>1250</b>
<b>Annual average number of units for the Ninth Development Plan</b>	<b>250</b>

*Source: Ministry of Economy and Planning.*

**Table 20.3**  
**Demand for Residential Units and Land**  
**by Region**  
**Ninth Development Plan**

Region	Number of Housing Units (Thousand Units)	Area of Residential Land (Million Square Metres)
Riyadh	325.0	91.0
Makkah	370.0	103.0
Madinah	81.2	22.6
Qassim	51.0	14.27
East Region	166.3	46.50
Asir	83.1	23.27
Tabuk	38.9	10.89
Hail	20.5	5.74
Northern Borders	11.5	3.22
Jazan	50.1	14.04
Najran	21.6	6.86
Baha	17.3	4.83
Jawf	13.5	3.78
<b>Total</b>	<b>1250.0</b>	<b>350.0</b>

*Source: Ministry of Economy and Planning.*

## 20.5 DEVELOPMENT STRATEGY

### 20.5.1 Future Vision

A housing sector able to provide comfortable, well serviced housing for the various social segments in all regions, with the private sector playing a pivotal role in providing financing and in construction, backed by an advanced real estate market, supportive legislation and regulations, and comprehensive up-to-date population databases.

### 20.5.2 Objectives

- Providing citizens with decent, appropriate housing.
- Increasing supply of housing and residential land.

- Encouraging greater private sector involvement in supporting housing activities and programs.

### 20.5.3 Policies

- Giving priority in government support for the housing sector to groups that are unable to secure adequate housing through market mechanisms.
- Strengthening the role of the Public Housing Authority and developing its capabilities.
- Developing the capacity of the Real Estate Development Fund and improving its effectiveness.
- Raising the rate of home ownership for citizens to keep pace with best international practice.
- Applying the Saudi Building Code in housing projects.
- Extending facilities and services to all housing projects.
- Giving priority to the development of housing-grant schemes in all regions.
- Redeveloping old neighbourhoods and unplanned settlements.
- Reducing the cost of building materials and residential land.
- Issuing financing and mortgage regulations and expediting their enforcement.
- Developing a comprehensive housing strategy for the Kingdom and sub-strategies for the administrative regions.
- Diversifying methods of funding and support from the public and the private sectors.
- Giving priority to housing through market mechanisms to meet the rising demand for residential units.
- Encouraging charitable and cooperative housing and issuing special regulations for them.
- Establishing a housing database covering all regions.

## 20.5.4 Targets

- Establishing one million housing units to meet 80% of projected demand for housing under the Ninth Development Plan, distributed throughout the regions, to be built by the following parties:
  - The Public Housing Authority: construction of 66 thousand housing units in all regions.
  - Real Estate Development Fund: Financing the construction of 109 thousand housing units, through providing 90 thousand loans in all regions.
  - A number of government agencies: construction of 50 thousand units for their employees.
  - Private sector: financing and building 775 residential units in all regions.
  
- Providing about 266 million square metres of land for housing projects expected to be built by both the public and the private sectors under the plan in all regions and providing these lands with infrastructure. Table 20.4 shows the distribution of specific targets for housing units and residential land by administrative region.
  
- Completion, by the Public Housing Authority during the plan period, of the engineering designs for all projects entrusted to it as well as supervisory tasks; and of the housing strategy of the Kingdom; in addition to conducting research as needed, and establishing a housing database.
  
- Initiating enforcement of the Saudi Building Code to the residential sector by the Ministry of Municipal and Rural Affairs.

**Table 20.4**  
**Distribution of Target Housing Units and Land**  
**by Region**  
**Ninth development Plan**

Region	Real Estate Development Fund (Thousand Units)	Public Housing Authority (Thousand Units)	Private Sector (Thousand Units)	Total Housing Units* (Thousand Units)	Residential Land (Million Square Meters)
Riyadh	23	4	198	225	63
Makkah	20	4	229	253	71
Madinah	9	6.5	50	65.5	18.3
Qassim	9	4	32	45	12.6
East Region	13.5	4	103	120.5	33.7
Asir	7	4	52	63	17.6
Tabuk	4.5	4	24	32.5	9.1
Hail	5	6	14	25	7
Northern Borders	3	6	7.5	16.5	4.6
Jazan	5	6.5	31	42.5	11.9
Najran	4	6.5	14	24.5	7
Baha	3	4	11.5	18.5	5.1
Jawf	3	6.5	9	18.5	5.1
<b>Total</b>	<b>109</b>	<b>66</b>	<b>775</b>	<b>950</b>	<b>266</b>

\* Add to the total 50 thousand units built by government agencies for their employees on 14 million square meters of residential land.

Source: Ministry of Economy and Planning.

## 20.6 FINANCIAL REQUIREMENTS

Under the Ninth Development Plan, the financial sums allocated to government agencies in the housing sector (Public Housing Authority) amount to SR435 million. In addition, housing projects in various regions and their infrastructure are to be financed by allocations approved for the Authority from the budget surplus, amounting to SR10 billion.

**Page**

**366**



# SCIENCE, TECHNOLOGY AND INNOVATION

## 21.1 INTRODUCTION

Due to their vital role in economic, social and environmental development, science, technology and innovation have enjoyed considerable interest. Such interest focused on strengthening and expanding the capacities of scientific research institutions and technology centres, and consolidating coordination of their activities. The objectives of this effort were to: enhance utilization of the contemporary scientific revolution in improving education, health and social services; raise production and productivity in all sectors, including development of natural resources and protecting the environment from risks of pollution; increase public knowledge; and improve quality of life.

Significant scientific and technological progress was achieved under the Eighth Development Plan, especially with the onset of implementation of the first five-year plan for science, technology and innovation. This progress was evident in major expansion of: the various activities of King Abdul-Aziz City for Science and Technology (KACST), in higher education institutions, in R&D centres attached to universities and to a number of governmental and private institutions, and in advances in sponsorship of talent and innovation. Moreover, there were under the plan mounting national efforts in transfer and indigenization of advanced technology, and improvements in scientific publications and patents indicators.

The Ninth Development Plan aims at indigenization and development of advanced strategic technologies in all productive and service sectors, as well as in all components of the science, technology and innovation system, with the aim of raising productivity and enhancing competitiveness. Moreover, the Plan attaches particular importance to developing existing research centres and upgrading their capabilities; establishing new research centres; developing regulations governing

the performance of the science, technology and innovation systems and developing their institutional structures.

This chapter addresses the current status and the key issues and challenges facing scientific, technological and innovation development, and reviews the relevant objectives, policies and targets set by the Ninth Development Plan.

## **21.2 CURRENT CONDITIONS**

### **21.2.1 Research, Development and Innovation**

The national system of research and development (R&D) consists of KACST, 200 scientific research units attached to universities and a number of governmental and private institutions. In 2008, expenditure on R&D was estimated to be about 0.4% of GDP. Scientific research and technological development centres are concentrated in major cities, reflecting concentration of the population: Riyadh city is home to about 50% of these centres, followed by Jeddah, with 19.3%; Dammam with 12.5%; Jubail and Yanbu with about 3.5%; with the remaining 14.7% distributed among other regions. Hence, there is a need for reviewing the distribution of scientific research centres to improve geographical distribution of employment in R&D among the regions.

Official statistics show that conducted research, research grants, and published articles are concentrated in medicine, agriculture, engineering and basic sciences. In addition, developmental research is small compared with applied and basic research, constituting only between 10% and 15% of total research. In the following, the current situation of R&D in KACST, universities, government institutions , and private institutions is reviewed.

#### **□ *King Abdul-Aziz City for Science and Technology (KACST)***

KACST is comprised of seven institutes; four centres; five national programmes of research, development and innovation; and a number of

joint research centres, it constitutes the broadest base for research, development and innovation in the country. Under the Eighth Development Plan, KACST achieved remarkable progress. The new programme of grants for strategic and advanced technologies, which is part of the National Plan for Science, Technology and Innovation, led to a quantum leap in the support of the Kingdom R & D system. In 2009, the last year of the Plan, support for research projects at universities and other research bodies exceeded SR500 million. Moreover, KACST continued implementing the programme of annual grants, with research projects supported from its inception until 2008 numbering 2,388 by a budget of SR796.11 million.

Under the Eighth Development Plan, research projects in the institutes and centres of KACST, particularly the strategic and advanced technologies projects and programmes. These projects produced more than 200 technical products in five main sectors, thereby contributing to economic and social development. Among its numerous achievements, KACST obtained several patents, and succeeded in developing innovative techniques and methods to meet strategic national needs, including advanced technologies to reduce the cost of solar energy production and water desalination that are viable on a large scale. This success has led to a national initiative for water desalination by solar energy, with its first phase designed to meet the full needs of the city of Khafji, estimated at approximately 30 thousand cubic metres of desalinated water per day. In the second and third phases of the initiative, this technology will be applied throughout the country. In addition, KACST succeeded in manufacturing, developing and launching 12 satellites, designing and constructing an Electrostatic Particle Accelerator; developing a radar system to protect aircrews from lasers, an Arabic morphological analyser, an automatic diacritizer of Arabic text, and an automatic Romaniser of Arabic names. Furthermore, using nanotechnology, KACST succeeded in developing catalytic materials for producing clean, cheap fuel. It also developed heat-and-fire-resistant polypropylene plastics and a device for uncovering the Red Palm Weevil; and it succeeded in cloning and producing the dromedary (Arabian camel) insulin hormone. Moreover, KACST accomplished advances in studying the palm genome.

KACST and the Ministry of Economy and Planning, in cooperation with other relevant agencies and at a cost of SR 7.9 billion, have completed development of the first implementation plan of the National Science, Technology and Innovation Policy, which covered 190 national projects grouped under eight strategic priority themes, which constitute together the first five-year plan for science, technology and innovation. Work is under way to implement these projects by KACST and other agencies.

KACST also developed detailed plans for strategic, advanced technologies in water, oil and gas, petrochemicals, nanotechnology, biotechnology and genetic engineering, information technology, electronics and communications, photonics, aerospace and aviation, energy, and advanced materials, and the environment. In addition, KACST developed a plan for mathematics and physics to support the target technologies, as well as for building and construction technologies, agricultural technologies and medical and health research.

**Page**

**370**

KACST completed studies of establishing Technology Innovation Centers in Saudi universities to promote closer linkages among the City, the universities and the industrial sector, and also in order to aid transfer of scientific research results into commercially marketed products and services. Furthermore, KACST established two incubators one in information and telecommunications technology and the other in biotechnology, and embarked upon studies for establishing eight other technology incubators, five of which in universities.

Under the Eighth Development Plan, published scientific research papers ranged between 700 and 800 annually.

#### **□ *University research and supporting centres***

Consistent with the National Science, Technology and Innovation Policy, universities supported modern scientific research under the Eighth Development Plan by establishing and funding centres of excellence in scientific research, nanotechnology centres , and science

parks, as well as by sponsoring innovative initiatives and projects. Universities support scientific research through various means and mechanisms (Box 21.1).

King Abdullah University of Science and Technology, which was inaugurated by the Custodian of the Two Holy Mosques on the 23<sup>rd</sup> Sept. 2009, is the most important initiative for promoting graduate studies and scientific research. The University aims to produce distinguished science graduates and has been staffed by an elite of distinguished world-leading scientists and experts. The University grants master and doctorate degrees in 11 scientific fields, and has 11 research centres grouped in four clusters: resources, energy and environment; materials; life sciences and bioengineering; and applied mathematics and computer science.

**Box 21.1: Scientific Research Methods and Mechanisms**

- Basic research in colleges of science: carried out in research centres based in the college itself by faculty members.
- Contractual research: applied research carried out under contracts with private-sector institutions and companies at university research institutions such as the Research Institute at King Fahd University of Petroleum and Minerals, King Abdullah Institute for Consulting and Research at King Saud University, and the Institute of Research and Consultancy at King Abdul-Aziz University.
- Centres of scientific and research excellence at universities: under the Eighth Development Plan, the Ministry of Higher Education funded nine centres at the following universities: King Abdul-Aziz, King Saud, King Faisal, and King Fahd University of Petroleum and Minerals.
- Science parks linked to universities: they are an important mechanism for linking outcomes of university research with economic production and service activities. Science parks attract mostly large companies seeking to establish advanced research centres by taking advantage of the infrastructure provided by the parks, and the human, scientific and technical potential of universities.

### □ *Governmental research centres*

Several government agencies carry out R&D activities. For example, the Ministry of Agriculture has in various regions, research centres in agriculture, livestock and fisheries. There are also a number of research centres in the health sector, such as the research centres at King Faisal Specialist Hospital, King Khalid Eye Specialist Hospital, and the Joint Centre for Research in Prosthetics Devices, the National Centre for Vaccine Production in the National Guard King Abdul-Aziz Medical City, and Prince Salman Centre for Disability Research. In addition, there are also a number of research centres in each of the Saline Water Conversion Corporation, the Saudi Wildlife Commission, and others. Moreover, most ministries and public bodies have departments for research and studies.

### □ *Private sector research centres*

**Page**  
**372**

Several private-sector companies started establishing R&D centres and units; notably, the Saudi Basic Industries Corporation (SABIC), the Saudi Arabian Oil Company (Saudi Aramco), and the Arabian Metals Company, as well as the companies of the Economic Offset Programme, such as: the Aircraft Complementary Equipment Company, the International Systems Engineering Company, the Al-Bilad Catalyst Company, the Obeikan Technical Fabrics Company, and the United Lubricant Oil Company.

For example, under the Eighth Development Plan, SABIC achieved a series of scientific and technological research successes, continuing to register more patents that by the end of 2009 totaled 7,096. Moreover, SABIC strengthened its cooperation with several research centres, in addition to launching in 2007 SABIC Chairs in Saudi universities to fund scientific research and technology.

Aramco's R&D centre founded in 2004 focuses its research on oil, gas, energy; nanotechnology; biotechnology; microbiology; and new materials. The centre collaborates with several national and foreign universities and research institutes and seeks to attract talented

scientists and researchers. The company plans to develop research, development, and innovation activities to cover new activities, such as "planning and programming oil production".

The same is true for national companies other than Aramco or SABIC, including the companies of the Economic Offset Programme, which invests a proportion of the value of government procurement contracts in high-tech projects. It is hoped that the number of R&D centres and their units and sizes would grow, as stipulated in the expanded first five-year plan for the implementation of the Science, Technology and Innovation Policy, and as a result of implementing the National Industrial Strategy approved by the Council of Ministers in 2009, which includes a number of policies for the development of science, technology and innovation in the industrial sector.

### **21.2.2 Sponsoring Giftedness and Creativity**

Sponsorship of talent and creativity and support for innovation developed tangibly under the Eighth Development Plan. King Abdul-Aziz and his Companions Foundation for Giftedness and Creativity "Mawhiba" adopted, a strategy to foster giftedness, creativity and support innovation. The vision of Mawhiba envisages that the Kingdom will "be a creative society with a critical mass of gifted and talented young leaders highly educated and well-trained to support the building of the knowledge based economy and the sustained growth and prosperity of the Kingdom". The Strategy identified a set of goals, including improving and expanding available educational opportunities for the gifted and increasing community awareness of the importance of education and innovation and their impact on achieving sustainable development. The first five-year plan for the implementation of this strategy, which coincides with the Ninth Development Plan, includes five main initiatives: (1) partnership with distinguished schools, (2) capacity enrichment programmes and activities, (3) discovering and supporting young leaders, (4) improving work environment to enhance creativity, and (5) raising awareness of the role of giftedness, creativity and innovation. Each of these initiatives comprises a range of detailed projects, the implementation of which was initiated in the fifth year of

the Eighth Development Plan.

In addition to “Mawhiba”, there are several national agencies that foster talents, such as the Riyadh Philanthropic Society for Science, which established “Prince Salman Science Oasis”; the Gifted Students Department at the Ministry of Education; and the Awareness and Publishing Department of KACST, which organizes annual contests in mathematics, physics and other subjects. In addition, some national private institutions started supporting scientific excellence.

To honour and support science and scientists, several public and private awards have been established, such as: the King Faisal International Prize, the King Abdullah Translation Award, the King Abdullah bin Abdul-Aziz prize for Scientific Research offered by SABIC, the Prince Sultan Bin Abdul-Aziz International Prize for Water, the Al Marai Prize for Scientific Innovation under the auspices of KACST, and the Faqih Centre Prize for Research. This is in addition to awards for scientific excellence for university and higher education at various universities, and the awards of King Abdul-Aziz and his Companions Foundation for Giftedness and Creativity. There are also regional governorates’ awards for scientific creativity, such as the Prince Mohammed bin Fahd Prize for Scientific Excellence in the Eastern Region, and the Medina, Hail, Tabuk, Abha prizes for innovation; in addition to the Prince Abdul Rahman Al-Sudairy Prize for scientific excellence.

**Page**  
**374**

Efforts to foster talent, creativity, and innovation culminated with the Kingdom ranking 32 among 130 nations covered by the 2008 Global Innovation Index produced by the Business School for the World (INSEAD).

### **21.2.3 Scientific Publications and Patents**

The Kingdom occupies a prominent place among Arab countries in scientific publications and patents. Between 1996 and 2006, the number of scientific papers published by researchers in the Kingdom, or with their participation, was 26,854. Thus, the Kingdom ranked



second among Arab nations and 48 worldwide (Table 21.1). Moreover, the Kingdom registered 164 patents at the United States Patent and Trademark Office, to become the first rank among Arab states and 43<sup>rd</sup> worldwide.

**Table 21.1**  
**Areas of Scientific Publication**  
**1996–2006**

Area	Number Published Items	Proportion of Published Items to Total (%)
Medicine	8300	30.91
Engineering	3402	12.67
Chemistry	1746	6.50
Biochemistry, Genetics and Molecular Biology	1648	6.14
Physics and Astronomy	1390	5.18
Mathematics	1193	4.44
Materials Science	1171	4.36
Chemical Engineering	1163	4.33
Pharmacy, Toxicology and Pharmaceutical Sciences	1148	4.27
Agricultural and Biological Sciences	1105	4.11
Energy	1050	3.91
Computer Science	894	3.33
Ecology	872	3.25
Earth and Planetary Sciences	778	2.90
Immunology and Microbiology	571	2.13
Neuroscience	423	1.57
<b>Total</b>	<b>26854</b>	<b>100</b>

*Source: Reports of KACST.*

In 2004, Saudi Arabia established a Patent Registration System, with the aim of safeguarding intellectual property rights and stimulating scientific and technological activity in the service of development goals. The system provides for “the right to own products of intellectual activity in the fields of industry, science, literature, art and other fields.” Over the period 1989–2007, the number of patent applications was 13.3 thousand, 11.4 thousand were examined, and 1,918 were granted. In addition, since 2004, applications for industrial designs certificates numbered 842, of which 515 were granted.

#### **21.2.4 Qualifying Scientific and Technical Cadres**

Universities and colleges contribute to scientific qualification of human resources in science and technology and to dissemination of science, technology and innovation, as do prospective holders of scholarships abroad. Over the first four years of the Eighth Development Plan, eight universities having 52 scientific colleges were established. In addition, three new universities were established in 2009, raising the total number of universities to 24, spread across the Kingdom, apart from King Abdullah University of Science and Technology. Moreover, the number of science faculties rose to 171 altogether, and the number of students enrolled in scientific disciplines rose from about 112 thousand in 2004 to about 181.8 thousand in 2008. In 2008, scholarships for postgraduate studies abroad in scientific disciplines numbered 584, in addition to 130 scholarships granted by King Abdul-Aziz City for Science and Technology. The total number of scholarships for studying abroad granted under the Custodian of the Two Holy Mosques Programme for Scholarships Abroad was about 70 thousand. Furthermore, 3 private universities and 17 private colleges were opened; most focused on scientific and technical disciplines.

**Page**  
**376**

#### **21.2.5 Economic Offset Programme**

Transfer and indigenization of technology take place through various channels, including the Economic Offset Programme. Significant progress was achieved under the Eighth Development Plan. For example, the Advanced Electronics Company established a specialized R&D department, manned by 10% of the employees of the company, which contributed to the development of local products and systems, in addition to its cooperation with universities and with KACST.

The Saudi Polyolefins Company is establishing a centre specializing in plastics manufacture. The company also cooperates with several universities in the Kingdom in research projects, in addition to its relations with institutes of technology within the Kingdom and abroad. DEEF for Pharmaceutical Industries, which produces medical supplies and various types of medicines, is adopting a long-term R&D strategy

aimed at creating new high-tech products, in addition to a short-term strategy aimed at developing and manufacturing alternative drugs to those available in the domestic market. The company is cooperating with local and international research centres, universities and specialist laboratories. To enhance their productive capacities and competitiveness, other companies, such as CAD Middle East Pharmaceutical Industries, Al Salam Aircraft Company, and Manafeth Ambulance and Handicap Vehicles Company are in the process of establishing R&D activities.

### **21.2.6 Institutional and Organizational Development**

Several agencies are involved in the development of science, technology and innovation. By virtue of its mission, and in collaboration with the Ministry of Economy and Planning, KACST plays the role of planning, coordination and controlling alignment of this sector with economic and social development.

To implement the National Science, Technology and Innovation Policy, the City and the Ministry of Economy and Planning prepared, in cooperation with other relevant authorities, the first Five-Year Plan for Science, Technology and Innovation. The City also completed the Extended First Five-Year Plan for Science, Technology and Innovation that covers the implementation of the second phase of the Policy, which will coincide with the Ninth Development Plan. The Plan includes eight major national programmes, comprising national strategic projects in science, technology and innovation; all seeking to achieve the Kingdom's vision of building a knowledge-based economy and a knowledge society.

In 2008, KACST, in cooperation with the Ministry of Economy and Planning, worked the details of the project "Towards Developing a Comprehensive Framework for the National Innovation System", which aims to coordinate among stakeholders, and stimulate cooperation among them towards interlinking their plans. This framework envisages five specific targets to be achieved through implementing five programmes, comprising 16 scientific projects; all

seeking to achieve the declared vision of “the Kingdom becoming a breeding ground for innovation at the global level, and a sustainable source of innovative solutions.”

In view of the tasks entrusted to KACST by the National Science, Technology and Innovation Policy, the need arose under the Eighth Development Plan for reviewing and reformulating its bylaws, which had been set by the Royal Decree No. M/8 of 1985. The new bylaws take into consideration relevance to global changes in research, development and innovation. For this purpose, the City prepared a three-phase project for developing regulatory frameworks and restructuring. Implementation of the first phase, which is focussed on the development of organizational structure and strategic planning, was initiated in 2008. Phases two and three will be implemented under the Ninth Development Plan; both seek to develop best practices, processes and methods, including obtaining the ISO international standard for quality management.

**Page**  
**378**

## **21.3 ISSUES AND CHALLENGES**

### **21.3.1 Expenditure on Research, Development and Innovation**

Despite growth of expenditure on research, development and innovation projects and activities over the past years, allocations for funding R&D represented only 0.4% of GDP in 2008. Nevertheless, these allocations do constitute a serious step towards achieving the target of 2% of GDP envisaged by the National Science, Technology and Innovation Policy by 2024. Notably, in spite of growing interest by the private sector, its financial contributions are still low, compared with developed countries, where the private sector contributes about 40%–60% of the total R&D funding. Given that funding is a necessary requirement of projects designed to expand research, development and innovation capacity, there is a need for concerted efforts by government agencies, public institutions and private companies to ensure that funding for new R&D reaches the targeted levels.

### **21.3.2 Attracting Researchers and Technologists**

International experiences, and the US is a prime example, underlines the influential role played by expatriate expertise in upgrading the R&D system. Hence, building and expanding scientific and technical capacities and creating conditions for fostering innovation, require careful formation of researchers and experts, recruiting them to work in national, scientific and technological research institutions, and providing them with various incentives; especially in the light of rising global competition for rare scientific competencies. In addition, there is a need for implementing a series of programmes aimed at developing capabilities of graduates of intermediate colleges to enable them to be deployed in scientific and technological projects.

### **21.3.3 R&D at Universities**

Efforts to promote the development of R&D activities notwithstanding, there is a need for highlighting the importance of linking scientific research and technological development programmes and projects at universities, institutes and research centres to requirements of economic, social and environmental development, within the framework of the National Science, Technology and Innovation Policy. Indeed, this calls for linking the funding of scientific and research programmes and projects to the existing and future needs of sectors such as industry, water, agriculture, construction, oil, mining, environment, trade, education, and health.

### **21.3.4 Private Sector Participation**

Despite the growing interest of the national private sector in R&D over the past few years, the rate of its participation in financing R&D activities is still below the desired level. Hence, R&D programmes and projects targeted for implementation over the next five years need to be expanded, with greater involvement of both national and foreign private-sector companies in financing or initiating research, scientific and technological programs. Furthermore, incentives need to be provided to major foreign companies operating in the Kingdom to

establish R&D centres, and encourage closer links between them and national public and private research institutions.

## **21.4 DEMAND FORECASTS**

The Ninth Development Plan envisages increased scientific research, especially in light of efforts to strengthen linkages between scientific and technological research (public and private) and the development process of various public services and natural resources, and the important of environmental health. Under the Ninth Development Plan, R&D projects and innovation initiatives will focus on the following areas:

- Natural resources: water, crude oil, natural gas, minerals, and agricultural land.
- Economic diversification.
- Preventive or curative medical and health research, in addition to research on cleanliness of cities and on reducing environmental pollution.
- Geophysical and seismic research to monitor movements of the earth crust and landslides.
- Development of renewable and alternative energy sources, such as generating electricity from solar sources and nuclear power.
- Biotechnological research aimed at producing high yielding plant varieties resistant to heat and drought.

**Page**  
**380**

## **21.5 DEVELOPMENT STRATEGY**

### **21.5.1 Future Vision**

The Kingdom aspires to achieving scientific, technological and innovative development that contributes to the consolidation of sustainable development and economic diversification, in addition to strengthening competitiveness of the national economy, raising living standards and improving quality of life, and maintaining national security.

## 21.5.2 Objectives

- Indigenizing and developing strategic and advanced technology.
- Developing R&D and innovation, through developing and upgrading the capacities of existing research centres and establishing new ones.
- Developing scientific and technological capabilities, in addition to developing creativity, giftedness, and entrepreneurship.
- Developing the capacity of national manpower in science and technology.
- Increasing sources of financial support for science, technology and innovation and strengthening the role played by the private sector.
- Developing regulations and legislation related to science, technology and innovation, while safeguarding intellectual property rights.
- Developing institutional structures of the agencies involved in scientific and technological research and innovation.

## 21.5.3 Policies

- Preparing a detailed roadmap for indigenization and methodological gradual development of advanced technologies.
- Attracting and indigenizing scientists and technologists with modern know-how.
- Stimulating private sector establishment of joint research centres and labs for various industries, and encouraging them to create an appropriate environment for investing in the transfer of technology, both internally and externally.
- Adopting effective mechanisms for strengthening the relationship between scientific research and technological development institutions on the one hand and production and service sectors on the other.
- Enhancing joint technological innovation centres between the public and the private sectors.

- Enhancing research facilities in universities.
- Providing technical, scientific and technological assistance to SMEs to help them innovate.
- Establishing and expanding technology parks and incubators, through partnerships between the public and the private sectors.
- Adopting environment-friendly product and product development technology and raising engineering development and quality, particularly in the production sectors.
- Studying the feasibility of allocating a percentage of the value of contracts concluded with companies in both the public and the private sectors to support R&D efforts and activities.
- Fostering the gifted and the creative and encouraging the private sector and investors to foster their talents.
- Supporting scientific societies and professional associations, galvanizing their role in development, and stimulating investors to participate in their activities.
- Launching national print and audio-visual media campaigns to raise awareness of science and technology and their importance in development.
- Expanding the capacity of educational institutions in science and technology and attracting outstanding students to them.
- Expanding technical and vocational training programmes quantitatively and qualitatively.
- Developing educational curricula at all levels to expand and intensify scientific and technological content.
- Paying attention to postgraduate studies of strategic sciences and advanced technologies, making efforts to Arabize science and technology education, and establishing centres of excellence in applied science and technology, at both university and post-university levels.
- Increasing financial allocations for R&D and training in government agencies.



- Reviewing and assessing regulations related to science and technology in each sector, with the aim of providing an appropriate environment for raising performance of science, technology and innovation.
- Strengthening the responsibilities of science and technology units in various state sectors.

#### 21.5.4 Targets

- Pursuing implementation of the programmes and projects of the first expanded five-year plan for science, technology and innovation and contributing to the advance towards a knowledge-based economy.
- Providing grants for strategic research projects at universities and national research centres to the tune of SR900 million annually.
- Implementing applied and strategic R&D in the KACST in support of economic and social development programmes nationally, at an annual average of 400 national research projects at a cost of SR980 million .
- Supporting operational research and studies in government agencies at an annual rate of SR300 million, and R&D in private-sector companies at an annual rate of SR200 million.
- Establishing and equipping 10 research centres of excellence.
- Establishing the national company for the manufacture of technological products.
- Establishing at least 8 technology incubators in KACST and universities.
- Establishing 15 national centres for technological innovations in universities affiliated to KACST.
- Establishing 3 major national technology parks in three main regions in the Kingdom.
- Establishing two industrial areas for advanced industries in Riyadh and Al-'Aieinah.

- Publishing 12 scientific journals on strategic and advanced technology.
- Providing scholarships for postgraduate studies in Saudi universities for about 300 students annually.
- Giving about 200 scholarships a year for KACST researchers to pursue postgraduate studies in strategic areas.
- Conducting advanced training programmes for researchers and entrepreneurs in strategic areas for 1,000 trainees annually.
- Establishing a national centre for translations and Arabization of scientific and technological literature.

## **21.6 FINANCIAL REQUIREMENTS**

The financial requirements allocated for the sector of science, technology and innovation (development programmes for KACST) amount under the Ninth Development Plan to SR6.53 billion.

**Page**

**384**

# DEVELOPMENT OF HUMAN RESOURCES

## 22.1 GENERAL EDUCATION

### 22.1.1 Introduction

The educational system is a cornerstone of development, for it impacts the aspirations and educational needs of individuals, while being directly linked to development of society in production and knowledge. From this perspective, future prospects of education and identification of its trends and the strategies needed for its development are main concerns of development plans.

The Ninth Development Plan underlines the central role of education in achieving and strengthening human development, through expanding options available to people for acquiring knowledge and skills and benefiting from gained capabilities.

Interest in education is evident in the significant increase in the number of students, with Saudi students at all levels of general and higher education constituting 28% of total Saudi population in 2008.

These achievements would not have been possible without full commitment to providing the necessary financial resources for expanding education at all levels. Financial allocations for human resources development (HRD) increased during 2005–2008 from about SR69.9 billion to about SR104.6 billion, an annual average growth rate of 14.4%, which confirms the commitment of the Kingdom to providing the required financial support for expanding educational opportunities<sup>1</sup>.

---

<sup>1</sup> In 2006, the share of expenditure on education in GDP was 6.2%, compared with Turkey at 3.7%, Japan at 4.9%, Germany at 5.1%, and France at 6.0%.

With the accomplishment of a major expansion of educational opportunities, qualitative development has become the top priority for building a knowledge society.

This part of the chapter reviews the current conditions of the general education sector; the major developments that took place under the Eighth Development Plan, and the key issues and challenges that must be addressed under the Ninth Development Plan. Demand forecasts, future vision, objectives, policies and targets set for the sector in the Ninth Development Plan are also addressed.

## **22.1.2 Current Conditions**

### **22.1.2.1 Kindergartens**

Under the Eighth Development Plan, pre-primary education enjoyed significant support from the Ministry of Education. Royal Decree 7/B/5388 of 2002 instructed the Ministry to "develop a plan and a time schedule to be adopted by the development plan of the state for gradual expansion in establishing kindergartens throughout the Kingdom, benefiting from efforts of the private sector (private education) to achieve this goal", as well as to "develop an effective educational curriculum for kindergartens."

In consequence, the number of children enrolled in kindergartens increased from 96.1 thousand in 2004 to 103.1 thousand in 2008, an average annual growth rate of 1.8% (Table 22.1.1).

In addition, in 2009, Council of Ministers Resolution No. 60 was issued concerning minutes of the Ministerial Committee for Administrative Organization, which called for increasing suitable female employment opportunities in government agencies. The Resolution instructed that "efforts to make Kindergartens an integral part of education be accelerated, and that employment in them be restricted to women".

**Table 22.1.1**  
**Increase in Number of Kindergartens**  
**Eighth Development Plan\***

	2004	2008	Average Annual Growth Rate (%)
Kindergartens	1396	1472	1.3
Classes	5514	6568	4.5
Enrolled Children	96073	103125	1.8
Women Teachers	10049	10184	0.3

\* Up to the end of the fourth year of the Eighth Development Plan.

*Source: Ministry of Education, Annual Statistical Reports.*

### 22.1.2.2 Primary, intermediate and secondary education

The significant expansion of primary education is a major indicator of the success of the educational policies pertaining to providing educational opportunities to children. Net enrolment rates in primary education rose from 76.8% in 1990 to 84.9% in 2008. In general, the number of enrolled students rose from 4.36 million in 2004 to 4.72 million in 2008, an average annual growth rate of 2%. The growth was accompanied by increased commitment of Saudi families to enrolling their children, boys and girls, in the educational system, with girls accounting for 47.5% of total Saudi students enrolled in general education in 2008. In the same year, schools for girls accounted for 49.7% of all schools and they had 51.6% of all teachers.

Expansion of general educational opportunities and the provision of requisite resources require a detailed review of educational indicators by region, in order to monitor distribution of opportunities among regions. Table 22.1.3 shows the distribution of educational opportunities and basic requirements, such as schools, classes and teachers, over the thirteen administrative regions. The data show that the rates of the regions are around the national averages.

**Table 22.1.2**  
**Growth of Primary, Intermediate and Secondary Education**  
**Eighth Development Plan\***

	2004	2008	Average Annual Growth Rate (%)
Number of Schools	23955	25902	2.0
Number of classrooms	196087	212109	2.0
Number of new entrants:			
- Primary	402356	420008	1.1
- Intermediate	332647	385519	3.8
- Secondary	306671	330511	1.9
Number Enrolled:			
- Primary	2385501	2469863	0.9
- Intermediate	1078026	1188898	2.5
- Secondary	892131	1058514	4.4
<b>Total</b>	<b>4355658</b>	<b>4717275</b>	<b>2.0</b>
Graduates of secondary schools	239379	321042	7.6
Number of teachers	379538	436526	3.6
Saudization of teachers (%)	93.0	94.3	

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Education, Annual Statistical Reports.

Page

388

**Table 22.1.3**  
**General Education (Primary, Intermediate and Secondary)**  
**by Administrative Region**  
**2008**

Region	Schools	Classes	Students	Teachers	Teacher/Student	Student/School	Student/Class
Riyadh	5483	48467	1115031	100910	11	203	23
Makkah	4975	48088	1112374	96801	11	224	23
Madinah	1849	14463	335243	29620	11	181	23
Qasim	1868	12338	233308	25722	9	125	19
Eastern Region	2646	26613	681621	57790	12	258	26
Asir	3098	20034	371250	41257	9	120	19
Tabuk	794	6494	158732	12316	13	200	24
Hail	1044	6803	116309	13655	9	111	17
Northern Borders	359	2766	66280	6000	11	185	24
Jazan	1756	12620	257520	23453	11	147	20
Najran	535	4101	95359	8722	11	178	23
Baha	921	4968	75069	10146	7	82	15
Jawf	574	4355	99179	10134	10	173	23
<b>Total</b>	<b>25902</b>	<b>212109</b>	<b>4717275</b>	<b>436526</b>	<b>11</b>	<b>182</b>	<b>22</b>

Source: Ministry of Education, Annual Statistical Report.

For 2008, the teacher/ student ratios varied by region from 1:13 for Tabuk to 1:7 for Baha, while ratios for regions with high population density were equal to or close to the overall average ratio of 1:11. The low ratios by international standards are due to demographic considerations, with the Ministry of Education having to provide schools and teachers to small communities.

### 22.1.2.3 Secondary education outputs

Male and female students in secondary education attend a number of tracks that prepare them for entry into higher education and subsequent specializations. During 2004–2008, graduates of secondary schools tended towards the science tracks. The average annual growth rate of male graduates of science tracks was 9.4%, compared with 8.8% for female graduates. However, predominance of arts track graduates continued, though declining from 62.3% in 2004 to 57.8% in 2008. Given that universities aim to expand disciplines that require broader and deeper grounding in natural sciences, there is a need for encouraging enrolment in the corresponding science tracks in secondary education, especially for girls.

**Table 22.1.4**  
**Development of Secondary-Education Outputs**  
**Eighth Development Plan<sup>(\*)</sup>**

years	Male Students			Female Students			Grand Total		
	Total	Science	(%)	Total	Science	(%)	Total	Science	(%)
2004	118070	75872	64.3	121309	45792	37.7	239379	121664	50.8
2008	168949	108522	64.2	152094	64259	42.2	321043	172781	53.8
<b>Average Annual Growth Rate (%)</b>	<b>9.4</b>			<b>8.8</b>			<b>9.2</b>		

(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Education, Annual Statistical Reports.

### 22.1.2.4 Contribution of private general education

The first private-school system started in 1938. Since then, the private sector played an important role in providing general education at all

levels, with the total number of students in private education institutions rising from 345.3 thousand in 2004 to 483.8 thousand in 2008 (Table 22.1.5).

**Table 22.1.5**  
**Contribution of Private General Education**  
**2008**

Stage	Schools			Students			Teachers		
	Total	Private	%	Total	Private	%	Total	Private	%
Kindergarten	1472	650	44.2	103125	52821	51.2	10184	4810	47.2
Primary	13479	1021	7.6	2469863	200324	8.1	229686	19475	8.5
Intermediate	7691	786	10.2	1188898	83774	7.0	116349	7361	6.3
Secondary	4731	602	12.7	1058514	146837	13.9	90491	10476	11.6
<b>Total</b>	<b>27373</b>	<b>3059</b>	<b>11.2</b>	<b>4820400</b>	<b>483756</b>	<b>10.0</b>	<b>446710</b>	<b>42122</b>	<b>9.4</b>

*Source: Ministry of Education, Annual Statistical Reports.*

Private education students constituted 10% of total students in general education in 2008. At 41.4% of all students enrolled in private education, the percentage of students enrolled in private primary schools is the highest.

Under the Ninth Development Plan, the Ministry of Education will seek to promote private education, both quantitatively and qualitatively.

### **22.1.2.5 Eradication of illiteracy**

Development experiences underline the priority of illiteracy eradication, for without a literate society and an educated workforce, it would be difficult, even impossible, to achieve sectoral objectives, let alone make effective progress towards a knowledge society.

Data of the General Census of Population in 2004 and data of the 2007 demographic survey show that illiteracy among males and females aged 15 years and older decreased from 25.8% to 23.6% for females and from 9.8% to 8.6% for males, and that illiteracy among young people (15–24) declined to 4.3% for males and 4.8% for females.



Hence, the immediate task is to eradicate illiteracy among people of working age (15–45), particularly since work is afoot to provide universal access to primary education, thereby ensuring eradication of illiteracy.

**Table 22.1.6**  
**Development of Adult Education**  
**Eighth Development Plan\***

Year	Schools	Classes	New Entrants	Total Enrolled	Total of Saudis Enrolled	Graduates
2004	3621	9298	34095	80544	63410	23815
2008	4528	10801	38661	101537	82362	28861
<b>Average annual growth rate (%)</b>	<b>5.7</b>	<b>3.8</b>	<b>3.2</b>	<b>6.0</b>	<b>6.8</b>	<b>4.9</b>

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Education, Annual Statistical Reports.

Data of the Ministry of Education for the academic year 2008 (Table 22.1.6) show that adult education classes numbered 1,693 for males and 9,108 for females, while there were 17.1 thousand Saudi male students and 65.3 thousand Saudi female students. Data from the 2007 demographic survey indicate that there were 187.2 thousand illiterate males and 759.9 thousand illiterate females. Given the existing capacity of adult education schools, it is clear that eradicating illiteracy of this magnitude will require mobilization of exceptional efforts.

### **22.1.2.6 Institutional and organizational development**

The Ministry of Education is seeking to restructure the public education sector through an integrated system covering all legislative, planning, organizational and operational aspects, while promoting private sector education.

King Abdullah Bin Abdul-Aziz Public Education Development Project (Tatweer), issued by Royal Order No. 1087/m b of 2007, is a

cornerstone of institutional and organizational development. The Project consists of four major programmes that aim to:

- Develop educational curricula in response to modern scientific and technical developments to meet the moral, knowledge, professional, psychological, physical, mental and lifestyle needs of students.
- Re-qualify teachers to prepare them for carrying out their educational duties in the service of the objectives of advanced curricula.
- Improve the educational environment to enable utilization of information and communication technology (ICT) for delivering digital curricula, thereby creating an environment conducive to learning and to the achievement of a higher level of education and training.
- Strengthen personal and creative capabilities, develop skills and hobbies, satisfy psychological needs of students, and consolidate citizenship and social cohesion through extra-curricular activities of various kinds.

**Page**  
**392**

Royal Decree M/75 of 2008, licenses the Holding Company, Tatweer. The purpose of this company is to provide all basic educational services and supporting services; develop, establish, operate, and maintain educational enterprises; and conduct relevant business activities. The company is entrusted with implementing King Abdullah Bin Abdul-Aziz Public Education Development Project and additional development programmes.

### **22.1.3 Issues and Challenges**

#### **22.1.3.1 Rates of success, repetition and dropout**

Rates of success, repetition and dropout are important indicators of performance of an educational system, for detailed data on these rates enable monitoring the performance of both students and educational institutions. Such monitoring contributes to curriculum development

and improvement of teaching and learning methods. However, the quality of these measures is largely influenced by the quality of examinations and the reliability of their outcomes.

Studies of the internal efficiency of the educational system under the Eighth Plan point to an improvement in the rates of repetition and dropout. The average percentage of repeaters for classes from grade one up to and including grade twelve under the Eighth Plan ranged between 3% and 14.6%, compared with 4.83% and 21.39% under the Seventh Plan. Nevertheless, there is still an urgent need for conducting extensive, detailed studies of the internal efficiency of the education system at all levels upon which to base efforts aimed at enhancing teaching efficiency and modernising curricula and teaching methods.

### **22.1.3.2 School environment**

States are interested in improving the school environment, as it is an important factor of raising attainment levels. The school environment, inside and outside the classroom, is an important factor of teaching, learning, and training. It helps teachers to perform the work entrusted to them at a high level of efficiency and quality, and it encourages students to participate, interact, apply self-learning and raise the level of their academic achievement. A good school environment requires adequate resources, including: computer labs, language labs, laboratories, classrooms equipped with e-learning equipment, activity rooms, and cultural and sports halls; in addition to the use of ICT.

Providing such an environment requires school buildings to replace unsuitable rented premises. All related problems, particularly provision of land, need to be solved and implementation of the building projects needs to be entrusted to highly competent contractors.

### **22.1.3.3 Raising quality of education**

Raising the quality of education is the most important and most challenging issue for the Ninth Development Plan. Quality is the essential element in ensuring that graduates of the educational system

contribute actively to development, rather than being a burden on it.

Proliferation of knowledge requires of the educational system to improve its ability to adapt to scientific progress, by reassessing curricula; updating, deepening and renewing knowledge, experience and skills, and equipping students with self-learning capabilities. The Ministry of Education is undertaking a set of quality development projects, including: comprehensive development of curricula, development of a secondary-school course system; development of mathematics and science curricula; and development of English language curricula. By covering the key elements of enhancement of the quality of education in the Kingdom, the King Abdullah Project for Development of Education represents a quantum leap in renewal, modernization and advancement of the educational system.

**Page**  
**394**

The educational process is centred on availability of competent qualified teachers to teach generations capable of proper understanding, assimilation, development and innovation. Hence there is the need for re-qualifying teachers, upgrading their efficiency, and developing their teaching and leadership capabilities, through continuous interactive training. In addition, there is a need for providing teachers with ICT skills and expertise to enable them to employ it in teaching, as well as for developing their positive qualities and fostering their spirit of belonging and their loyalty to the country and the teaching profession. All of these objectives would be served by regularly measuring the requisite competencies and raising the standards of entry to the teaching profession.

Raising the quality of education is not limited to a period of time or to any one plan; it is a multidimensional, continuous, permanent process. Long ago, the Kingdom began taking measures to upgrade and advance the education sector. What is required is to sustain, consolidate, and develop these efforts, while providing the necessary support for their success.

#### **22.1.3.4 Fostering early-childhood education**

Global interest in developing and expanding early-childhood care is growing, with the objective of promoting the welfare of early-age children and converting that into programmes that develop all aspect of their lives. Saudi Arabia has given this matter a high priority, particularly with regard to health and education. However, an aspect of early-childhood educational care is still in need for support; namely, kindergartens that should constitute the basis for programmes offered by the state to develop and promote the cognitive and linguistic skills and social development of pre-school children, with kindergartens complementing the care children receive at home.

Despite the importance of pre-school education, the proportion of Saudi children of the age group concerned who are enrolled in kindergartens is still about 10%, compared with 18% for Arab States as a whole. This calls for a change in the prevailing perception of kindergartens, towards considering them as an investment that yields socioeconomic benefits in the long run. Many public kindergartens are still attached to primary schools, with poor absorptive capacity. Thus, demand is weak and so is the potential for expanding it and the capacity to absorb it if and when it grows. Hence, special efforts to address these problems are required.

Implementation of a leading programme for providing additional opportunities for enrolment of children in kindergartens requires adequate financial allocations to provide buildings, equipment, qualified and trained educationalists, and specialised curricula. Moreover, the private sector and charities ought to play an active role in this expansion and the state ought to provide sufficient support and incentives to stimulate private sector participation.

#### **22.1.4 Demand Forecasts**

Under the Ninth Development Plan, the Ministry of Education will provide educational opportunities, improve enrolment rates at various levels, and enhance the contribution of private education, as follows:

### 22.1.4.1 Kindergartens

It is projected that by the end of the Ninth Development Plan, the rate of enrolment of children in kindergartens would reach about 16%, bringing the number enrolled to about 156 thousand, the number of kindergartens to 1,818, and the number of teachers to 10.2 thousand. This requires buildings for kindergartens separate from primary schools, providing training to all kindergarten teachers and administrators, and development of a set of mechanisms to stimulate the establishment of private kindergartens.

**Table 22.1.7**  
**Forecast Demand for Kindergartens (Children Enrolled)**  
**Ninth Development Plan**

<b>Region</b>	<b>2009</b>	<b>2014</b>
Riyadh	33567	48668
Makkah	24333	37610
Madinah	5256	7704
Qasim	4397	6704
Eastern Region	17951	23853
Asir	4678	8731
Tabuk	3010	4553
Hail	1339	2989
Northern Borders	1495	3559
Jazan	3001	4989
Najran	1372	1715
Baha	978	1774
Jawf	1768	3053
<b>Total</b>	<b>103145</b>	<b>155902</b>

*Source: Ministry of Economy and Planning*

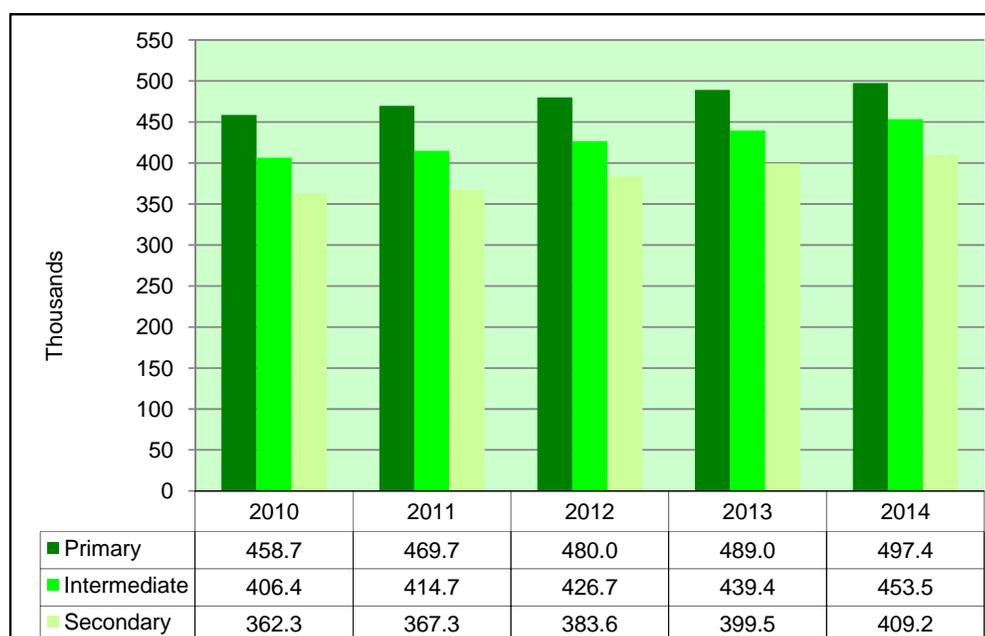
### 22.1.4.2 Primary, Intermediate and Secondary Education

#### □ *Students*

An average annual growth rate of new entrants into primary school of 2% is envisaged, which will lead to a rise in enrolment in the first grade of primary school to 100%, in pursuance of compulsory primary education. To this end, the Ministry of Education will undertake

developing effective mechanisms to ensure enrolment of 6-year old children in the first primary grade, along with maintaining a continuous assessment programme to advance students from one grade to the next. Moreover, a rate of 98% or more is envisaged for enrolment in the first intermediate grade, thereby achieving an average annual growth rate of new entrants of 2.8%. In addition, a success rate of 97% is envisaged by the end of the Ninth Plan.

**Figure 22.1.1**  
**Forecast of New Entrants by Education Level**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning.*

The Plan seeks enrolment rates in the first secondary grade of not less than 95%, with an average annual growth rate of new entrants of 3.1%, while raising success rates to 95% by the end of the Ninth Plan. Also envisaged is expansion of the science track so that its male and female graduates will constitute about 60% of total secondary school graduates by the end of the Ninth Plan.

**Table 22.1.8**  
**Forecast Numbers of Students Enrolled in General Education**  
**(Primary, Intermediate, Secondary)**  
**Ninth Development Plan**

Region	2009	2014
Riyadh	1132220	1259391
Makkah	1119992	1249838
Madinah	358558	374155
Qasim	234649	264828
Eastern Region	693615	759456
Asir	371690	414490
Tabuk	168614	180445
Hail	118077	129495
Northern Borders	65740	76423
Jazan	231573	299324
Najran	98763	105613
Baha	71704	80138
Jawf	96578	113573
<b>Total</b>	<b>4761773</b>	<b>5307169</b>

*Source: Ministry of Economy and Planning.*

Page

398

**Table 22.1.9**  
**Forecast Distribution of Graduates of Secondary School**  
**by Track**  
**Ninth Development Plan**

Year	Male				Female			
	Arts	%	Science	%	Arts	%	Science	%
2010	66866	35.8	119910	64.2	93178	56.5	71738	43.5
2011	64130	33.1	129615	66.9	93062	54.3	78323	45.7
2012	65138	32.3	136528	67.7	94136	52.7	84491	47.3
2013	65519	31.7	141164	68.3	96143	51.6	90180	48.4
2014	65978	30.9	147542	69.1	98718	50.7	95993	49.3

*Source: Ministry of Economy and Planning.*

### **□ School buildings**

School building requirements are determined according to population growth, replacement of rented buildings, separation of schools attached to others, and substitution of dilapidated existing school buildings, in accordance with the controls on opening and closing schools in cities and villages stipulated by Royal Decree No. 7/ B/ 5652 of 2002.



About 6,050 school building projects are needed, including educational complexes, model schools of various types, small model schools, large secondary model schools, and schools for villages and hamlets. The Ninth Development Plan aims to implement 3,750 school building projects, representing about 62% of total requirements, in addition to 1,351 projects that have been approved among projects financed from budget surpluses.

**Table 22.1.10**  
**Forecast Demand for School Buildings**  
**Ninth Development Plan**

Region	Total Demand for School Buildings	Target Under Ninth Development Plan	Projects Financed from Surplus Budget Revenues
Riyadh	1253	807	216
Makkah	1205	749	255
Madinah	456	277	86
Qasim	427	268	88
Eastern Region	808	512	107
Asir	559	353	146
Tabuk	120	74	44
Hail	217	130	83
Northern Borders	167	66	38
Jazan	421	249	127
Najran	112	67	72
Baha	138	88	32
Jawf	167	110	57
<b>Total</b>	<b>6050</b>	<b>3750</b>	<b>1351</b>

*Source: Ministry of Education and Ministry of Economy and Planning.*

## 22.1.5 Development Strategy

### 22.1.5.1 Future Vision

An integrated educational system that aspires to establish a solid foundation for general education, supported by highly trained and qualified educational competencies, capable of developing students

and equipping them with cognitive and innovative skills, guided by the requirements of the knowledge society.

#### **22.1.5.2 Objectives**

- Developing an educational environment that meets the quantitative and qualitative requirements of the next phase.
- Developing advanced educational curricula that achieve comprehensive development of students to enable them to contribute to build their society.
- Improving the qualitative efficacy of educational human resources to enable them to assimilate the objectives of modern curricula.
- Providing sound non-class activities to build an integrated balanced Islamic character in the service of religion, society and the nation.
- Improving the internal and external efficiency of the educational system.
- Fostering early-childhood education and prepare early-age children for entry into general education.
- Developing the administrative systems and their components and reducing centralization.
- Upgrading educational systems for the gifted and groups with special needs and adults.
- Applying quality systems and their standards to education.
- Expanding community participation in education.

**Page**  
**400**

#### **22.1.5.3 Policies**

- Intensifying efforts to improve the school environment, rendering it stimulating and attractive.
- Expanding the use of ICT and integrating it into the educational process and providing the school environment with the required technological resources.

- Ensuring compulsory primary education for boys and girls, providing the facilities and equipment necessary for accommodating the increased numbers of students, and adopting the school-map technology as a tool in the deployment of educational services.
- Widely distributing Holy-Quran and Islamic teaching schools and developing related curricula to meet the actual needs of the community.
- Developing educational programmes to keep pace with knowledge and technological advances and enable learners to interact positively with world cultures; developing appropriate secondary education to meet the requirements of comprehensive development; and intensifying English language teaching at all levels of education.
- Raising the capacity of the educational system in the application of ICT and adopting continuous requalification and training.
- Adopting a system of periodic requalification of teachers every five years; applying standard proficiency tests periodically; and developing selection mechanisms for teachers.
- Developing incentive systems to ensure retention of excellent educators.
- Enhancing recreational educational programmes designed to invest in leisure; developing educational programmes for the gifted in science and creativity, enabling students to explore and develop their aptitudes and talents; and enhancing the contribution of female students to various activities.
- Modernising early-childhood programmes and activities and encouraging the private sector to invest in kindergartens.
- Extending more powers to educational leadership, reducing centralization, strengthening and developing school administration, in order to achieve a modified formulation of the school self-management system.
- Upgrading special-education systems in line with contemporary trends and global standards, and providing appropriate physical

environment and educational facilities for people with special needs.

- Eradicating illiteracy and delivering adult education and literacy programmes in areas of need, and providing parallel educational channels to accommodate dropouts from the educational system.
- Continuing to evaluate and update general education systems to become more responsive to development plans and the needs of society.
- Promoting and intensifying private sector participation in providing educational opportunities.

#### **22.1.5.4 Targets**

- Reducing dropout rates to 1% for all levels of education, and reducing repetition rates to 3% at the intermediate-school level and 5% at the secondary-school level.
- Enhancing national attainment standard tests and conducting diagnostic tests to monitor difficulties faced by students in various subjects.
- Establishing a research unit for the gifted and qualifying existing centres to enable them to design, develop and implement special programmes for the gifted.
- Expanding the science track so that its graduates constitute 60% of all secondary-school graduates by the end of the Ninth Plan.
- Continuing to support implementation of the development of teaching strategies project and the overall curriculum development project.
- Supporting establishment of the digital curriculum and formulation of a model partnership with the private sector and building an e-learning portal.
- Achieving 100% enrolment rate at primary schools (compulsory education).
- Achieving an enrolment rate of 98% at the intermediate-school level and 95% at the secondary-school level.

- Encouraging use of educational laboratories by modernizing and equipping school laboratories, and securing mobile laboratories for schools that do not have fixed laboratories.
- Implementing a system of comprehensive evaluation of schools at an annual rate of 20% of all schools.
- Implementing an educational accreditation system for private schools.
- Encouraging the private sector to increase its participation in school expansion to accommodate students of general education, attaining a participation rate of 15% by the end of the Ninth Plan.
- Expanding kindergartens to ensure an absorption capacity of 16% of children aged 4–5 years.
- Developing an adult-literacy plan that involves all agencies concerned, in order to achieve eradication of illiteracy, according to a specific timetable and starting implementation.
- Increasing the percentage of those having the higher-educational qualifications required by the educational system.
- Supporting expansion of educational research into qualitative development objectives, studies of test results, repetition and dropout at various educational levels.
- Continuing to implement a comprehensive health programme, in coordination with the Ministry of Health (medical examination and vaccination campaigns and treatment of students).
- Enhancing cooperative school-transport services and expanding private-sector transport services for girls.

### **22.1.6 Financial requirements**

The financial requirements of the general education sector (Ministry of Education) under the Ninth Development Plan amount to SR498.4 billion.

## **22.2 HIGHER EDUCATION**

### **22.2.1 Introduction**

Under the Eighth Development Plan, the higher-education sector achieved remarkable progress in accommodating the output of secondary education and satisfying the desire of graduates to continue their university education in disciplines needed by the labour market. A number of universities were established in all regions and governorates, bringing the total number to 24, in addition to King Abdullah University of Science and Technology.

Moreover, under the Eighth Development Plan, 152 new colleges were established, with their outputs linked directly to labour market requirements in science, medicine, engineering, administration, and computer science and information technology, in order to provide national competencies that serve development objectives; in addition to 12 university hospitals carrying out medical research.

Contribution of the private sector to higher-education provision also increased: there are now 8 private universities and 19 private colleges, accommodating more than 26 thousand students.

The Ministry of Higher Education is implementing King Abdulaziz Foreign Scholarships Programme, with the total number of scholarships exceeding 70 thousand.

This part of the chapter reviews the current conditions of higher education, the major developments that took place under the Eighth Development Plan, and the key issues and challenges that must be addressed during the Ninth Development Plan. It also provides forecasts of future demand and highlights the future vision, objectives, policies and targets set for the sector in the Ninth Development Plan.

## 22.2.2 Current Conditions

### 22.2.2.1 Accepted, enrolled and graduate students

- The number of students enrolled in higher-education institutions increased from 571.8 thousand students in 2004, representing 42% of the 19–22 years age group, to about 759.9 thousand students in the fourth year of the Eighth Plan (2008), representing 51% of the same age group. This reflects an average annual growth rate of 7.4% (Table 22.2.1).
- The number of students accepted for entry into higher education institutions increased from 215.6 thousand in 2004 to 280.5 thousand students in 2008, an average annual growth rate of 6.8%. Those accepted constitute 68.2% of total secondary school graduates, but regular students constitute 51.2% (Table 22.2.1).
- The number of university graduates increased at an average annual growth rate of 7.9%, from 82.6 thousand in 2004 to 112 thousand in 2008, with the number of graduates amounting in that year to 84.7% of the target (Table 22.2.1).

**Table 22.2.1**  
**Numbers of New entrants, Graduates and Enrolled Students**  
**Eighth Development Plan<sup>(\*)</sup>**

	2004			2008			Average Annual Growth Rate (%)		
	Enrolled	New entrants	Graduates	Enrolled	New entrants	Graduates	Enrolled	New entrants	Graduates
Total in government universities	479250	178161	64413	659860	226754	96274	8.32	6.21	10.57
Total in other higher-education institutes	92563	37402	18208	100054	53764	15681	1.96	9.50	-3.67
<b>Grand Total</b>	<b>571813</b>	<b>215563</b>	<b>82621</b>	<b>759914</b>	<b>280518</b>	<b>111955</b>	<b>7.37</b>	<b>6.81</b>	<b>7.89</b>

(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Higher Education.

The following table shows the numbers of new entrants, graduates and enrolled students by region in 2008.

**Table 22.2.2**  
**New Entrants, Graduates and Enrolled Students**  
**By Region in 2008**

Region	New entrants		Graduates		Enrolled	
		(%)		(%)		(%)
Riyadh	78012	27.81	30531	27.27	202457	26.64
Makkah	81574	29.08	30575	27.31	214653	28.25
Madinah	19080	6.80	8091	7.23	52935	6.97
Qasim	12018	4.28	6492	5.8	37391	4.92
Eastern Region	31985	11.4	13859	12.38	95293	12.54
Asir	17171	6.12	8776	7.84	55469	7.3
Tabuk	4802	1.71	1787	1.6	9913	1.3
Hail	7250	2.59	2600	2.32	18086	2.38
Northern Borders	3542	1.26	1509	1.34	11258	1.48
Jazan	7668	2.73	2484	2.22	21788	2.87
Najran	4280	1.53	1186	1.06	9014	1.19
Baha	6194	2.21	2157	1.93	16684	2.19
Jawf	6942	2.48	1908	1.7	14973	1.97
<b>Grand Total</b>	<b>280518</b>	<b>100.00</b>	<b>111955</b>	<b>100.00</b>	<b>759914</b>	<b>100.00</b>

*Source: Ministry of Higher Education*

#### 22.2.2.2 Postgraduate students

The numbers of postgraduate students at universities increased at an average annual rate of 12.03%, from of 11,335 students in 2004 to 17,855 students in 2008, which constitutes 3.7% of total undergraduate students enrolled in that year. PhD students constituted 14%, and Master students 68%, while fellowship and Higher Diploma students comprise 18%.

#### 22.2.2.3 Faculty members

The number of faculty members at the universities rose at an average annual rate of 11.42%, from 18,362 members in 2004 to 31,536 in 2009, of whom Saudis constituted 59.65%.



In 2008, the number of university lecturers and teaching assistants on scholarships or study missions totalled 3,408, of whom 872 were studying at home and 2,536 were studying abroad.

#### **22.2.2.4 Absorptive Capacity**

Under the Eighth Development Plan, significant geographical expansion of the higher-education sector to cover all regions and most governorates was achieved, in an effort to meet aspirations of students in various regions to complete their university education. 12 new universities and 152 new colleges were established over all regions and governorates.

Private-sector contribution to higher education also expanded. The number of private universities rose to 8 and private colleges to 19, with a total student population of more than 26 thousand.

In addition, the Custodian of the Two Holy Mosques King Abdullah bin Abdul Aziz Scholarships Programme contributes to supporting disciplines where there is a shortage, such as medicine and medical science, and engineering and technology. More than 70 thousand male and female students have been sent to attend advanced international universities, in more than 23 countries, including the United States, Canada, Australia, New Zealand, France, Japan, and Malaysia.

#### **22.2.2.5 Scientific research activity**

Through scientific research programmes, centres of excellence and scientific activities associated with them, universities continuously contribute to social and environmental development and the advance towards a knowledge economy. In 2008, research centres at universities, which are powerhouses of scientific expertise, numbered 72 and they undertook more than 1,700 research and scientific publications. The total number of research studies and scientific papers authored or co-authored by faculty members published in scientific journals was more than 3,600 in basic and applied sciences, humanities and social sciences.

In addition, King Abdullah University of Science and Technology, which is a unique educational establishment made tangible, distinguished contributions to scientific research and postgraduate studies.

#### **22.2.2.6 Institutional and organizational development**

Higher education is developing rapidly to meet the needs of sustainable, balanced development in all regions. In the last year of the Seventh Development Plan, three new universities were established in the Makkah region, in the Madinah region and in Buraida in the Qassim region. In the second year of the Eighth Development Plan, seven new universities were established in each of the following regions: Hail, Tabuk, Jawf, Najran, Jazan, Baha, and the Northern Borders. In the last year of the Eighth Development Plan, four new universities were established in Dammam, the Eastern Region, Kharj, Shaqra, and Mujamah in Riyadh region, to accommodate the growing numbers of secondary-school graduates. Noteworthy is the establishment of the University of Princess Noura Bint Abdul-Rahman in Riyadh city, which incorporated all girls colleges in the city of Riyadh. Moreover, girls and teachers colleges affiliated with the Ministry of Education were incorporated into the regional universities. Furthermore, a Royal decree approved annexation of health colleges and institutes of the Ministry of Health to universities.

**Page**  
**408**

### **22.2.3 Issues and Challenges**

#### **22.2.3.1 Quality of education**

Quality of education is one of the main issues of concern to many people in the Kingdom, whether engaged in education or interested in it, for assuring quality of education ensures outputs that can contribute actively to development.

Relentless efforts by the Ministry of Higher Education and institutes of higher education have contributed to enhancing the quality of education, and to achieving advanced ranking in a number of

international classifications. For example, King Saud University ranked 247 globally and first among Arab universities in the Times-QS classification, while King Fahd University of Petroleum and Minerals ranked 266 globally and second among Arab universities. In addition, King Saud University was the only Arab university to figure in the 2009 Shanghai classification, which is the toughest and the most widely regarded academic classification.

In spite of the excellent positions in international rankings of universities achieved by some higher-education institutes, others are not included, which calls for further efforts towards improving quality of higher education in all institutions in the country.

### **22.2.3.2 Quality absorptive capacity of higher education**

Consideration of the absorptive capacity of secondary-school graduates in higher education is of great importance, for it is linked to a range of issues, including: the gap between the growing demand for university education and available capacity, student desire for joining certain colleges or disciplines in greater numbers than the capacity of the labour market, the anxiety regarding unemployment of secondary-school graduates in the event of not being able to enrol in higher education, and the needs of the labour market for graduates in particular higher education disciplines.

As a result of the mounting desire of Saudi families for their children to complete higher education, the share of secondary-school education in total general education is increasing rapidly, at annual growth rates exceeding those pertaining to primary and intermediate-school education. In the academic year 2008, the total number of male and female students enrolled in secondary schools exceeded a quarter of a million. At the same time higher-education institutes made an effort to expand admissions and succeeded in offering places to more than 90% of secondary-school graduates in 2009.

However, not all secondary-school graduates join universities; some join the military colleges, some will be sent abroad to pursue their

studies, and others will enter the labour market. Manpower statistics for 2008 show that 26.8% of all Saudi workers (15 years or older) are secondary- school graduates who chose to enter the labour market directly rather than attend university. This calls for a change in secondary-education curricula and programmes to prepare students not only for continuing their education, but also for joining technical colleges to be ready for the labour market, a working life and society.

To ensure the quality of inputs into Higher Education, the Ministry of Higher Education established The National Centre for Assessment in Higher Education in 2000. The Centre has contributed to the development of criteria for admission to universities, and helped to improve their input by the aptitude test and the attainment test administered by it to serve as additional admission criteria alongside the results of the secondary-school examination. The Ministry of Higher Education has managed to narrow the gap between supply and demand through developing modernized admission mechanisms, rather than relying entirely on general examinations. However, there is a need for constant review of admission systems, as well as for a comprehensive information system to assist students in choosing among the options available to them.

**Page**  
**410**

### **22.2.3.3 Identifying changing needs of labour market**

Renewal and development of Saudi society need to take account of future changes and their consequent rapid transformations. Since education generally, and higher education in particular, is the cornerstone in the formation of the intellectual abilities and skills upon which change and development are based, the tasks entrusted to higher education become pivotal.

Table 22.2.3 presents data on distribution of students by discipline in higher education.

Comparing the distribution of new entrants by discipline at various levels of higher education in the Kingdom with that of graduates in selected countries (22 countries from various regions of the world) reveals a tendency towards the study of humanities and poor enrolment

in important disciplines, such as medicine, engineering and natural sciences, which calls for review and reconsideration, with the aim of enabling higher-education institutes to meet the needs of the labour market, thereby reducing unemployment.

**Table 22.2.3**  
**Distribution of Students by Discipline**  
**in Higher Education**

(%)

Field of Study	Intermediate Diploma			Bachelor Degree			Postgraduate Education		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Science	16.3	44.1	22.5	19.2	17.6	18.2	8.7	18.0	12.2
Engineering	21.2	–	16.5	5.1	0.2	2.1	5.5	0.2	3.5
Agriculture	1.2	–	0.9	1.9	0.5	1.0	1.9	–	1.2
Health	12.8	28.1	16.2	4.4	2.9	3.4	2.4	6.5	3.9
Education	1.9	1.6	1.8	2.3	3.7	3.2	31.3	25.6	29.2
Humanities	2.2	0.7	1.9	29.5	57.5	46.6	26.9	32.4	29.0
Social Sciences, Business, Law	31.3	13.9	27.5	13.3	13.4	13.4	12.6	11.0	12.0
Preparatory Programmes	11.8	5.2	10.3	5.9	1.3	3.1	—	—	—
Other	1.3	6.4	2.4	18.4	2.9	9.0	10.7	6.3	9.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: Ministry of Higher Education*

In addition, it is necessary to review the distribution of students in higher education between university and sub-university programmes, especially that development needs require practical, technical and vocational specialisations that could be better met by intermediate diplomas.

## **22.2.4 Demand Forecasts**

To keep pace with the growing numbers of secondary-school graduates and meet their aspirations to continue their education in specialisations needed by the labour market, the absorptive capacity of institutes of higher education, both at the university and sub-university levels, was expanded under the Eighth Development Plan. The Ninth Plan aims to admit in its first year, 2010, about 315,300 students and increase this number gradually to about 375,300 students in its last year, 2014, an average annual growth rate of 4.5%. In addition, the Plan projects that over the same period, the number of graduates will increase from 240,800 to about 318,300, an average annual rate of 7.2%.

It is worth mentioning that all over the world, distribution of students in higher education between university and sub-university programmes is determined by the needs of the labour market. The share of university education in the Kingdom to all new entrants to higher education in 2006 was 75.4%, but it increased to about 91% in 2009, the last year of the Eighth Development Plan. This rate approximates the highest rate achieved in the world.

**Page**  
**412**

## **22.2.5 Development Strategy**

### **22.2.5.1 Future vision**

A university education that competes for leadership and contributes to building the knowledge society and meets requirements of socioeconomic and environmental development.

### **22.2.5.2 Objectives**

- Increasing internal and external efficiency to meet the requirements of development.
- Improving the quality of education.
- Applying modern management systems.
- Optimally using ICT.
- Expanding and diversifying post graduate programmes.

- Supporting and enhancing scientific research and increasing contribution to production of knowledge.
- Effectuating the principle of partnership with local communities.
- Developing cooperation and coordination with scientific institutes at home and abroad to achieve development goals.

### 22.2.5.3 Policies

- Rationalizing admissions to disciplines that are not in demand in the labour market and development programmes.
- Relating expansion of higher education to programmes and disciplines that are in high demand in the labour market.
- Incorporating the knowledge, skills and attitudes required by the labour market into the curricula and courses of higher education.
- Identifying the skills required of higher-education graduates by the labour market, whether locally, regionally, or globally and taking account of them in the plans for developing higher education.
- Expanding intermediate higher education, in line with the needs of development and the labour market.
- Identifying higher-education quality indicators pertaining to students, faculty members, educational programmes, and effective teaching hours.
- Studying performance of graduates of higher education to determine the standard and quality of their work in the labour market.
- Reviewing plans, curricula, and programmes periodically in view of the need for linking the educational process to the quality of its outputs.
- Establishing advisory boards composed of local and international highly qualified persons to participate in shaping the future of the university with regard to its global competitiveness.
- Improving the quality of higher education outputs academically and technically.

- Increasing the flexibility of the scientific programmes of higher-education institutes.
- Completing implementation of academic assessment and accreditation of programmes.
- Establishing at universities centres for educational innovation in some disciplines.
- Attracting outstanding faculty members.
- Enhancing modern management of higher-education institutions and benefiting from relevant successful experiences.
- Developing and documenting work procedures and disseminating them among university communities.
- Developing human resources management in higher education.
- Establishing university information bases and networking them.
- Stimulating interaction among institutes of higher education through an information network, and updating their websites.
- Promoting publication of distinguished research in international scientific journals.
- Incentivizing the brightest students to enrol in postgraduate programmes at universities, especially in applied disciplines.
- Expanding postgraduate programmes at universities, and providing all the necessary resources: teaching staff, laboratories, and libraries; and encouraging postgraduate students to orient their research towards serving society and development.
- Expanding scientific research in universities, by establishing research centres of excellence in fields such as nanotechnology and biotechnology.
- Focussing research on national priorities and objectives and supporting it financially and with human resources.
- Establishing criteria and indicators for the quality of scientific research informed by global trends.



- Enhancing partnership between scientific research centres at universities and private-sector institutions.
- Establishing digital libraries and providing information sources and data banks in all institutes of higher education.
- Promoting the culture of participation and knowledge interaction at the university, directing scientific research to lay the foundations of the knowledge economy, and enhancing safeguards of intellectual property rights.
- Continuing to have university-community weeks to foster understanding and cooperation between higher-education institutes and community institutions.
- Improving selection mechanisms of scholarship students and directing them towards distinguished programmes in prestigious universities in disciplines needed by the community.
- Expanding establishment of scientific chairs at universities through support and finance from the private sector.
- Establishing a base for partnership between research centres at universities and the private sector.
- Expanding consulting services offered by higher-education institutes.

#### 22.2.5.4 Targets

- Continuously assessing university curricula.
- Establishing new university faculties, departments and programmes to keep pace with development requirements and needs of the labour market.
- Improving the internal efficiency of higher-education institutes, and reducing the average number of years spent by students in these institutes before graduation to 4.5 years for four-year programmes, 5.5 years for five-year programmes, and to 6.5 years for six-year programmes.
- Achieving a teacher/student ratio of 1:22 in theoretical fields, 1:17 in science, and 1:5 in medical fields.

- Giving scholarships to at least 10% of faculty members to obtain PhD degrees, according to the needs of each university and discipline.
- Increasing the number of postgraduate students in higher-education institutes to no less than 5% of all university students.
- Establishing new Master and PhD programmes, with a focus on engineering, applied sciences, medical sciences and natural sciences.
- Expanding deployment of cooperative learning mechanisms in higher-education institutes and colleges that are suited to this type of education.
- Meeting public and private sector requirements of manpower, through coordination between higher-education institutes and the public and private sectors.
- Conducting follow-up studies for graduates of higher-education institutes in their workplaces to identify their strengths and weaknesses and develop programmes accordingly.
- Establishing consulting centres in higher-education institutes to provide technical consultancy for both government and private institutions.
- Supporting private-sector higher-education institutes and encouraging them to expand private higher education.
- Developing a communications network and a mechanism for the flow of information among the kingdom's universities, agencies, and other scientific institutions, for the purpose of scientific and cultural exchanges, and coordinating this effort with the relevant authorities.
- Coordination between higher-education institutes in the Kingdom and the Secretariat of the GCC.
- Promoting cooperation between Saudi higher-education institutes and universities and scientific bodies abroad through faculty exchanges, student grants and all related areas.

- Building the capacity of scientific research centres in universities to enable them to perform their duties in the service of society.
- Expanding establishment of specialized scientific societies and expanding their activities.
- Supporting and expanding scientific research projects at universities, conducting the necessary studies for qualitative development of the university, and diversifying scientific research.
- Increasing the number of courses and qualifying programmes, parallel education, and the number of enrollees in line with the needs of the labour market.
- Maintaining full Saudization of leadership and administrative positions.
- Raising the proportion of Saudis among faculty members in higher-education institutes, in auxiliary professional jobs, and in technical and health jobs.
- Improving the level of functional performance by holding training courses for administrative and technical support members.
- Developing student services and activities: healthcare; student housing; sports, scouting, and cultural and social activities; social care for needy students; access to libraries; meals; transport services; and university textbooks.

### **22.2.6 Financial Requirements**

The financial allocations for the higher-education sector (Ministry of Higher Education, Universities) under the Ninth Development Plan amount to SR200.2 billion.

## **22.3 TRAINING**

### **22.3.1 Introduction**

Technical and vocational training is an important element of the development of human resources, distinguished by its strong link and response to the labour market and economic activity. Moreover, it is an ongoing process that is not confined to a specific life stage or age. Hence, the training system contributes to activating human resources participation in economic activities.

Over the past two decades, the Kingdom has put a great deal of effort into training. It has established specialized training institutions and encouraged the private sector to expand its manpower training and qualification work, on the premise that training at various different levels is an effective way for meeting the accelerated needs for skilled labour. Under the Eighth Development Plan, the absorptive capacity of training institutions increased; technical and professional training programmes and methodologies developed; and regulatory conditions were reviewed. The review culminated in Council of Ministers Resolution No. 268 of 2007, which ordered reorganization of the Technical and Vocational Training Corporation (TVTC).

The Ninth Development Plan pursues efforts to provide high-quality training that responds effectively to the needs of the labour market for skilled manpower.

This part of the chapter reviews the current conditions of training, the major developments that took place under the Eighth Development Plan, and the key issues and challenges that ought to be addressed under the Ninth Development Plan. It also presents forecasts of future demand and highlights the future vision, objectives, policies and targets set for the sector by the Ninth Development Plan.

## 22.3.2 Current Conditions

### 22.3.2.1 Technical and Vocational Training Corporation (TVTC)

The TVTC is the principal government agency responsible for technical education and vocational training provided in technical colleges, higher technical and industrial vocational institutes, and training centres. It also provides training programmes jointly with the public and the private sector. Table 22.3.1 shows the evolution of the training activity of the TVTC during 2004–2008. The number of training units rose from 100 to 143, and total enrolment rose from 77.7 thousand trainees to 87.2 thousand; an increase of 12.2%.

**Table 22.3.1**  
**Training Activity of TVTC**  
**Eighth Development Plan<sup>(\*)</sup>**

Description	2004			2008		
	Technical colleges	Higher-Technical Institutes for Girls <sup>**</sup>	Industrial Vocational Institutes	Technical Colleges	Higher - Technical Institutes for Girls <sup>(**)</sup>	Industrial Vocational Institutes
Number of training units	24	9	67	35	9	99
Students enrolled (000)	39.5	1.9	36.3	62.9	4.1	20.2
New entrants (000)	19.15	1.9	-	38.8	2.1	13.2
Graduates (000)	10.7	-	13.5	12.4	-	12.6
Teaching staff	2.4	0.077	3.8	4.3	0.118	2.7
<b>Ratio of trainer/ trainee</b>	<b>1/16</b>	<b>1/25</b>	<b>1/10</b>	<b>1/15</b>	<b>1/35</b>	<b>1/8</b>

(\*) Up to the end of the fourth year of the Eighth Development Plan.

(\*\*) Under the Council of Ministers Resolution No. 3108/M of 2005, supervision of vocational training for girls was incorporated under the TVTC.

Sources: *Technical and Vocational Training Corporation, Ministry of Economy and Planning.*

Table 22.3.1 indicates two very important issues. The first is the expansion of training opportunities for females, which underlines commitment to enabling female students to hone their skills through technical and vocational training that qualifies them to participate in economic activity. The second is the importance of providing support

to TVTC to enable it to meet the needs of the labour market of technical and skilled manpower, for the availability of training opportunities is still limited.

In addition to the above programmes, TVTC is undertaking joint training programmes, including:

- The Vocational Military Training Programme, in cooperation with the sectors, which was launched in 2004 and currently absorbs about 10 thousand trainees annually.
- The Vocational Training Programme for Prisoners, in cooperation with the Ministry of Interior, with more than 26 new institutes established under the Eighth Development Plan.
- The joint training programme between Chambers of Commerce and Industry in the regions and the Human Resource Development Fund.
- The strategic partnership programme with the business sector, which resulted in signing a number of agreements for establishing training institutes, which numbered 22 in 2008.
- The Cooperative Training Programme, which includes one training class for cooperative training, where the trainee is given the opportunity of experiencing a work environment. More than 50 thousand students from TVTC benefit from this programme annually.
- The Community Service Programme, which offers training and qualifying courses to various community groups and summer training for students. 142,083 trainees benefited from this programme under the Eighth Development Plan.

Page  
420

### **22.3.2.2 Institute of Public Administration (IPA)**

The mission of IPA is to upgrade competency of civil servants in an effort to improve performance of government. The training activity of IPA grew steadily under the Eighth Development Plan. It now provides annually more than 300 training programmes in fifteen fields, about 20 preparatory training programmes to qualify graduates of secondary and

tertiary education, and 30 workshops for senior administrators of government agencies. This is in addition to special programmes outside the annual schedule to meet requirements of government agencies. Table 22.3.2 shows the development of the institute's activities under the Eighth Development Plan.

**Table 22.3.2**  
**Activities of IPA**  
**Eighth Development Plan<sup>(\*)</sup>**

Description	2004	2008
Preparatory programme participants	1877	2044
In-service training enrolees	16777	45920
Enrolees in special programmes	1060	1944
Number of scientific symposia	6	5
Number of consultancies	77	64
Number of scientific works (scientific research and translation)	5	7

(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: IPA.

### 22.3.2.3 Training in government agencies

Several government agencies provide their employees with training, including, for example: the Royal Commission of Jubail and Yanbu, the Ministry of Water and Electricity, the General Authority of Civil Aviation, the Saudi Ports Authority, Saudi Basic Industries Corporation (SABIC), Saudi Aramco, and the Saudi Electricity Company. In 2007, 133.5 thousand male and female trainees enrolled in such training and 128.8 thousand graduated.

### 22.3.2.4 Training in the Private Sector

The private sector plays an important role in providing technical and vocational training. In 2008, the number of private training institutes and centres were 994, in which 94,158 male and females trainees were enrolled, of whom 56 thousand graduated.

## **22.3.3 Issues and Challenges**

### **22.3.3.1 Absorptive Capacity**

Economic development has led to a growing need for technically and professionally qualified national employees, and, hence, to increased demand for technical and vocational training programmes. However, limitedness of available possibilities and insufficient capacity preclude absorption of all applicants. In 2008, 34% of male applicants and 8% of female applicants for technical training, and 51% of applications for vocational training were actually trained. The increasing number of trainees in line with the increasing needs for professional and technical manpower is one of the main challenges facing the sector.

The Ninth Development Plan aims at overcoming this challenge by establishing technical colleges for boys, higher-technical institutes for girls, and vocational-training institutes for boys in the governorates and major cities, as well as by expanding existing institutes; in addition to expanding joint training programmes by government agencies and the private sector.

**Page**  
**422**

### **22.3.3.2 Vocational examination system**

There is a need for improving the quality of vocational practice, which calls for clear functional standards and recognized licensing mechanisms. To address this issue, the Ninth Development Plan will focus on establishing a system of vocational examinations, relying on the private sector to setup examination units, under supervision by TVTC. Council of Ministers Resolution No. 3108 / m b of 2005 entrusted the Ministry of Labour with carrying out vocational examinations of expatriate workers. Accordingly, the Minister of Labour and Chairman of the Board of Directors of TVTC issued Resolution No. 204 / 1 of 2005, which set a general framework of vocational qualifications and for conducting vocational examinations to ensure that expatriate workers possess the requisite knowledge and technical and vocational skills. Hence, there is a need for putting in place laws and executive regulations for the organization of vocational examinations, classification of national vocational qualifications



through a national system, building a database of vocational examinations, establishing specialized vocational examination centres, and developing a mechanism for approval of expatriate qualifications.

### **22.3.3.3 Actual training needs**

The lack of reliable data on employment needs is one of the impediments to assessing the required expansion of training opportunities, by profession and level, and, hence, to identifying training programmes that meet the needs. Two types of training are pertinent: training to satisfy the needs of the labour market for technical and vocational workforce, which is the responsibility of TVTC; and training of employees of government agencies, which is the responsibility of IPA. Closer coordination among the various training agencies is needed, in order to set training plans corresponding to the needs of economic activity for skilled labour, expand private sector involvement, and, eventually, adopt a national training plan.

### **22.3.4 Demand Forecasts**

Forecasts of demand for technical and vocational training were based on several factors, the most notable of which are forecasts of population growth and the large numbers expected to join technical and vocational training programmes. To meet this demand, TVTC aims, under the Ninth Development Plan, to establish about 60 technical colleges, 39 technical higher institutes for girls, and 150 industrial vocational institutes, covering all regions of the Kingdom. Table 22.3.3 summarises estimated demand for basic training programmes at colleges, higher institutes, and industrial institutes affiliated with TVTC.

Table 22.3.4 shows the projected increases in the numbers of training personnel in technical colleges, higher technical institutes training for girls and industrial vocational institutes, in line with the projected increase in the total numbers of males and female trainees at the end of the Ninth Development Plan.

**Table 22.3.3**  
**Forecast of Demand for Basic Training Programmes by TVTC**  
**Ninth Development Plan**

Major Programme	Total Training Units	Total Classes and Workshops	Total New Entrants (Males and Females)	Total Trainees (Males and Females)	Total Graduates (Males and Females)
<b>Base year of Plan (2009)</b>	<b>146<sup>(*)</sup></b>	<b>5855</b>	<b>65500</b>	<b>117000</b>	<b>29854</b>
Forecast by end of Plan	395	15640	178900	323100	97854
Forecast increase under Plan	249	9785	113400	206100	68000
Technical Colleges	60	5598	74600	136400	35400
Higher-Technical Institutes for Girls	39	2340	11300	27700	6500
Industrial Vocational Institutes <sup>(*)</sup>	150	1847	27500	42000	26100

(\*) Including institutes of architecture and construction and vocational institutes in prisons.

Source: TVTC.

Page  
424

**Table 22.3.4**  
**Forecast of Increase in Numbers of Training Staff**  
**Ninth Development Plan**

Major Programme	Members of Teaching Staff	Administrative and Auxiliary Administrative Jobs
<b>Base year of Plan(2009)<sup>(*)</sup></b>	<b>9860</b>	<b>3900</b>
<b>Total by the end of Plan</b>	<b>17690</b>	<b>7311</b>
<b>Total targeted increase under Plan</b>	<b>7830</b>	<b>3411</b>
Technical Colleges	4394	1913
Higher-Technical Institutes for Girls	1716	748
Industrial Vocational Institutes <sup>(**)</sup>	1720	750

(\*) Approved jobs in budget.

(\*\*) Including institutes of architecture and construction and vocational institutes in prisons.

Source: TVTC.

Table 22.3.5 shows the projected number of male and female trainees in joint, government, private sector and community-service programmes, which are expected to increase at the rate of about 10% under the Ninth Development Plan.

**Table 22.3.5**  
**Forecast of Total Number of Male and Female Trainees in Joint,  
 Government, Private Sector and Community-Service Programmes**  
**Ninth Development Plan**

Fiscal Year	Joint Training	Community Service	Private-Sector Training	Sub-total	Cooperative Military Vocational Training <sup>(*)</sup>	Annual Total
2009	8100	27300	90100	125500	3250	128750
2010	8700	29200	96400	134300	10000	144300
2011	9300	31300	103100	143700	10000	153700
2012	10000	33500	110400	153900	10000	163900
2013	10700	35800	118100	164600	10000	174600
2014	11400	38400	126400	176200	10000	186200

(\*) Fixed Numbers.

Table 22.3.6 shows projected number of trainees in programmes aimed at raising efficiency of employees of government agencies.

**Table 22.3.6**  
**Major Training Activities Planned for IPA**  
**Ninth Development Plan**

	2010	2011	2012	2013	2014	Total
<b>A. Planned number of participants in higher programmes:</b>						
Number of workshops	93	94	95	96	97	475
Number of participants in Workshops	1761	1782	1803	1824	1845	9015
<b>B. Planned number of participants in training programmes:</b>						
<b>Total trainees</b>	<b>42627</b>	<b>43350</b>	<b>43959</b>	<b>44784</b>	<b>45570</b>	<b>220290</b>
<b>C. Planned number of students in preparatory programmes</b>						
<b>Total of students</b>	<b>2425</b>	<b>2450</b>	<b>2475</b>	<b>2500</b>	<b>2500</b>	<b>12350</b>

## **22.3.5 Development Strategy**

### **22.3.5.1 Future vision**

To enable citizens to participate effectively in socioeconomic and environmental development, through providing adequate technical and vocational training of quality, as required by the labour market, while ensuring the use of modern technologies and innovative methods in training and responsiveness to the requirements of a knowledge-based economy.

### **22.3.5.2 Objectives**

- Accommodating the largest possible number of persons interested in technical and vocational training.
- Qualifying and developing national technical and vocational human capacity in line with labour market needs.
- Providing efficient training programmes of quality that qualify the trainee for the right job in the labour market or make the trainee capable of self-employment.
- Building strategic partnerships with the business sector to implement technical and vocational training programmes.
- Encouraging investment in the private technical and vocational training sector.
- Strengthening the relationship and integration between educational and training agencies.
- Expanding advanced training in support of national plans, and participating in and developing technology transfer.
- Providing the needs of various regions of training centres and vocational qualifications in fields and disciplines appropriate to their development projects, particularly the sites of new economic cities and technology zones.
- Linking the incentives offered to national and foreign private investment with the extent of their contribution to the training and qualifications of national employment.

- Benefiting from specialist bilateral international commissions and international organizations in training and qualification of national employment in the service of the shift towards a knowledge-based economy and an information society.

### 22.3.5.3 Policies

- Expanding recruitment programmes to attract outstanding training staff.
- Ensuring geographical spread by increasing the number of training units for boys and girls in the governorates and cities and increasing their capacity.
- Expanding on-the-job training and joint programmes.
- Investing in training facilities available in government and private agencies through partnerships.
- Supporting expansion of technical and vocational training programmes.
- Expanding programmes that provide technical and vocational training for people with special needs.
- Developing, organising and updating national vocational qualifications and vocational examinations.
- Designing and implementing periodic training programmes.
- Providing a stimulating supportive environment to ensure that training and supervisory staff remain in interaction with the labour market.
- Monitoring performance of graduate trainees in the labour market.
- Establishing programmes to develop training techniques, distance training, and on-line training.
- Forecasting labour market trends and technical and vocational development, and continuously assessing the national plan for technical and vocational training.

- Following-up and benefiting from global technical and vocational training trends.
- Building strategic partnerships with internal and external agencies to operate training units.
- Expanding community service programmes and continuous training.
- Developing occupational safety and security regulations and enforcing them in training sites.
- Encouraging trainees to pursue excellence and creativity and fostering those who excel to help them become outstanding future trainers.
- Coordinating with funding organizations to support private-training programmes.
- Engaging the private sector in the development of regulations for private-sector training.
- Enabling outstanding graduate trainees to complete their studies in general and higher-education institutions.
- Building standards for national vocational qualifications based on the needs of national plans in support of technical and industrial development and modernization.

**Page**  
**428**

#### **22.3.5.4 Targets**

- Increasing the number of male and female enrolees by the end of the Ninth Development Plan, to about 136 thousand in colleges of technology, about 28 thousand in higher-technical institutes for girls, and about 42 thousand in vocational institutes.
- Increasing the number of new male and female training entrants, by the end of the Ninth Development Plan to about 75 thousand in technical colleges, about 11 thousand in higher-technical institutes for girls, and about 28 thousand in vocational institutes.
- Increasing the number of male and female graduates, by the end of the Ninth Development Plan, to about 35 thousand graduates

from technical colleges, about 7 thousand graduates from higher-technical institutes for girls, and about 26 thousand graduates from vocational institutes.

- Training of at least 11 thousand trainees under the National System for Joint Training by the end of the Ninth Development Plan.
- Continuing periodic review of curricula by specialist committees to ensure conformity with labour market requirements.
- Developing a system to evaluate the performance of training staff and adopting a professional licensing system.
- Completing and enforcing national vocational skills standards.

### **22.3.6 Financial Requirements**

The financial requirements for the training sector (TVTC and IPA) under the Ninth Development Plan amount to SR26.4 billion.

**Page**  
**430**



# HEALTH

## 23.1 INTRODUCTION

In recognition of the importance of providing healthcare to improve health standards and health capacities of citizens in all regions, strategic interest in the development of healthcare has been a cornerstone of successive development plans. Article 31 of the Basic Law emphasised responsibility of the state for providing healthcare to every citizen. Provisions of successive health regulations have ensured support for and development of this vital sector.

A network of health facilities provides preventive, curative and rehabilitative healthcare services around the country. At the forefront are the facilities of the Ministry of Health (MOH), the main body entrusted with providing comprehensive integrated healthcare covering all regions. Alongside the MOH, other government agencies and the private sector also provide health services.

Under the Eighth Development Plan, healthcare services improved, both by expanding their infrastructure and by raising performance. Curative healthcare was enhanced by establishing and equipping more general and specialist hospitals, as well as primary healthcare centres to provide family medicine services to members of the community. As a result, rates of communicable diseases and child mortality declined and life expectancy increased.

The Ninth Development Plan envisages continued efforts to raise health standards for the entire population, through expanding health facilities to cope with population growth, and improve performance, quality of service and user satisfaction. The plan adopts a set of policies and programmes directed towards furthering the role of cooperative health insurance to cover more segments of society; achieving more decentralization in management and operation of health facilities; and supporting primary-healthcare facilities and their integration with secondary, specialist and referral care, and facilitating their availability to the entire population in all regions.

This chapter reviews the current conditions of healthcare services and facilities, along with key developments under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, forecasts demand for health services, presents the future vision for the health sector and reviews the objectives, policies and targets set for it under the Ninth Development Plan.

## **23.2 CURRENT CONDITIONS**

### **23.2.1 Overall Performance**

#### **□ *Primary healthcare***

Primary healthcare services are provided through primary healthcare centres, which provide all members of the community with first-level preventive, curative, and rehabilitative healthcare services. In 2008, these centres numbered 1,986; an increase of 8.9% over 2004. To support further expansion, approval was given to establish 1,499 new centres during the Eighth Development Plan, under the funding from the budget surplus programme, in order to replace leased centres and respond to increase in demand. Of the approved centres, work on establishing 860 centres had started by 2008.

Primary healthcare centres provide services to family members of all age groups, and they are linked to general and specialist hospitals, through a referral system; thereby ensuring that curative services are integrated, from first-level care all the way to highly specialised care. The centres provide comprehensive prenatal and postnatal care for mother and child and they are responsible for mothers and children immunization against infectious diseases. In addition, they pursue prevention of communicable and endemic diseases, and care for patients suffering non-communicable diseases; especially chronic diseases, such as hypertension and diabetes. In 2008, the number of patient visits to these centres was about 47.5 million; an average of 24 thousand visits per centre, while referral ratio was 3.63% of the total number of visits.

In spite of the increase in the number of primary healthcare centres and their distribution over all regions under the Eighth Plan, there is still a need for more centres to meet the actual needs for basic health services. With the completion of the primary healthcare centres being established, the population / centre ratio is expected to improve in all regions.

#### □ *Curative healthcare*

Curative services are offered by specialist health facilities provided with well-qualified medical and healthcare capabilities, in addition to the necessary equipment needed to provide comprehensive diagnostic services. In comparison with 2004, by the end of the fourth year of the Eighth Development Plan (2008), the number of hospitals increased from 350 to 393, the number of beds from 49,184 to 53,819, the number of physicians from 38,496 to 47,919, and the number of male and female nursing staff increased from 74,114 to 93,735.

**Table 23.1**  
**Health Facilities and Employment**  
**Eighth Development Plan\***

Description	2004	2008	index for 2008 (2004 = 100)
Hospitals	350	393	112.3
Beds	49184	53819	109.4
Health Centres**	1824	1986	108.9
physicians	38496	47919	124.5
Nursing Staff	74114	93735	126.5
Ancillary Medical Workers	44558	51288	115.1

\* Up to the end of the fourth year of the Eighth Development Plan.

\*\* Number of health centres affiliated to MOH.

Source: MOH and Ministry of Economy and Planning.

The expansion led to improvement of health indicators. For example, during the period 2004–2008, the average number of physicians per

10,000 population rose from 17 to 20, and the number of nursing staff from 33 to 39, while the average number of hospital beds per 1000 population improved slightly from 2.169 to 2.174 beds.

The MOH is the major provider of health services. In 2008, it provided 58.9% of hospital beds, 47.3% of physicians, and 54.6% of nursing staff, while other government agencies provided 20.1% of hospital beds, 22.6% of physicians, and 22.9% of nursing staff. The private sector provided 21% of hospital beds, 30.1% of physicians, and 22.5% of nursing staff (Table 23.2).

**Table 23.2**  
**percentage Contribution of Health Sectors**  
**Eighth Development Plan\***

Description	Beds		Physicians		Nursing Staff	
	2004	2008	2004	2008	2004	2008
MOH	28751	31720	17623	22643	38019	51188
Other Government Agencies	10300	10828	9331	10808	20142	21462
Private Sector	10133	11271	11542	14468	15953	21085
<b>Total</b>	<b>49184</b>	<b>53819</b>	<b>38496</b>	<b>47919</b>	<b>74114</b>	<b>93735</b>

\* Up to the end of the fourth year of the Eighth Development Plan.

*Source: MOH.*

In 2007, the number of outpatient visits to hospital clinics and health centres and dispensaries was about 122.7 million; 48% of which was to MOH establishments, 16.5% to other government agencies' health establishments and 35.5% was to private health sector establishments. The number of inpatients in hospitals was 2.8 million, of whom 1.6 million were in MOH hospitals, 0.5 million in other government agencies' hospitals, and 0.7 million were in private-sector hospitals (Table 23.3).

**Table 23.3**  
**percentage Contribution of Health Sectors**  
**Outpatients and Inpatients**  
**2007**

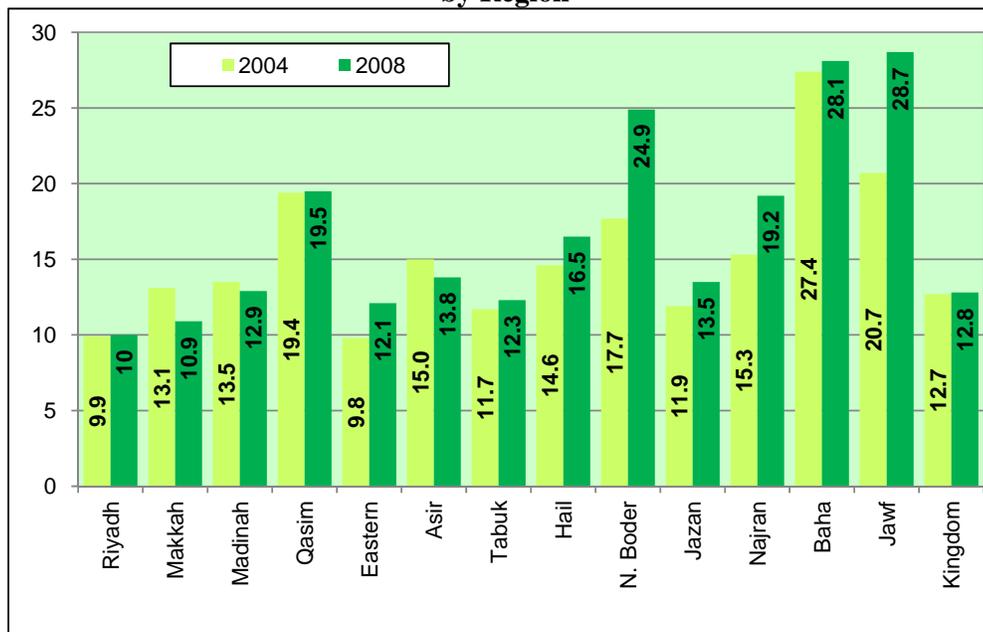
Description	Patient visits		Inpatients	
	Number (Million)	Relative Contribution %	Number (Million)	Relative Contribution %
MOH	58.9	48.0	1.6	57.1
Other Government Agencies	20.3	16.5	0.5	17.9
Private Sector	43.5	35.5	0.7	25.0
<b>Total</b>	<b>122.7</b>	<b>100.0</b>	<b>2.8</b>	<b>100.0</b>

*Source: MOH.*

Efforts by the MOH to deliver health services to all regions continued under the Eighth Development Plan. However, more efforts are needed, in order to achieve a better distribution of healthcare services among the regions. Figures 23.1, 23.2 and 23.3, which show the number of hospital beds, physicians and nursing staff of MOH per 10,000 of population by region for 2004 and 2008, indicate variations. While the indicators for physicians and nursing staff over the country as a whole improved, the number of MOH hospital beds per 1,000 population increased only slightly from 1.27 to 1.28. However, with the completion of the new hospitals being established, this indicator (hospital beds / population) is expected to improve over the next five years.

The statistical data on MOH services indicate that healthcare indicators are high in areas with low population densities, compared with areas with high population densities. However, urban areas with high population densities have more treatment services provided by other government agencies and the private-health sector.

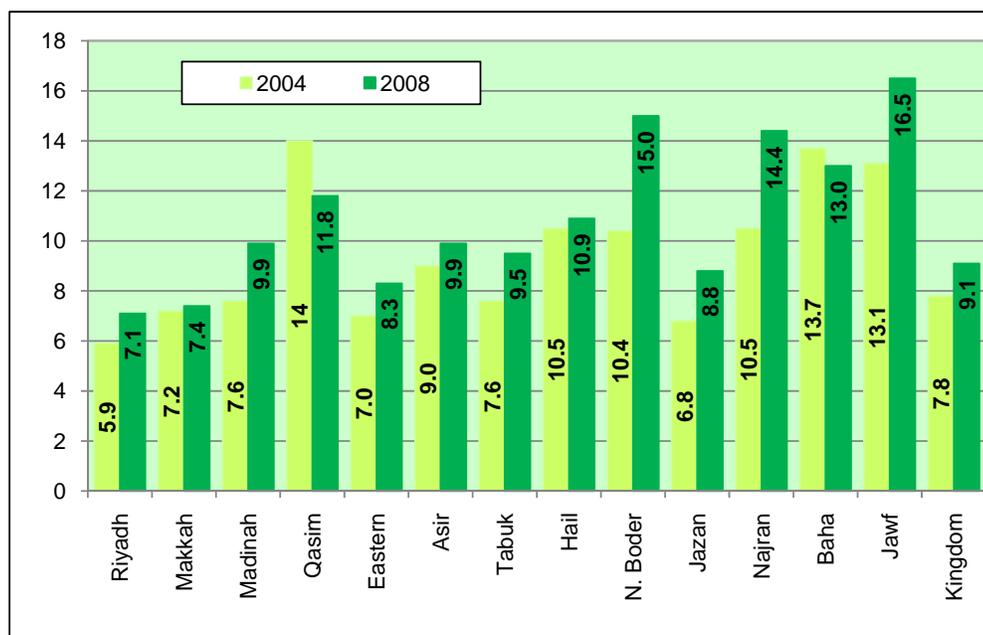
**Figure 23.1**  
**MOH Beds per 10 Thousand of Population**  
**by Region**



Source: MOH.

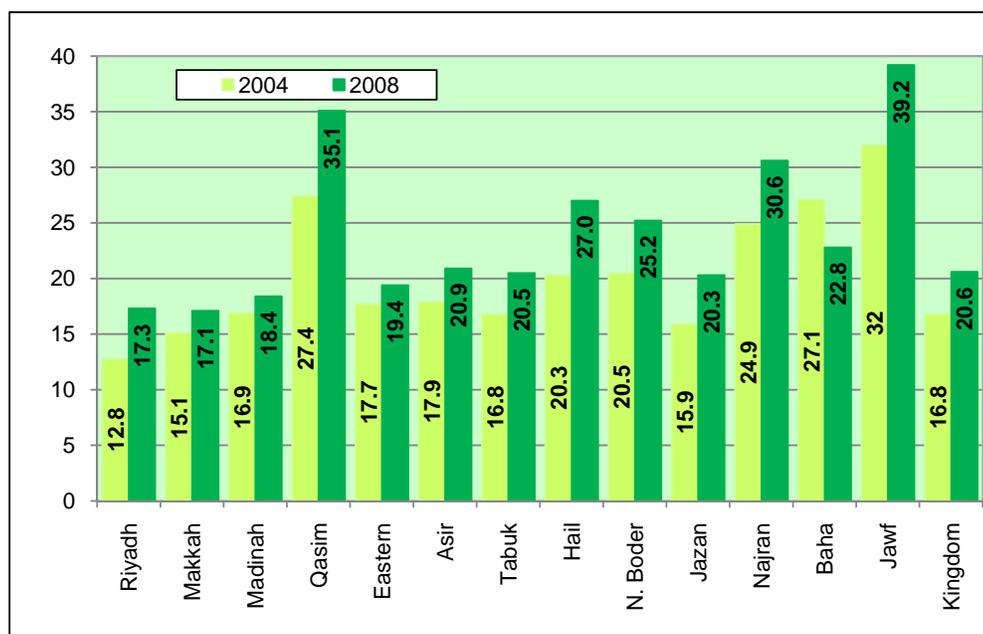
Page  
 436

**Figure 23.2**  
**MOH Physicians per 10 Thousand of Population**  
**by Region**



Source: MOH

**Figure 23.3**  
**MOH Nursing Staff Per 10 Thousand of Population**  
**By Region**



Source: MOH

#### □ *Healthcare performance indicators*

Growth of healthcare facilities and activities under the Eighth Development Plan was accompanied by improved healthcare performance and coverage of population groups of all ages in all regions. The 2009 report of the World Bank on the performance of the health sector pointed out that rates of maternal and childcare are remarkably high compared with many countries in the region. Targets set by the Eighth Development Plan for children immunization against infectious diseases were achieved at levels ranging between 99% and 107%, while provision of healthcare for pregnant mothers by health professionals was achieved at a rate of 98%, and deliveries attended by healthcare professionals reached a level of 100% (Table 23.4).

Implementation of healthcare programmes for children and mothers led to improvement in the relevant health indicators. Mortality of the under-fives fell from 44 cases per thousand live births in 1990 to 21.1 in 2008, while infant mortality dropped from 34 cases per thousand live births to 17.4. Maternal mortality decreased to 1.46 cases per ten

thousand live births, and the rate set by the Millennium Development Goals (MDGs), which is 1.2 cases per ten thousand live births, is expected to be attained in 2010, i.e., five years before 2015, the date set by MDGs.

**Table 23.4**  
**Maternity and Child Healthcare Indicators**

Indicator	Eighth Plan Target	Attained 2008	Index 2008 (Eighth Plan Target =100)
Pregnant women provided with healthcare by health professionals (%)	98	96	98
Deliveries attended by health professionals (%)	97	97	100
DPT (Diphtheria, Pertussis and Tetanus) child Immunization (%)	95	97.6	102.7
Immunization of mothers against Tetanus (%)	90	96.1	106.8
Child Immunization against Poliomyelitis (%)	95	97.6	102.7
Child Immunization against Measles, German Measles and mumps (%)	98	97	99
Child Immunization against Hepatitis B (%)	98	96.1	99.6
Child Immunization against TB (%)	98	97.8	99.8

*Source: MOH.*

Development of healthcare services led to a decrease in the incidences of communicable diseases targeted by immunization. Incidences of poliomyelitis dropped to zero and incidences of other diseases dropped by varying degrees (Table 23.5).

As a result of the rise of health standards over the successive development plans and proliferation of health services and institutions in all regions, life expectancy rose from 71.4 years in 1999 to 73.7 years in 2008. This indicator sums up the good performance of the sector, especially when compared with regional and global indicators.



**Table 23.5**  
**Incidence of Communicable Diseases**  
**Targeted by Immunization**

Indicator	2004	2007
Incidence of Poliomyelitis per 100000 population	0.0	0.0
Incidence of Diphtheria per 100000 population	0.01	0.01
Incidence of Pertussis per 100000 population	0.54	0.28
Incidence of Tetanus per 100000 population	0.30	0.02
Incidence of Mumps per 100000 population	3.40	0.33
Incidence of Measles per 100000 population	7.86	5.44
Incidence of Hepatitis B per 100000 population	19.65	18.20
incidence of Neonatal Tetanus per 1000 live births	0.07	0.04

*Source: MOH.*

### **23.2.2 Health Insurance**

Considerable progress was achieved towards providing modern healthcare insurance facilities to expatriate residents; most notably the Cooperative Health Insurance Scheme, which was established by the Council of Ministers Resolution No. 71 of 1999. The scheme aims to provide and regulate healthcare to all expatriate residents, with the possibility of extending it to citizens by a Council of Ministers Resolution. Article 4 provided for establishment of the Council of Cooperative Health Insurance to oversee implementation, through licensing of cooperative health insurance companies, accrediting health institutions that provide health insurance services, and issuing the resolutions necessary for implementing the provisions of the scheme.

The 2008 data show that 1,393 health facilities were accredited to provide healthcare for the insured, distributed as follows: 139 hospitals, 835 clinics and dispensaries, 215 pharmacies, and 204 other facilities. The number of people covered by health insurance under the Cooperative Health Insurance Scheme was 5.27 million, the number of companies and institutions that provide health coverage for their employees was 59,541, and the number of insurance companies licensed by the Council to provide health insurance was 29.

### **23.2.3 Emergency Medical Services**

The Saudi Red Crescent Authority (SRCA) provides emergency medical services to the population, as well as to pilgrims (Hajj and Umrah). The following are the most important achievements of the Authority under the Eighth Development Plan:

- 54 new emergency centres were established, bringing the total to 273.
- The total number of ambulances operating was 925, and the total number of operating service vehicles was 311.
- 79 emergency centres were established to replace leased centres, which achieved 88% of the target set by the Plan.

### **23.2.4 Advanced Specialist Treatment Services**

King Faisal Specialist Hospital and Research Centre (KFSH) provides advanced specialist treatment and conducts medical research to continuously improve performance. Up to the end of the fourth year of the Eighth Development Plan, the hospital achieved the following:

- The number of hospital beds reached 901, and the number of physicians 559.
- Expansion of telemedicine to cover 19 hospitals and sites in various regions.
- Expansion of the transplant programme to about 216 stem cell transplants and 145 kidney transplants annually; in addition to increases in heart and liver transplants under the Eighth Development Plan.
- 44 new research works focussed mainly on cancer, and genetic and communicable diseases.
- Expansion of the cooperative health programme activities in regional MOH hospitals. In 2008, 978 surgical operations were conducted by KFSH consultants, and 6,307 inpatients and 2,016 outpatients were seen in their own locales.

### **23.2.5 Food and Drug Control**

The Saudi Food and Drug Authority (SFDA) contributes to health protection and enhancement. The main purpose of SFDA is to monitor the safety, security, and effectiveness of foods and drugs, and the safety of medical devices and their impact on public health. Since its establishment in 2003 and the issuance of its regulations in 2007, the SFDA made a number of achievements, the most significant of which are preparing studies and regulations, gradually transferring food and drug control functions from other agencies to itself, commencing to set up facilities and laboratories, and training technical and administrative staff who assume supervision and control tasks.

### **23.2.6 Institutional and Organizational Development**

Through a network of services covering all regions, MOH is the major government agency entrusted with providing comprehensive, integrated primary, secondary, and tertiary (specialist and referral services) healthcare. In addition, several autonomous government agencies contribute to the provision of preventive and curative healthcare to beneficiaries, conduct health research, and train and qualify medical and health staff. These are:

- Military and security agencies provide integrated medical services to their staff, as well as to other segments of the population.
- KFSH (public institution) receives cases requiring advanced specialist treatment and conducts health research.
- Through their medical colleges and hospitals, the universities provide specialist curative services, medical education, and training programmes and conduct health research.
- The Saudi Red Crescent Authority provides emergency medical services to residents, as well as to pilgrims (Hajj and Umrah).
- Health facilities of the General Organization for Social Insurance and the General Presidency for Youth Welfare provide medical services to certain categories of the population; and the health facilities of Saudi Aramco and the Royal Commission for

Jubail and Yanbu provide health services to employees and other categories of population.

- The Saudi Centre for Organ Transplantation operates directly under the Health Services Council.
- The Saudi Food and Drug Authority, which undertakes monitoring the safety, security, and effectiveness of foods, and scrutinizes standards and safety of medical and diagnostic devices.

In addition to MOH and other government health agencies, the private sector provides health services around the country.

To ensure high standards of performance, the Health Services Council is entrusted with coordinating and integrating the work of all healthcare agencies. The Council, which was established by Article 16 of the Health Regulations, has the task of preparing the healthcare strategy, and establishing adequate regulations for ensuring the efficiency, performance, quality and standards of hospitals.

**Page**  
**442**

Established under the Cooperative Health Insurance Scheme, the Health Insurance Council has the responsibility of overseeing the scheme, which has been applied to companies and institutions employing more than 50 persons, and work has started to extend its application to smaller companies and institutions.

Under the Eighth Development Plan, a number of other regulatory legislations relating to healthcare were issued, including Council of Ministers Resolution No. 19 of 2008 approving the establishment of the Waqf Fund, which aims to encourage voluntary contributions to healthcare.

In pursuing the development and restructuring of the sector and its services in line with the evolving needs, a set of developmental measures pertaining to the organizational aspects of the health sector were taken, including:

1. A study by the MOH on restructuring and developing the health sector and a detailed plan for restructuring the MOH; based on

concentration on planning, monitoring, evaluation and control role, while continuing to provide preventive and primary healthcare.

2. Establishment of the Central Council for accreditation of health facilities and formation of sub-councils in the regions to oversee quality standards. The key tasks of the Central Council include: developing consolidated standards for health facilities and monitoring and evaluating their activities; developing medical practice standards; preparing studies and field researches to develop standards and methods of their application; establishing rules of professional practice; and cooperating with medical associations in each medical discipline to develop clinical guidelines for practice and disseminating these guidelines in hospitals.
3. Issuance of a system of professional health practice under Royal Decree No. M / 59 of 2005 and the executive regulations of the system by Council of Ministers Resolution No. 39644/1/12 of 2006.
4. Continuation of networking among various health facilities as a step towards developing a health information system that meets all planning needs and helps improve the efficiency and quality of health services.

### **23.2.7 Saudization of Health Sector Manpower**

The number of physicians, nursing staff and ancillary medical workers in the health sector increased from 162,529 in 2004 to 192,942 in 2008; an increase of 18.7%, with the share of Saudi manpower increasing from 29.7% to 35.1%. During the same period, the total number of physicians increased by 19% and the share of Saudi nationals increased slightly from 21.3% to 21.6%, while the total number of nursing staff increased by 19.3% and the share of Saudis rose from 23.9% to 28.8%, and the total number of ancillary medical workers increased by 17.4%, and the share of Saudis went up from 47.7% to 59.1%. Data on Saudization of workers in the health sector by employer (MOH, other government health agencies, and the private sector) show variations that require appropriate solutions. While total numbers and percentages

of Saudi physicians, nursing and ancillary medical workers increased in MOH establishments, the proportion of Saudi physicians and nursing staff in other government health agencies decreased, in contrast with Saudi ancillary medical workers whose numbers increased. The private health sector stands out as the weakest in terms of employment of Saudis, who, in 2008, constituted only 4.5% of total employment. Moreover, over the past four years, the absolute numbers of Saudi physicians and ancillary medical workers in the private health sector declined, which clearly requires more Saudization efforts.

### 23.2.8 Role of Private Sector

The Kingdom clearly supports expansion of the role of the private sector in providing healthcare services. Introduction of the Cooperative Health Insurance Scheme constituted an important development in this regard. In 2008, the private sector provided 21% of total hospital-bed capacity, compared with 20.6% in 2004; 30.1% of total physicians, compared with 30% in 2004; and 22.5% of the total nursing staff, compared with 21.5% in 2004. In the same year, the private health sector comprised 123 hospitals, with a total of 11,271 beds; 2,478 dispensaries and clinics; 84 laboratories; 44 physiotherapy centres; 4,747 pharmacies; and 398 drug warehouses (Table 23.6).

**Table 23.6**  
**Development of Private-Sector Health facilities**  
**Eighth Development Plan\***

Description	2004	2008	Index 2004=100
Hospitals	110	123	112
Hospital Beds	10133	11271	111
Dispensaries	1041	1152	110
Clinics	1172	1326	113
Laboratories	70	84	120
Physiotherapy Centres	25	44	176
Pharmacies	3851	4747	123
Drug Warehouses	350	398	114

\* Up to the end of the fourth year of the Eighth Development Plan .

Source: MOH, Ministry of Economy and Planning.

In 2008, the private sector provided 35.5% of all outpatient visits and cared for 25% of total inpatients.

Despite continued support by MOH, there remains a need for encouraging the private health sector to expand effectively Saudization of medical and health employment, as well as for reinforcing technical monitoring of its activities to ensure quality.

## **23.3 ISSUES AND CHALLENGES**

### **23.3.1 Increased Demand for Healthcare Services**

Demand for health services is affected by several factors; key among which is the steady growth in population. According to the 2004 census, the population was about 22.7 million; an increase of 33.8% compared with 1992 and reflecting an average annual growth rate of 2.4%. Moreover, growing health awareness by the community and changes in morbidity contribute to increased demand.

The projected steady increase in demand for healthcare services calls for continued expansion, as well as implementation of policies and mechanisms for structural transformation of the health system through extending the Cooperative Health Insurance System to cover citizens, along with separation of funding from service provision. Structural development would include the following elements:

- Continuing expansion of Cooperative Health Insurance to cover citizens.
- Managing MOH hospitals and operating them by one or more public institutions that operate on the basis of economic returns and quality of the service.
- Establishing a fund to finance the services provided to community members not covered by the health insurance scheme that is financed by licensed insurance companies and institutions.

- Expanding the role of the private sector in building, equipping and operating hospitals and medical complexes.
- Concentrating the role of MOH on monitoring, quality control and the provision of primary healthcare services.

### **23.3.2 Medical and Health Employment**

Provision and Saudization of medical and health employment have been central themes. In 2008, the share of Saudi nationals in medical and health employment was 21.6% for physicians, 28.8% for nursing staff, and 59.1% for ancillary medical workers. Clearly, rates of indigenization of jobs in health are still low, especially for physicians and nursing staff. Given that these rates are much lower in the private health sector than in the public sector, the issue is a matter of urgency for the former.

Over the first four years of the Eighth Plan, there was a slight increase in Saudization rates. For nursing staff, it increased from 23.9% in 2004 to 28.8% in 2008, and for ancillary medical workers from 47.7 % to 59.1%. However, for physicians, the increase was minimal, from 21.3% to 21.6%, which is attributed to bringing more expatriate physicians to operate new hospitals and health centres. All in all, Saudization of the health workforce is still below target levels for this vital service, which depends mainly on the human element.

Through coordination and cooperation among the MOH, the Ministry of Higher Education, the Institute of Public Administration, and the medical education facilities in the private sector, educational and training programmes are being developed for qualification of medical capabilities in various competencies, consistent with the projected medium- and long-term growth of health service facilities.

Pending availability of national healthcare manpower, there will be a need for bringing in expatriates to operate health facilities. Given the importance of ensuring high efficiency of medical and health workers, an effective and efficient mechanism is needed to ensure that expatriate medical and health workers have a high level of training and professional practice.



In view of the importance of increasing availability of Saudi healthcare manpower, it is necessary to continue:

- Increasing the absorptive capacity of colleges of medicine, pharmacy, applied sciences and nursing; along with opening new colleges for these specializations, and increasing the number of health-science colleges and the absorptive capacity of established colleges and institutes.
- Expanding provision of scholarships abroad in various health specialties.
- Encouraging and supporting the establishment of private-sector medical and health science colleges, to graduate physicians, nursing staff and medical ancillary workers; and fostering partnerships between national and foreign investment for establishing such colleges, especially in conjunction with distinguished foreign universities.
- Broadening the base of postgraduate medical studies and medical fellowships to cover all regions, while taking into consideration the academic and practical requirements at this high level of studies, in order to provide opportunities for raising the qualifications of the largest possible number of Saudi medics in various disciplines.
- Using modern technologies in training, qualification and continuing education.

### **23.3.3 Improving Quality of Health Services**

With the increasing need for quantitative expansion of health services in response to demographic growth, improving the quality emerges as one of the main challenges over the coming period, since experience shows that high rates of quantitative expansion are often achieved at the expense of quality. It is useful to note that development of health-service quality is not limited to training and qualification, but extends to establishing an integrated system covering many aspects , including:

- Structuring medical and health capacity and distributing it among regions and health institutions.

- Academic qualification and knowledge and vocational skills of the workforce.
- Quality of the various administrative levels and skills.
- Efficacy of regulations and procedures governing the sector.
- Professional work manuals for medical and healthcare practice.
- An effective accreditation system of health service institutions.
- Mechanisms to protect patients and safeguard their rights.

A number of these elements already exist and are adopted by the health sector. However, they need to be kept up-to-date, viewed from a comprehensive, integrated perspective, and applied, enforced and monitored.

### **23.3.4 Health Information System**

**Page  
448**

Availability of information and data is crucial for coordination, integration, planning, monitoring, and evaluation; it is essential for conducting studies of development and raising efficiency of services; and for combating and prevention of communicable and non-communicable diseases. Absence of an information system that links health sector agencies and units deployed in all regions has implications for efficiency of service delivery, planning, coordination, monitoring and evaluation.

Hence, there is a need for:

- a. Expanding and facilitating the use of health information systems in the service of efficiency and effectiveness of healthcare programmes.
- b. Adopting a consolidated, integrated health information system covering all health service sectors, facilities and service units such as hospitals and primary healthcare centres, to provide timely data for: coordination, integration, planning, monitoring and evaluation, research, studies, continuing medical education, national health accounts and cost accounting, and disease control and prevention measures.

- c. Establishing a health information network that links health sectors and facilities throughout the country, through which telemedicine may be applied and disseminated. Moreover, it is important to provide this service on a large scale, especially in curative facilities, in order to provide accurate information to be shared among all health services, along with the use of smart card technology; all within a national health information system coordinated and overseen by a National Centre for Health Information.
- d. Enhancing and supporting research studies, particularly of health systems.
- e. Promoting ways of developing, reviewing and updating health indicators constantly, especially those based on field research, and periodically publishing these indicators to serve as a source of official information and a reference for assessing health conditions.

### 23.3.5 Healthcare Management and Operation

Health activities provided by various agencies need effective coordination and integration, through strategic objectives and policies set at the national level, and an information system to assist in planning, monitoring, evaluating and decision taking to raise service efficiency and provide it on a large scale while rationalizing usage.

Improving management methods is important and necessary for raising the level of performance in order to reach high levels of efficiency and adequacy, which, in turn, would lead to optimal returns on health-service inputs, both preventive and curative. However, the financial and administrative system currently in place is centralized, leading often to an inability to take timely appropriate decisions or measures, especially in the management of units that provide direct service, such as hospitals, where conditions and data in each vary. This calls for adopting the following policies and mechanisms:

- a. Providing a management style that incorporates all the elements necessary for achieving efficacy and efficiency, including:

coordination, integration, planning, monitoring, evaluation, supervision and quality control. Such elements need tools and methods, the most important of which are: an integrated information system, appropriate qualification of management personnel, and distribution of administrative competencies and powers in line with the requirements of decentralized and centralized management as appropriate for the needs of the service.

- b. Reviewing the prevailing financial and administrative systems in health agencies, to adapt them to the needs and requirements of efficient operation of health facilities, while providing adequate managerial flexibility to enable adaptation to changing and emergent needs and data.
- c. Studying the administrative aspects of health-service performance and formulating a clear management system to accompany restructuring the administrative organization of MOH, taking into account evolution of the health system, in particular implementation of the Cooperative Health Insurance Scheme; hospital management and operation; and provision of basic healthcare, particularly preventive care.
- d. Reinforcing and activating the Health Services Council, which was established under Article 16 of the Health Regulations issued by Council of Ministers No. 76 of 2002, to coordinate and integrate health services.

**Page**  
**450**

## **23.4 DEMAND FORECASTS**

Several variables affect the volume of demand for healthcare services, including:

- Population growth, with statistical estimates projecting a total population of about 28.2 million by 2014.
- Changes in the age structure of the population towards an increase in the proportion of older persons due to improvement of health conditions.

- Increased incidence of chronic diseases, such as diabetes and high blood pressure, due to new pressures caused by changes in lifestyle, lack of physical exercise, and change in consumption patterns.

To address these changes, the Ninth Development Plan seeks to expand and increase efficiency of curative and primary health services, by increasing hospital beds and health employment rates to the rates prevalent in developed countries, to enable the service to meet requirements of development of the health system, which is set to complete implementation of health insurance to cover the entire population.

### 23.4.1 Curative Care

#### □ *Hospital beds*

In 2008, the total number of hospital beds was 53,819, i.e., 2.2 beds per one thousand people. Meeting the demand by the end of the Ninth Plan requires 97,535 hospital beds, i.e., 3.5 beds per one thousand people (Tables 23.7 and 23.8).

**Table 23.7**  
**Target Number of Hospital Beds**  
**by the end of 2014**

Description	2008		2014		increase by End of Ninth Plan 2014
	Number	Average per One Thousand of Population	Number	Average per One Thousand of Population	
MOH	31720	1.3	56379*	2	24659
Other Government Agencies	10828	0.45	20296	0.72	9468
Private Sector	11271	0.47	20860	0.74	9589
<b>Total</b>	<b>53819</b>	<b>2.2</b>	<b>97535</b>	<b>3.5</b>	<b>43716</b>

\* The actual number expected to be operational by end of 2014 is about 46,653 beds; building the rest would start during the Plan. Consequently, the total targeted number of beds will be 87,800.

*Source: Ministry of Economy and Planning.*

**Table 23.8**  
**Target Number of MOH Hospital Beds by the End of 2014**  
**by Region**

Region	Population 2014	Number 2008	Target Number 2014
Riyadh	7008765	6074	14018
Makkah	6981792	6800	13964
Madinah	1928161	2158	3856
Qasim	1260229	2168	2520
Eastern Region	4096704	4398	8193
Asir	2049415	2515	4099
Tabuk	895173	951	1790
Hail	640476	939	1281
Northern Borders	338588	750	677
Jazan	1541658	1796	3083
Najran	552794	910	1106
Baha	440211	1119	880
Jawf	455540	1142	911
<b>Total</b>	<b>28189506</b>	<b>31720</b>	<b>56379</b>

\* The average number of MOH hospital beds targeted is 2 beds per one of thousand people. Distribution of hospital beds over regions accords with actual needs as determined by geographic and demographic factors and health conditions.

*Source: Ministry of Economy and Planning.*

#### □ *Physicians*

In 2008, the total number of hospital physicians was 32,040 tending 53,819 beds, i.e., 0.6 physician per bed. Meeting the demand during the Ninth Development Plan requires about 66,135 physicians to tend 87,800 beds, i.e., 0.75 physician per bed (Tables23.9)

**Table 23.9**  
**Target Number of Physicians in Hospitals**  
**By the End of 2014**

Description	2008		2014		Increase by End of 2014
	Number	Average per Bed	Number	Average per Bed	
MOH	16113	0.52	32657	0.7	16544
Other Government Agencies	10057	0.93	18875	0.93	8818
Private Sector	5870	0.52	14602	0.7	8732
<b>Total</b>	<b>32040</b>	<b>0.6</b>	<b>66135</b>	<b>0.75</b>	<b>34095</b>

*Source: Ministry of Economy and Planning.*

#### ❑ *Nursing Staff*

In 2008, the total number of male and female nursing staff was 70,467 tending 53,819 beds, i.e., 1.3 nurses per bed. Meeting the demand by the end of the Ninth Development Plan in 2014 requires about 131,051 male and female nurses to tend 87,800 beds, i.e., 1.5 nurses per bed (Table 23.10).

**Table 23.10**  
**Target Number of Nursing Staff in Hospitals**  
**by the End of 2014**

Description	2008		2014		Increase by End of 2014
	Number	Average per Bed	Number	Average per Bed	
MOH	37652	1.2	65314	1.4	27662
Other Government Agencies	19511	1.80	36533	1.8	17022
Private Sector	13304	1.18	29204	1.4	15900
<b>Total</b>	<b>70467</b>	<b>1.3</b>	<b>131051</b>	<b>1.5</b>	<b>60584</b>

*Source: Ministry of Economy and Planning.*

## □ Ancillary Medical Workers

In 2008, the total number of ancillary medical workers was 37,007 tending 53,819 beds, i.e., 0.7 per bed. Meeting the demand by the end of the Ninth Development Plan requires about 74,659 ancillary medical workers to tend 87,800 beds, i.e., 0.8 per bed (Table 23.11).

**Table 23.11**  
**Target Number of Ancillary Medical Workers in Hospitals**  
**by the End of 2014**

Description	2008		2014		Increase by End of 2014
	Number	Average per Bed	Number	Average per Bed	
MOH	18234	0.6	32657	0.7	14423
Other Government Agencies	14577	1.35	27400	1.35	12823
Private Sector	4196	0.37	14602	0.7	10406
<b>Total</b>	<b>37007</b>	<b>0.7</b>	<b>74659</b>	<b>0.8</b>	<b>37652</b>

*Source: Ministry of Economy and Planning.*

### 23.4.2 Primary Healthcare

- a. In 2008, the number of primary healthcare centres was 1,986, i.e., one centre per 9,122 Saudis. In order to raise the standard of the services, one centre per 7,000 Saudis is envisaged by 2014.. Thus, meeting the demand by the end of the Ninth Plan requires about 2,958 centres; an increase of 972 centres from 2008 (Table 23.12).
- b. In 2007, there was one primary healthcare physician per 3,324 Saudis. Services include first-level preventive care, health education, maternal and childcare and curative care. Physicians in these centres serve as family doctors. One physician per 2,000 Saudis was adopted to estimate requirements, which then amounted to about 10,351 physicians in 2014.



**Table 23.12**  
**Target Number of MOH Healthcare Centres**  
**by the End of 2014**

<b>Region</b>	<b>Saudi Population 2014</b>	<b>Number of Centres 2008</b>	<b>Target Number of Centres 2014*</b>
Riyadh	4798282	363	685
Makkah	4340239	288	620
Madinah	1442617	135	206
Qasim	1015001	149	145
Eastern Region	3178295	222	454
Asir	1741654	290	249
Tabuk	790604	62	113
Hail	559284	89	80
Northern Borders	302871	42	43
Jazan	1285968	144	184
Najran	469763	61	67
Baha	382503	91	55
Jawf	395455	50	56
<b>Total</b>	<b>20702536</b>	<b>1986</b>	<b>2958</b>

\* The target is one primary healthcare per 7000 people. Distribution of centres over regions accords with actual needs as determined by geographic and demographic factors and health conditions.

*Source: Ministry of Economy and Planning.*

- c. In 2007, there was one male or female nursing staff in primary healthcare centres per 1,489 Saudis. The target of one nurse per 1,000 people was used to estimate demand. Thus, in 2014, about 20,703 male and female nurses in primary healthcare centres would be required.
- d. In 2007, there was in primary healthcare centres one ancillary medical worker per 3,324 Saudis. Given the importance of the role of ancillary medical workers in primary healthcare, a target of one per 2000 people was adopted. Thus, in 2014, about 10,351 ancillary medical workers would be required (Table 23.13).

**Table 23.13**  
**Target Number of Workers in MOH Primary Healthcare Centres**  
**by the End of 2014**

Description	2007		2014		Increase by End of 2014
	Number	Health Workers per Saudi Population	Number	Health Workers per Saudi Population	
Physicians	5481	3224	10351	2000	4870
Nursing Staff	11872	1489	20703	1000	8831
Health ancillary workers	5316	3324	10351	2000	5035

*Source: Ministry of Economy and Planning.*

## **23.5 DEVELOPMENT STRATEGY**

### **23.5.1 Future Vision**

**Page**  
**456**

To provide comprehensive, integrated, high-quality healthcare services, with a balanced distribution among regions, covering all individuals and social groups, administered and supervised by competent, efficient health sector, in order to improve the health of citizens and their quality of life.

### **23.5.2 Objectives**

- Achieving the best possible level of health by improving the general health of the population.
- Providing comprehensive, integrated healthcare to all people, and facilitating access and delivering a fair, good, safe and affordable healthcare.
- Finding new funding channels to support government funding and contain cost.
- Developing advanced health information systems and expanding their use in all health sectors and facilities.
- Enhancing and developing the national health capacity and indigenizing health jobs.

- Improving the quality and raising performance of management and operating systems in health facilities.
- Enhancing the role of MOH in supervising and monitoring performance, setting health policies, and ensuring provision of health services to all population groups, with each health agency performing the task entrusted to it.
- Enhancing the role of the private sector, as parallel and complementary to the role of the state in financing, operating and delivering health services.
- Promoting comprehensive health, through assuring and developing primary healthcare activities.
- Raising the efficiency of emergency medical services to the maximum level possible in all circumstances and in all regions.
- Providing and developing therapeutic and rehabilitative health services and establishing referral services in the regions.
- Assuring a balanced distribution of health services, both geographically and demographically, and facilitating access to them.

### **23.5.3 Policies**

- Introducing multiple sources of funding for health activities, through the Cooperative Health Insurance Scheme, as well as through enhancing the role of civil charities and the Waqf, while rationalizing government spending and ensuring optimal use of resources; with the state budget remaining the major source of funding for basic government health services.
- Supporting information systems in health sectors by advanced information technology to make data available at both the sectoral and national levels.
- Implementing mechanisms for increasing national employment in health to achieve self-sufficiency.
- Developing appropriate management and operation systems in health facilities and achieving efficient management and service

standards, through adopting decentralized management; allocating separate budgets for health areas, specialist and referral hospitals, and other health agencies; and applying appropriate methods and procedures to achieve rationalization and raising efficiency.

- Implementing decentralization in management by the MOH and ensuring application of quality standards and provision of integrated comprehensive healthcare for the entire population in a fair, affordable manner; coordinating with other health agencies through the Council of Health Services, with other governmental health agencies being committed to performing their role within the objectives and policies of the healthcare strategy.
- Strengthening the role of the private health sector in complementing public health sector efforts to achieve the goals and policies of the healthcare strategy.
- Supporting and developing the primary healthcare services provided by MOH and other health sectors as the cornerstone of the health system, in such a way, as to raise efficiency and apply the integrated, comprehensive healthcare approach for the entire population.
- Raising efficiency of the emergency medical services to meet the needs in normal situations and in disasters.
- Supporting and developing curative care within an integrated, comprehensive healthcare framework that consists of four curative levels: primary, secondary, specialist and referral services.
- Achieving balanced distribution of health services, including specialist services, both geographically and demographically to meet the health needs of all individuals and groups in all regions.
- Ensuring quality and efficiency of health services by adopting methods to improve performance and quality and assess returns, and applying these methods in all health facilities.

- Ensuring adequacy and efficiency of the services provided to patients by all employees of health institutions, in order to safeguard the rights of patients and protect them from wrongful health practices, and ensure client satisfaction.
- Providing effective monitoring and control over production, import and circulation of foods and drugs.
- Stressing commitment to safe handling of medical waste.
- Applying measures to rationalize energy and water usage in health facilities.

### 23.5.4 Targets

- Based on forecasts of demand for healthcare services that take into account expansion of services and increasing their efficiency, the Ninth development Plan aims to achieve the following by 2014:
  - Increasing the number of MOH hospital beds to 56,379, in other government agencies to 20,296 and in the private sector to 20,860; thereby attaining a ratio of 2, 0.72 and 0.74 beds per one thousand people, respectively.
  - Increasing the number of MOH physicians tending curative hospital beds to 32,657, in other government agencies to 18,875, and in the private sector to 14,602; thereby attaining a ratio of 0.7, 0.93, and 0.7 of a physician per bed, respectively.
  - Increasing the number of MOH nursing staff tending hospital beds to 65,314, in other government agencies to 36,533, and in the private sector to 29,204; thereby attaining a ratio of 1.4, 1.8 and 1.4 nurses per bed, respectively.
  - Increasing the number of MOH ancillary medical staff tending hospital beds to 32,657, in other government agencies to 27,400, and in the private sector to 14,602; thereby attaining a ratio of 0.7, 1.35, and 0.7 ancillary medical staff per bed, respectively.

- Increasing the number of MOH primary healthcare centres to 2,958; thereby attaining one centre per 7,000 people.
  - Increasing the number of physicians in MOH primary healthcare centres to 10,351, the number of male and female nurses to 20,703, and the number of ancillary medical staff to 10,351; thereby attaining one physician per every 2,000 people, one nurse per 1,000 people, and one ancillary medical staff per 2,000 people.
- Continuing to maintain children immunization against infectious diseases rates of at least 97% for diphtheria, whooping cough, neonatal tetanus, poliomyelitis, measles, rubella, mumps, tuberculosis, and hepatitis B.
  - Reducing incidence of infectious diseases per hundred thousand people to: 0.005 for diphtheria, 0.001 for whooping cough, zero for polio, 5.0 for measles, 0.05 for mumps, 10.0 for Hepatitis B, and reducing incidence of neonatal tetanus to 0.005 per thousand live births.
  - Reducing infant mortality to less than 12 deaths per thousand live births.
  - Reducing children-under-five mortality to less than 15 deaths per thousand live births.
  - Reducing the proportion of below-normal-weight babies to less than 5% per thousand live births.
  - Reducing maternal mortality per 10,000 live births to less than 1.3.
  - Increasing the rate of providing healthcare to women of childbearing age by health professionals to at least 98%.
  - Increasing the rate of pregnant mothers provided with healthcare by health professionals to at least 98%.
  - Increasing the rate of immunization of pregnant mothers against tetanus to at least 98%.
  - Increasing the number of deliveries tended by health professionals to at least 98%.

- Increasing the rate of mothers provided with postnatal healthcare by health professionals to at least 98%.
- Reducing incidence of malaria to less than 0.5 cases per hundred thousand people, in areas where transmission of malaria is most likely to occur.
- Reducing incidence of bilharzias to less than 1.5 cases per hundred thousand people in areas where it is endemic, and to less than 3 cases per hundred thousand of population in areas of high endemism, while keeping other areas free from infection.
- Achieving a rate of recovery from tuberculosis to more than 85%:
  - Achieving a tuberculosis detection rate of more than 70%.
  - Reducing incidence of pulmonary tuberculosis to 8 cases per hundred thousand people by the end of the Plan.
- Reducing the rate of infection with HIV / AIDS through:
  - Raising awareness of the disease, targeting high-risk groups, reducing risk through intensive counselling and testing clinics, ensuring safety of blood transfusions, and preventing transmission of infection due to health practices.
  - Opening 20 clinics for counselling and voluntary testing, and establishing 8 specialist treatment centres, and carrying out surveys.
- Implementing a health awareness programme consisting of lectures, seminars, press material, and publications.
- Opening 400 first-aid centres, at a rate of 80 per year.
- Completing Saudi Red Crescent projects currently in progress, namely: buying helicopters, leasing and operating helicopters, establishing 559 first-aid centres, establishing 13 branches in the regions, establishing 13 hangers and aircraft maintenance workshops and 106 emergency landing strips for helicopters, and establishing 6 relief warehouses.
- Completing King Faisal Hospital and Research Centre projects currently underway, the most important of which are: establishing and equipping King Abdullah Centre for Tumours

and Liver Diseases; constructing a building for tumours; establishing a building for neurology, neurosurgery and medical support services; and establishing a Children's Hospital.

- Establishing referral laboratories and a research centre in Riyadh for the Saudi Food and Drug Authority, and constructing buildings and laboratories at all points of entry to the country by land, sea and air.

## **23.6 FINANCIAL REQUIREMENTS**

Under the Ninth Development Plan, the value of the financial requirements of the health sector for the operational plans of MOH, the Saudi Red Crescent, King Faisal Specialist Hospital, the Research Centre (public institution), and the Saudi Food and Drug Authority is SR242.7 billion, apart from the financial requirements of the medical services of other government agencies.

**Page**

**462**



# INFORMATION AND COMMUNICATIONS TECHNOLOGY

## 24.1 INFORMATION AND COMMUNICATIONS TECHNOLOGY

### 24.1.1 Introduction

Information and Communications Technology (ICT) has become one of the key factors of development of societies in the modern era. It has both direct and indirect effects on the quantitative and qualitative performance of various sectors, including production and service sectors, since it stimulates productivity and enhances competitiveness. ICT is also an important means in moving towards a knowledge economy and an information society.

Under the Eighth Development Plan, the sector achieved significant progress, particularly in introducing competition in mobile-phone services and liberalizing fixed-line telephone services. Over the period, effectiveness of internet services increased with the introduction of broadband internet services, which will increase the dissemination of various electronic services. The National Communications and Information Technology Plan (NCITP) was also adopted. Moreover, the first phases of the e-Government Programme were started and work continued on development of the regulatory environment to safeguard security and privacy of electronic transactions and user interests.

The Ninth Development Plan will focus on completing the implementation of programmes and projects of NCITP. Efforts will continue to liberalize services, promote competition, develop infrastructure and make it available in all regions. Under the Plan, the infrastructure for e-government transactions will be completed and its services increased and disseminated at all levels; and work will continue towards achieving comprehensive broadband coverage, as well as on improving skills and building capacity.

This chapter reviews the current conditions of the ICT sector, including the developments that took place under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand for ICT services, presents the future vision for the ICT sector and states the objectives, policies and targets identified under the Plan.

## **24.1.2 Current Conditions**

### **24.1.2.1 The National Communications and Information Technology Plan (NCITP)**

The NCITP was approved in 2007. The Plan consists of the long-term vision for the ICT sector and its role in economic, social and cultural development, as well as a set of long-term objectives, policies and programmes required for the development of telecommunications services, bridging the digital divides among various economic and social development segments in the Kingdom, and that between the Kingdom and other countries. The Plan also includes policies, programmes and projects needed to develop ICT applications, such as in e-commerce, e-Government, e-learning, and e-health; as well as policies for developing Arabic digital content (Box 24.1.1).

The Eighth Development Plan identified five main objectives for the ICT sector: building a national information technology industry that is competitive domestically and globally; raising productivity in all private and public sectors through intensive deployment of ICT applications; providing high-quality affordable services and communications networks in all regions; enabling community groups in all regions to deal with information in an effective and efficient manner and bridging the digital divides among regions; and providing well-trained, qualified ICT personnel. The following are the most important achievements under the Plan.

#### **Box 24.1.1: The General Objectives of NCITP**

- Raising the productivity of all sectors, dissemination of electronic governmental services in business, social and health, and encouragement of teleworking through the optimum utilization of ICT.
- Regulating the ICT sector in a form that guarantees impartiality, stimulation and attracts investment.
- Building a solid information industry that is locally and internationally competitive, through reliance on scientific research, innovation, development in strategic areas, regional and international cooperation, so that it becomes a major source of income.
- The optimum utilization of ICT at all levels of education and training.
- Enable all sections of the society in all parts of the country to deal with ICT easily and efficiently so as to bridge the digital divide.
- The optimum utilization of ICT in serving the Arabic language and consolidating the civilizational mission of Islam, patriotism and Arabic language.
- Provision of qualified, trained human capabilities, from both sexes, in the various specializations of ICT through the preparation of national manpower and the attraction of foreign expertise.

#### **24.1.2.2 Communications and information services**

The ICT market was liberalized. By the end of 2008, the Communications and Information Technology Commission (CITC) issued more than 300 licenses, including three for mobile-phone providers, four for fixed-line providers, and 43 for Internet providers. As a result, ICT services expanded rapidly and improved significantly.

The number of fixed-telephone lines increased from about 3.7 million in 2004 to about 4.1 million lines in 2008, representing an average annual growth rate of 2.7%. By the end of the plan, residential fixed-telephone lines constituted 73% of the total, and the penetration rate (number of lines per one hundred people) stabilized at about 16.4 lines (Table 24.1.1). Stability of the coverage rate for this service is attributed, not only in the Kingdom but in the rest of the world as well, to strong competition from mobile-phone services.

**Table 24.1.1**  
**Information and Communications Services**  
**Eighth Development Plan\***

Service	2004	2005	2006	2007	2008
<b>Fixed-line phone service:</b>					
- Total fixed lines	3700000	3844484	3951000	3996000	4123000
- Fixed lines per 100 population	16.2	16.5	16.5	16.3	16.4
- Residential fixed lines	2806804	2921692	2946166	2927556	2994616
- Residential fixed lines per 100 households	71.1	71.1	70.2	68.3	68.4
- Residential lines of total lines (%)	77.3	76.0	74.6	73.3	72.6
- Non-residential fixed lines	839196	922308	1004824	1068444	1128384
- Non-residential fixed lines of total lines (%)	22.7	24.0	25.4	26.7	27.4
<b>Mobile phone service:</b>					
- Total mobile phones	9200000	14100000	19700000	28400000	36000000
- Mobile lines per 100 population	40.3	60.3	82.4	116.1	143.5
- Mobile lines per 100 households	228.6	343.1	469.4	662.6	822.4
- Share of pre-paid cards (%)	53.3	67.4	76.6	83.1	84.7
<b>Broadband internet service:</b>					
- Total number of subscribers	35000	64000	218000	683000	1331000
- Subscribers per 100 population	0.2	0.3	0.9	2.8	5.3
- Residential subscribers		45202	151085	535790	931750
- Residential subscribers of total subscribers (%)		70.6	69.3	78.4	70.0
- Residential subscribers per 100 households		1.1	3.6	12.5	21.3
- Non-residential subscribers		18798	66915	147210	399250
- Non-residential subscribers of total subscribers (%)		29.4	30.7	21.6	30.0
<b>Total internet:users:</b>					
- Users	2360000	3000000	4710000	6320000	9096000
- Users per 100 population	10.3	12.8	19.7	25.8	36.3
- Users per 100 households	58.7	73	112.2	147.4	207.8

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Communications and Information Technology (MCIT) and CICT.

Mobile-phone services grew rapidly, with the number of subscribers, including prepaid-card subscribers, rising from about 9.2 million in 2004 to about 36 million in 2008, an average annual rate of 40.6%, which meant that the penetration rate (number of subscribers per one hundred people) rose from 40.3 to 143.5.

The number of internet users increased from 2.4 million in 2004 to 9.1 million users in 2008, an average annual growth rate of 40.1%. Hence, the penetration rate (number of users per one hundred people) went up from 10.3 to 36.3. Perhaps the most important development pertaining to internet services was the rapid dissemination of broadband services. This service allows access to various applications, e-commerce, e-government and e-social services, electronic communications, and video and audio communications over the internet. The number of subscribers of broadband services increased from only about 35 thousand in 2004 to about 1.3 million in 2008, an average annual growth rate of 148.3%. In view of these rates, the penetration rate rose over the same period from 0.2 to 5.3. Nonetheless, the penetration rate is still relatively low (Table 24.1.1).

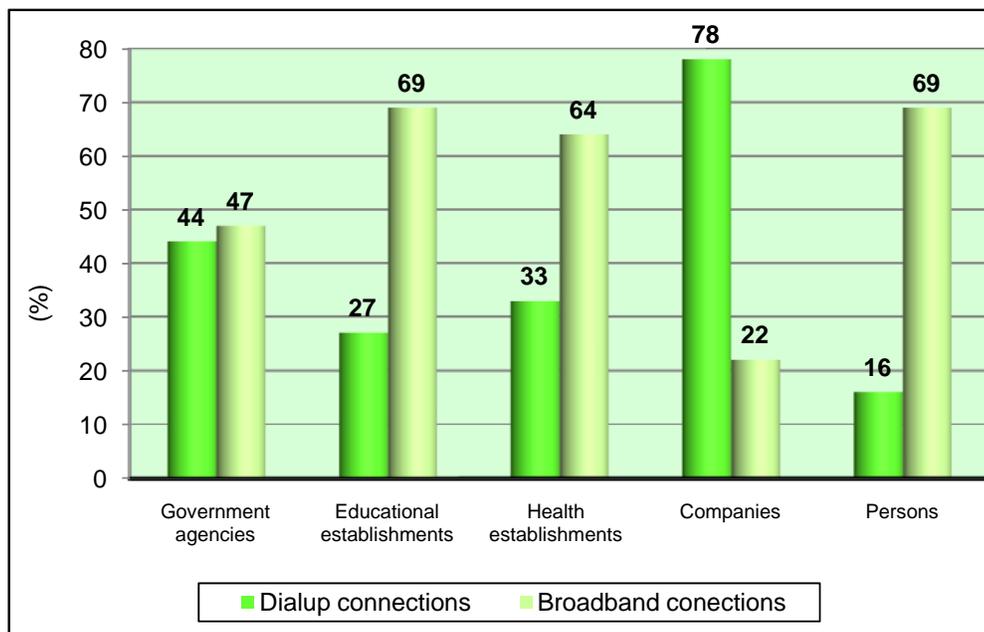
In addition, the CITC approved the Universal Access and Universal Service Policy and draft a strategy for the Universal Service Fund.

Under the Eighth Development Plan, a number of initiatives designed to protect network users from harmful practices and SPAM was launched. The national Computer Emergency Response Team (CERT) was established to raise awareness of risks and also to respond to security emergencies in or threats to information networks. In 2007 the CITC launched an Anti-SPAM project in an effort to develop awareness among e-mail users on how to deal with SPAM. In addition, the Ministry of Communications and Information Technology introduced improvements to the Public Key Infrastructure (PKI).

Under the Plan, efforts at developing the regulatory environment continued in the context of restructuring and liberalization of ICT services, which began with the issuing of Telecommunications Act and establishment of CITC in 2001. Standards for ICT were developed and best practices were identified, and these were being used increasingly by government agencies. The CITC issued Equipment Standards Specifications for ICT equipment and Quality of Service (QoS) standards; as well as the National Frequency Plan and the National Numbering Plan. The Ministry of Communications and Information Technology (MCIT) continues to enhance the YESSER e-government programme, in an effort to develop and raise the efficiency of e-government services; in addition to development and operation of the SADAD Payment System by SAMA, which is an electronic bill (public and private) payment system.

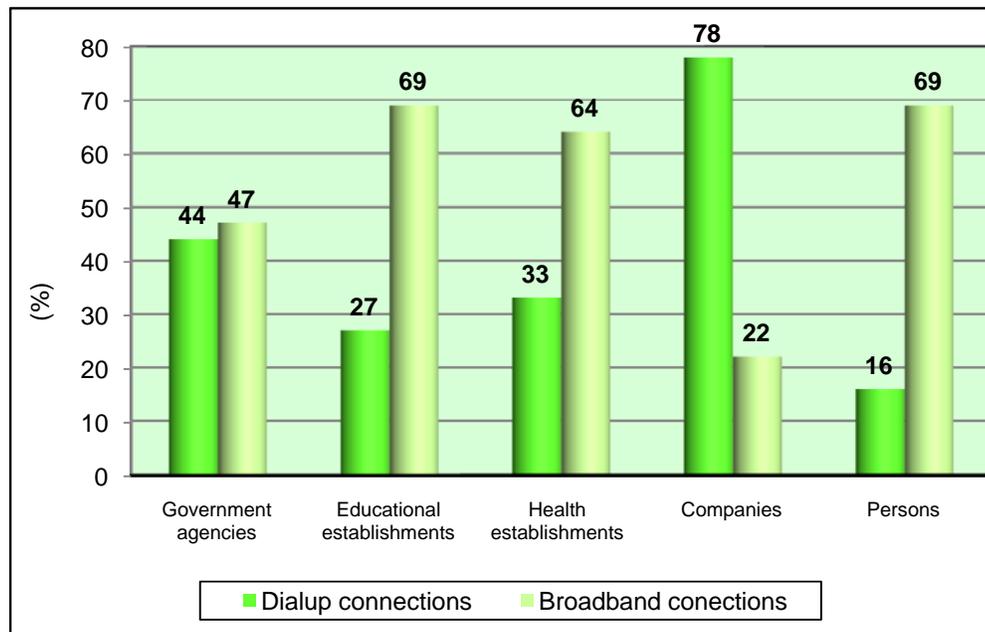
**Figure 24.1.1**  
**Type of Internet Connection by Activity**  
**Eighth Development Plan**

Page  
 468



Source: CITC.

**Figure 24.1.2**  
**PCs and Internet Service Coverage**  
**Eighth Development Plan**



Source: CITC.

### 24.1.2.3 Bridging the digital divide

Efforts are continuing to narrow the digital divide among regions, both in the coverage rate of basic ICT infrastructure and the rate of Internet connectivity. Taking into account the relative weight of population in each region, the gaps narrowed over the period 2005-2008, particularly in internet services and broadband subscribers (Table 24.1.2).

Substantial spending on human resources development stimulated implementation of a number of ICT initiatives in education. More than five thousand computer laboratories were deployed in general-education schools, in addition to providing about 100 thousand PCs to students, and a number of ICT colleges were established. It is worth noting that some 43% of individuals in the Kingdom have PCs, and about 34% use the internet. About 57% use the internet more than once a day, and about 38% use it more than once a week.

**Table 24.1.2  
Information and Communication Services  
by Region**

Region	2005			2008		
	Number of Fixed Lines Per 100 Population	Internet Users to Total Population (%)	Broadband Subscribers to Total Population (%)	Number of Fixed Lines Per 100 Population	Internet Users to Total Population (%)	Broadband Subscribers to Total Population (%)
Riyadh	20	17.5	0.4	20	36	7
Makkah	17	13.9	0.3	17	39	6
Madinah	15	10.4	0.2	14	37	5
Qasim	14	10.1	0.2	14	32	4
Eastern Region	21	16.3	0.4	20	39	7
Asir	12	5.7	0.1	11	38	2
Tabuk	12	6.2	0.1	11	36	3
Hail	12	11.7	0.2	11	35	3
Northern Borders	10	12.2	0.2	9	34	3
Jazan	7	2.6	0.1	7	34	2
Najran	11	5.4	0.1	10	38	2
Baha	14	4.6	0.1	13	36	3
Jawf	13	10.3	0.2	12	39	3

Source: CITC.

#### 24.1.2.4 Raising productivity of public and private sectors

Deployment of ICT applications to numerous activities in the public and private sectors expanded. Under the Plan, implementation of the YESSER e-Government Programme, continued. This programme aims at developing the common infrastructure required for enabling government agencies to implement various e-government applications and allow their use by customers. Methodologies and terms of references for these services were developed and approved by government agencies, and provision of these services is expected to accelerate over the next few years.

The statistics for 2008 indicate that about half the population is aware of the e-commerce, which includes the purchase and sales of goods and services through the internet, and that some 6% of these people have already used the internet for this purpose, especially to buy travel tickets, make hotel reservations, and pay for bills. The statistics also show that about 76% of companies operating in the Kingdom use PCs, and some 52% of them use the internet in executing their work. These percentages vary with company size.



In 2008, companies having websites constituted about 40% of the total, while companies that are engaged in e-commerce or that promote their services by advertising on the internet constituted about 10% of total companies. Under the Eighth Plan, electronic banking and investment services developed significantly, as reflected in the expansion of infrastructure and the improvement in the efficiency of services. The automated SADAD Payment System was approved in 2007 for online payment or through automated transaction points. The scope of the system is expected to expand in the near future to include payment of all government fees.

The e-health project was launched in 2008. This project seeks to provide e-health services, as well as through supplying health information and tele-cooperation among health centres locally and internationally. In addition, in 2006, the first phase of the National Centre for E-learning and Distance Learning was launched, which will serve as a national incubator for the development of national e-learning and its use in higher education institutions in the Kingdom.

Expansion of IT applications over the period of the Plan was also reflected in their use by numerous government and private agencies for uses such as digital surveying of land, remote sensing, geographic positioning (GPS), and international spatial information and others.

#### **24.1.2.5 Building a national information industry**

Building a national information industry is consistent with the aspiration of the development strategy to diversify the production base of the national economy, and is also compatible with the National Industrial Strategy approved in early 2009.

Under the Eighth Development Plan, the Kingdom made considerable progress in creating an attractive environment for investment in general. The Kingdom was also able to enhance the competitiveness of the national economy, as indicated by its prominent rank of 13 worldwide in the 2009 Doing Business Report, published by the World Bank Group, and the rank of 27 in the 2008 Global Competitiveness

Index, published by the "World Economic Forum".

Nevertheless, most of medium- and high-technology investments are still oriented towards energy and chemical industries, with the information industry experiencing only insignificant growth over the period. Notably, the local information industry faces numerous challenges, mainly: the comparative advantage of investment in chemical industries, competition from imports, and other labour-market constraints. Hence, in an effort to support the national information industry and stimulate its growth, a number of initiatives have been developed under the Eighth Development Plan, such as science and technology parks and economic cities, including the Economic Knowledge City in Madinah. Implementation of these initiatives is being carried out in partnership with the private sector.

#### **24.1.2.6 Institutional and organizational development**

**Page**  
**472**

Under the Eighth Development Plan, the ICT sector, which is regulated and controlled by CICT, was restructured and liberalized. Within the framework of YESSER, IT leadership positions in various government agencies were adopted, along with establishment of administrative units responsible for tasks pertaining to electronic transactions and services.

In 2005, the affiliation of the National Centre for Digital Certification was transferred from King Abdul-Aziz City for Science and Technology to MCIT. The Centre, which carries out the management of the Public Key Infrastructure (PKI), consists of five documentation centres that provide a secure environment ensuring data confidentiality and privacy. Moreover, the Computer Emergency Response Team (CERT) was founded in 2006 to enhance security awareness and to respond to emergencies in the national information and communications system. In addition, the e-Crime Act and the e-Transactions Act were approved, as were a number of related regulations and resolutions.

ICT activities and efforts of other agencies are noteworthy. These agencies include: the National Committee for Information Society

(NCIS), which aims to enable all community groups to access and utilize information in an efficient manner; the Saudi Computer Society, which engages in several activities, such as organizing conferences and publishing studies in informatics; the Saudi Arabian General Investment Authority, which undertakes attracting ICT investments and establishing economic cities, including the Knowledge Economic City in Madinah; the Saudi Industrial Property Authority, which is responsible for developing industrial cities and zones.

### **24.1.3 Issues and Challenges**

#### **24.1.3.1 Development of internet services**

Under the Eighth Development Plan, internet services developed significantly, with fast increases of service coverage and usage. Nevertheless, more efforts are needed to reduce the digital divide between the Kingdom and other countries. Most of the time, access to the internet is still by dialup, precluding access to rich content. Hence, focus should be on expanding and developing the infrastructure to provide broadband network connectivity in all regions with high reliability and at affordable prices.

#### **24.1.3.2 Infrastructure**

Under the Eighth Development Plan, coverage of the fixed telephone network declined from about 71.1 lines per hundred households in 2004 to about 68.4 in 2008. This decline is attributable to several factors, the most important of which are: the network unavailability in certain areas; and more importantly, mobile phones replacing fixed lines. Moreover, new companies face procedural delays in obtaining approvals for establishing their own networks and high fees are imposed. Both factors delay provision of communication infrastructure in several regions. Hence, it is imperative to remove various constraints and give priority to extending the network, particularly that this will also extend broadband internet services.

### **24.1.3.3 Capacity building**

Improvement of productivity by utilizing ICT services is essential for socioeconomic development, since it improves overall productivity and labour efficiency. Moreover, growth of ICT services depends largely on improvement of productivity. Continued reliance on unskilled, computer illiterate labour constitutes an obstacle to the improvement of the overall productivity of many Saudi companies, especially SMEs. In such a situation, investment in ICT becomes infeasible. Thus, companies remain in a vicious circle: decline in volume of activities and productivity along with inability to grow. This calls for skill building.

### **24.1.3.4 Applications of ICT**

Spread of ICT applications in, among others, e-Government, e-commerce, and e-services (health, education and banks) depends on the availability of an infrastructure trusted by customers, particularly as regards data security, confidentiality of communications, protection of personal privacy, and ease of use and availability. It also depends on enforcement of deterrent penalties for e-crimes, an effective system for combating fraud in circulation of goods and services through public and private networks, and firmness in protecting intellectual property rights. Hence, providing a strong organizational structure and appropriate legislative measures is crucial, especially as it helps efforts to attract foreign investment in high technology, which will, in turn, lead to upgrading the national ICT system.

On the other hand, expansion of use of ICT by state institutions and large companies owned wholly or partly by the state, through use of e-commerce, will contribute greatly to the proliferation of electronic services in all sectors and various community groups.

### **24.1.4 Demand Forecasts**

Meeting the demand of ICT services depends on three interrelated factors:

- a. Infrastructure: including, the fixed-telephone network, mobile-phone services, and broadband services for data and information

transfer, and digital certification and authentication.

- b. Capacity-building: including individuals, government and private agencies.
- c. Applications: including e-services in commerce, health and education and others.

Forecasts of demand for ICT services were based on a number of factors, including: demographic changes, economic growth and the evolution of economic restructuring and institutional development in various sectors, prices of ICT services, level of competition, integration of the national economy into the regional and global economies, and technological development.

Based on the forecasts made, the number of fixed telephone lines is expected to increase, under the Ninth Development Plan, at an average annual rate of 4.4% by one million new lines, from about 4.2 million lines in 2009 to approximately 5.2 million in 2014. Thus, the penetration rate of fixed-telephone services is expected to increase from 16.5 to 18.4 lines per one hundred people, and penetration rate of residential lines from about 69 lines to about 77.9 lines per one hundred households (Table 24.1.3).

Over the same period, the number of mobile phone subscribers is expected to increase from about 42 million to about 55.2 million, an average annual growth rate of 5.6%. Thus, the penetration rate will increase from about 164 to about 194 lines per one hundred of population.

Also over the same period, demand for broadband service is expected to increase greatly, at an annual average rate of about 10.1%, with the number of subscribers increasing from around two million to about 3.25 million. Residential subscribers will constitute 72.5%, with the remainder divided among institutions, companies, and public and private sectors agencies. Thus, coverage of broadband services will go up from 7.8 to 11.4 per hundred of population, against an increase in residential coverage from 31.5 to 47.4 subscribers for every one hundred households.

**Table 24.1.3**  
**Forecast of Demand for ICT services**  
**Ninth Development Plan**

Service	2009	2010	2011	2012	2013	2014	Average Annual Growth Rate (%)
<b>Fixed-line telephone</b>							
- Total fixed lines	4238000	4365418	4540663	4768355	5007465	5246776	4.4
- Fixed lines per 00 of population	16.5	16.6	17.0	17.4	17.9	18.4	2.2
- Residential fixed lines	3080732	3178024	3314684	3495204	3685494	3872121	4.7
- Residential fixed lines per 100 households	68.9	69.6	71.1	73.4	75.7	78	2.5
- Residential lines of total lines (%)	72.7	72.8	73.0	73.3	73.6	73.8	0.3
- Non-residential fixed lines	1157268	1187394	1225979	1273151	1321971	1374655	3.5
- Non-residential fixed lines to total lines (%)	27.3	27.2	27.0	26.7	26.4	26.2	-0.8
<b>Mobile telephone</b>							
- Total mobile lines	42000000	45900000	48900000	51100000	53300000	55200000	5.6
- Mobile lines per 100 of population	163.7	175.1	182.6	186.8	191.0	193.9	3.4
- Mobile lines per 100 households	939.5	1005.0	1048.3	1072.5	1095.1	1110.3	3.4
- Share of prepaid cards (%)	85.7	86.3	86.7	86.9	87.1	87.3	
<b>Broadband internet</b>							
- Total Subscribers	2010000	2420375	2626991	2834321	3042341	3251034	10.1
- Subscribers per 100 Of population	7.8	9.2	9.8	10.4	10.9	11.4	7.9
- Residential subscribers	1406948	1706364	1865164	2026540	2190486	2357000	10.9
- Residential subscribers to total subscribers (%)	70.0	70.5	71.0	71.5	72.0	72.5	0.7
- Residential subscribers per 100 households	31.5	37.4	40.0	42.5	45.0	47.4	8.5
- Non-residential subscribers	603052	714011	761827	807781	851855	894034	8.2
- Non-residential subscribers to total subscribers (%)	30.0	29.5	29.0	28.5	28.0	27.5	-1.7
<b>Total internet users</b>							
- Users	10386000	11593000	12625000	13567000	14439000	15253000	8.0
- Users per 100 of population	40.5	44.2	47.1	49.6	51.7	53.6	5.8
- Users per 100 households	232.3	253.8	270.6	284.7	296.7	306.8	5.7

Source: CICT.

Under the Ninth Development Plan, ICT services are expected to be extended significantly in the regions and disparities among them are expected to decline, especially when the Universal Service Fund starts operating. The Fund aims to provide universal service and access in the areas to which the market does not provide ICT services (Tables 24.1.4 and 24.1.5).

**Table 24.1.4**  
**ICT Services per 100 People by Administrative Region**  
**Ninth Development Plan**

Region	2009			2014		
	Fixed Lines per Total Population (%)	Internet Users per Total Population (%)	Broadband Subscribers per Total Population (%)	Fixed Lines per Total Population (%)	Internet Users per Total Population (%)	Broadband Subscribers per Total Population (%)
Riyadh	19.5	40.4	10.0	18.5	51.9	13.8
Makkah	18.5	44.6	9.5	22.4	58.3	14.4
Madinah	14.6	41.6	6.6	17.4	53.5	9.3
Qasim	14.5	35.6	6.2	16.8	46.3	9.1
Eastern Region	19.2	43.7	9.6	17.6	57.0	13.4
Asir	11.8	42.1	3.3	17.2	54.8	5.5
Tabuk	11.4	39.1	5.1	16.8	50.2	8.0
Hail	11.3	38.6	3.7	13.4	50.1	4.9
Northern Borders	9.8	38.4	4.3	13.1	50.0	6.1
Jazan	7.9	18.3	2.4	14.1	40.0	4.1
Najran	10.8	41.0	4.0	15.5	52.3	7.6
Baha	13.7	40.2	4.2	17.1	52.9	7.4
Jawf	11.4	42.9	4.5	12.3	55.4	5.8

Source: CITC and Ministry of Economy and Planning.

**Table 24.1.5**  
**Coverage of ICT Services by Administrative Region**  
**Ninth Development Plan**

Region	2009			2014		
	Fixed Lines per Total Households (%)	Internet Users per Total Households (%)	Broadband Subscribers per Total Households (%)	Fixed Lines per Total Households (%)	Internet Users per Total Households (%)	Broadband Subscribers per Total Households (%)
Riyadh	82	40	40	78	52	57
Makkah	65	45	32	78	58	49
Madinah	62	42	27	78	53	41
Qasim	66	36	27	78	46	41
Eastern Region	86	44	41	79	57	59
Asir	51	42	14	78	55	25
Tabuk	51	39	22	78	50	36
Hail	60	45	19	78	58	28
Northern Borders	55	43	23	78	55	36
Jazan	41	18	12	75	40	21
Najran	50	41	18	75	52	36
Baha	59	40	17	78	53	33
Jawf	67	43	26	78	55	37
<b>Kingdom Average</b>	<b>69</b>	<b>41</b>	<b>31</b>	<b>78</b>	<b>54</b>	<b>47</b>

*Source: CITC and Ministry of Economy and Planning.*

Demand for internet services is expected to grow rapidly in all regions, as adequate infrastructure becomes available, and use of e-applications in the government and the private sector expands. Third-generation (3G) wireless services are also expected to spread widely, especially with increased usage of mobile broadband services. At the same time, it is expected that fourth-generation (4G) wireless services will begin to be introduced.



## 24.1.5 Development Strategy

### 24.1.5.1 Future vision

The transformation into an information society and digital economy so as to increase productivity and provide communications and IT services for all sectors of the society in all parts of the country and build a solid information industry that becomes a major source of income.

### 24.1.5.2 Objectives

- Providing ICT services infrastructure of high quality, security, and reliability, at reasonable prices, in all regions and to all segments of society.
- Ensuring and safeguarding security of information of ICT services users.
- ICT capacity building.
- Building a national ICT industry that will meet the demand for goods and services effectively.

### 24.1.5.3 Policies

- Continuing efforts and programmes for liberalization and regulation of the ICT sector.
- Deploying broadband networks in all regions.
- Employing Universal Service Fund resources to provide services in areas most in need.
- Extending broadband networks to all schools, universities, hospitals, government agencies and civil-society institutions.
- Managing spectrum frequency efficiently, enhancing its capacity, and accelerating implementation of the National Frequency Plan.
- Completing establishment of the Public Key Infrastructure (PKI).

- Continuing development and upgrading of ICT standards.
- Expanding provision of e-government services and e-Transactions services provided by the State or shared with the private sector.
- Providing various incentives for attracting foreign direct investment (FDI) in the IT industry.
- Developing the capacity of companies and enterprises and increasing their usage of ICT.
- Promoting e-learning and supporting the trend towards tele-working.
- Supporting Arabic content on the Internet.

### **24.1.6 Financial Requirements**

**Page  
480**

The financial allocations to government agencies in the ICT sector (Ministry of Communications and Information Technology) under the Ninth Development Plan amount to SR896 million.

## **24.2 POSTAL SECTOR**

### **24.2.1 Introduction**

The postal sector plays a vital role in advanced societies as a key part of the communications infrastructure. The sector's organizational and institutional development of the sector, which started under the Seventh Development Plan, was continued under the Eighth Development Plan, with emphasis on diversification of services offered to clients, and raising their efficiency through enhanced application of new technologies; all in an effort to support other sectors, especially in view of expanding application of e-services in many agencies.

Under the Ninth Development Plan, work will continue on developing postal services and offering them at a level commensurate with international standards. In addition, efforts will be made to introduce new services to satisfy market needs; strengthen competitiveness;

complete organizational, operational, and financial development of the sector, and make it productive and profitable.

This part of the chapter reviews the current conditions of the postal sector and the developments that took place under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand for postal services, presents the future vision for the sector and reviews the objectives, policies and targets set for the sector under the Ninth Plan.

## 24.2.2 CURRENT CONDITIONS

### 24.2.2.1 Postal facilities

The Saudi Post Corporation provides services through more than six thousand postal outlets distributed around major cities, governorates and centres. Table 24.2.1 shows the growth of postal facilities by the end of 2008, the fourth year of the Eighth development Plan, compared with the end of the Seventh Development Plan, while Table 24.2.2 presents the size of the postal service network by region by the end 2008.

**Table 24.2.1**  
**Postal-Service Facilities**  
**Eighth Development Plan<sup>(\*)</sup>**

Description	2004	2008
Number of main post offices	478	470
Number of branch post Offices	190	146
Number of express mail centres	119	185
Number of post agents	770	769
Number of postal agencies (private post offices)	81	83
Number of villages served by surface mail services	648	647
Number of villages served by roaming post services	4227	3985
Number of subscribers' post office boxes	525838	595998
Number of street post boxes	2687	2490

(\*) Up to the end of the fourth year of the Eighth Development Plan.  
Source: Saudi Post Corporation.

**Table 24.2.2**  
**Postal Services Network by Administrative Region**  
**2008**

<b>Region</b>	<b>Main Post offices</b>	<b>Branch Post Offices</b>	<b>Express Mail Centres</b>	<b>Post Agents</b>	<b>Postal Agencies (Private Post Offices)</b>	<b>Villages Served by Surface Mail Services</b>	<b>Villages Served by Roaming Post Services</b>	<b>Subscribers' Post Office Boxes</b>	<b>Postal Box Halls</b>	<b>Postal complexes</b>
Riyadh	93	16	49	139	36	90	935	194658	4	1
Makkah	53	24	34	71	20	77	525	130192	3	1
Madinah	23	12	17	32	5	40	258	27697	0	1
Qasim	35	27	12	89	3	55	230	34266	0	1
Eastern Region	60	27	20	52	16	98	131	108702	1	1
Asir	82	11	13	119	3	84	789	32700	0	1
Tabuk	15	3	7	15	0	29	91	12235	0	0
Hail	12	5	5	61	0	58	399	14050	0	0
Northern Borders	16	0	4	10	0	18	32	5700	0	0
Jazan	31	2	4	69	0	25	412	11100	0	1
Najran	16	6	3	15	0	27	128	7600	0	0
Baha	18	8	8	81	0	28	18	7700	0	0
Jawf	16	5	9	16	0	18	37	9398	0	
<b>Total</b>	<b>470</b>	<b>146</b>	<b>185</b>	<b>769</b>	<b>83</b>	<b>647</b>	<b>3985</b>	<b>595998</b>	<b>8</b>	<b>7</b>

*Source: Saudi Post Corporation.*

The private sector provides postal services by postal agencies (private post offices), which have contributed to the expansion of services in major cities, through contractual agreements with the Saudi Post Corporation, as well as by private companies providing competitive courier services.

#### **24.2.2.2 Volume of postal services**

In 2008, the volume of postal services was 571 million mail items, compared with 441.4 million items in 2004; an increase of 29.4%. External mail represents 48% of the entire mail traffic. The quantity of handled mail was 810.8 million items in 2008, compared with about 936.5 million items in 2004 (Table 24.2.3).

**Table 24.2.3**  
**Development of Postal Services**  
**Eighth Development Plan<sup>(\*)</sup>**

Mail Type	000 items				
	2004	2005	2006	2007	2008
Internal	271643	318684	375712	354201	302770
Incoming	115686	131846	121608	227771	239916
Outgoing	52027	40131	28544	32625	25154
Express Mail	1511	2051	1619	2238	2686
Outgoing Parcels	247	403	235	276	290
Incoming Parcels	327	309	254	257	270
Total Service Volume	441441	493424	527992	617368	571086
Handled Items	936513	858063	849258	825995	810788

(\*) Up to the end of the fourth year of the Eighth Development Plan.

*Source: Saudi Post Corporation.*

### 24.2.2.3 Postal service performance

Under the Eighth Development Plan, productivity and quality of postal services improved. In 2008, 99% of mail was delivered within 48 hours of deposit, compared with 91% in 2004. Over the same period, the number of staff per one thousand people improved from 0.40 to 0.42. Revenue grew from SR442.7 million in 2004 to SR551.9 million in 2008.

The Saudi Post Corporation has developed a mail addressing that assigns an exclusive reference to each residential, commercial, industrial, service and government unit in all parts of the Kingdom. Saudi Post continues its efforts to promote the use of this system by beneficiaries of its services.

The Corporation also signed a number of agreements with local and international public and private agencies covering a range of purposes, such as address verification and use of digital maps in various applications.

Those developments required raising the efficiency of postal operations by re-engineering mail processing methods, developing distribution methods, improving express mail, parcel services and transport operations, developing the IT infrastructure through use of geographical information systems, connecting postal offices with a computer network, designing a distribution system, and providing a number of postal services through the electronic portal.

#### **24.2.2.4 Institutional and organizational development**

Under the Eighth Development Plan, institutional and organizational development of the postal sector, which began under the Seventh Development Plan, continued. Upon commencing its work, the financial regulations of the Saudi Post Corporation were approved. However, its organisational regulations were not enforced after being enacted, since Royal Decree No. 5464 /m b of 2005 stipulated that agencies, institutions and public funds, including the Saudi Post Corporation, should function in accordance with the regulations of the General Organization for Social Insurance, pending issuance of consolidated operational regulations covering the work of all these entities.

**Page**  
**484**

Postal act is under preparation, in coordination with a specialist consulting firm, to substitute for the current act that has been in force since 1986. The new regulations would aim to regulate the postal market, define and determine the scope and terms of universal service, identify monopolized and open-to-competition postal services, determine license fees for companies and private institutions operating in the market, and develop provisions related to mail confidentiality, violations and sanctions, and rights and duties of various parties.

Upon its establishment, the Saudi Post Corporation embarked upon reforming the existing organizational structure in line with transformation from a government agency to an autonomous, flexible and independent agency operating on a commercial basis. The temporary organizational structure was changed from being functional to one that combines functionality with market and service orientation.

The new structure includes administrative units focusing on marketing, sales and mail licensing, and business service units, such as express mail, parcels and distribution. A final organizational structure is being drawn up by a specialist consulting firm.

### **24.2.3 Issues and Challenges**

#### **24.2.3.1 Lengthy administrative procedures**

The Saudi Post Corporation was not able to start offering some of the new services targeted in the plan, including financial services, as the issue is still under consideration by its Board of Directors. The same applies to promotional mail services, through establishment of a joint company with one of the national specialized firms.

#### **24.2.3.2 Competition and technological developments**

Competition and technological developments in the communications sector are a major challenge to the postal sector. The most important of those challenges are:

- Some national companies provide postal services, such as mail and postal parcels that should be provided exclusively by the Saudi Post Corporation. Despite the imposition of fees and asking official bodies to stop companies operating without a license, they are still operating, which affects the share of Saudi Post of the communications and postal market.
- Implementation of project WASSEL encountered the problem of destruction of service boxes installed at customers' premises, which led to delays in project implementation.
- Reduction of the volume of the traditional mail, due to lower demand resulting from development of other communication services, which are tough competitors.
- Foreign companies are strong competitor in express-mail services, despite improvements being carried out by the Corporation.

The Corporation is addressing these issues and challenges through:

- Intensifying liaison with the Ministry of Finance to overcome the obstacles facing approval of the financial services and the promotional mail projects.
- Addressing the relevant authorities compel companies operating mail and parcel services to comply with the terms of their licenses, which limit their activity to non-postal parcels, in addition to enhancing control over the activities of these companies, in coordination with official regulatory agencies.
- Continuing to develop existing services and raise their efficiency, in particular, express mail; and to offer a range of support services to attract customers, including enhancing the tracking of mail items, speeding delivery of mail by accelerating mail processing, delivering mail at various times during the day, expanding implementation of the mailing-address system, and developing the use of the WASSEL Service.

**Page**

**486**

#### **24.2.4 Demand Forecasts**

Economic, social and technological factors affect demand for postal services. The econometric models of the Universal Postal Union suggest that demand for postal services is affected by changes in GDP, rate of inflation and population growth. Additional factors include: high rates of education and lower illiteracy rates, and the availability of other forms of communications. However, improvement in the quality of services does increase demand. Hence, under the Ninth Development Plan, efforts will be made to improve quality by improving efficiency of mail processing and delivery times, as well as by introducing a tracking system for express mail and extending it to cover registered and official mail. Improvements will also include a computerized system for logging registered and official mail, and there will be continued efforts to measure service effectiveness and improve promotional mail services. Additional improvements include introduction of new services, such as hybrid mail, supplies mail, and money-transfer services.



The postal service faces tough competition from other communications services, as well as from other service providers. Competition in the communications market in general, and postal services in particular, is not expected to slacken over the course of the Ninth Development Plan. In addition, membership of the WTO and eventual adoption of an open-market policy will encourage competition.

The trend towards use of promotional mail as a service to businessmen and continued reliance on diversified mail services, such as e-mail, e-commerce, hybrid mail and supplies mail, will positively affect the volume of mail under the Ninth Development Plan. However, the postal service may lose market share due to the introduction of high-quality internet and email services. The impact of socio-economic factors on demand for mail services in general, and letter services in particular, is likely to be very strong. Nevertheless, positive effects are expected to outweigh negative ones. Calculating the overall impact of these factors, using the standard model of the Universal Postal Union, points to a growth in demand for postal services at an average annual rate of 2.5% over the period of the Ninth Development Plan.

Meeting potential demand for postal services requires improving the quality and diversification of existing services, benefiting from the flexible, autonomous managerial environment of the Saudi Post Corporation.

Under the Ninth Development Plan, emphasis will be placed on introducing new products and services. These include: payment of bills; government services; financial services, such as express domestic and international money transfer services, through agreements with appropriate agencies; hybrid mail services, through arrangements with utility companies such as telecom, water, electricity and banks; value-added services, such as printing and packaging; using WASSEL addresses in distribution; and e-commerce supporting services, through distribution of electronically ordered goods and parcels.

## **24.2.5 Development Strategy**

### **24.2.5.1 Future vision**

Comprehensive, integrated postal services covering all regions, at affordable prices and with a world-class quality, under the supervision of an efficient and capable corporation, in order to contribute to economic and social development, and meet the requirements of a knowledge society.

### **24.2.5.2 Objectives**

- Improving quality of postal services.
- Diversifying postal services and products.
- Expanding mail infrastructure.
- Developing and making optimum use of human resources.
- Developing the institutional framework of the postal sector.
- Improving the financial position of the postal sector.
- Developing and applying a management and operations model.

**Page  
488**

### **24.2.5.3 Policies**

- Continuing to equip counters, sales outlets and processing points with modern technologies.
- Continuing to link all post offices by an electronic network to provide a rapid, easy-to-use service; along with tighter control, monitoring and tracking of postal items.
- Managing and operating all facilities of the Corporation at the required level of efficiency.
- Improving registered and official mail and parcels services, using a mail-tracking system and electronic records for registration of materials and parcels.
- Developing express mail services to international standards.
- Focusing on quality of all postal services, measuring it regularly, and providing transparency and clarity by advertising fees and

length of delivery times to customers.

- Providing government and public services by post-office counters to enable agencies to implement e-government and electronic commerce programmes.
- Continuing to establish an infrastructure for distribution, through the WASSEL service, to all residential, commercial, industrial units, and make the postal address part of the identity of every person.
- Designing and constructing buildings to meet all requirements of providing postal services to clients optimally.
- Ensuring that all cities, villages and governorates are covered by surface and roaming postal services, through the carrier company, NAQEL.
- Transforming the Saudi Post Corporation into a holding company, owning a number of postal-services operating companies.
- Concluding the provision of express mail, parcel, financial, promotional mail, marketing, counter, and distribution and logistics services, through strategic partnerships with the private sector.
- Continuing to encourage private sector participation in the provision of postal services.
- Determining the conditions of universal service, its standards and scope throughout the Kingdom.
- Developing postal act and regulating postal market practices, through separation of the functions of the legislator, from those of the regulator and the operator, in order to create an organised operational postal environment.
- Developing manpower by vocational, technical, administrative, and financial training and granting scholarships to personnel with distinguished competencies to study abroad.
- Recruiting qualified national manpower to vocational, technical, administrative, and financial posts.

- Enhancing mail revenues through development of marketing plans for all the postal services and products offered by the Corporation, and enhancing collection of official mail revenues.
- Laying down the appropriate basis for accounting of final expenditures within the framework of postal agreements with other countries, in order to augment resources.
- Developing the administrative and financial support system, by continuing to develop executive regulations, applying cost accounting, and upgrading statistical information systems.
- Creating leadership capable of managing and operating all postal sectors.

#### **24.2.5.4 Targets**

**Page  
490**

- Equipping counter offices, retail outlets and processing points with modern technologies.
- Connecting 600 post offices with automated computer networks.
- Continuing to improve and develop express mail, parcel, registered and official mail services.
- Developing strategic partnerships with the private sector, to offer promotional mail, and financial and hybrid mail services.
- Providing government and public counter services.
- Completing the infrastructure for the distribution of mail to residences (the WASSEL Service) and expanding provision of mailboxes at residences.
- Establishing 10 central buildings and 20 branch offices buildings.
- Conducting studies to transform the Saudi Post Corporation into a holding company and the service sectors into operating subsidiaries.
- Developing the postal system.
- Training 13,845 employees and sending 10 employees on scholarships abroad.

## 24.2.6 Financial Requirements

The financial allocations for government agencies in the postal sector (Saudi Post Corporation) under the Ninth Development Plan amount to SR8.7 billion.

**Page**  
**492**

# WATER AND SANITATION

## 25.1 INTRODUCTION

The Eighth Development Plan was a turning point for the development of the water sector. During the period, tangible achievements were made, including initial but fundamental steps, to formulate a comprehensive strategy for water resources development and sustainability. Moreover, significant progress was made towards providing integrated management of water resources, in addition to development of renewable water resources by enhancing dam capacity throughout the Kingdom. Furthermore, water and sanitation services improved in terms of both scope and efficiency.

Regulations governing private-sector participation in the management and operation of water and sanitation utilities were approved, the National Water Company (NWC) was licensed, the executive programme for the privatisation of the Saline Water Conversion Corporation (SWCC) was approved, and a number of companies that will be engaged in major water-desalination and power-generation projects were established.

The Ninth Development Plan will build on these achievements through the completion of the National Water Strategy, which will involve comprehensive water database, covering sources, usages, and mechanisms and procedures for its implementation. The Ninth Plan will also enhance implementation efficiency of water policies, focusing on the demand side of water management, along with supporting and developing water-saving technologies. Furthermore, efforts will continue to expand coverage of water and sanitation services, raise rates of reclaiming water and expand its uses, in addition to including non-conventional water resources in the water budgets of the regions. In addition, administrative and managerial capacities will continue to be built and enhanced at all levels, especially at regional levels, in relation to water resources and usage sites. In furtherance of development efforts, restructuring will proceed, in order to ensure efficient, productive operation of water and sanitation facilities on a commercial basis, through active participation of the private sector.

This chapter reviews the current conditions of the water and sanitation sector, including the developments that took place under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand for water sector services, presents the future vision for the sector and states the objectives, policies and targets set for it under the Ninth Development Plan.

## 25.2 CURRENT CONDITIONS

### 25.2.1 Conservation and Development of Water Resources and Rationalisation of their Use

Estimates point to a decline in water consumption for all purposes from about 20.3 billion cubic metres in 2004 to about 18.5 billion cubic metres in 2009, indicating a negative average annual growth rate of 1.8 %. This decline is attributable mainly to the decline in consumption of water for agricultural purposes, at an average annual rate of 2.5% over the period (Table 25.1).

Page  
494

**Table 25.1**  
**Water Balance**  
**Eighth Development Plan**  
(Million cubic metres/year)

Description	2004	2009	Average Annual Growth Rate under the Plan (%)
Water demand for municipal purposes	2100	2330	2.1
Water demand for industrial purposes	640	713	2.2
Water demand for agricultural purposes	17530	15464	-2.5
<b>Total demand for water</b>	<b>20270</b>	<b>18507</b>	<b>-1.8</b>
Renewable surface & ground water (Arabian Shield)	5410	5541	0.5
Non-renewable ground water	13490	11551	-3.1
Desalinated sea water	1070	1048	-0.4
Reclaimed agricultural wastewater	40	42	1.0
Reclaimed wastewater	260	325	4.6
<b>Total available water resources</b>	<b>20270</b>	<b>18507</b>	<b>-1.8</b>

*Source: Ministry of Water and Electricity, and Ministry of Economy and Planning.*



Noteworthy is the positive effect of measures and regulations taken by government to rationalise water consumption and regulate its use in agriculture in general, and rationalise cultivation of water-intensive crops. Consumption of water for municipal purposes grew at an average annual rate of 2.1% over the period of the Plan, while water consumption for industrial purposes grew at a rate of 2.2%.

In the development of renewable water resources, the dam building programme, to collect water for direct use or to recharge underground water reservoirs, is important in enhancing sustainable water supplies. The number of dams increased during the Eighth Plan from 210 dams in 2004 to 302 in 2009, and the storage capacity of dams increased from 832 million to 1354 million cubic metres (Table 25.2), which constitutes 117% of the target envisaged by the end of the period of the Plan.

**Table 25.2**  
**Number of Dams and Storage Capacity**  
**Eighth Development Plan**

Description	2004	2009	Average Annual Growth Rate (%)
Total number of dams	210	302	7.5
Storage capacity (million cubic metres)	832	1354	10.2

*Source: Ministry of Water and Electricity.*

In 2009, the capacity of water desalination and electricity generation reached 2,878 thousand cubic metres per day, and 3,426 megawatts, respectively, indicating insignificant change under the Eighth Development Plan (Table 25.3).

Progress made under the Eighth Development Plan in the use of treated wastewater for agricultural and industrial purposes is important from the viewpoint of development of non-conventional water resources. The amount of reclaimed wastewater used increased from 260 million cubic metres in 2004 to 325 million cubic meters in 2009, an average

annual growth rate of 4.6%, while the amount of reclaimed agricultural wastewater used was 42 million cubic metres in 2009, up from 40 million cubic meters in 2004, an average annual growth rate of 1%.

**Table 25.3**  
**Water Desalination**  
**Eighth Development Plan**

Description	2004	2009	Average Annual Growth Rate (%)
Number of desalination plants	30	30	0.0
Water production capacity (thousand cubic metres/day)	2878	2878	0.0
Amount of water produced (million cubic metres)	1070	1048	-0.4
Actual power generating capacity MW)	3426	3426	0.0
Power produced (million MW/hour)	21.8	21.0	-0.8

*Source: SWCC.*

## **25.2.2 Water and Sanitation Services**

Potable water services grew steadily over the first four years of the Eighth Development Plan, bolstered by additional funds provided by the state for public services and infrastructure from the budget surplus revenues. The number of household connections of potable water and the lengths of the new water networks increased at an average annual rate of 12.3% and 14.5%, respectively; and the number of new connections was 596 thousand.

In 2008, the number of potable water purification plants was 68, with a total design capacity of 1.7 million cubic metres per day, and the daily average of purified water was 1.4 million cubic metres (Table 25.4).

In 2008, the number of sanitation network connections was about 720 thousand, compared with about 572 thousand in 2004, an increase at an average annual rate of 6.1%. The capacity of wastewater treatment facilities for reuse in agriculture and industry rose at an average annual rate of 1.5%, from about 4.1 million cubic metres per day in 2004 to

about 4.3 million cubic meters per day in 2008, while the amount of reclaimed wastewater increased from 1.4 to 2 million cubic metres per day (Table 25.5).

**Table 25.4**  
**Potable Water Services**  
**Eighth Development Plan\***

Description		2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Potable Water Networks	Household connections (thousand )	1006	1027	1312	1556	1602	12.3
	Length of networks (thousand km)	36.0	37.2	51.9	60.5	61.8	14.5
Purification Plants	Capacity (thousand Cubic meters/day)	1499	1964	1964	1273	1713	3.4
	Amount of Purified water (cubic meters/day)	1276	1664	1275	984	1428	2.9

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Water and Electricity.

**Table 25.5**  
**Sanitation Services**  
**Eighth Development Plan\***

Description		2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Sanitation Networks	Household connections (thousand)	572	572	622	688	720	6.1
	Length of networks (thousand km)	11.0	11.3	13.4	15.1	15.4	8.8
Wastewater Treatment Plants	Capacity (thousand cubic meters/day)	4097	4097	4121	4346	4346	1.5
	Quantity of reclaimed water (cubic meters/day)	1400	1814	1861	2009	2000	9.3

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Water and Electricity.

### **25.2.3 Utilisation of Water for Industrial and Agricultural Purposes**

In 2008, a number of rules and measures aimed at rationalising the consumption of water and regulating its use in agriculture was taken, including: continuing to ban export of locally produced wheat; banning export of vegetables cultivated on open farms; banning export of animal fodder, facilitating their import, and offering credit facilities to stimulate investment in their cultivation abroad; exempting agricultural imports from customs duties; and banning drilling for water in areas that suffer from decline of water levels or low water quality. These measures are expected to bear fruit in the coming years.

The Eighth Development Plan carefully considered water tariffs and called for reviewing them, especially for municipal, industrial, and agricultural uses, in order to regulate consumption, while taking into account the purchasing power of consumers. In 2008, a project to develop a comprehensive water system and its executive regulations was initiated, with the aim of establishing a framework for an advanced system that would meet current and future water demand for all purposes.

**Page**  
**498**

### **25.2.4 Integrated Management of Water Resources**

In an endeavour to achieve integrated management of water resources, the Eighth Development Plan called for finalising the National Water Plan, which includes identification of water resources and reserves, particularly non-renewable groundwater; development of comprehensive databases for the water sector; and finalising the regulatory frameworks for water uses. The first phase of the proposed National Strategy and Action Plan for Water, which constitutes the overall long-term framework for the National Water Plan, with the aim of improving the management and demand of water supply, taking into account the economic and legislative aspects, was completed. Moreover, detailed studies of aquifers and water reserves in various parts of the Kingdom continued. Two studies on the formation of Umm

er-Radhuma and the Saq aquifers were completed; others are underway.

### **25.2.5 Institutional and Organisational Development**

Under the Eighth development Plan, the water sector underwent major institutional and organisational developments, the most prominent of which was decentralisation through expanding the powers of regional water and sanitation administrations in the thirteen administrative regions. In addition, a set of policies and measures aimed at raising the performance of the water and sanitation sector was adopted, the most important of which was approval of the Executive Regulations for treatment and reuse of wastewater and standardisation of the specifications of wastewater treatment plants.

Privatisation of water and sanitation activities achieved remarkable progress, through:

- Formulation of the methodology for privatisation for water and sanitation facilities, and continued efforts to develop the administrative, regulatory and legal frameworks required for implementation of such a methodology.
- Issuance of the Supreme Economic Council Resolution 2/27 of 2006 concerning the rules governing private-sector participation in development of the water and sanitation sector.
- Issuance of the Council of Ministers Resolution No. 5 of 2008 approving the establishment of the National Water Company (NWC), which will be responsible, among other things, for providing all groundwater and potable water distribution services, as well as collecting and treating wastewater on a sound commercial basis. The resolution also stipulated that NWC gets all its entitlements for all services provided to all subscribers.

As for privatisation of the projects and facilities of the Saline Water Conversion Corporation (SWCC), the following measures were taken:

- Issuance of Supreme Economic Council Resolution 2/29 of 2008 approving the executive programme for the privatisation of the SWCC , through converting it into a holding company wholly owned by the state. The executive programme of action to privatise and restructure the Corporation was launched at the beginning of 2009.
- Issuance of Council of Ministers Resolution No. 180 of 2005 licensing establishment of the Shuaiba Water and Electricity Company.
- Issuance of the Council of Ministers Resolution No. 44 of 2007 approving establishment of the Shuqaiq Water and Electricity Company.
- Issuance of the Council of Ministers Resolution No.298 of 2007 licensing establishment of the Ras Al Zour Water and Electricity Company as a joint-stock company.

## **25.3 ISSUES AND CHALLENGES**

### **25.3.1 Water Resources Sustainability**

The issue of sustainability of water resources goes back to 1980, when agricultural development began to be concentrated in the semi-arid regions characterised by scarcity of rain, with non-renewable groundwater being the main source of irrigation. The immense support and numerous subsidies provided by the state to the agricultural sector led to the expansion of cultivated areas, and subsequently to rising depletion rates of ground water. Such support also contributed to widening the gap between the social cost of groundwater and the cost borne by farmers, which encouraged expansion in the cultivation of water-intensive crops.

As a result, ground water depletion has been unabated over the past three decades. The extent of this depletion will be determined by studies being conducted by the Ministry of Water and Electricity. Lately, measures were taken to rationalise cultivation of low water efficiency crops, such as wheat, barley and fodder, leading to a relative

reduction in the volume of crops and cultivated areas. Yet, this did not lead to a significant reduction in water consumption, since farmers moved to cultivation of alternative low water efficiency crops.

To resolve the issue of water scarcity, it is necessary to bridge the gap between the rates of groundwater extraction and their natural replenishment rates, i.e., finding a balance between available resources and demand, through the application of strict, effective demand management, as well as through making maximum use of non-conventional water resources (treated water). In addition, there is a need to continue efforts to restructure agricultural production, by transferring water-intensive agriculture to areas where renewable water sources are available, and to continue providing support and incentives to farmers to encourage them to use modern irrigation techniques. Moreover, in order to rationalise use of water, its pricing for all purposes should be reconsidered, with the aim of setting appropriate tariffs that take into account the ability of consumers to pay and the sustainability of water resources.

### **25.3.2 Quality of Water and Sanitation Services**

Except in some cities, the quality of water and sanitation and the efficiency of services need to be upgraded to international standards, especially with regard to coverage and network losses. In addition, wastewater collection and reclamation require further improvement and development. Despite the improvements in water services that have been achieved, a proportion of the population still relies on tankers to meet their needs at a higher cost than that of water drawn from the network.

The issue can be dealt with through continuing efforts to intensify rationalisation of water demand for all purposes, treat and reuse wastewater, upgrade existing water purification plants, reduce water distribution network losses, and protect networked water from pollution.

Greater private-sector involvement can contribute to expansion and finance of water and sanitation services, thereby increasing the coverage and improving quality, in addition to reviewing water tariffs to rationalise use and enhance conservation.

## **25.4 DEMAND FORECAST**

### **25.4.1 Water**

As a result of the efforts and measures adopted under the Eighth Development Plan to rationalise water consumption and those that will be applied in the coming years, total water demand is expected to decline under the Ninth Development Plan at an average annual rate of 2.5%, from 18.5 billion cubic metres in 2009 to 16.3 in 2014, due to declining demand for water for agricultural purposes, at an average annual rate of 3.7%, leading to a decline in consumption for these purposes from 15.5 billion cubic metres to 12.8 billion. In contrast, water demand for industrial purposes is expected to go up at an average annual rate of 5.5%, from 713 million cubic metres to 930 million, due to an increase in the number of factories, and operations of the new industrial cities, in addition to economic cities. Demand for municipal purposes is also expected to rise under the Ninth Plan at an average annual rate of 2.1%, from 2.3 billion cubic metres to 2.6 billion cubic meters; a consumption rate that closely matches expected population growth (Table 25.6).

In consequence, demand for non-renewable groundwater is expected to decline at an average annual rate of 4.9%, for its share of total water consumption to be 55% by the end of the Plan, while the quantity of desalinated water is expected to almost double, from 1,048 million cubic metres to 2,070 million, to constitute 12.7% of the total water used by the end of the Ninth Plan. Demand for reclaimed wastewater is expected to grow at an average annual rate of 11.9%, up from about 325 million cubic metres in 2009 to 570 million cubic meters in 2014, for its share of total water consumption to be 3.5%.



**Table 25.6**  
**Forecast of Water Supply and Demand**  
**Ninth Development Plan**

Description	2009		2014		Average Annual Growth Rate (%)
	Million Cubic Metres	Share (%)	Million Cubic Metres	Share (%)	
Water demand for municipal purposes	2330	12.6	2583	15.8	2.1
Water demand for industrial purposes	713	3.9	930	5.7	5.5
Water demand for agricultural purposes	15464	83.5	12794	78.5	-3.7
<b>Total water demand</b>	<b>18507</b>	<b>100.0</b>	<b>16307</b>	<b>100.0</b>	<b>-2.5</b>
Non-renewable groundwater	11551	62.4	8976	55.0	-4.9
Renewable groundwater & surface water	5541	29.9	4644	28.5	-3.5
Desalinated water	1048	5.7	2070	12.7	14.6
Reclaimed wastewater	325	1.8	570	3.5	11.9
Reclaimed agricultural wastewater	42	0.2	47	0.3	2.3
<b>Total available water resources</b>	<b>18507</b>	<b>100.0</b>	<b>16307</b>	<b>100.0</b>	<b>-2.5</b>

*Source: Ministry of Water and Electricity, and Ministry of Economy and Planning.*

Table 25.7 shows the distribution of expected water demand for municipal, industrial and agricultural purposes by administrative region, illustrating the expected effects of the measures aimed at rationalising consumption of renewable water in agriculture.

Quantities of desalinated water will increase due to total production capacity of desalination plants rising at an average annual rate of 14.5%, from about 2.9 million cubic metres per day in 2009 to about 5.7 million cubic meters per day in 2014; with private and joint stations producing about 1.4 million cubic metres per day by the end of the Plan. In addition, the actual electricity-generation capacity of dual-purpose desalination plants is expected to rise during the period from 3,426 MW to 7,476 MW (Table 25.8).

**Table 25.7**  
**Forecast of Water Demand By Region**  
**Ninth Development Plan**

(Million cubic metres)

Region	2009				2014				Average Annual Growth Rate (%)			
	Municipal	Agricultural	Industrial	Total	Municipal	Agricultural	Industrial	Total	Municipal	Agricultural	Industrial	Total
Riyadh	673	4089	236	<b>4998</b>	752	3467	280	<b>4499</b>	2.2	-3.2	3.5	-2.1
Makkah	608	861	144	<b>1613</b>	667	737	193	<b>1597</b>	1.9	-3.1	6.0	-0.2
Madinah	158	968	52	<b>1178</b>	178	775	69	<b>1022</b>	2.4	-4.3	5.8	-2.8
Qassim	86	2274	21	<b>2381</b>	96	1866	24	<b>1986</b>	2.2	-3.9	2.7	-3.6
Eastern Region	353	911	198	<b>1462</b>	387	734	249	<b>1370</b>	1.9	-4.2	4.7	-1.3
Asir	124	350	16	<b>490</b>	137	330	24	<b>491</b>	2.0	-1.2	8.4	0.0
Tabuk	67	733	8	<b>808</b>	75	565	15	<b>655</b>	2.3	-5.1	13.4	-4.1
Hail	45	1352	7	<b>1404</b>	50	1099	18	<b>1167</b>	2.1	-4.1	20.8	-3.6
Northern Borders	24	4	3	<b>31</b>	27	6	3	<b>36</b>	2.4	8.4	0.0	3.0
Jazan	86	2040	8	<b>2134</b>	97	1712	20	<b>1829</b>	2.4	-3.4	20.1	-3.0
Najran	37	252	5	<b>294</b>	42	207	12	<b>261</b>	2.6	-3.9	19.1	-2.4
Baha	30	120	5	<b>155</b>	32	100	11	<b>143</b>	1.3	-3.6	17.1	-1.6
Jawf	39	1510	10	<b>1559</b>	43	1196	12	<b>1251</b>	2.0	-4.6	3.7	-4.3
<b>Kingdom Total</b>	<b>2330</b>	<b>15464</b>	<b>713</b>	<b>18507</b>	<b>2583</b>	<b>12794</b>	<b>930</b>	<b>16307</b>	<b>2.1</b>	<b>-3.7</b>	<b>5.5</b>	<b>-2.5</b>

*Source: Ministry of Economy and Planning.*

Page  
504

**Table 25.8**  
**Water Desalination**  
**Ninth Development Plan**

Description	2009			2014			Average Annual Growth Rate under the Plan (%)	
	SWCC	Private Companies	Total	SWCC	Private Companies	Total	SWCC	Total
Number of desalination plants	30	0	<b>30</b>	41	3	<b>44</b>	6,2	<b>8,0</b>
Water production capacity (thousand cubic metres/day)	2878	0	<b>2878</b>	4260	1411	<b>5671</b>	8,2	<b>14,5</b>
Quantity of water produced (million cubic metres)	1048	0	<b>1048</b>	1555	515	<b>2070</b>	8,2	<b>14,6</b>
Actual power generation capacity (MW)	3426	0	<b>3426</b>	4526	2950	<b>7476</b>	5,7	<b>16,9</b>
Power produced (million megawatt /hour)	21	0	<b>21</b>	24	9	<b>33</b>	2,7	<b>9,5</b>

*Source: SWCC.*

## 25.4.2 Potable Water and Sanitation Services

Total coverage of demand for water services requires providing 1.1 million connections and 28 thousand kilometres of main and subsidiary networks. The Ninth Development Plan aims at raising the performance of water services by adding 600 thousand connections, and 15 thousand kilometres of networks, thus increasing total connections from 1,691 thousand connections in 2009 to 2,291 thousand connections in 2014. Length of water networks will increase from 65.8 thousand kilometres in 2009 to 80.8 thousand kilometres in 2014, thereby increasing water-services coverage to 88% by the end of the Plan.

Total coverage of demand for sanitation services requires providing about 1.6 million connections and 22.3 thousand kilometres of networks. The Ninth Development Plan aims at adding 700 thousand connections and 12 thousand kilometres, bringing total connections from 831 thousand in 2009 to 1,531 thousand in 2014; with length of sanitation networks increasing from 17.6 thousand kilometres to 29.6 thousand kilometres over the same period, which will increase coverage from 42% to 60% (Table 25.9).

**Table 25.9**  
**Forecast of Potable Water and Sanitation Services**  
**Ninth Development Plan**

Description	2009	2014	Additions under the Plan	Full-Coverage Total Demand
<b>a. Potable water</b>				
Total household connections (thousand connections)	1691	2291	600	1100
Total length of networks (thousand kilometres)	65.8	80.8	15	28
Service coverage (%)	78	88	10	100
<b>b. Sanitation</b>				
Total household connections(thousand connections)	831	1531	700	1566
Total length of networks (thousand kilometres)	17.6	29.6	12	22.3
Service coverage (%)	42	60	18	100

Source: Ministry of Water and Electricity.

Tables 25.10 and 25.11 show total demand and expected development of potable water and sanitation services during the Ninth Plan for the different administrative regions. The data indicate the possibility of achieving significant progress towards balanced development.

**Table 25.10**  
**Forecast of Potable Water Services by Region**  
**Ninth Development Plan**

Region	2009		2014		Additions under the Plan		Full-Coverage Total Demand	
	Connections (000 connections)	Networks (000 Km)	Connections (000 connections)	Networks (000 Km)	Connections (000 connections)	Networks (000 Km)	Connections (000 connections)	Networks (000 Km)
	Riyadh	440	19.1	630	21.4	190	2.3	260
Makkah	380	15.7	545	19.2	165	3.5	308	7.3
Madinah	97	3.9	137	5.4	40	1.5	96	2.3
Qassim	94	5.7	119	6.7	25	1.0	32	1.4
Eastern Region	387	9.3	422	11.3	35	2.0	42	3.9
Asir	20	1.7	58	3.2	38	1.5	150	3.6
Tabuk	34	2.0	54	2.6	20	0.6	56	1.0
Hail	53	1.6	63	1.9	10	0.3	12	0.5
Northern Borders	16	0.8	26	1.0	10	0.2	17	0.3
Jazan	82	2.7	112	3.8	30	1.1	62	2.1
Najran	41	1.6	51	1.8	10	0.2	15	0.3
Baha	6	0.6	23	1.1	17	0.5	38	0.8
Jawf	41	1.1	51	1.4	10	0.3	12	0.4
<b>Kingdom Total</b>	<b>1691</b>	<b>65.8</b>	<b>2291</b>	<b>80.8</b>	<b>600</b>	<b>15</b>	<b>1100</b>	<b>28</b>

Source: Ministry of Water and Electricity, and Ministry of Economy and Planning.

**Table 25.11**  
**Forecast of Sanitation Services by Region**  
**Ninth Development Plan**

Region	2009		2014		Additions under the Plan		Full-Coverage Total Demand	
	Connections (000 connections)	Networks (000 Km)	Connections (000 connections)	Networks (000 Km)	Connections (000 connections)	Networks (000 Km)	Connections (000 connections)	Networks (000 Km)
Riyadh	268	4.1	473	7.6	205	3.5	327	5.8
Makkah	197	3.2	397	6.7	200	3.5	388	6.5
Madinah	40	1.7	80	2.2	40	0.5	124	1.0
Qassim	63	1.6	83	1.8	20	0.2	44	0.2
Eastern Region	180	4.5	280	5.3	100	0.8	185	1.6
Asir	43	1.2	73	2.0	30	0.8	127	1.6
Tabuk	9	0.3	27	0.7	18	0.4	66	1.0
Hail	5	0.2	20	0.5	15	0.3	49	0.7
Northern Borders	7	0.1	17	0.3	10	0.2	22	0.4
Jazan	2	0.1	32	1.1	30	1.0	128	2.1
Najran	8	0.4	20	0.7	12	0.3	39	0.4
Baha	0	0.0	10	0.3	10	0.3	37	0.6
Jawf	9	0.2	19	0.4	10	0.2	30	0.4
<b>Kingdom Total</b>	<b>831</b>	<b>17.6</b>	<b>1531</b>	<b>29.6</b>	<b>700</b>	<b>12</b>	<b>1566</b>	<b>22.3</b>

*Source: Ministry of Water and Electricity, and Ministry of Economy and Planning.*

## 25.5 DEVELOPMENT STRATEGY

### 25.5.1 Future Vision

Conserving water, ensuring its sustainability, and protecting its sources, through: conservation of non-renewable water resources, comprehensive coverage of water and sanitation services, rationalisation of water consumption in all uses, development of renewable water resources, importation of low-water-efficiency crops, and raising treatment capacity and utilisation of treated water appropriately.

## **25.5.2 Objectives**

- Conservation and development of water resources and maximising effective utilisation rates.
- Good governance and rational and integrated management of the water and sanitation sector.
- Providing water and sanitation services efficiently, through effective partnership between the public and the private sectors.

## **25.5.3 Policies**

- Developing conventional and non-conventional water resources.
- Intensifying methods of rationalisation of water uses for all purposes.
- Achieving a balance between water development and water consumption.
- Expanding the application of advanced methods and technologies to both production and consumption.
- Expediting issuance of the National Water Plan.
- Developing appropriate mechanisms for determining the shares of various uses of water.
- Promoting integrated management of water resources and water demand.
- Upgrading the scientific, technical and development capacities of the human resources operating in the sector.
- Intensifying efforts to provide water and sanitation services reliably at high levels of efficiency.
- Working towards issuing new water tariffs to incentivise rational use of water for all purposes and its conservation.
- Encouraging the private sector to invest in this sector by providing incentives and simplifying procedures.
- Encouraging the trend towards reliance on renewable energy sources by the sector, particularly solar energy.

## 25.5.4 Targets

- Increasing the storage capacity of dams by 85%, from about 1.35 billion cubic metres in 2009 to about 2.5 billion cubic metres by the end of the Ninth Development Plan.
- Doubling the capacity of desalination plants from 1,048 to 2,070 million cubic metres over the period of the Plan.
- Increasing the proportion of treated wastewater to about 50% of consumption for municipal purposes.
- Increasing the rate of reuse of treated wastewater to about 50%.
- Providing a 20% strategic emergency stockpile of water annually in major cities.
- Reducing demand for water for agricultural purposes at an annual rate of about 3.7%.
- Increasing consumption of water for municipal and industrial uses by 2.1% and 5.5%, respectively.
- Adding 600 thousand new household water connections and 15 thousand kilometres of networks, bringing service coverage to 88% by the end of the Ninth Development Plan.
- Adding 700 thousand new wastewater connections and 12 thousand kilometres of wastewater networks, bringing service coverage to 60% by the end of the Ninth Development Plan.
- Expanding cooperation and coordination in application of methods and techniques used in water and sanitation and water desalination nationally and internationally.
- Issuing the National Water Plan during the period of the Ninth Plan.
- Developing a comprehensive national water-management system.
- Enhancing training and scholarships programmes and qualification of human resources for dealing with post-privatisation developments.

## **25.6 FINANCIAL REQUIREMENTS**

The financial allocations for government bodies in the water sector (Ministry of Water and Electricity (Water Affairs), Saline Water Conversion Corporation, and Irrigation and Drainage Authority at Al-Hassa) under the Ninth Development Plan amount to SR162.92 billion.

**Page**

**510**



# OIL AND NATURAL GAS

## 26.1 INTRODUCTION

Under the Eighth Development Plan, the energy sector achieved significant progress, having met all its objectives in line with the national strategy, having met all its objectives. Saudi Arabia increased its production capabilities to meet global demand for oil, which grew progressively until mid-2008, when the global financial crisis broke out. In addition, exploration and drilling for natural gas continued, leading to a rise in reserves, especially of non-associated gas. Moreover, natural gas production capacity increased to meet rapidly growing domestic demand; whether as a feedstock for basic industries, or as a fuel for electricity production, water desalination and other industries.

Under the Eighth Development Plan, implementation of integrated projects for oil refining and manufacturing of petrochemical products was launched. In addition, projects to expand the array of locally produced petroleum products were pursued, along with development of strategic facilities for storage of petroleum products. Preparations are underway to implement a number of integrated refinery projects, in partnership with the national and foreign private sectors.

Under the Ninth Development Plan, exploration and prospecting for oil and natural gas will continue, in order to enhance reserves; oil production capacity will be expanded to meet global demand, natural-gas production capacity will be further enhanced to meet growing local demand, with uses directed towards diversification and integration of the industrial base; the array of locally produced petroleum products will be expanded further; and the national-gas network will be further extended to cover more areas and industrial cities.

The Plan also envisages completing the refinery projects that are underway, in addition to new ones. Moreover, the trend towards establishing refinery projects integrated within the system of industrial

clusters being developed will be enhanced, as will integration of the national oil industry with the global system by attracting investment opportunities available worldwide and developing strategic partnerships with international oil companies.

Furthermore, through providing the appropriate organizational structure and the legislative, investment and human resources support, the Plan will lay the foundations for developing complementary-energy sources, such as solar and nuclear energy, in order to achieve energy security in the medium and long terms. Within the framework of effective regional and international cooperation and partnership, efforts will be made to develop cleaner uses of oil and natural gas, and protect the environment from pollution in general, and through safe disposal of greenhouse gases, in particular.

This chapter addresses the current conditions of the oil and natural-gas sector examining developments under the Eighth Development Plan. It also reviews the key issues and challenges that must be addressed under the Ninth Development Plan, presents demand forecasts, and highlights the future vision, objectives, policies and targets set for the sector by the Ninth Plan.

**Page**  
**512**

## **26.2 CURRENT CONDITIONS**

### **26.2.1 Exploration and Prospecting for Oil and Gas**

Companies operating in the Kingdom (Saudi Aramco and the two companies operating in the Neutral Zone: Aramco Gulf Operations Co., Ltd., and Chevron Saudi Arabia) continued prospecting for oil and gas in various regions, which resulted in discovery of oil, gas and condensate in a number of fields. As a result, the level of proven reserves of crude oil, which amounted in 2008 to about 264.1 billion barrels, was maintained, and reserves of natural gas increased from about 241.2 trillion cubic feet in 2004 to about 267.3 trillion cubic feet in 2008, an average annual growth rate of 2.6%. Under the Plan, extracted natural gas amounted to 12.4 trillion cubic feet. With the discovery of 14 new fields (6 of oil and 8 of gas) over the period from

2004 to 2007, the number of oil and gas fields discovered by Saudi Aramco by the end of 2007 was 105.

Since natural gas is less expensive and less polluting to the environment, there has been rapidly growing demand for it, whether as a feedstock for basic industries, or as a fuel for electricity production, water desalination, and other industries. In response, exploration activities concentrated over the past years on the search for non-associated natural gas deposits. Indeed, the National Gas Strategy aims to use non-associated gas to complement associated gas in meeting demand, as well as to provide flexibility in managing production of crude oil, since production of associated gas is linked to that of crude oil.

Exploration of non-associated gas reservoirs is concentrated in a number of regions, including: the Empty Quarter, the territorial waters in the Arabian Gulf, and the areas adjacent to the Ghawar oil field, in addition to the northwestern parts of the Kingdom. However, the Saudi gas initiative has four companies prospecting for non-associated gas in eastern southeastern parts of the country.

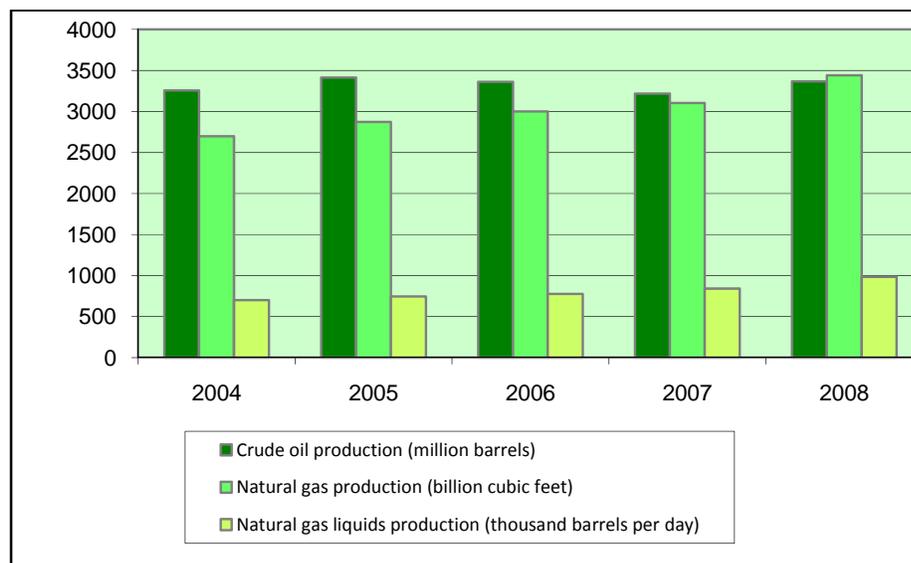
### **26.2.2 Production of Oil and Gas**

Over the first four years of the Eighth Development Plan, crude-oil production grew at an annual average rate of 0.8%, rising from about 3.3 billion barrels in 2004 to about 3.4 billion barrels in 2008, or the equivalent of 9.2 million barrels per day (Figure 26.1). In 2008, the share of the Kingdom in total crude-oil production of OPEC was 29.5%. A number of projects to increase crude-oil production capacity were implemented under the Eighth Plan.

Natural gas production increased from about 2.7 trillion cubic feet in 2004 to about 3.4 trillion cubic feet in 2008, an average annual growth rate of 5.9%. In response to growing demand in the local market, production of natural gas liquids grew over the same period from 701.4 thousand barrels per day to 984 thousand barrels per day, an average annual growth rate of 8.8%. Production of natural gas liquids is

accompanied with production of oil and gas, particularly associated gas. Over the period, efforts to expand gas-processing capabilities continued, with the building of two processing plants with a total capacity of 350 thousand barrels per day, in addition to expanding the capacity of existing processing facilities.

**Figure 26.1**  
**Production of Oil and Natural Gas**  
**Eighth Development Plan\***



\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Petroleum and Mineral Resources.

### 26.2.3 Refining and Distribution Capacity

Under the Eighth Plan, the total refining capacity of the seven refineries in the Kingdom amounted to about 2.1 million barrels per day, while the refining capacity of overseas refineries that are partly owned by Saudi Aramco amounted by the end of 2008 to about two million barrels per day. In an effort to increase economic returns and added value of oil resources, Aramco's investment plan aims to raise domestic refining capacity and invest in foreign markets to increase refining capacity.

Over the first four years of the Plan, total production of local refineries

amounted to 1.97 million barrels per day, without significant change. The relative distribution of refined products did not significantly change either (Table 26.1). However, it is important to note that these figures do not reflect targeted refining capacity additions, which will impact production volumes over the next few years (Box 26.1).

Existing refineries have undergone development, especially their production structures, in order to increase the share of light products, for which there is an increasing demand in global markets. Saudi Aramco continued to develop its refineries to produce greater amounts of high-quality products, operating two units for hydrogen treatment of diesel oil, and the unit for producing benzene by isomerization, in addition to offering 91-octane gasoline in all parts of the Kingdom in 2007.

**Table 26.1**  
**Domestic Production of Refined Products**  
**Eighth Development Plan\***

(Thousand barrels per day)

Description	2004	2008	Average Annual Growth Rate (%)	Relative Share	
				2004	2008
Liquefied Petroleum Gas	36.6	31.0	-4.1	2.0	1.6
Naphtha	225.5	209.9	-1.8	11.8	10.6
Jet Fuel and Kerosene	183.0	190.9	1.1	9.6	9.6
Gasoline	317.1	339.8	1.7	16.6	17.2
Diesel	641.8	677.9	1.4	33.7	34.3
Fuel Oil	472.1	477.8	0.3	24.7	24.2
Asphalt	31.4	49.2	11.9	1.6	2.5
<b>Total Production</b>	<b>1907.5</b>	<b>1976.3</b>	<b>0.9</b>	<b>100.0</b>	<b>100.0</b>

\* Up to the end of the fourth year of the Eighth Development Plan.  
*Source: Ministry of Petroleum and Mineral Resources.*

### Box 26.1: Domestic Refining Projects Underway

- Building a joint refinery between Saudi Aramco and Total of France, with a capacity of 400 thousand barrels per day for export. 30% of the shares of the project will be offered for public subscription within the context of the privatization strategy approved by the State.
- Building a joint refinery between Saudi Aramco and Conoco Phillips of America, with a capacity of 400 thousand barrels per day. 30% of the shares of the project will be offered for public subscription
- In 2005, Aramco, in partnership with Sumitomo Chemical of Japan, established Petro Rabigh to develop the Rabigh Refinery and build a facility for integrated oil refining and petrochemical production. This company was turned into a Saudi joint stock company in 2007 upon offering 25% of its shares for public subscription.
- Within the framework of the National Strategy for Oil and Gas, the Ministry of Petroleum and Mineral Resources opened the way for investment in building, owning and operating oil refineries. An export refinery is expected to be built in the Jazan region.

## 26.2.4 Domestic Demand

Page  
516

In 2009, total domestic consumption of energy was about 2.97 million barrels of oil equivalent per day, compared with 2.06 million barrels per day in 2004, an average annual growth rate of 7.7 % (Table 26.2). The high growth rates of consumption are attributed to the boom in the national economy, stability of domestic prices of energy products, and a continued trend of domestic investment, especially in industry, targeting energy-intensive activities.

**Table 26.2**  
**Domestic Energy Consumption**  
**Eighth Development Plan**  
(Thousand barrels of oil equivalent per day)

Year	Refined Products		Crude Oil for Direct Use		Natural Gas (Fuel Only)		Total Consumption
	Quantity	Share (%)	Quantity	Share (%)	Quantity	Share (%)	
2004	1162.9	56.6	145.3	7.1	747.5	36.3	2055.7
2005	1196.8	55.5	171.2	7.9	788.2	36.6	2156.2
2006	1284.9	56.5	164.3	7.2	826.5	36.3	2275.7
2007	1399.4	57.9	184.2	7.6	831.9	34.5	2415.5
2008	1546.0	56.2	292.5	10.7	910.6	33.1	2749.1
2009*	1667.4	56.1	363.1	12.2	942.1	31.7	2972.6
<b>Average Annual Growth rate of Consumption (%)</b>	<b>7.5</b>		<b>20.1</b>		<b>4.7</b>		<b>7.7</b>

\* Preliminary data.

Source: Ministry of Petroleum and Mineral Resources.

Over the years of the Eighth Plan, direct consumption of crude oil grew by about 20.1% on average per annum, raising its share of total energy consumption from 7.1% in 2004 to 12.2% in 2009. This increase was primarily at the expense of natural gas consumption, and to a lesser extent at the expense of consumption of refined products, with the share of natural gas consumption declining from 36.3% to 31.7%, and the share of refined products decreasing slightly from 56.6% to 56.1%.

Under the Eighth Plan, the structure of consumption of energy products changed as demand for natural gas as a feedstock in industry grew constantly, which strengthened demand for substitute fuels. Moreover, unavailability of natural gas in some regions of the Kingdom, makes crude oil the preferred choice for use in generating electricity. Notably, total consumption of natural gas over the period, as fuel and as a feedstock, grew at an average annual rate of 15.4% as a result of growing industrial use (Table 26.3).

**Table 26.3**  
**Domestic Consumption of Natural Gas and Liquids**  
**Eighth Development Plan\***

	2004	2008	Average Annual Growth Rate (%)	Relative Share (%)	
				2004	2008
Sale gas (million standard cubic feet per day)	4740	6081	6.4	100.0	100.0
- Industry	1488	2026	8.0	31.4	33.3
- Electricity and water	2638	2994	3.2	55.6	49.2
- Oil and Gas	614	1061	14.7	13.0	17.5
Ethane (million standard cubic feet per day)	550	822	10.6	100.0	100.0
- Industry	490	822	13.8	89.1	100.0
- Electricity and water	38	0	0.0	6.9	0.0
- Oil and Gas	22	0	0.0	4.0	0.0
Natural gas liquids (Thousand barrels per day)	256	454	15.4	100.0	100.0
- Industry	256	454	15.4	100.0	100.0

\* Up to the end of the fourth year of the Eighth Development Plan.

*Source: Ministry of Petroleum and Mineral Resources.*

Domestic consumption of refined products increased from around 1.16 million barrels per day in 2004 to about 1.55 million barrels per day in 2008, and then to approximately 1.7 million barrels per day in 2009, average annual growth rate of 7.5%. Consumption of gasoline grew at an average annual rate of 7.3%, diesel and gas fuel at about 7.2%, and heavy fuel oil at about 8.9%. In contrast, consumption of liquid petroleum gas grew at 3% only, and jet fuel and kerosene at about 3.8% (Table 26.4).

**Table 26.4**  
**Domestic Consumption of Refined Products**  
**Eighth Development Plan\***

	Thousand Barrels per Day		Average Annual Growth Rate (%)	Relative Share (%)	
	2004	2009**		2004	2009
Refined products	1162.9	1667.4	7.5	100.0	100.0
Liquified Petroleum Gas (LPG)	32.1	37.3	3.0	2.8	2.2
Jet Fuel and Kerosene	55.5	66.8	3.8	4.8	4.0
Gasoline	277.8	395.3	7.3	23.9	23.7
Diesel and Fuel Gas	431.7	611.3	7.2	37.1	36.7
Fuel Oil	328.6	500.6	8.9	28.2	30.0
Asphalt and others	37.2	56.1	8.6	3.2	3.4

\* Up to the end of the fourth year of the Eighth Development Plan.

\*\* Preliminary data.

Source: Ministry of Petroleum and Mineral Resources.

Over the period of the Plan, the capacity of several facilities for refined products was increased, including building a pumping station for the Dhahran-Riyadh pipeline, in addition to expansion of several reservoirs of petroleum products in various regions of the Kingdom. Moreover, the pipeline network was extended as work continued on supplying natural gas to industrial cities, with building a gas network in the second industrial city in Riyadh, serving 42 factories, and extending the gas network to the second industrial city in Dammam, serving about 30 factories. In addition, building a gas network in the industrial city of Yanbu is underway to serve about 25 factories. In furtherance of this trend, in 2008, two licences were given: the first to build a pipeline to transport ethane from Yanbu to Rabigh to supply the Rabigh



Petrochemicals Project, and the second to build a pipeline to transport butane gas from Aramco plants in Yanbu to Rabigh Petrochemicals Project.

As for shipping of petroleum products overseas, in 2007, Vela International Marine Limited, a subsidiary of Saudi Aramco, transported about 678 million barrels of crude oil to world markets and about 178 million barrels for domestic consumption. Over the period of the Eighth Development Plan, the company added four tankers to its fleet, and signed contracts for building six large-size, double-body crude-oil tankers, which are scheduled for delivery before the end of the Eighth Development Plan. Thus the fleet size of Vela is expected to be by the end of the Plan 30 large and medium-sized tankers.

### **26.2.5 Conservation and Rationalization of Use of Energy Resources**

Clear criteria for allocating natural gas products were established in 2005, the first year of the Eighth Development Plan. In addition to the economic feasibility of the projects using gas, these criteria include the level of integration of the projects concerned in the value chain, their forward and backward economic linkages, and their contribution to the provision of job opportunities to Saudis. Adoption of these criteria enabled the Kingdom to succeed in maintaining the highest rates of effective utilization of natural gas.

Under the Eighth Development Plan, there was no change in the level or structure of domestic prices of natural gas and refined products.

### **26.2.6 Environmental Protection**

Companies operating in the oil and gas sector fall under the general environmental system, which sets environmental standards that companies must abide by. These require companies to study and evaluate the environmental impact of any project and offer plans to rehabilitate the environment after the activity ends. Companies are also committed to recycling industrial waste or processing it for safe

disposal. Safeguarding of freshwater resources from pollution and conserving their use in the oil and gas industry is one of the first priorities of the sector.

## **26.3 ISSUES AND CHALLENGES**

### **26.3.1 Domestic Refining Capacity**

Even though the Eighth Plan sought to increase the value added of crude oil by increasing the refining capacity to the maximum extent possible, the capacity of local refineries has not changed significantly. This calls for promoting investment to increase the capacity of refining, transport and distribution facilities; and expanding existing refineries and building new ones; as well as building more export-oriented refineries.

### **26.3.2 Energy Facilities in the Regions**

**Page**

**520**

Balanced regional development requires providing the various energy sources needed by the productive activities of industry, agriculture and services. Some regions still lack refining facilities and natural-gas supplies. The refinery to be built in the Jazan region is a step in the right direction. However, similar projects need to be implemented in other regions where economically and environmentally feasible. The measures aimed at improving the investment environment and stimulating investment in the regions and other policies adopted by the Ninth Plan to promote balanced development should help address this issue.

### **26.3.3 Indigenising Energy Industry Technologies**

Transfer, indigenisation and generation of oil-industry technologies lie in engineering design and consulting activities. Hence, it is important to develop this activity by supporting formation of private or joint companies to provide engineering and consulting services to projects in oil, gas, petrochemical, electric power, and water desalination; not only in the Kingdom, but also in the Gulf region and the Arab World.

### **26.3.4 The Environmental and Technological Challenge**

Intensifying efforts to maintain the stability of the oil industry and the efficiency of its market in the long run is crucially important, since, given the large reserves of oil; it constitutes the comparative advantage of the Kingdom. Fossil energy in general, and oil in particular, faces claims of negative environmental impacts, particularly with regard to global warming caused by carbon dioxide and methane emissions. Global interest in this issue, and demands to reduce consumption of fossil fuels (oil and coal), have escalated. This requires of the Kingdom that it enhances its efforts to contribute to the development of means for safe disposal of carbon dioxide.

The other main future challenge to oil is alternative and renewable energy technologies that are sought to substitute for oil, especially in the transport sector; most notably fuel-cell technologies, and coal gasification technologies. To counter these potential developments, it is in the interest of the Kingdom to contribute to the development of environmentally friendly technologies based on oil and natural gas.

### **26.3.5 New Sources of Energy**

Despite the abundance of crude oil and natural gas, which can be relied upon for a long time to come, the Kingdom needs to start developing future complementary energy sources to ensure energy security, which requires material, technical and human resources to meet the challenges at stake.

Given current state of technology, two sources stand out: solar, and nuclear energy. However, nuclear energy is probably the best option for providing an important share of the energy needs of the Kingdom, which requires establishing the infrastructure and the legislative and education systems needed to pave the way for entry into this field, so that the Kingdom can begin building its first nuclear power plant within the next decade.

## 26.4 DOMESTIC DEMAND FORECASTS

Domestic consumption of energy is expected to continue to grow, supported by continued economic growth, and stability of domestic prices over the coming period. The volume of domestic consumption will be influenced by a variety of factors, most notably: growth in natural gas production and its availability in various regions of the Kingdom, growth in domestic refining capacities, the nature of the expansion of electricity generating capacity, and developments pertaining to the level and structure of domestic prices for energy products.

Domestic consumption of primary energy is expected to rise from about 3 million barrels per day in 2009 to about 4 million barrels per day in 2014, an average annual growth rate of 6.5%, compared with a forecast average annual growth of GDP of about 5.2% over the same period. The forecasts in Table 26.5 represent upper limits, since they do not take into account the impact of conservation measures proposed by the Ninth Development Plan.

Page  
522

**Table 26.5**  
**Domestic Energy Consumption**  
**Ninth Development Plan**

(Thousand barrels per day)

Year	Refined Products		Crude Oil for Direct Use		Natural Gas (Fuel only)		Total Consumption
	Quantity	Share (%)	Quantity	Share (%)	Quantity	Share (%)	
2009	1667.4	56.1	363.1	12.2	942.1	31.7	2972.6
2010	1827.4	56.8	403.0	12.5	988.5	30.7	3218.9
2011	1986.4	55.2	540.7	15.0	1075.0	29.8	3602.1
2012	2110.0	54.9	569.9	14.9	1161.1	30.2	3841.0
2013	2191.7	55.5	583.3	14.8	1171.5	29.7	3946.5
2014	2269.5	55.6	624.5	15.3	1186.8	29.1	4080.8
<b>Average Annual Growth Rate under the Plan (%)</b>	<b>6.4</b>		<b>11.5</b>		<b>4.7</b>		<b>6.5</b>

*Source: Ministry of Petroleum and Mineral Resources.*

The share of refined products in total domestic consumption of energy is expected to stabilize at about 56%, with its consumption growing at an average annual rate of 6.4%, compared with a rise of the share of crude oil for direct use from about 12.2% to 15.3% over the period, with its consumption rising at an average annual growth rate of 11.5%; while the share of natural gas in energy consumption is expected to decline from about 31.7% to about 29.1%, with its consumption rising at an average annual rate of about 4.7%.

Demand for natural gas products for use as fuel or as a feedstock in industry, such as sales gas, ethane, and natural gas liquids, is expected to grow at an average annual rate of 4.3%, 2.0% and 8.6%, respectively, over the period of the Plan (Table 26.6). The bulk of the sales gas will be used as fuel in the electricity, water, oil and gas, and manufacturing sectors, while consumption of methane and natural gas liquids will be limited to the manufacturing sector as feedstock.

**Table 26.6**  
**Domestic Consumption of Natural Gas and Liquids**  
**Ninth Development Plan**

Description	2009	2010	2011	2012	2013	2014	Average Annual Growth Rate under the Plan
<b>Sales gas (million standard cubic feet per day)</b>							
Industry	2139	2261	2349	2422	2396	2422	2.5
Electricity and water	2970	3125	3520	3797	3858	3921	5.7
Oil and gas	1193	1226	1255	1412	1414	1425	3.6
Total sales gas	6302	6612	7124	7631	7668	7768	4.3
<b>Ethane (million standard cubic feet per day)</b>							
Industry	939	980	1007	1025	1037	1039	2.0
<b>Natural gas liquids (thousand barrels per day)</b>							
Industry	534	610	698	792	784	807	8.6

Source: Ministry of Petroleum and Mineral Resources.

In terms of structural development of consumption of petroleum products under the Ninth Development Plan, heavy fuel oil is expected to increase its share, especially in the electric power and water desalination sectors, from about 30% to about 36.3%, compared with a decline in the share of diesel and gas fuel from about 36.7% to about 33.0%, and that of gasoline from about 23.7% to about 22.1%, and of jet fuel and kerosene from about 4% to about 3.7% (Table 26.7).

**Table 26.7**  
**Domestic Consumption of Refined Products**  
**Ninth Development Plan**

(Thousand barrels per day)

Description	2009	2014	Average Annual Growth Rate under the Plan	Relative Share (%)	
				2009	2014
LPG	37.3	43.8	3.3	2.2	1.9
Jet Fuel and Kerosene	66.8	83.1	4.5	4.0	3.7
Gasoline	395.3	500.7	4.8	23.7	22.1
Diesel and Gas Fuel	611.3	749.1	4.1	36.7	33.0
Heavy Fuel Oil	500.6	824.1	10.5	30.0	36.3
Asphalt and other	56.1	68.7	4.1	3.4	3.0
<b>Total</b>	<b>1667.4</b>	<b>2269.5</b>	<b>6.4</b>	<b>100.0</b>	<b>100.0</b>

*Source: Ministry of Petroleum and Mineral Resources.*

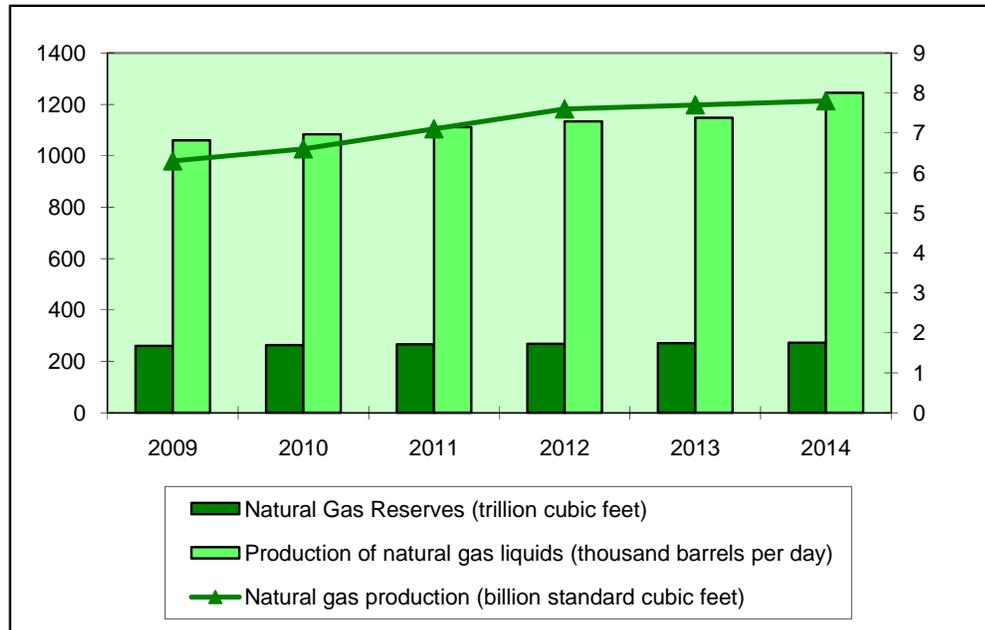
## 26.5 DOMESTIC PRODUCTION FORECASTS

The Kingdom will pursue plans to develop crude oil and natural gas reserves, by offering new areas for exploration and drilling. The crude-oil production capacity is expected to increase to about 12.5 million barrels per day.

Enhancement of proven natural-gas reserves and development of its production capacities are expected to continue, especially for non-associated gas, through a partnership with the national and foreign private sectors, in order to meet growing demand for it as a fuel and for industrial purposes. In contrast, natural-gas production is expected to

increase at an average annual rate of 4.4%, from 6.3 to 7.8 billion cubic feet over the same period, while production of natural gas liquids is expected to grow at an annual average rate of 3.3%, from 1,060 to 1,245 thousand barrels per day (Figure 26.2).

**Figure 26.2**  
**Forecast of Production of Natural Gas and Liquids**  
**Ninth Development Plan**



*Source: Ministry of Petroleum and Mineral Resources.*

## 26.6 DEVELOPMENT STRATEGY

### 26.6.1 Future Vision

A highly efficient oil industry on an equal footing with the global industry, enjoying a distinguished international presence, and a domestic market for energy products characterized by complementarity competition, supporting the comparative advantage of the national economy, safeguarding the environment from pollution, and contributing to the conservation and preservation and sustainability of natural resources; and a fundamental role for renewable energy, such as solar energy, with a complementary role for other energy resources, such as nuclear, biological and hydrogen energy, to meet the long-term

needs of the Kingdom; and a high level of integration into the regional and global energy system.

### **26.6.2 Objectives**

- Conserving the oil resources and rationalising its use and expanding industries that are based on it.
- Maximizing the economic and social returns of energy resources.
- Increasing energy consumption efficiency and promoting its uses in the domestic market.
- Protecting the environment from pollution and conserving its resources.
- Developing sustainable sources of energy.

### **26.6.3 Policies**

**Page**  
**526**

- Using the best means technically, economically and environmentally to produce oil and develop its reserves.
- Optimally exploiting natural gas and developing its reserves.
- Rationalising consumption of oil products.
- Maintaining the share of oil in global energy consumption and the position of the Kingdom in the world market.
- Increasing refining capacity locally and abroad.
- Achieving optimum complementarity between the oil refining industry and the petrochemical industry.
- Providing energy products to all sectors in all regions of the Kingdom.
- Enhancing competition in the domestic energy market.
- Subjecting all oil and gas industry processes to adopted environmental systems and regulations.
- Providing the domestic market with clean oil products.



- Giving due attention to global environmental issues and to the requirements of regional and international conventions.
- Providing physical, regulatory, legislative and human resources requirements for developing use of solar and nuclear energy in electricity production and water desalination.

#### 26.6.4 Targets

- Substituting the quantities of oil and natural gas produced to meet demand.
- Adding new refining capacity for oil to meet demand.
- Engaging in viable refining and marketing projects in the global markets.
- Achieving full coverage by the distribution network of oil products.
- Developing a competitive market in the natural-gas industry.
- Achieving comprehensive coverage for the natural-gas network in the Kingdom.
- Including environmental impacts assessment in studies of oil installations and facilities.
- Developing an integrated oil and natural-gas technologies R&D programme.

The following are also expected to be achieved during period of the Plan:

- Growth of domestic consumption of energy at an average annual rate of 6.5%.
- Growth of domestic consumption of refined products at an average annual rate of 6.4%.
- Growth of domestic consumption of natural gas at an average annual rate of 4.7%.
- Growth of domestic consumption of crude oil for direct use at an average annual rate of 11.5%.

## **26.7 FINANCIAL REQUIREMENTS**

The financial allocations for government agencies in the oil and natural gas sector (Ministry of Petroleum and Mineral Resources - Petroleum Affairs) under the Ninth Development Plan amount to SR759.4 million.

**Page**

**528**

# MINERAL RESOURCES

## 27.1 INTRODUCTION

During the Eighth Development Plan, the mineral resources sector achieved remarkable growth, driven by high demand for mining licenses, to support development of various sectors of the national economy, as well as due to the significant improvement of the investment climate and business environment, and the consequent increase in the flow of investment into the mineral resources and associated sectors. Issuance of the Mining Investment Code, at the start of the Eighth Development Plan, was the most important incentivising factor for such investment. Indeed, the Code strengthened the competitive position of the national mineral sector, both regionally and internationally.

The Ninth Development Plan aims to support and enhance growth in this sector, diversify the production base and development of mining, and promote integration of mining with other economic activities; thereby ensuring greater added value from exploitation of national mineral resources. The Plan also aims to continue efforts to identify and protect all mining areas, and provide the required infrastructure for investment. It also underlines preservation of the environment in mining areas, as well as rehabilitation of mining sites after exploitation.

This chapter presents the current conditions of the mineral-resources sector and the developments that took place during the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand, and presents the future vision, objectives, policies and targets set for the sector under the Ninth Development Plan.

## 27.2 CURRENT CONDITIONS

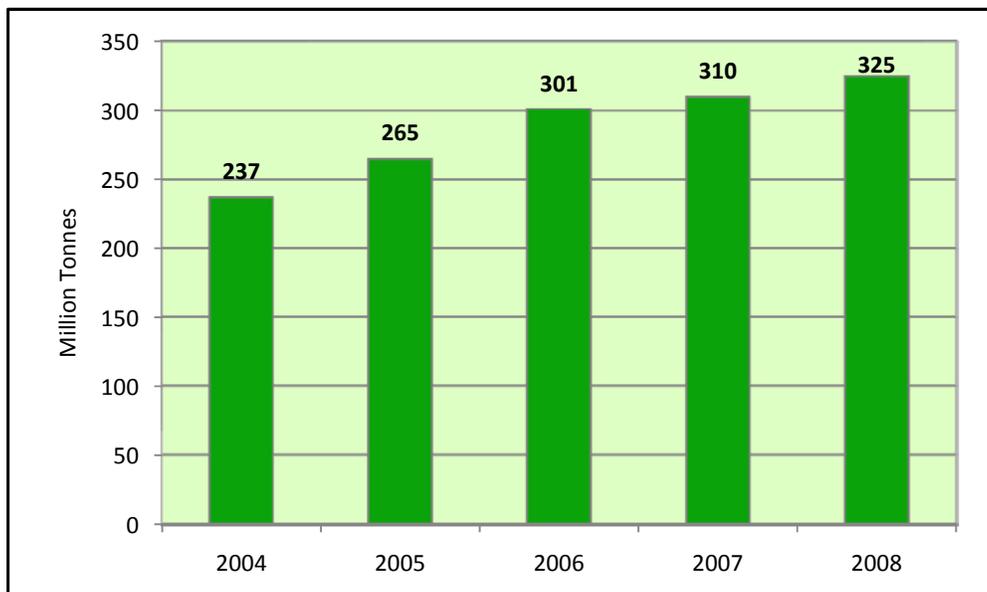
### 27.2.1 Improvement of Indicators of Production and Activities of the Sector

During the Eighth Development Plan, the mineral-resources sector was able to raise its capabilities for extraction and exploitation of raw materials, as well as for the production of related manufactured and semi-manufactured products. Extraction of raw materials increased from 237 million tonnes in 2004 to 325 million tonnes in 2008, reflecting an average annual growth rate of 8.2% (Figure 27.1). Good growth of the national economy and improvement of the investment environment, consequent upon issuance of the Mining Investment Code in 2004, contributed to the high demand for exploitation of mineral resources and enhanced investment opportunities in the sector.

The rising number of mining licenses reflects the level of activity and interest given to the sector, with the number of licenses increased from 1,179 licenses at the end of 2004 to 1,408 licenses by the end of 2008, an average annual growth rate of 4.5 % (Table 27.1).

Page  
530

**Figure 27.1**  
**Development of Raw Materials Production**  
**Eighth Development Plan\***



\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Petroleum and Mineral Resources.

**Table 27.1**  
**Mining Activities Indicators**  
**Eighth Development Plan\***

Mining Activity	2004	2008	Average Annual Rate (%)
Reconnaissance licences	43	84	18.2
Exploration licences	28	61	21.5
Small-mine licences	31	58	17.0
Quarry permits (Building Materials)	1045	1148	2.4
Precious and Base Metals and Iron licenses	7	7	0.0
Phosphate and bauxite licences	0	5	0.0
Raw cement materials licences	13	22	14.1
Other industrial minerals and ornamental stones licences	9	21	23.6
Total Licenses in force	1179	1408	4.5
Sites allocated for mining	165	254	11.4
Area reserved for mining activities (1000 km <sup>2</sup> )	11	53	48.2
Area under exploration Licences (1000 km <sup>2</sup> )	123	140	3.3
Operating private companies	640	750	4.0
Volume of exploited raw material (million tonne)	237	325	8.2

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Petroleum and Mineral Resources.

Resulting from the significant growth in exploration and mining activities, the number of sites dedicated to mining has risen from 165 sites in 2004 to 254 in 2008, and the areas allocated for mining multiplied almost five-fold during this period, that is from 11 thousand square kilometres to 53 thousand square kilometres, accompanied by an increase of site areas that are subject to exploration licenses, from 123 thousand square kilometres to 140 thousand square kilometres distributed over all regions.

### **27.2.2 Private Sector Participation in Mining Activities**

The number of specialized mining companies increased from 640 in 2004 to 750 in 2008. Among the most important achievements in privatization was that of the Saudi Arabian Mining Company (Ma'aden), which was listed for trading on the Saudi Stock Exchange (Tadawul).

To enhance the role of the private sector in mining, measures and policies designed to attract national and foreign investments to the mineral-resources sector were developed. These included: providing information bases of investment opportunities on the website of the Deputy Ministry of Mineral Resources (DMMR), and organizing exhibitions and conferences within and outside the Kingdom. In addition, efforts to deepen and expand the scope of mining information continued, along with improving the quality and transparency of this information. Moreover, in an effort to improve the investment environment in this sector, procedures and mechanisms for completion of transactions were facilitated and efforts aimed at preserving and safeguarding mining sites with investment potential were consolidated.

### **27.2.3 Diversity in Mining Activities**

During the Eighth Development Plan, raw mineral products were developed and diversified. In 2008, the estimated quantity of exploited raw materials was 325 million tonnes, including several non-metallic ores, industrial minerals, and precious metals and semi-precious stones to meet domestic needs. Estimated at 273 million tonnes, industrial minerals for construction, such as sand and gravel, form the bulk of extracted raw materials; followed by raw materials used in the manufacture of cement, such as limestone, clay and ferruginous sand (42.1 million tonnes); ornamental stones (1.2 million tonnes); gypsum (2.3 million tonnes); clay (5 million tonnes); and other industrial minerals, including feldspar, marble (crush), and pozzolan. Metallic minerals were concentrated mainly in copper products (1.5 thousand tonnes), zinc (3.6 thousand tonnes), lead has also been produced (347 tonnes), and precious metals (gold, 4 tonnes; silver, 9 tonnes) Table (27.2).

The Eighth Development Plan sought to diversify mining activity, by starting to exploit other mineral deposits, such as phosphates, bauxite and other raw materials. To this end, facilities and services necessary for the exploitation of 'Al-Jalamid phosphate mine', located in the north, were established; including the construction of a railway to connect the mine with manufacturing locations and export outlets on

the east coast. For its part, the Ma'aden Company started implementation of the aluminium project to exploit bauxite in Zubairah in the north-central part of the country for producing aluminium for local consumption and export. The project includes the design and development of two integrated sites; one in Zubairah that includes a bauxite-mining site and facilities for handling raw materials, and the second in Ras Al-Zour on the Arabian Gulf coast that includes an alumina refinery and a smelter to produce up to 650 thousand tonnes of aluminium annually.

**Table 27.2**  
**Mineral Resources Production Sector**  
**Eighth Development Plan\***

Types of Mineral	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
<b>Precious Metals</b>						
Gold - raw (million tonnes)	5.4	4.7	4.4	4.2	4.0	-7.2
Gold - metal (tonnes)	7.5	7.5	5.2	4.4	4.0	-14.5
Silver (tonnes)	4.9	13.2	9.1	9.0	9.0	16.4
<b>Metallic Minerals</b>						
Lead (tonnes)	50.0	0.0	0.0	123.0	347	62.3
Copper (thousand tonnes)	0.7	0.5	0.7	0.7	1.5	21.0
Zinc (thousand tonnes)	0.5	0.5	1.0	1.7	3.6	63.8
<b>Industrial Minerals</b>						
Building materials (million tonnes)	200.0	218.0	253.0	260.0	273.0	8.1
Cement raw materials (million tonnes)	33.0	35.4	36.8	39.5	42.1	6.3
Cement (million tonnes)	23.8	26.0	27.0	30.4	31.8	7.5
Clay (million tonnes)	5.6	4.3	3.8	3.9	5.0	-2.8
Gypsum (million tonnes)	2.1	2.1	2.1	2.2	2.3	2.3
Salt (million tonnes)	1.7	1.7	1.8	1.5	1.6	-1.5
Ornamental stones (million tonnes)	1.2	0.9	1.0	1.1	1.2	0.0
Other industrial materials (million tonnes)	2.5	1.4	1.5	1.5	1.6	-10.6
<b>Raw materials exploited</b>						
Quantity (million tonnes)	242.0	265.0	301.0	310.0	325.0	7.7

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Petroleum and Mineral Resources.

## 27.2.4 Manufacturing Industries

Under the Eighth Development Plan, mining capacity and outputs increased, as methods and techniques of raw materials processing developed, leading to expansion in the production of manufactured and semi-manufactured materials. The cement industry is at the forefront of the promising industries in this sector, due to its impact on meeting the requirements of the local market, in addition to exporting the surplus. Over the past years, intensive efforts were made to diversify the capabilities and capacities of various materials production, to meet local demand for building materials and other manufactured articles; thereby substituting imports and increasing exports. Private companies played an active role in developing these activities.

Page  
534

With 22 mining licences held by 13 companies operating throughout the Kingdom, the cement industry is, after the sand and gravel industry, the second largest user of mineral raw materials (limestone, clay, and gypsum) and ferruginous sand. With the pace of economic growth achieved under the Eighth Plan, the volume of produced cement was 31.8 million tonnes in 2008, covering the needs of the national market, in addition to about 3 million tonnes exported to foreign markets.

At about 5 million tonnes in 2008, the brick production industry, through use of clay as raw material, came in third among industries that use raw minerals.

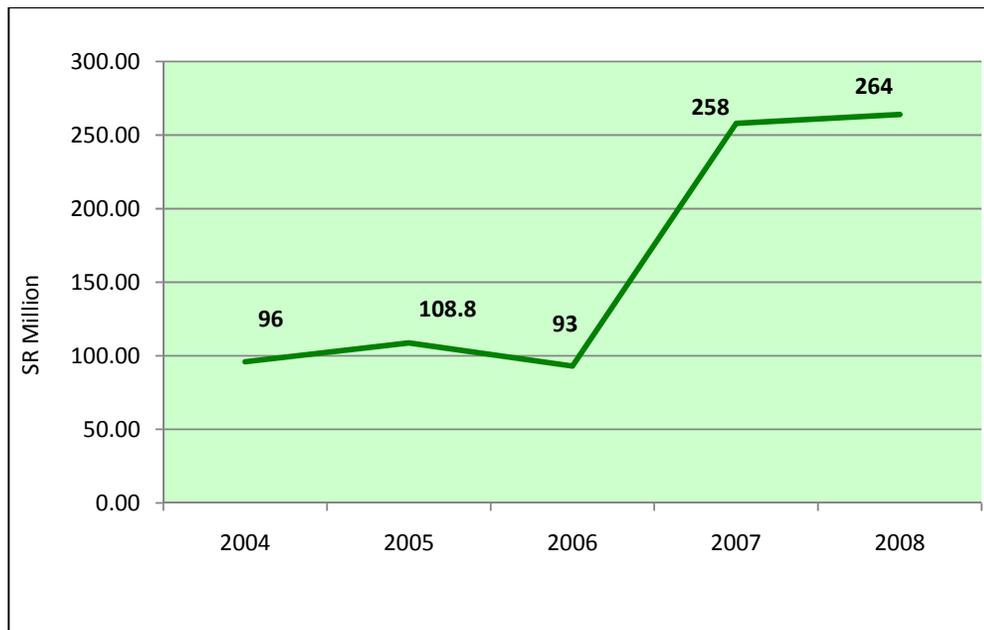
With a programme aimed at substituting imported raw materials by local minerals, the Ministry of Petroleum and Mineral Resources is seeking to achieve major development of effective utilization of the mineral wealth of the nation, by increasing the added value of local production and enhancing integration of raw material producers with local industries. The programme includes: conducting statistical and field studies on the quantities of minerals required by both existing and envisaged local industries; conducting marketing studies of local and global markets; and organizing seminars and exhibitions in the country and abroad to identify promising investment opportunities.



## 27.2.5 Investment Returns and Mining Activity

At the end of 2008, revenues of investors in industries based on exploitation of local mineral wealth were estimated at about SR14.5 billion and their profits at about SR5.4 billion, on total investments amounting to about SR50 billion, in addition to the indirect revenues from mining sector development. Moreover, the direct state returns and revenues from mining investment and activities achieved significant growth under the Eighth Development Plan, with the financial revenues of the Mineral Resources Agency of the Ministry of Petroleum and Mineral Resources collecting fees and charges amounting to SR264 million in 2008 (Figure 27.2).

**Figure 27.2**  
**Government Revenues from Mining Activities**  
**Eighth Development Plan\***



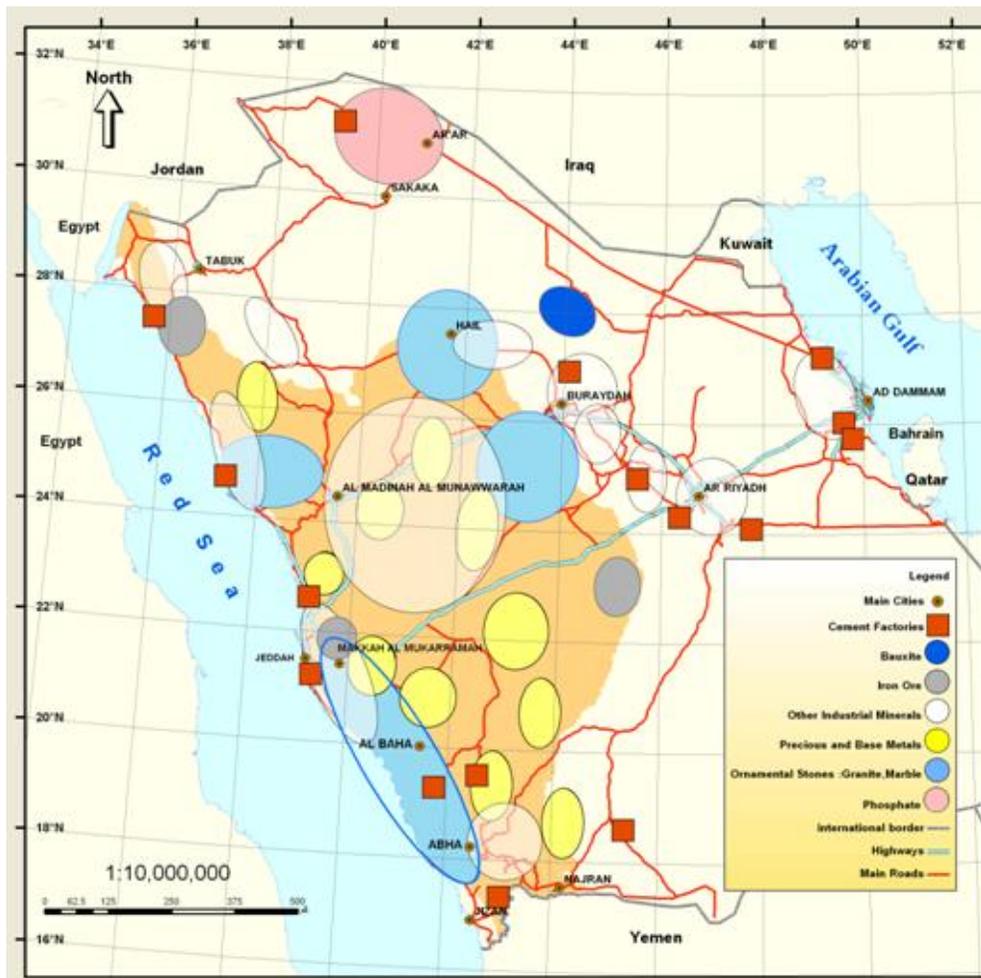
\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Petroleum and Mineral Resources.

## 27.2.6 Mineral Resources Sector and Balanced Development

Given the direct link between mining activities and raw mineral sites and the size and type variation of these sites, the goal is to achieve a comprehensive and regionally balanced development of mineral resources, by giving priority to the less developed regions in the various activities of mining, exploration, and preliminary feasibility studies, as well as by providing the infrastructure essential to development of mineral raw materials (Figure 27.3).

Figure 27.3  
Distribution of Mineral Sites in the Kingdom



Source: Ministry of Petroleum and Mineral Resources.

## **27.2.7 Institutional and Organizational Development**

Since the early stages of the Eighth Development Plan, measures have been taken to develop the administrative structures of the mineral resources sector. The Saudi Geological Survey (SGS) was established in 1999 by Council of Ministers Resolution No. 115, as an independent body linked to the Ministry of Petroleum and Mineral Resources. The Survey is responsible for conducting geological research and geochemical, geophysical, hydrogeological surveys, in addition to reconnaissance and exploration of mineral resources, and provision of information, data and services to all public and private institutions.

Mining activities are subject to monitoring and inspection by the Mineral Resources Deputy Ministry of the Ministry of Petroleum and Mineral Resources (DMMR), which is a government agency responsible for enforcement of the Mining Investment Code. The Deputy Ministry incorporates an independent administration responsible for granting licenses and registration of all mining activity. A specialist centre was established by the Deputy Ministry to provide information to investor, as was a website providing e-services.

## **27.3 ISSUES AND CHALLENGES**

### **27.3.1 Diversification of the Mineral Resources Production Base**

In spite of fundamental achievements, the mining sector continues to have great untapped potential. This calls for intensification of efforts to maximize exploitation of discovered mineral deposits and promote appropriate regulatory frameworks in order to attract investment into this promising sector, thereby increasing its contribution to GDP.

Enhancing mining managerial capacities and skills would effectively contribute to achieving optimal investment in the potential of the sector. The geographical expanse of the Kingdom and the diversity of its geological structures gave it the advantage of having numerous minerals. Utilizing this potential and advantages requires raising

awareness of mining investment opportunities by both the public and the private sectors. Investment in this sector could play a significant role in diversifying the domestic production base, substituting imported with local minerals, and enhancing the position of the Kingdom in the mining products export market.

### **27.3.2 Land Use Conflicts**

Geographical location is an important factor of mining activity, since mining activities are closely linked to sites of mineral deposits. However, mineral deposit sites may also be utilised by conflicting activities, such as agriculture, tourism or construction. Hence, efforts need to be intensified to set and enforce provisions, procedures and rules governing optimal use of sites.

### **27.3.3 Infrastructure at Sites of Mineral Formations**

**Page**  
**538**

Lack and low standards of essential infrastructure such as transport and electricity and water, have been major constraints on investment in remote and pristine promising mining sites. Hence, it is imperative to enhance coordination among relevant agencies, such as the Deputy Ministry for Mineral Resources of the Ministry of Petroleum and Mineral Resources, the Saudi Geological Survey, the Ministry of Water and Electricity, the Ministry of Transport, and others.

### **27.3.4 Environmental and Social Aspects of Mining Investment**

It is very important that regulations and procedures take into account environmental and social impacts of mining activities and rehabilitation of the environment in and surrounding mining sites after termination of activities. Existing regulations ought to be in line with International standards and practices. This calls for intensifying environmental measurement and inspection and field monitoring of mining sites; with emphasis on controlling and treating pollutants resulting from activities, and encouraging the use of environmentally friendly technologies during exploration, production and manufacturing.

### **27.3.5 Integration between Production Sectors and Mineral Resources Sector**

Production of final or intermediate goods needed by local and international markets relies on mining products, in the form of both raw and processed materials. During the early stages of the development process, the efforts of the Kingdom were focussed on substitution of raw-material imports with local products. However, the long-term goal is to achieve integration between mining processes and the various activities of national industry, in order to produce high value-added goods and products. Despite the progress made, diversification of the production base, which is one of the most important priorities of development plans, require further efforts to increase and deepen integration between various production sectors and the promising mining sector.

Accomplishing this objective requires an inventory of imported mining products and examining opportunities for and constraints on replacing them with national substitutes, using available geological studies and surveys. This would provide rewarding investment opportunities and stimulate private-sector investment. There is also a need for conducting studies for transfer of appropriate mineral processing techniques to the Kingdom, as well as for equipping the laboratories necessary for industrial applications.

## **27.4 DEMAND FORECASTS**

World prices of mining products fell sharply since the beginning of the second half of 2008, as a result of the negative impact on global demand of the global financial and economic crisis. Despite the vigorous efforts made internationally to contain the crisis, the economic outlook points to a slower global GDP growth rate of only about 0.8% in 2009. The crisis and its repercussions have led major global mining companies to move towards reducing capital investments, while some were forced to declare bankruptcy or merge with more powerful players.

In the short and medium terms, this may lead to a gap in global production of mining products that will persist until the capacity surplus generated by investments made in the previous period is absorbed. Given that the period of adjustment may range between five and ten years, international prices of mining products are expected to be volatile over the short and medium terms, but will then bounce back with the recovery of the global economy.

Locally, the mining industry still relies heavily on domestic investment. Hence, the negative effects of the global crisis on the domestic demand for mineral resources are expected to be very limited, especially since 97% of total local mining products go into local building and construction activities, while specialised industrial minerals linked with building and construction sectors both locally and internationally account for only 2%, and the remaining 1% is linked to precious metals industries, such as gold and silver, in local and global markets.

**Page**  
**540**

All in all, since the mining industry relies on domestic demand, based primarily on the requirements of projects underway, as well as new projects that will be implemented under the Ninth Development Plan, it is not, at this stage, directly affected by most of the negative fluctuations on the world stage. It is certain that the domestic market will experience strong demand for local raw mineral products, which are expected to grow under the Ninth Development Plan at an average annual rate of 5.7%, that is from 344 million tonnes in 2009 to 453 million tonnes in 2014 (Table 27.3).

Exploitation of bauxite raw material in Zubairah for the production of Aluminium, and the exploitation of phosphate in Al Jalamid for the manufacturing of Aluminium Biphosphate, the most common phosphate fertilizer in the world, is envisaged during the Ninth Development Plan, while the average annual growth rate of precious metals production is expected to be 9.9%.

**Table 27.3  
Demand for Mining Products  
Ninth Development Plan**

Description	2009	2010	2011	2012	2013	2014	Average Annual Growth Rate under Plan (%)
<b>Iron and Iron Ore Minerals</b>							
Quantity (million tonnes)	0.0	0.0	0.0	1.0	2.0	2.0	–
<b>Precious Metals</b>							
Gold - raw (million tonnes)	5.0	5.0	6.0	7.0	7.5	8.0	<b>9.9</b>
Gold - metal (tonnes)	5.0	5.0	6.0	7.0	7.5	8.0	<b>9.9</b>
Silver (tonnes)	10.0	10.0	12.0	14.0	15.0	16.0	<b>9.9</b>
<b>Metallic Minerals</b>							
Lead (tonnes)	150.0	150.0	200.0	200.0	200.0	200.0	<b>5.9</b>
Zinc (thousand tonnes)	1.7	1.7	1.7	1.7	1.7	1.7	<b>0.0</b>
<b>Industrial Minerals</b>							
Building materials (million tonnes)	287.0	301.0	316.0	332.0	348.0	366.0	<b>5.0</b>
Cement raw materials (million tonnes)	44.7	48.6	52.5	53.9	55.5	57.1	<b>5.0</b>
Cement (million tonnes)	34.4	37.4	40.4	41.4	42.7	44.0	<b>5.0</b>
Clay (million tonnes)	4.3	4.5	4.7	5.0	5.2	5.5	<b>5.0</b>
Gypsum (million tonnes)	2.4	2.5	2.7	2.8	2.9	3.1	<b>5.3</b>
Salt (million tonnes)	1.7	1.7	1.8	1.9	2.0	2.1	<b>4.3</b>
Ornamental stones (million tonnes)	1.2	1.3	1.3	1.4	1.5	1.5	<b>4.6</b>
Other industrial minerals (million tonnes)	1.7	1.7	1.8	1.9	2.0	2.1	<b>4.3</b>
Phosphate -raw (million tonnes)	0.0	2.3	5.5	11.2	11.2	12.3	–
Aluminium Biphosphate (million tonnes)	0.0	0.9	2.2	4.5	4.5	4.9	–
<b>Raw materials utilized</b>							
Quantity (million tonnes)	344.0	362.0	385.0	407.0	433.0	453.0	<b>5.7</b>

*Source: Ministry of Petroleum and Mineral Resources.*

## **27.5 DEVELOPMENT STRATEGY**

### **27.5.1 Future Vision**

An active, advanced mining sector that uses the latest technologies in exploitation of mineral resources; provides a secure and attractive

environment for local and foreign investors; is efficient and transparent; has the ability to integrate with national industries to cover domestic demand and export the surplus, thereby increasing the value added of the wealth of the Kingdom; diversifies the economic base, substituting local for imported raw minerals and complementary products; and create job opportunities for citizens.

### **27.5.2 Objectives**

- Developing plans and projects and exploiting mineral resources.
- Diversifying mining activities and expanding their base.
- Enhancing the value added of local mining products.

### **27.5.3 Policies**

- Increasing investment opportunities in exploring and manufacturing mineral wealth and providing all possible incentives and support for such activities.
- Providing a safe, attractive, efficient and transparent investment environment.
- Developing the capacity of national manpower, to play a positive role in mining activities and take advantage of the opportunities offered by them.
- Preparing and providing geological and economic studies and databases, and making them available to all concerned in both the public and the private sectors.
- Providing protection to the most promising mining areas, and monitoring them regularly.
- Incentivising national and foreign investors to set up mining projects, especially those closely related to existing projects in other productive sectors.
- Substituting imported raw materials and complementary mining products with local alternatives.
- Raising standards and quality of performance in governmental agencies concerned with the development of the sector.



- Developing databases and technical information related to investment in mineral resources.
- Supporting scientific research activities associated with mineral resources, in cooperation and coordination with the concerned authorities, and urging investors to use modern mining techniques in processing and manufacturing, especially techniques that meet environmental standards.

#### **27.5.4 Targets**

- The mineral resources sector achieving an average annual growth rate of 9.2%.
- Raising the revenue of the sector to about four times the current revenue.
- Establishing four regional offices for licensing and control and for serving investors.
- Delineating licenses' sites, mining complexes, and existing and targeted mineral-reserve areas at a rate of one site per year.
- Completing the railway lines for transport of key mineral ores.
- Allocating sites for mineral manufacturing industries in the cities of Jubail and Yanbu, King Abdullah Economic City, and other major industrial and economic cities.

### **27.6 FINANCIAL REQUIREMENTS**

Under the Ninth Development Plan, the financial allocations for government agencies in the mining sector (DMMR and SGS) amount to SR1.48 billion.

**Page**  
**544**

# AGRICULTURE

## 28.1 INTRODUCTION

The main objectives set by the Eighth Development Plan for the agricultural sector are five-fold: increasing the contribution of agriculture to the diversification of the economic base, improving the efficient use of natural resources to ensure sustainable agricultural development, improving the economic performance of the agricultural sector to keep pace with local, regional and global developments, enhancing the investment capacities of the sector, and preservation of the environment.

Under the Eighth Development Plan, the agricultural sector underwent the beginnings of a radical restructuring process, designed to put the sector on a path of sustainable development, by subjecting agricultural development to the constraints of water resources. The state took a series of measures aimed at rationalising the production and banning the export of water-demanding crops, encouraging the use of modern irrigation techniques to rationalise water consumption, and restricting distribution of fallow land pending completion of the National Water Strategy. In addition, in order to promote national food security, the government began a programme for supporting Saudi investment in agricultural activities abroad. The State also took a number of measures aimed at alleviating the impact of rising food prices. These developments notwithstanding, the agricultural sector was able to grow throughout the period of the Plan, albeit at a rate lower than expected, due to climatic factors and the repercussions of combating the spread of the avian flu disease.

The Ninth Development Plan aims to continue the process of restructuring the agricultural sector, in order to enhance its role in economic, social and environmental development. In addition, it aims to enhance production of highly water-efficient crops; develop and improve the efficiency of agricultural markets; improve the level of support and effectiveness of extension services, particularly for small farmers; support agricultural R&D; improve the management of

fisheries; and work towards sustainable management and development of rangelands and forests. Moreover, the Plan aims to encourage investment in the agricultural sector and the entire agricultural value chain; promote national investment in the agricultural sector abroad; and continue to consolidate regional and international cooperation and partnerships, in order to achieve food security and preserve natural environment and resources.

This chapter addresses the current conditions of the agricultural sector, discusses developments under the Eighth Development Plan, and reviews the key issues and challenges that must be addressed under the Ninth Development Plan. It also presents demand forecasts for agricultural products, and highlights the future vision, objectives, policies and targets set for the sector by the Ninth Development Plan.

## **28.2 CURRENT CONDITIONS**

**Page**  
**546**

### **28.2.1 Contribution of the Agricultural Sector to Diversification of the Economic Base**

Under the Eighth Development Plan, the agricultural sector achieved an average annual growth rate of 1.4%, with the domestic product of agriculture, forestry and fisheries rising, at 1999 constant prices, from about SR37.9 billion in 2004 to about SR40.6 billion in 2009. However, this growth rate was less than the rate of overall economic growth. Hence, the contribution of the agricultural sector to GDP fell over the period from 5.2% to 4.7%, and its contribution to the non-oil economy from 7.6% to 6.2%. This decline was due, primarily, to rationalisation of water use under the Eighth Development Plan, which resulted in the planted area decreasing at an average annual rate of 4.9% over the first four years of the Eighth Plan, while the volume of production remained stable, due to the improvement in productivity, the rate of which averaged 5% per annum over the period (Table 28.1).

In 2008, crop production totalled about 9.3 million tonnes, including about two million tonnes of wheat, about 2.7 million tonnes of vegetables, about 3 million tonnes of fodder, and about 1.6 million

tonnes of fruits. Production of fish, milk, eggs, and red meat increased at average annual growth rates of 8.5%, 4.6%, 4.1%, and 0.9%, respectively, over the first four years of the Eighth Development Plan. The growth rates achieved exceeded or equalled the target rates set by the Eighth Development Plan for all products, except chicken meat production, which fell at an average annual rate of 4.9% due mainly to the spread of avian flu, (Table 28.2).

**Table 28.1**  
**Crop Production**  
**Eighth Development Plan<sup>(\*)</sup>**

Crop	2004			2008			Average Annual Growth Rate (%)		
	Area (Thousand Hectares)	Production (Thousand Tonnes)	Productivity (Tonnes/Hectare)	Area (Thousand Hectares)	Production (Thousand Tonnes)	Productivity (Tonnes/Hectare)	Area (Thousand Hectares)	Production (Thousand Tonnes)	Productivity (Tonnes/Hectare)
Wheat	523	2775	5.3	326	1986	6.1	-11.1	-8.0	3.6
Barley	10	67	6.7	4	24	6.0	-20.5	-22.6	-2.7
Vegetables	111	2479	22.3	109	2696	24.7	-0.5	2.1	2.6
Fruits	208	1454	7.0	233	1616	6.9	2.9	2.7	-0.4
Fodder	168	2633	15.7	161	2984	18.5	-1.1	3.2	4.2
<b>Total</b>	<b>1020</b>	<b>9408</b>	<b>9.2</b>	<b>833</b>	<b>9306</b>	<b>11.2</b>	<b>-4.9</b>	<b>-0.3</b>	<b>5.0</b>

(\*) Up to the end of the fourth year of the Eighth Development Plan.  
*Source: Ministry of Agriculture.*

**Table 28.2**  
**Meat and Dairy Products**  
**Eighth Development Plan<sup>(\*)</sup>**

Product	(Thousand tons)					Realised Average Annual Growth Rate (%)	Target Average Annual Growth Rate under Plan (%)
	2004	2005	2006	2007	2008		
Red Meat	167	169	170	171	173	0.9	1.0
Chicken Meat	522	521	515	490	427	-4.9	5.0
Eggs	145	169	174	188	170	4.1	2.0
Milk	1232	1338	1381	1436	1475	4.6	2.0
Fish	67	75	81	91	93	8.5	3.0
<b>Total</b>	<b>2133</b>	<b>2272</b>	<b>2321</b>	<b>2376</b>	<b>2338</b>	<b>2.3</b>	<b>2.7</b>

(\*) Up to the end of the fourth year of the Eighth Development Plan.  
*Source: Ministry of Agriculture.*

In 2008, self-sufficiency in agricultural products, according to estimates by the Ministry of Agriculture, was about 90.2% for wheat, 91.2% for vegetables, 62.4% for fruits, 37.9% for red meat, 102.6% for fresh dairy products, 50.8% for chicken meat, 104.5% for eggs, and 48.1% for fish.

In response to growing demand for meat and animal products, the number of cows increased at an average annual rate of 6.4% to about 418 thousand heads by the end of 2008. Notably, the additional cows were high yielding. In contrast, due to avian flu, the number of chickens decreased at an average annual rate of 1.7%. The number of goats, camels and sheep also decreased by an average annual rate of about 5.7%, 3.9%, and 3.5%, respectively (Table 28.3).

**Table 28.3**  
**Animals and Poultry**  
**Eighth Development Plan\***

(Thousand Heads)

Type	2004	2008	Average Annual Growth Rate (%)
Camels	284	242	-3.9
Cows	326	418	6.4
Sheep	8047	6975	-3.5
Goats	2372	1873	-5.7
Poultry	474778	443821	-1.7

\* Data are up to the end of the fourth year of the Eighth Development Plan. They do not include animals in nomadic areas and outside farms.

*Source: Ministry of Agriculture.*

In terms of distribution of agricultural activities among regions, the Riyadh region has more than a quarter of the total cultivated area, followed by Qassim, Jawf, Hail and Jazan. Riyadh, Jawf, Qassim and Hail, account for about 82.2% of the wheat area, and produce around 84.1% of total locally produced wheat. Vegetable production is concentrated in the Riyadh region, which produced about 43.7% of total production. Production of fruits, of which dates represent about 70%, is distributed over most regions (Table 28.4). It should be noted that, with progress in implementation of the new agricultural measures,

quality of agricultural activity is expected to change radically over the medium and long term, focussing on areas of renewable water resources and treated wastewater sources, along with a decline in areas planted with water-inefficient crops.

**Table 28.4**  
**Relative Distribution of Agricultural Land and Crops over Regions**  
(%)

Region	Total Crop Area	Wheat		Fodder		Vegetables		Fruits	
		Area	Production	Area	Production	Area	Production	Area	Production
Riyadh	26.4	24.2	20.5	46.1	46.2	46.5	43.7	21.5	19.2
Makkah	3.9	–	–	3.8	2.6	11.1	8.1	6.7	6.9
Madinah	2.9	0.2	0.1	2.3	2.3	1.4	1.1	10.8	10.6
Qassim	15.3	18.8	16.2	13.3	13.3	11.7	12.6	18	14
Eastern Region	6.3	9.4	7.4	2.6	2.5	4.4	7.5	7.1	12.4
Asir	2	1	0.5	1.3	1.3	2.4	3.2	3.7	4.1
Tabuk	5.2	7	7.8	6.1	6.5	3.4	4	4.8	7.2
Hail	11	12.9	14.6	6.8	7.3	10.8	12.6	9.9	10.6
Northern Borders	0.01	–	–	0.1	0.1	0.1	0.1	–	–
Jazan	10.6	–	–	8.1	7.6	3.2	2	2.5	2
Najran	1.1	0.2	0.1	1.5	1.3	1.7	1.7	2.8	3.6
Baha	0.4	–	–	0.1	0.1	0.2	0.2	1.5	1.8
Jawf	14.9	26.3	32.8	7.9	8.9	3.1	3.2	10.7	7.6
<b>Kingdom Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: Ministry of Agriculture.*

### 28.2.2 Improving Efficiency of Natural Resources Use

Council of Ministers Resolution No. 335 of 2007 set the rules and procedures for rationalisation of water consumption in agricultural areas. These measures include: continuing to ban the export of wheat; the Grain Silos and Flour Mills Organization gradually ceasing to receive locally produced wheat at a reduction rate of 12.5% per year for eight years; preventing export of vegetables cultivated on open fields, such as potatoes and melons, over five years; banning export of fodder and facilitating their import; providing credit to investors to

cultivate fodder abroad and import it for domestic consumption; and waiving custom duties on imports of all agricultural products, including wheat and fodder.

Within this strategic framework, the Government decided to stop allotting fallow land pending the completion of the National Water Plan. It also increased its support to high water-efficient cultivations, such as green houses, and promoted use of water-saving irrigation systems such as drip irrigation.

In 2008, the number of farms using reclaimed wastewater was about 470, with a total area of 18 thousand hectares, mostly in Riyadh region. In view of the great potential, especially near large and medium-sized cities, use of this water resource for agricultural purposes is expected to increase steadily over the coming years, given the expansion of sewage networks and development of treatment capacities and techniques.

### **28.2.3 Improving Economic Performance of the Agricultural Sector**

In spite of the structural changes in the agricultural sector, it was able to achieve significant progress in improving productivity in a number of crops and key products, which improved its regional competitiveness. In 2008, the value of Saudi exports of food crops and livestock was about SR8.0 billion, 135% higher than in 2004. Dairy products and eggs contributed some 33% of the value of these exports, and vegetables and fruits about 26%.

Productivity of cultivated land increased at an average annual growth rate of 5% over the first four years of the Eighth Development Plan, from approximately 9.2 tonnes/hectare in 2004 to about 11.2 tonnes/hectare in 2008 (Table 28.1). This improvement is due to a number of factors, including: the shift towards protected high-productivity cultivations; encouraged production shift to areas of comparative advantage; and promoted cultivation of fruit trees which are best suited for the Kingdom's environment, such as olive



cultivation in Jawf, tropical fruits in Jazan, and citruses in Najran, by using modern irrigation methods.

The services provided by the government, through the Ministry of Agriculture, contributed to improving the productivity and raising the efficiency of agricultural activities, especially agricultural extension services and plant protection and disease control using advanced technological methods such as: aerial spraying, use of GIS and remote sensing, and development of a comprehensive geographic database comprising digital maps of the Kingdom. In addition, agricultural field services covering all regions, have been provided through 13 regional general administrations to which 12 Directorates of Agriculture are connected, with 122 agricultural branches, 18 agricultural quarantines, 15 veterinary units, 9 fishery branches, and 6 research centres.

#### **28.2.4 Consolidation of Investment Capacity in the Agricultural Sector**

Through enhancement of the income of citizens in rural areas, and hence, achieving population balance among the regions, the agricultural sector is an important cornerstone of the socio-economic development of the country. The aim of the structural adjustments initiated under the Eighth Development Plan was to place the agricultural sector on the path to sustainable development, and enhance its contribution to socio-economic development. The State continued to consolidate the capacity of the sector by offering soft investment loans through the Agricultural Development Fund (previously, the Saudi Arabian Agricultural Bank), in addition to providing subsidies not conflicting with the commitments of the Kingdom to the WTO.

By the end of 2008, the total cumulative value of the loans offered by the Agricultural Development Fund amounted to SR40.8 billion, provided in about 431 thousand loans. The loans offered by the Fund over the first four years of the Eighth Development Plan amounted to about SR3.7 billion (Table 28.5). Notably, individual farmers, i.e. small farms and medium-sized farms, were the biggest beneficiaries of these loans. In 2008, individual farmers accounted for about 92% of

total beneficiaries, and their share amounted to 70% of total loans offered, while agricultural enterprises accounted for around 1.1% of beneficiaries, receiving some 26.2% of the loans offered. The remaining shares went to fishermen and beekeepers, (Table 28.6).

**Table 28.5**  
**Loans and Subsidies Provided**  
**by the Agricultural Development Fund**  
**Eighth Development Plan<sup>(\*)</sup>**

Description	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Number of loans	5136	3527	4303	3770	2701	-14.8
Value of loans (SR million)	1043.9	896	968.2	1044.3	791.9	-6.7
Average loan Size (SR thousand)	203.3	254.0	225.0	277.0	293.2	9.6
Value of subsidies (SR million)	246.2	249.8	258.6	81.5	32.8	-39.6
Cumulative total number of loans <sup>(**)</sup>	416749	420276	424579	428349	431050	0.8
Cumulative total value of loans (SR million) <sup>(**)</sup>	37069.9	37965.9	38934.1	39978.4	40770.3	2.4
Cumulative total value of subsidies (SR million) <sup>(**)</sup>	12436	12685.8	12944.4	13025.9	13058.7	1.2

(\*) Up to the end of the fourth year of the Eighth Development Plan.

(\*\*) Since beginning of activity in 1964.

Source: Agricultural Development Fund.

**Table 28.6**  
**Beneficiaries of the Agricultural Development Fund Loans**

2008 Type of Beneficiaries	Beneficiaries		Value of Loans		Average Loan Size (SR thousand)
	Number	(%)	SR Million	(%)	
Individual Farmers	2489	92.1	550.7	69.5	221.2
Agricultural Enterprises	30	1.1	207.2	26.2	6905.8
Fishermen	123	4.6	27.8	3.5	225.8
Beekeepers	59	2.2	6.3	0.8	106.0
<b>Total</b>	<b>2701</b>	<b>100.0</b>	<b>792.0</b>	<b>100.0</b>	<b>293.2</b>

Source: Agricultural Development Fund.

In addition to loans offered by the Agricultural Development Fund, in 2008, the banking sector provided SR10.9 billion, which is approximately 6.2% of total bank credit provided to all economic activities.

Agricultural subsidies declined significantly over the third and fourth years of the Eighth Plan as a result of the application of the new structure of subsidies, as well as meeting the requirements of membership in the WTO. Notably, like other economic sectors, the agricultural sector reaps tangible benefits from the available resources in the Kingdom like the energy products, the investment climate and business environment.

### **28.2.5 Institutional and Organisational Development**

Within the framework of government policies aimed at ensuring sustainability of agricultural development, a number of resolutions related to the agricultural sector were issued under the Eighth Plan. These include Council of Ministers Resolution No. 335 of 2007 concerning the rules of and procedures for water conservation in agriculture. In addition, Council of Ministers Resolution No. 125 of 2008 comprised a package of measures, including: expanding of Saudi investments in agriculture, livestock and fisheries abroad and incentivising Saudi businessmen to invest in these activities through providing credit facilities by public financial institutions, for the purpose of supplying these products to the Kingdom to contribute to medium and long-term food security. The measures also included financing the infrastructure projects needed in the areas of Saudi investments in crops and animals, through the Saudi Fund for Development or the regional and international development institutions.

As part of institutional and organisational development in the agricultural sector, the Saudi Arabian Agricultural Bank was renamed the Agricultural Development Fund, and its capital was increased to SR20 billion; responsibilities of the Irrigation and Sanitation Authority at Al-Ahsaa and the Al-Kharj Agricultural Project were redefined; and work continued on privatising the Grain Silos and Flour Mills Organization.

### **Box 28.1: King Abdullah Initiative for Agricultural Investment Abroad**

The King Abdullah Initiative for Agricultural Investment Abroad aims to contribute to national and global food security, build partnerships with a number of countries around the world with high agricultural capabilities to develop and manage agricultural investment in a number of strategic agricultural crops, in order to secure adequate quantities at stable prices and ensured sustainability. These investments were planned in accordance with the following principles:

- Investing in countries with attractive and promising agricultural resources and conducive governmental regulations and incentives.
- Exporting crops to the Kingdom at reasonable rates.
- Investments must be long-term, either through ownership or long-term contracts.
- Freedom of choice of cultivated crops.
- Signing of bilateral agreements with the states concerned to protect these investments.
- State support and encouragement to these investments.
- Ease of transport of crops to the Kingdom at a reasonable cost.

A royal directive was issued to provide financial and credit facilities to Saudi investors in the agricultural sector abroad, and a ministerial team was formed to implement this directive, headed by the Minister of Commerce and Industry and membership of the Minister of Agriculture and the under-secretaries of the ministries of foreign affairs, finance, agriculture, and trade and industry.

## **28.3 ISSUES AND CHALLENGES**

### **28.3.1 Non-Renewable Water Resources**

The resolutions taken by the government under the Eighth Development Plan aimed at reducing consumption of non-renewable groundwater and limiting expansion of water-demanding cultivations, constituted an important step on the path to sustainable agricultural

development, which requires full reliance on renewable water sources. Hence, it is necessary to continue through: effective enforcement of adopted control measures and regulations; continue to provide support and incentives to farmers to ensure wider use of modern irrigation techniques; intensifying use of non-conventional water resources, such as treated sanitary and agricultural wastewater; and directing agricultural activity to areas in which there are renewable water resources.

### **28.3.2 Marketing Efficiency of Agricultural Production**

Efficient marketing of agricultural production is one of the main factors required for the expansion and prosperity of the agricultural sector, especially for small and medium-sized farmers, the majority of whom are individuals. Lack of nearby markets and the difficulty of reaching distant ones represents an additional burden that raises production costs and impedes agricultural development, especially in rural areas. Hence, there is a need for developing systems and means for marketing agricultural products, along with providing appropriate storage facilities and transportation means from farms to markets, in addition to encouraging production and marketing cooperative societies, and strengthening extension and funding services throughout all stages of the production process, particularly for individual farmers.

### **28.3.3 Competitiveness of National Agricultural Products**

Implementing the Kingdom's commitments to the WTO has led to opening the national market to agricultural products from all member countries. Since many of these countries enjoy a comparative advantage in numerous agricultural products, because of abundance of natural resources or due to advanced agricultural technologies, national agricultural products are expected to face severe competition from imported agricultural products. To improve competitiveness of national agricultural products, it is necessary to: upgrade the technological level of all stages of agricultural operations; support agricultural R&D; improve the level of knowledge among farmers and all workers in the agricultural production chain; develop productivity of the various

factors of agricultural production; take advantage of the comparative advantages of the various agricultural regions and review the crop structure in line with these advantages; and continue to provide overall support to the sector. Concessional finance, through the Agricultural Development Fund, is one of the main support channels under WTO rules.

#### **28.3.4 Fisheries Development**

Demand for fish grew at high and accelerating rates, due to improvements in income levels and nutritional awareness among citizens, as well as population growth, which increases total consumption. In response to rising demand, production of fish increased at an average annual rate of 5.8% over the first four years of the Eighth Development Plan; more than the target rate of 3%. However, high rates of growth led to over-fishing, especially in the territorial waters, which could lead to depletion of fish resources and weakening the chances of sustainability. Hence, it is necessary to adopt integrated management of fish resources, which requires organising fishing operations to conserve and develop fish stocks, enhancing fish farming and supporting fishing in international waters.

**Page**  
**556**

#### **28.3.5 Research and Development**

The agricultural sector faces significant challenges, especially the limited water resources, the semi-arid climate, and the vast desert. Hence, there is an urgent need to build a strong scientific agricultural base, relying on R&D as a necessary condition for achieving sustainable agricultural development, diversification of the economic base, and improving the standard of living, especially in rural areas. It is noteworthy in this context that importation of knowledge and agricultural technology cannot in any way be an effective substitute for the development of national scientific capacities, particularly in view of the intense competition among countries for acquisition and sustaining of competitive advantages, and also because of the possibility that imported knowledge may not be compatible with the local environment.

Since spending on R&D provides the means for overcoming the above-mentioned challenges, it is necessary to develop a strategy for agricultural R&D, and identify research priorities, objectives, and requirements of various resources. This would be in line with the National Science and Technology Policy, which calls for increasing spending on scientific R&D and innovation to 2% of GDP by 2024, to match spending ratios of leading countries. In addition, there is a need for coordination and cooperation between spending authorities and beneficiaries.

### **28.3.6 Environment and Public-Health Protection**

Environmental pollution is one of the main obstacles to sustainable development, in addition to being a threat to public health through irrational use of fertilizers, pesticides, and hormones. Hence, it is necessary to focus on enforcing all measures taken under the Eighth Development Plan, particularly in relation to controlling the use of chemicals and marine pollution.

## **28.4 DEMAND FORECASTS**

Demand for basic agricultural products under the Ninth Development Plan was estimated on the basis of a set of specific factors including: per capita consumption according to estimates of the food budget, prepared by the Ministry of Agriculture; estimated average per capita income; development of the nutritional awareness of the population; and expected population growth rate over the period, estimated at 2.1% per annum. Demand for wheat, milk, eggs and red meat is thus expected to increase at a rate of 2.1% per annum, which is equivalent to the rate of population growth. In contrast, demand for vegetables and fruits is expected to grow at a rate of 2.6%, which exceeds the rate of population growth. This is attributed to the expected increase in nutritional awareness leading to increasing the share of these products in the food basket. The same is true for demand for chicken and fish white meat, which is expected to increase at a relatively high annual rate of 3.1% (Table 28.7).

**Table 28.7**  
**Forecast of Demand for Basic Agricultural Products**  
**Ninth Development Plan**

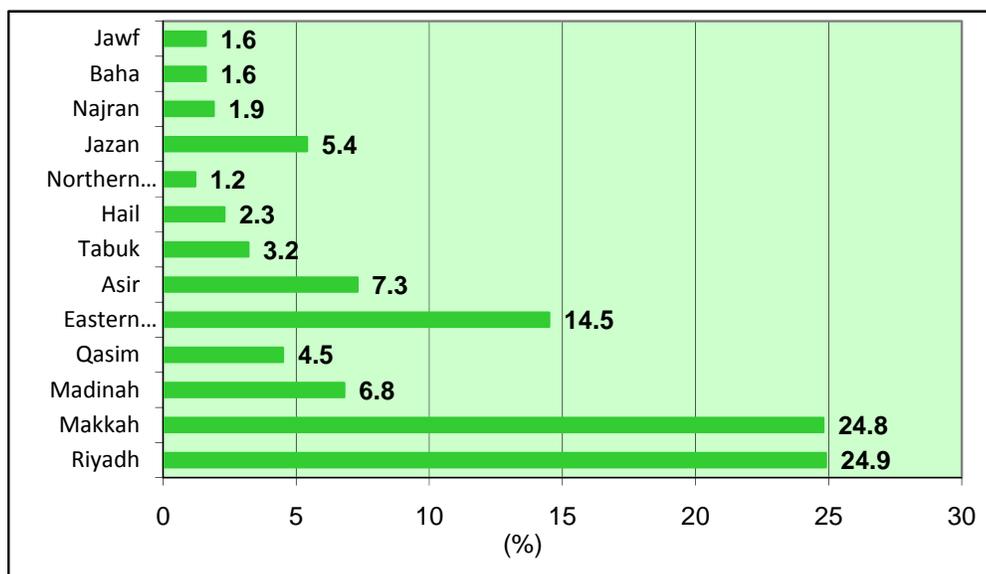
Product (thousand tonnes)	2009	2014	Average Annual Growth Rate (%)
Wheat	2530	2807	2.1
Vegetables	3132	3550	2.6
Fruits	2278	2590	2.6
Milk	1224	1358	2.1
Red meat	371	412	2.1
Poultry meat	990	1153	3.1
Eggs	162	180	2.1
Fish	150	175	3.1

*Source: Ministry of Economy and Planning.*

Distribution of demand for the main agricultural products at the regional level follows the relative distribution and rates of growth of population, as shown in Figure 28.1. Demand is concentrated on the Riyadh and Makkah regions, each accounting for about 25% of total demand for agricultural products, followed by the Eastern Region, with a share of 14.5%, and the rest of the regions with shares ranging between 1.2 % and 7.3%.

**Page**  
**558**

**Figure 28.1**  
**Share of Regions in Total Demand for Main Agricultural Products**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning.*



The State took several measures to balance consumption of scarce resources, notably water, with ensuring availability of main food commodities. Among such measures were: banning export of virtual water, waiving customs duties on food imports, and instituting consumer-protection regulations.

## **28.5 DEVELOPMENT STRATEGY**

### **28.5.1 Future Vision**

Putting the agricultural sector on the path to sustainable development; promoting scientific research to develop high-yielding salinity-resistant varieties; and diversifying the production base of the national economy, through planting water-efficient crops, in order to conserve available water resources.

### **28.5.2 Objectives**

- Enhancing the role of the agricultural sector in economic and social development.
- Improving efficiency of the use of natural resources in order to attain sustainable agricultural development.
- Increasing investment in agricultural activities abroad.
- Strengthening regional and international cooperation in agriculture.
- Conserving fisheries, diversifying their sources and developing their capabilities.

### **28.5.3 Policies**

- Enhancing competitiveness of agricultural activities, especially of small and medium-sized farms, and softening terms of investment in agriculture.
- Improving access channels of agricultural products to markets and increasing their value added.
- Encouraging innovation and supporting agricultural R&D.
- Determining the agricultural crops to be grown and the

associated water demand, within the strategic framework of rational use of water.

- Expanding use of reclaimed wastewater for agricultural purposes.
- Continuing efforts to achieve ecological balance through combating desertification, and conservation and development of pastures and forests.
- Promoting establishment of a national fishing fleet at high seas, and supporting fish farming.
- Improving labour skills in the agricultural sector.
- Intensifying regional and international cooperation within the food security framework.

#### **28.5.4 Targets**

- Increasing realised added value in the agricultural sector at an average annual growth rate of about 1.7%.
- Increasing investment in the agricultural sector at an average annual rate of about 6.6%.
- Improving performance of agricultural markets and supporting establishment of new central markets, with increases amounting to 5% per annum.
- Expanding use of treated wastewater in agriculture at a rate of 10% per annum.
- Increasing the annual growth rates of local production by about 2.3% for vegetables, about 3.4% for fruits, about 1% for fresh milk, about 1% for red meat, about 5% for poultry meat, and about 4% for fish.

**Page  
560**

### **28.6 FINANCIAL REQUIREMENTS**

Under the Ninth Development Plan, the financial allocations for government agencies in the agricultural sector (Ministry of Agriculture, and the Grain Silos and Flour Mills Organization) amount to SR13.82 billion.

# INDUSTRY

## 29.1 INTRODUCTION

The industrial sector achieved good progress in terms of the main themes of the Eighth Development Plan. Value-added, industrial exports and diversification of the production base all improved. The best performance was achieved by a group of manufacturing industries that succeeded in enhancing their share in total non-oil exports, particularly exports of high and medium technical content. Under the Plan, a number of new refinery projects were launched, several economic and specialized industrial cities, such as King Abdullah Economic City, were initiated, and existing industrial cities were expanded.

The Ninth Development Plan aims to continue incentivising industrial investment in line with the National Industrial Strategy up to 2020, which in turn aims to achieve progress towards a competitive industry and a knowledge-based economy by: strengthening the competitive advantage of Saudi industry; enhancing its local, regional and international linkages; and encouraging advanced high value-added industries; all while ensuring economic diversification, balanced development and employment.

This chapter reviews the current conditions of the industry sector and the developments that took place under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, and highlights the future vision, objectives, policies and targets set for the sector by the Ninth Development Plan.

## 29.2 CURRENT CONDITIONS

### 29.2.1 Overall Performance

Under the Eighth Development Plan, the industrial sector achieved an average annual growth rate of 5.9%, which was higher than that of

GDP (3.5%) and non-oil GDP (4.7%). Thus, the contribution of the industrial sector to GDP increased from 11.3% in 2004 to 12.7% in 2009, and its contribution to non-oil GDP increased from 15.6% to 16.5% (Table 29.1).

**Table 29.1**  
**Main Achievements of the Industrial Sector**  
**Eighth Development Plan**

Indicator	2004	2009	Average Annual Growth Rate under Plan (%)	
			Actual	Planned
Value added in industry (SR million)*	81314.2	108511.7	5.9	6.2
Oil Refining (SR million)	21633.8	23892.6	2.0	4.4
Petrochemicals (SR million)	8952.4	14193.7	9.7	7.3
Other manufacturing (SR million)	50728	70425.4	6.8	6.7
Contribution of industrial sector to GDP (%)	11.3	12.7	–	–
Contribution of industrial sector in GDP Non-Oil sectors (%)	15.6	16.5	–	–
Investment (SR million)*	37288.3	84117.6	17.7	13.1
Employment (thousand)	568.9	594.9	0.9	3.8

\* At constant prices of 1999. Preliminary data for 2009.

*Source: Ministry of Economy and Planning.*

With the exception of the oil refining industry, growth rates of key industries exceeded their targets. The petrochemical industry and other manufacturing industries grew at average annual rates of 9.7% and 6.8%, respectively; compared with targets of 7.3% and 6.7%, which is indicative of progress towards diversification of the industrial base.

The prime mover behind these results was the growth of industrial investment under the Eighth Development Plan at an average annual rate of 17.7%, from SR37.3 billion in 2004 to SR84.1 billion in 2009.

Increased investment in the industrial sector was accompanied by an increase in the number of factories and workers. By the end of 2008, the number of factories was 4,167, compared to 3,832 in 2004; an increase of 8.7%. Industrial employment rose at an average annual rate of about 0.9% to 594.9 thousand workers in 2009 compared to 568.9 thousand in 2004. The main driver of employment growth in the sector was growth in employment of national manpower at an average annual rate of 8.57%, from 94.6 thousand workers in 2004 to 142.7 thousand in 2009.

### **29.2.2 Financing**

Availability of finance is one of the key factors that contributed to the growth of the industrial sector, with total funding increasing from SR339.5 billion in 2004 to SR359.5 billion in 2008; an increase of 5.9% during the period.

In 2008, at 40.4%, ‘refined petroleum products’ ranked first in terms of relative share of total industrial financing, followed by ‘other non-metallic products’ at 13.4%, ‘manufacture of chemicals’ at 10.5%, ‘basic industries of metals’ at 9.8%, ‘manufacture of food stuffs and beverages’ at 9.8%, ‘rubber and plastic’ at 3.2 %, and ‘manufacture of unclassified electrical machines at 2.3% (Table 29.2).

The Public Investment Fund, commercial banks, and the Saudi Industrial Development Fund (SIDF) helped secure funding for these factories. The role of SIDF increased under the Eighth Development Plan, as it established the special guaranteeing programme “Kafalah” for lending to small and medium enterprises (SMEs). The Fund gives priority to projects that are consistent with the industrial development strategy, especially projects that contribute to diversification of the economic base and indigenization of advanced industries.

**Table 29.2**  
**Number of Factories, Funding and Employment**  
**Eighth Development Plan\***

Industrial activity	2004					2008				
	Number of Factories	Finance (SR Million)	Relative Share of Finance (%)**	Employment*	Relative Share of Employment (%)**	Number of Factories	Finance (SR Million)	Relative Share of Finance (%)**	Employment*	Relative Share of Employment (%)**
Food and beverages	618	30235	8.9	81972	18.5	668	35117.3	9.8	86515	18.6
Textiles	80	3923	1.2	13504	3.0	84	4164.4	1.2	14244	3.1
Clothing	64	691	0.2	7186	1.6	71	716.3	0.2	7994	1.7
Paper and paper products	130	5815	1.7	15390	3.5	138	6209	1.7	15894	3.4
Printing, publishing, and reproduction of recorded media	112	3710	1.1	10222	2.3	117	3733	1.0	10381	2.2
Refined petroleum products	70	145149	42.7	23175	5.2	75	145174	40.4	23316	5.0
Chemical materials and products	362	31438	9.3	33771	7.6	422	37927	10.5	36540	7.8
Rubber and plastic products	412	11291	3.3	38677	8.7	444	11532	3.2	39740	8.5
Other non-metallic products	619	42558	12.5	64049	14.4	679	48153.5	13.4	69139	14.8
Base metals industries	278	34510	10.2	40753	9.2	296	35349	9.8	42377	9.1
metallic construction products	260	6609	1.9	24539	5.5	288	7247.1	2.0	26230	5.6
Machinery and equipment	201	4920	1.4	21661	4.9	217	5026	1.4	22386	4.8
Electrical machinery and apparatus not classified elsewhere	89	8082	2.4	17229	3.9	99	8261	2.3	18031	3.9
Motor vehicles and trailers	114	2230	0.7	11527	2.6	125	2294	0.6	11952	2.6
Furniture and other industries not classified elsewhere	278	4998	1.5	26382	5.9	293	5221	1.5	27394	5.9
Others	145	3373	1.0	13970	3.2	151	3392.4	1.0	14164	2.98
<b>Total</b>	<b>3832</b>	<b>339532</b>	<b>100.0</b>	<b>444007</b>	<b>100.0</b>	<b>4167</b>	<b>359517</b>	<b>100.0</b>	<b>466297</b>	<b>100.0</b>

\* Eighth Development Plan. Employment data are for factories licensed by Ministry of Commerce and Industry.

\*\* Figures are rounded to the nearest decimal.

Source: Ministry of Commerce and Industry.

The number of loans granted by SIDF from its inception until the end of 2008 was 2,140 industrial projects, with a total value of SR75.6 billion, distributed over a number of industrial activities, particularly those of high and medium technical content, such as the chemical products industry and machinery and engineering equipment (Table 29.3).

**Table 29.3**  
**SIDF Loans until 2008**

Activity	Number of Financed Projects	Value of Loans (SR million)
Consumer industries	587	12972
Chemical industries	529	30749
Building materials industry	334	7533
Cement industry	28	8911
Engineering industries	622	14822
Other industries	40	630
<b>Total</b>	<b>2140*</b>	<b>75617**</b>

\* Including approved loans to 415 projects that were cancelled.

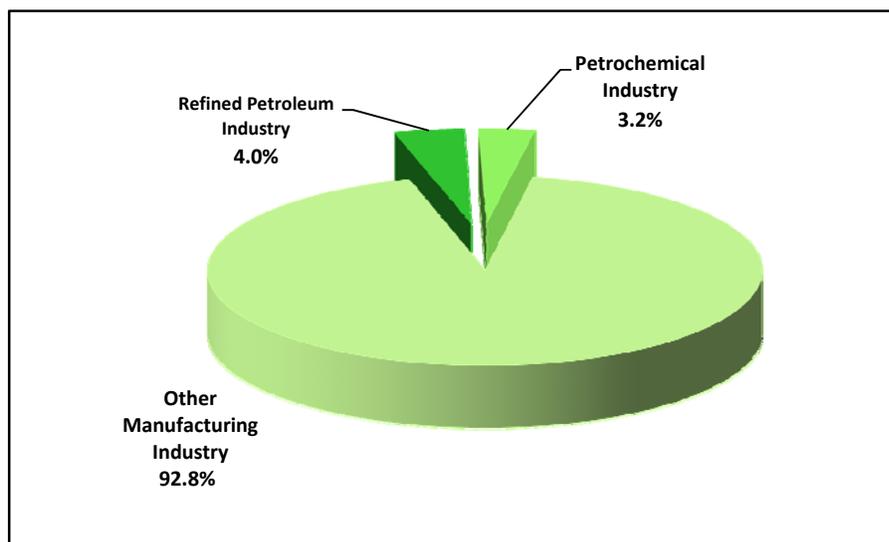
\*\* Including SR7623 million committed but cancelled.

Source: Annual report of SIDF.

### 29.2.3 Employment

Industrial employment grew from 568.9 thousand workers in 2004 to 594.9 thousand in 2009, an average annual growth rate of 0.9%. In 2009, it constituted 7.28% of total employment, with the percentage of Saudis amounting to 24%. There is, however, wide variation in some industries between funding requirements and provision of job opportunities, depending on the nature of the industry in terms of capital intensity or labour intensity. For example, being capital intensive, the oil refining industry accounts for 40.4% of total industrial finance, but employs only 4% of industrial employment. In contrast, being labour intensive, 'other manufacturing industries' attract 45.9% of total industrial finance, but employ about 92.8% of total employment in the industry (Figure 29.1).

**Figure 29.1**  
**Percentage Distribution of Industrial Employment**  
**2009**



*Source: Ministry of Economy and Planning.*

#### **29.2.4 Geographical Distribution**

**Page**  
**566**

The three administrative regions of Makkah, Riyadh and the Eastern Region attract most of the industrial activity. In 2008, they accounted for 86% of total factories, 79.6% of total industrial finance, and 90% of the total industrial employment. This is attributable to the comparative advantages enjoyed by these regions, in addition to the proximity of their factories to consumption and inputs areas. However, a significant change in the geographical distribution of industrial activity is expected in the coming years, especially when economic and industrial cities are established in various regions (Table 29.4).

#### **29.2.5 Competitiveness**

During the Eighth Development Plan, competitiveness of the national industry was enhanced by improvement in the investment climate and business environment, as well as by improvement in the indicators of production. However, the most important development was the growth of total factor productivity over the period 2003–2007. Total factor productivity in the industrial sector grew at an average annual rate of 2.2%, thereby contributing to increasing the value added in the



industrial sector by 32.4%, compared with 22% for the national economy as a whole. This growth in total productivity is attributable to the qualitative improvement of the various factors of production, particularly capital and labour, in addition to improvement of the management and organizational methods used in the sector.

**Table 29.4**  
**Number of Operating Factories, Employment and Finance**  
**by Administrative Region<sup>(\*)</sup>**  
**2008**

Region	Number of Factories	Share (%)	Value of Finance	Share (%)	Number of Workers <sup>(**)</sup>	Share (%)
Riyadh	1581	37.9	57855	16.1	175612	37.7
Makkah	1097	26.3	49829	13.9	129227	27.7
Madinah	155	3.7	59608	16.6	19695	4.2
Qassim	152	3.6	5856	1.6	12123	2.6
Eastern Region	910	21.8	178249	49.6	114503	24.6
Asir	99	2.4	2690	0.7	5549	1.2
Tabuk	36	0.9	1709	0.5	3211	0.7
Hail	32	0.8	340	0.1	1311	0.3
Northern Borders	10	0.2	1243	0.3	703	0.2
Jazan	37	0.9	1634	0.5	1865	0.4
Najran	20	0.5	185	0.1	1147	0.3
Baha	15	0.4	85	0	439	0.1
Jawf	23	0.6	234	0.1	912	0.2
<b>Total</b>	<b>4167</b>	<b>100.0</b>	<b>359517</b>	<b>100.0</b>	<b>466297</b>	<b>100.0</b>

(\*) Excluding refining sector facilities.

(\*\*) Employment data are factories of licensed by Ministry of Commerce and Industry.

*Source: Ministry of Commerce and Industry.*

An indicator of the improvement of competitiveness of national industry is the tangible growth of industrial exports under the Eighth Plan, with their value at current prices rising from SR54.3 billion in 2004 to SR112.1 billion in 2008, an average annual growth rate of 19.9%.

Notably, the increase of industrial exports over that period was not based only on industrial products in which the Kingdom enjoys conventional competitive advantages based on abundance of oil and gas, but included other industrial products, such as precious metals and pearl, the exports of which grew at an average annual rate of 12.1%; as well as exports of transport equipment, which grew at an average annual rate of 26.5%; and exports of manufacturing machinery, electrical and mechanical equipment, which grew at an average annual rate of 28.2%; and exports of leather, wood and paper products, which grew at an average annual rate of 17.3% (Table 29.5).

**Table 29.5**  
**Industrial Exports**  
**Eighth Development Plan\***

Description	Value (SR Million)		Average Annual Growth Rate (%)
	2004	2008	
Mineral, chemical and plastic products (excluding oil)	33093	64894	18.3
Leather, wood and paper products	1968	3721	17.3
Textiles, clothing and footwear	1283	1903	10.4
Ceramic, glass and chinaware products	934	1746	16.9
Precious metals and pearl	1959	3091	12.1
Basic metals	5195	11595	22.2
Machinery, electrical and mechanical equipment	4099	11066	28.2
Transport equipment	5022	12842	26.5
Medical supplies and watches	224	236	1.3
Other manufactured products	503	1054	20.3
<b>Total**</b>	<b>54280</b>	<b>112148</b>	<b>19.9</b>

\* Up to the end of the fourth year of the Eighth Development Plan; at current prices, and does not include oil refining exports.

\*\* Excluding food and beverages exports.

*Source: Central Department of Statistics and Information.*

## 29.2.6 Infrastructure

By the end of 2008, the number of existing industrial cities was 14 cities; distributed over the various regions, with a total area of up to 93 million square metres and a total developed area of 47 million square metres. The Saudi Industrial Property Authority plans to create 12 new industrial cities in sites already reserved in various cities, and preparation for their development is underway in cooperation with the national and foreign private sectors.

Within the framework of partnership between the public sector and the national and foreign private sectors, four new economic cities were launched under the Eighth Development Plan, which envisaged “establishment of new economic cities, like the cities of Jubail and Yanbu”. The four cities are: King Abdullah Economic City in Rabigh, Prince Abdul-Aziz Bin Mousaed Economic City in Hail, the Knowledge Economic City in Al-Madinah, and Jazan Economic City in Jazan. These new cities are expected to attract national and foreign industrial and service investment that would contribute to the diversification of the productive base of the national economy, by attracting advanced technology industries, especially those that are complementary to the basic industries and are integrated into the value chain of global industry. Moreover, the new cities are envisaged to contribute to the achievement of regionally balanced development.

## 29.2.7 Support Services

Specifications, standards and quality control are the basic services needed to upgrade quality standards of the national industries and improve their competitiveness in the domestic and foreign markets. Up to the end of 2008, the number of specifications approved by the Saudi Standards, Metrology and Quality Organization (SASO) was 14,664, including 12,377 new specifications approved over the first four years of the Eighth Plan, while the number of factories licensed to use the quality mark of SASO was 212 factories; an increase of 50 factories over the period. Moreover, the number of quality laboratories approved was 29; an increase of 16 laboratories over the same period (Table 29.6).

**Table 29.6**  
**Calibration and Quality Control Services**  
**Eighth Development Plan\***

Indicator (Number of)	2004	2008	Average Annual Growth Rate (%)
Approved specifications	2287	14664	59.13
Revised and updated specifications	256	1804	62.93
Factories licensed to use the quality mark	162	212	6.96
Export certificates for food products	3341	5128	11.31
Technical consultancy	29430	31728	1.90
Industrial licensing studied	18001	21586	4.65
Samples tested in a quality control laboratory	222771	256179	3.56
Calibrations made at a Calibration Laboratory	48131	49858	0.89
Accredited laboratories	13	29	22.21

\* Up to the end of the fourth year of the Eighth Development Plan.

Source: Saudi Standards, Metrology and Quality Organization (SASO).

## **29.3 ISSUES AND CHALLENGES**

### **29.3.1 Saudi Employment**

Saudi employment is the primary means for developing the industrial sector and guaranteeing its sustainability, through transfer of expertise and knowledge and their accumulation over generations of workers. Despite the indigenization of labour efforts made and the development of education and training, the sector still suffers a lack of highly skilled technical capacity. In addition, the Saudi labour force in the industrial sector constitutes only 24% of the total. This calls for a quantum leap, through expediting indigenization of manufacturing jobs, and adopting all necessary measures and policies for ensuring reliance on Saudi manpower for industrial development and modernization through innovation and modern technology.

Moreover, there is a need for advanced technical skills in various fields, especially those required for use of modern technologies; hence the

necessity of adopting policies covering training, qualification, transfer of expertise and promotion of talent policies, as well as policies for ensuring compatibility of the knowledge and skills acquired by the national manpower through education and training with the needs of industry. In this way, substitution of expatriate manpower by a highly skilled national workforce that has the ability to create, innovate and add new competitive advantages to national industry.

### 29.3.2 Technological Capabilities

Domestic technological capabilities are a major determinant of competitiveness of industrial performance. Most developing countries are importers of technology. Hence, their ability to assimilate technology and adapt it to their needs plays a crucial role in their competitiveness in production and export, especially that products with a high technological content are the most dynamic in global export markets.

Local technological capabilities may be monitored through a number of important indicators, including government and private-sector expenditure on R&D and innovation. Data suggest that expenditure by Saudi businesses on these activities as a percentage of GDP is low, in comparison with most competitor countries.

Industrial data also indicate that the number of industrial applications for patent registration from national sources is low compared with other countries. One other relevant indicator is the number of ISO certificates acquired (ISO 9000 and ISO 14000), which reflect compliance with international quality and safety standards. In general, with the exception of the growing capabilities of the Saudi Aramco and SABIC, technological capabilities in most other industrial companies are still at a level lower than that aspired to. Hence, industrial policies need to be directed towards: enhancing R&D capabilities of industrial companies; consolidating the technological capabilities of national industry; and acquiring competitive advantages through productivity gains, in addition to the comparative advantage accruing from abundance of natural resources and other factors of production.

### **29.3.3 Small and Medium Enterprises (SMEs)**

In various countries around the world, due to their ability to integrate their activities into those of larger firms and to benefit from their small size to adapt to market changes and to advanced production technology, SMEs play a vitally important role in achieving development. International experience has shown that these enterprises have had a vital role in: the growth of industrial complexes, upgrading competitiveness and dynamism of industry, providing employment opportunities, and growth of national income.

Hence, successive five-year development plans provided substantial support for SMEs. Lately, such support included establishment of a centre for the development of SMEs by the Technical and Vocational Training Corporation, and the "Kafalah" programme established by the Saudi Industrial Development Fund to finance SMEs.

**Page**  
**572**

In spite of these efforts, SMEs still face a number of impediments to their hoped for role of promoting internal linkages and integration of the industrial sector, and completing the value chain of national industry. Constraints include: administrative, regulatory, funding, technical, procedural, informational, and marketing obstacles; and also lack of access to customs and tax exemptions and land at nominal prices. In addition to the need for policies designed to address such impediments, there is also a need for promoting industrial clusters for SMEs that would integrate the stages of producing a particular product, as well as for incubators for SMEs in various fields.

### **29.3.4 Industrial Diversification and Geographical Spread**

Diversity of the industrial structure and the geographical spread of industry indicate the effectiveness of the industrial sector in achieving economic diversification and balanced development. Under the successive development plans, the industrial sector played an important role in the effort to achieve these objectives. Nonetheless, despite relative diversification, the current structure of industry is

characterized by dominance of basic industries that produce petrochemicals, plastics and basic metals, in addition to medium-tech consumer goods industries (Table 29.2), while technology-intensive capital goods industries are still in their infancy, despite the progress made in recent years. Moreover, the geographical distribution of industrial activity, extending from the east coast via the central part of the country to the west coast, is mainly concentrated on the main development corridor in three, out of thirteenth, major administrative regions.

Addressing this situation calls for strengthening linkages among manufacturing industries, as well as for identifying new industrial areas of high technical and knowledge content that have the potential for growth and continuity and the capacity to deepen structural diversification and shift resources away from low-productivity towards high-productivity sectors. Enhancing structural diversification of the sector also requires improving the geographical distribution of industrial activities, along with wide deployment of SMEs. Economic cities being established should have a major role in achieving a spatial distribution of industrial activities based on the comparative advantages of the regions where these cities are located.

In addition, offering more incentives for establishing industrial projects in various administrative areas is one of the most important factors in contributing to the desired geographical spread of national industry.

## **29.4 NATIONAL INDUSTRIAL STRATEGY**

In 2009, the Council of Ministers approved the National Industrial Strategy, which identified the path of industrial development up to the end of 2020 and developed a clear definition of a number of themes, policies and objectives. The Strategy adopted specific targets for each of the following main dimensions of national industry:

- Industrial base: doubling the value added of industry and increasing its contribution to GDP to 20% by 2020.

- Technological content: increase the proportion of manufactured products with a technological base in total industrial production from 30% to 60% by 2020.
- Industrial exports: raising the share of industrial exports of total industrial production from 18% to 35% over the period of the strategy.

In order to achieve these targets, 11 principles were adopted that constitute the basis for the policies, programmes and activities that will be adopted in implementing the National Industrial Strategy:

- Promoting of industries that benefit from the comparative advantages of the Kingdom.
- Maximizing revenue from oil and gas industries by extending the value chain and focussing on products with high added value.
- Developing knowledge-intensive industries and promoting the technical content of industrial products.
- Focussing on development based on industrial complexes.
- Supporting SMEs to improve their productivity and enhance their competitiveness.
- Strengthening the National System of Innovation.
- Improving business environment: regulations, procedures, policies and administrative structures.
- Improving the competitiveness indicators of the national industry and its export capacity.
- Taking into account regional balance in industrial development, while preserving the environment.
- Developing and enhancing regional and global relations.
- Developing the human resources required by industry.

The Industrial Strategy will be implemented by progressing along eight complementary directions, each having its programmes, activities and projects:



- Improving business environment.
- Establishing modern industrial clusters.
- Promoting industrial SMEs and leading industries.
- Applying the National System of Innovation.
- Developing industrial human resources.
- Expanding industrial infrastructure and services.
- Planning for new industries.
- Managing implementation of the National Industrial Strategy.

In relation to setting up modern industrial clusters, the Strategy identified five industries to be given priority, so that they form the core of the industrial complexes programme: the car and car-parts industry, the metal processing industry, the manufacturing of general-use apparatus industry, the building materials industry, and the plastic packaging industry.

## **29.5 DEVELOPMENT STRATEGY**

### **29.5.1 Future Vision**

A globally competitive national industry, based on creativity and innovation, transforming national resources to acquired sustainable wealth.

### **29.5.2 Objectives**

- Diversifying the industrial base.
- Strengthening competitiveness of the national industry.
- Increasing national employment contribution in industry.

### **29.5.3 Policies**

- Encouraging national and foreign investment in industry.
- Developing industries with competitive advantage.

- Maximizing national revenue in the value chain of the basic-industries products.
- Supporting SMEs and leading industries.
- Attracting foreign investment in high-tech industries.
- Adopting industrial clusters as a means for developing and diversifying the industrial base.
- Developing, diversifying and upgrading industrial exports.
- Supporting globalization of the national strategic industries.
- Continuing to improve the investment climate and the business environment.
- Reviewing and developing the direct and indirect incentive system for investment to be in line with the priorities and orientations of the National Industrial Strategy.
- Continuing to develop the capacity of national industry financing programmes, as well as new and innovative funding mechanisms that enable the private sector to enhance its role in various industrial activities.
- Finalizing the operational steps required to implement the strategic directions of national industry pertaining to the five above-mentioned industrial areas.
- Strengthening partnership frameworks with the private sector, through supporting the Saudi Chambers of Commerce in the implementation of the directions of the Ninth Development Plan.
- Adopting small and medium industries as essential components within industrial complexes and technology zones.
- Raising the level of science, knowledge and skills of manpower employed in the manufacturing sector, in order to strengthen the trend towards development of knowledge-intensive, high-tech industries.

- Continuing efforts to strengthen and protect intellectual property rights and patents and systems specifications and standards, and increasing coverage to include all goods and products in the domestic market.
- Supporting R&D activities in the public and the private sectors, and encouraging large industrial companies to develop R&D centres.
- Reviewing and evaluating recruitment of expatriate manpower procedures to attract highly qualified, distinguished experts.
- Encouraging the use of the latest clean non-polluting technologies in various industries.

#### 29.5.4 Targets

- The industrial sector growing at an average annual rate of 7.2%.
- Growth rates to be distributed over industrial sub-sectors as follows: 7% for the oil-refining sector, 5.7% for the petrochemicals sector, and 7.6% for the sector of other manufacturing industries.
- Raising the share of other manufacturing in industrial value added from 64.9% to 66%.
- Increasing industrial investment at an average annual growth rate of 7.7%.
- Increasing employment in industry at an average annual growth rate of 0.47% (Table 29.7).

During the Ninth Plan, work is expected to continue on issuing and applying calibration and quality control, to keep pace with best international practices. Table 29.8 shows forecasts for some of the activities related to specifications and standards under the Plan.

**Table 29.7**  
**Targets for Industrial Sector**  
**Ninth Development Plan**

Indicator	2009			2014			Average Annual Growth Rate under the Plan (%)
	Value/Number	Total Share in Industry Sector (%)	Share of Total (%)	Value/Number	Total Share in Industry Sector (%)	Share of Total (%)	
Value Added of Industry Sector <sup>(*)</sup>	108511.67	100.0	12.7	153634.03	100.0	14.0	7.2
Oil refining	23892.64	22.0	2.8	33510.67	21.8	3.0	7.0
Petrochemicals	14193.66	13.1	1.7	18737.38	12.2	1.7	5.7
Other manufacturing	70425.37	64.9	8.2	101385.98	66.0	9.2	7.6
Industrial employment <sup>(**)</sup>	594.96	100.0	7.27	609.18	100.0	6.48	0.47
Employment (oil refining)	23.6	4.0	0.29	27.35	4.5	0.29	2.99
Employment (petrochemicals)	19.18	3.2	0.23	21.06	3.5	0.22	1.89
Employment (other manufacturing)	552.18	92.8	6.76	560.77	92.0	5.97	0.31

(\*) Value in SR million; at constant 1999 prices.

(\*\*) Number per thousand workers.

Source: Ministry of Economy and Planning.

**Table 29.8**  
**Calibration and Quality Control**  
**Ninth Development Plan**

Indicator	2009	2014	Average Annual Growth Rate under the Plan (%)
Number of approved specifications	721	24221	7.7
Number of factories licensed to use the quality Mark	283	433	8.9
Number of technical consultations	024	33524	0.9
Number of industrial licenses studied	048	27298	3.4
Number of accredited laboratories	31	51	10.5

Source: Saudi Standards, Metrology and Quality Organization.

## 29.6 FINANCIAL REQUIREMENTS

Total financial allocations for the industry sector (Ministry of Commerce and Industry, Royal Commission for Jubail and Yanbu) under the Ninth Development Plan amount to SR37.27 billion.

**Page**  
**580**

# ELECTRICITY

## 30.1 INTRODUCTION

The electricity sector enters the next stage of socio-economic development, supported by a number of achievements, the most important of which are: near universal coverage of electricity services; progress towards restructuring and privatisation of the electricity industry to increase its efficiency; growth of the contribution of independent power producers in the generating capacity and further progress by the Saudi Electricity Company towards improved productivity. Moreover, during the period of the Eighth Development Plan, interconnection of the electricity grids of the GCC countries was achieved, and preliminary feasibility studies of linking the national grid to those of Egypt and Yemen were completed.

Despite these achievements, there are still challenges that need to be quickly and effectively addressed in the coming years, primarily: enhancing the efficiency of the electricity service; improving the investment climate in the electricity industry to achieve a level of production that can keep pace with continued growth in demand; achieving the required level of service sustainability and urgently taking effective measures to rationalise consumption.

This chapter addresses the current conditions of the electricity sector and its development under the Eighth Development Plan, and reviews the key issues and challenges that must be addressed under the Ninth Development Plan. It also presents forecasts of demand for its services, and highlights the future vision, objectives, policies and targets set for the sector by the Ninth Development Plan.

## 30.2 CURRENT CONDITIONS

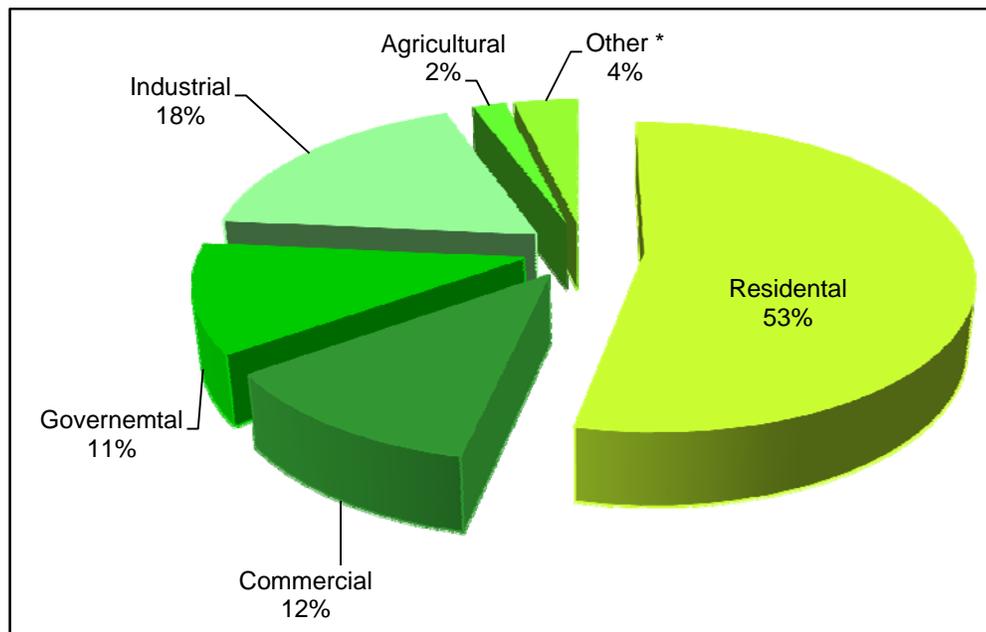
### 30.2.1 Electric Power Consumption

Over the first four years of the Eighth Plan, electric power consumption increased at an average annual rate of 5.8%, compared

with the target set by the Plan of 4.9%. Moreover, growth rates in less developed regions exceeded the average for the country as a whole, which reflects progress towards regionally balanced development.

In 2008, the residential sector accounted for about 53% of total energy consumption amounting to 181.1 billion kilowatt/hours, compared with industrial consumption at 18%, government consumption at 11%, commercial consumption at 12%, and agricultural consumption at 2% (Figure 30.1).

**Figure 30.1**  
**Distribution of Electricity Consumption by Category of Consumers**  
**2008**



\* Other includes hospitals, mosques, streets, and charities.

Source: Ministry of Water and Electricity.

### 30.2.2 Electricity Service Coverage

Coming close to achieving universal coverage of electricity services, within the framework of progressing towards regionally balanced development, was one of the most prominent achievements under the Eighth Development Plan. Notably, the number of cities, provinces, districts and villages covered by the electricity service was 11,405 at the end of 2008; an increase of 793 compared with 2004.



In 2008, the total number of subscribers throughout the country was about 5.4 million, up by about 929 thousand new subscribers during the first four years of the Eighth Plan, reflecting an average annual growth rate of 4.8 %. Residential subscribers accounted for about 82% of the total; while subscribers from the commercial sector accounted for about 13%; the government sector 2%; the agricultural sector 1% and the industrial sector about 0.13%. This development reflects the importance attached by the state to achieving full service coverage.

### **30.2.3 Power Loads**

In 2008, the asynchronous peak load was about 38 thousand MW, up from about 28.6 thousand MW in 2004; an average annual growth rate of 7.4%. Should such a rate of growth continue, it would result in doubling the peak load in about nine years, which would require a commensurate increase in generation and grid capacities to ensure availability of service at the required level of efficiency and reliability (Table 30.1).

### **30.2.4 Electrical Generating Capacity**

The total electric generating capacity consists of available generation from: the power plants of the Saudi Electricity Company; water desalination plants; and plants owned by large consumer companies, including Saudi Aramco and SABIC. In 2008, the total generating capacity available during peak load was around 39.2 thousand MW, compared with about 30.3 thousand MW in 2004; an average annual growth rate of 6.7% (Table 30.1).

The Eighth Development Plan focussed on enhancing generating capacity, through use of generators that combine high efficiency and low production cost. The share of steam turbines rose from 22% in 2000 to 33% in 2008. However, available capacity of desalination plants, which amounted to 2,444 MW, was less than the target capacity of 4,721 MW, due to delayed implementation of desalination projects that had already been approved.

The rate of growth of generation capacity was less than the growth rate of the peak load, which amounted to an annual average of 7.4%. As a result, the generation reserves dwindled to 3.3% of peak load in 2008, compared with 5.8% in 2004. Such a level of reserve is low by standards of electrical-system planning that seek to ensure reliability of supply. This is one of the main reasons for power supply interruption experienced in some regions of the Kingdom during times of peak load.

**Table 30.1**  
**Key Indicators of Electricity Sector**  
**Eighth Development Plan<sup>(\*)</sup>**

	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Average total consumption of a residential subscriber (KW/ year)	39021	39325	39957	39703	40634	1.0
Service coverage (% of total population)	91	92	98	99	99	2.1
Subscribers	4491717	4727371	4955906	5182539	5420810	4.8
Residential subscribers	3700161	3897916	4083138	4262216	4456755	4.8
<b>Total electricity consumption (million kWh)</b>	<b>144385</b>	<b>153284</b>	<b>163151</b>	<b>169222</b>	<b>181098</b>	<b>5.8</b>
Industrial consumption (million KWH)	31975	33801	32548	30985	32421	0.3
Peak Load (MW) (**)	28599	30295	32147	35849	38000	7.4
<b>Total actual generating capacity (MW) (***)</b>	<b>30256</b>	<b>31912</b>	<b>34467</b>	<b>36539</b>	<b>39242</b>	<b>6.7</b>
Actual generating capacity of the Saudi Electricity Company (MW)	27423	28642	30310	32604	34470	5.9
Generation capacity available from the Saline Water Conversion Corporation (SWCC) and Major subscribers (MW)	2833	3270	4157	3935	4772	13.9
<b>Reserve generation (%)</b>	<b>5.81</b>	<b>5.3</b>	<b>7.2</b>	<b>1.9</b>	<b>3.3</b>	<b>-13.3</b>
<b>Total consumption per worker (MWH)</b>	<b>4971</b>	<b>5305</b>	<b>5689</b>	<b>6037</b>	<b>6396</b>	<b>6.5</b>
<b>Total subscribers per worker</b>	<b>155</b>	<b>164</b>	<b>173</b>	<b>185</b>	<b>191</b>	<b>5.5</b>
<b>Total employment</b>	<b>29047</b>	<b>28895</b>	<b>28679</b>	<b>28029</b>	<b>28315</b>	<b>-0.6</b>

(\*) Up to the end of the fourth year of the Eighth Development Plan.

(\*\*) Million kilo watt hour.

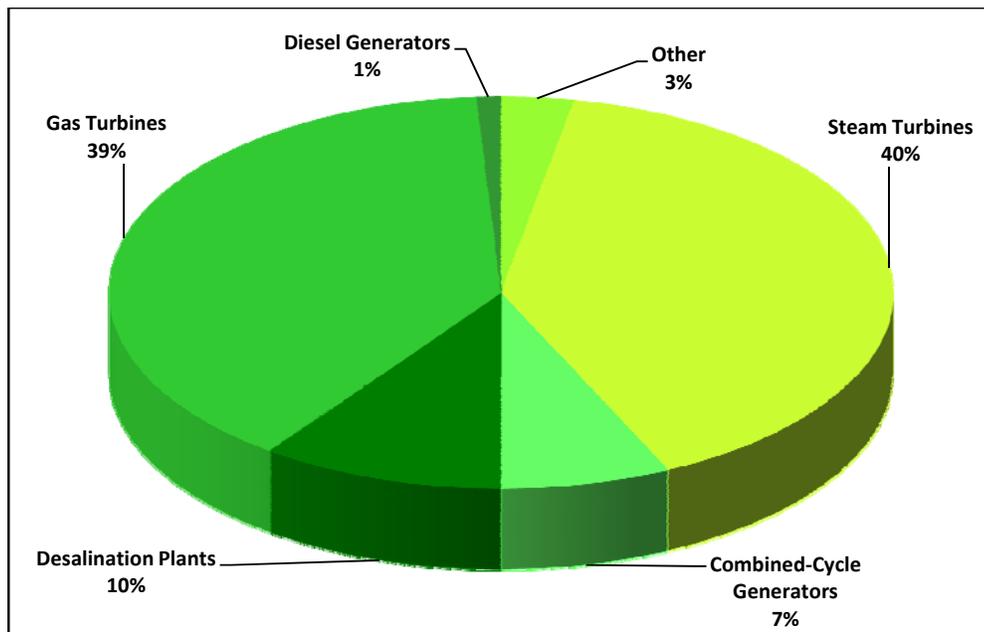
(\*\*\*) Asynchronous Load.

Source: Ministry of Water and Electricity.

### 30.2.5 Generated Electric Power

In 2008, electrical energy generated from all sources was about 204.2 billion KWH, with production of steam-turbine stations constituting 40% of the total; up from about 31% in 2000. The share of major co-generators went up to about 3%, while the share of all other generation sources declined. Notably, gas-turbine stations are still second in production after steam plants. The total production from steam-turbine stations, combined-cycle power stations and power imported from desalination plants, which are characterised by high efficiency, accounted for 57% of total energy produced, while its share of total generating capacity was about 45% (Figure 30.2).

**Figure 30.2**  
**Percentage Distribution of Electric Power Generated**  
**by Type of Generation**  
**2008**



*Source: Ministry of Water and Electricity.*

### 30.2.6 Fuel Consumption in the Electricity Sector

Development of consumption of fuel in the power plants of the Saudi Electricity Company was in line with the forecasts of the Eighth Development Plan, and also with the Council of Ministers directive to

use heavy fuel oil instead of other petroleum products that have a higher value in the global market, such as diesel oil and crude oil. Over the period 2000 to 2007, consumption of heavy fuel oil increased at an average annual rate of about 15.7%, which represents about three times the rate of growth in total consumption of about 5.1%. Natural gas came in second, with an average annual growth rate of 10.4%, while consumption of diesel oil changed little and consumption of crude oil decreased at an average annual rate of 3%.

### **30.2.7 The Electrical Grid**

Total length of the transmission network increased from 33.7 thousand km in 2004 to 39.8 thousand kilometres in 2008, with the addition of 6.1 thousand km of electric transmission lines over the first four years of the Eighth Development Plan. Work is underway to implement a number of projects linking together major regions of the Kingdom. Upon their completion, all regions would be linked electrically by a high-voltage 380 KV double circuit network, under a uniform electric system that allows energy transfer and exchange between load centres. This should prepare for the creation of an independent entity for the national transmission network, within the framework of the process of restructuring and privatisation underway.

**Page**  
**586**

The project for linking the grids of the GCC countries has reached an advanced stage, with the start of the experimental operation of the first phase, which included linking the electricity grids of Bahrain and Saudi Arabia, Qatar and Kuwait by the end of 2008. This network will form an important part of the Arab electrical grid and will enable, upon being linked with the Arab Network, to export electric power to the Arab and European markets. The project is one of the outcomes of Gulf and Arab coordination and cooperation.

### **30.2.8 Employment**

According to data from the Ministry of Water and Electricity, employment in the electricity sector was in 2008 about 28.3 thousand workers, of whom 84.9% were Saudis. The number of workers in this sector declined at an annual average rate of 0.6% over the first four

years of the Plan, which was accompanied by significant improvement in labour productivity, with the number of subscribers per worker increasing at an average annual rate of 5.5%, and the power sold per worker increasing at an annual average rate of 6.5%, compared with the target of 6.5% per annum set for both indicators by the Eighth Development Plan.

In terms of indigenisation of jobs, particularly engineering and technical ones, the percentage of Saudization in 2008 was about 61.7% among engineers, 80.3% among technicians, 91% among administrators, and 97.7% among other workers.

### **30.2.9 Institutional and Organisational Development**

Under the Eighth Development Plan, the electricity sector continued pursuing restructuring and privatisation, with the Regulatory Authority of Electricity and Cogeneration taking several measures, including:

- Completing the development plan of restructuring the electricity industry.
- Completing a study on mechanisms for the design of electricity tariffs and their review mechanisms.
- Preparing and issuing a code for electricity transmission, while the codes for electricity distribution and standardization are being prepared.
- Preparing a long-term plan for both the electricity sector and the desalinated water sector.

Notably, nine entities have been licensed to operate in the electricity sector.

## **30.3 ISSUES AND CHALLENGES**

### **30.3.1 Return on Investment**

Economic and institutional reforms undertaken by the Kingdom over the past few years have noticeably improved the investment climate

and business environment. However, drawing investment to certain activities depends entirely on returns that are competitive with alternative investments. Since electricity revenues come from energy sales, return on investment in the electricity sector depends in a major way on electricity tariffs, as well as on productivity of the electricity utilities. Hence, striking a balance between revenues and costs of electricity to ensure competitive returns on investment are necessary for drawing the private sector to make large investment in the electricity sector.

Stability of electricity tariffs over the past period and developments in service costs and productivity have contributed to low returns on investment, consequently affecting the ability of the Saudi Electricity Company to finance new projects and operations. Dealing efficiently and effectively with these challenges calls for periodic reviews of electricity tariffs. However, a balance needs to be struck between improving returns on investment and the social dimensions of the tariff structure.

**Page**

**588**

### **30.3.2 Rationalising Growth of Electrical Loads**

Rapid growth of consumption of electricity has increased pressure on electrical loads. If it continues, it would require doubling production capacity approximately every ten years. It is natural for growth of electrical services to be relatively high in cases of rapid economic growth, like that of the Kingdom. Nonetheless, observed growth of electricity consumption in Saudi Arabia is unusual, and is the result of a conjunction of a number of economic, social and environmental factors that need to be reviewed and evaluated. Measures to rationalise consumption did not achieve the desired goals. Hence, implementation of energy conservation policies remains an urgent need; most notably reform of electricity tariffs; application of energy-saving standards covering all electric devices, machinery and equipment; and use of thermal insulation in all buildings and facilities.

### **30.3.3 Building a Comprehensive Database**

Now that near universal coverage of electricity services has been achieved, the need arises for enhancing efficiency of the electricity sector by building a comprehensive database including detailed information on electrical system failures and their causes and repercussions, as well as on the technical procedures for fault repair, mechanisms for maintaining reliability of supply and sustaining voltage levels, and other information and data necessary to achieve reliability and sustainability of the service.

Such a database would provide information on appliance efficiency and quality and identify issues that require further development, it would enhance planning processes, improve operational efficiency, enhance monitoring and service reliability, and raise efficiency of procurement.

## **30.4 DEMAND FORECASTS**

The outlook for the electricity sector is determined by: expected development of the economy, electricity prices and structure of tariffs, number of new entrants to be covered by the supply, and measures applied to rationalise electrical loads and consumption.

The national economy is expected to continue to grow at the same pace as during the last years of the Eighth Development Plan. However, demand forecasts used here do not take into account any price changes or modifications to the structure of tariffs that may be introduced. Indeed, should prices and the tariff structure be reviewed, and measures to rationalise consumption be enhanced, then this would reduce the forecasts set forth in Table 30.2.

### **30.4.1 Total Consumption of Residential Subscribers**

Economic growth forecast for the period of the Ninth Plan indicates that the GDP will increase at an estimated average annual rate of 5.2%, compared with 6.3% for non-oil GDP. Moreover, population growth is

expected to average 2.1% per annum. On the basis of these forecasts, total consumption of residential subscribers is expected to grow at an average annual rate of 2.1%, from 42,820 kWh in 2009 to 47,563 kWh in 2014 (Table 30.2).

**Table 30.2**  
**Key Indicators of Electricity Sector**  
**Ninth Development Plan**

Description	2009	2014	Average Annual Growth Rate under Plan (%)
Average total consumption of residential subscribers (KW/year)	42820	47563	2.1
Service coverage (% of total population)	99.2	99.8	0.1
Subscribers	5666978	6970573	4.2
Residential subscribers	4660945	5734926	4.2
Electricity consumption (million KWH) (*)	199581	272768	6.4
Peak load (MW) (**)	41043	54938	6.0
Actual generating capacity (MW)	45424	65824	7.7
Actual generating capacity of Saudi Electricity Company (MW)	39078	50043	5.1
Generation capacity available from SWCC and major subscribers (MW)	6346	15781	20.0
Reserve generation (%)	10.7	19.8	13.2
Total consumption per worker (MWH)	6720	8782	5.5
Total subscribers per worker	204	260	5.0
<b>Total employment</b>	<b>29701</b>	<b>31058</b>	<b>0.9</b>

(\*) Million kilo watt hour.

(\*\*) Asynchronous Load.

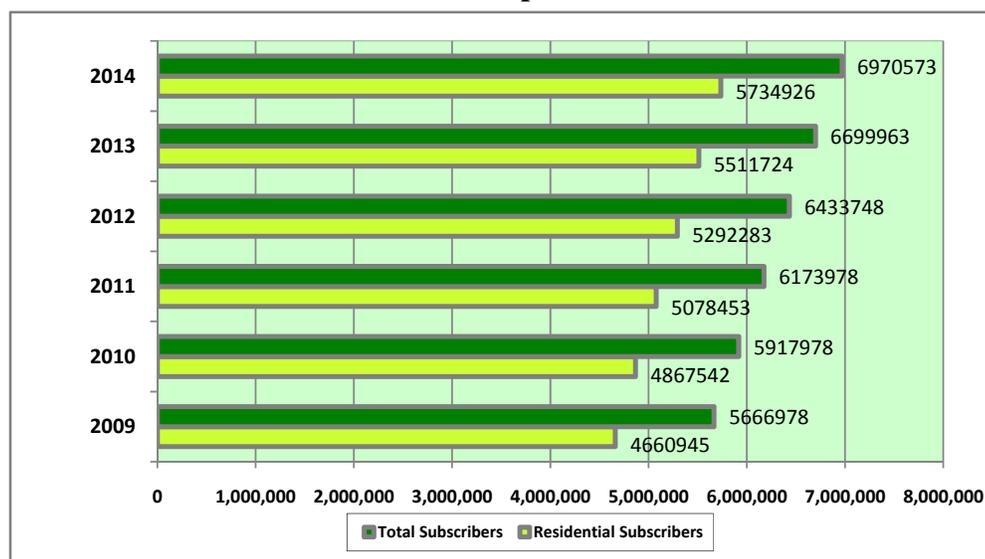
Source: Ministry of Water and Electricity.

### 30.4.2 Subscribers

The total number of subscribers is expected to rise from about 5.7 million in 2009 to about 7 million in 2014; an increase of 1.3 million subscribers. These including about 1.1 million residential subscribers, at an average annual growth rate of 4.2%. Coverage is expected to rise from 99.2% to 99.8%. Figure 30.3 shows the expected evolution of the number of subscribers (residential and total) during the Ninth Development Plan, while Table 30.3 shows the expected evolution of the number of subscribers of all categories by administrative region.



**Figure 30.3**  
**Number of Subscribers**  
**Ninth Development Plan**



Source: Ministry of Water and Electricity.

**Table 30.3**  
**Forecast of Peak Loads and Number of Subscribers**  
**by Administrative Region<sup>(\*)</sup>**  
**Ninth Development Plan**

Region	2009		2014		Average Annual Growth Rate under Plan (%)	
	Peak Load*	Subscribers*	Peak Load*	Subscribers*	Peak Load	Subscribers
Riyadh	10.149	1360.80	13.439	1660.58	5.78	4.06
Makkah	10.226	1684.81	13.399	2059.13	5.55	4.09
Madinah	1.608	389.09	2.064	475.54	5.12	4.09
Qassim	1.654	288.10	2.100	351.57	4.89	4.06
Eastern Region	11.950	841.25	15.828	1045.54	5.78	4.44
Asir	1.497	323.75	1.904	408.58	4.93	4.76
Tabuk	0.763	154.41	1.100	188.72	7.59	4.09
Hail	0.587	121.46	0.735	148.21	4.60	4.06
Northern Borders	0.312	51.13	0.407	63.55	5.46	4.45
Jazan	1.196	183.35	2.510	231.39	15.98	4.76
Najran	0.370	80.62	0.510	101.74	6.63	4.76
Baha	0.303	110.21	0.386	139.09	4.96	4.76
Jawf	0.427	78.00	0.555	96.94	5.38	4.44
<b>Total</b>	<b>41.042</b>	<b>5666.98</b>	<b>54.937</b>	<b>6970.58</b>	<b>6.01</b>	<b>4.23</b>

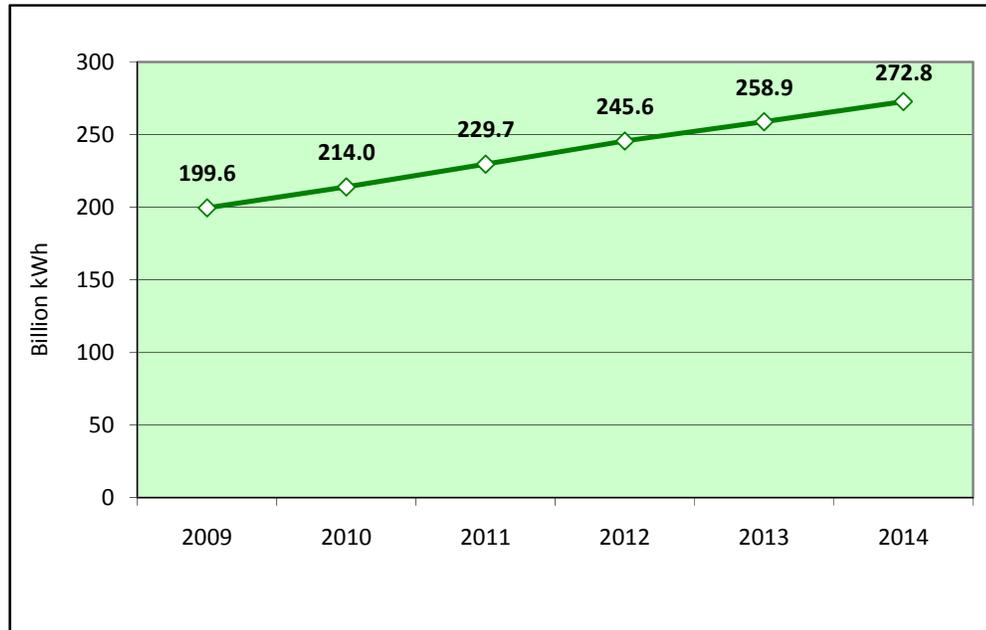
(\*) Thousand MW for peak load; number of subscribers in thousands.

Source: Ministry of Water and Electricity.

### 30.4.3 Electricity Consumption

Electricity consumption is expected to increase from about 199.6 billion kWh in 2009 to about 272.8 billion kWh in 2014, an average annual growth rate of 6.4% (Figure 30.4).

**Figure 30.4**  
**Forecast of Electricity Consumption**  
**Ninth Development Plan**



*Source: Ministry of Water and Electricity.*

### 30.4.4 Peak Load

The electrical peak load is targeted for marked improvement under the Ninth Development Plan. It is expected to rise, but at a relatively lower rate than consumption, at an average annual rate of growth of around 6%, rising from about 41 thousand MW in 2009 to about 54.9 thousand MW in 2014; an increase of 13,895 MW. Table 30.3 shows the expected peak loads by region.

### 30.4.5 Targeted Productivity Improvement

Forecasts indicate continued improvement of labour productivity in the electricity sector, albeit at lower rates than under the Eighth

Development Plan. The two indicators of productivity, number of subscribers per worker and the rate of consumption per worker, are forecast to increase at an average annual growth rate of 5% and 5.5%, respectively, while employment in the sector is forecast to grow at an average annual of 0.9%, from 29,701 workers in 2009 to 31,058 in 2014 (Table 30.2).

### **30.4.6 Actual Generating Capacity**

Coverage of expected demand under the Ninth Plan, represented by peak loads requires increasing available generating capacity to match load increases, as well as to raise reserves, in order to secure the required level of service reliability and efficiency. The level of reserves, which was estimated in 2008 to be 3.3% only, is well below the required level. Assuming that it needs to be raised to the required level, the required generating capacity in 2014 should be about 65.8 thousand MW; i.e., the required additions to the 2009 level of 45.4 thousand MW, are about 20.4 thousand MW. The Saudi Electricity Company is expected to supply about 11 thousand MW of this increase, with the balance of about 9.4 thousand MW provided by stations of the General Organisation for Water Desalination and independent producers in the private and public sectors (Table 30.2).

## **30.5 DEVELOPMENT STRATEGY**

### **30.5.1 Future Vision**

A highly reliable and efficient electricity service to meet the demand for electricity for various uses in all parts of the Kingdom.

### **30.5.2 Objectives**

- Providing a highly reliable and efficient electricity service to meet the demand for electricity by all sectors and facilities.
- Providing electricity at the lowest economic, social and environmental cost, while balancing returns on investment with social considerations.

- Enhancing the role of the electricity sector in maximising the value added of national resources and its integration regionally and internationally.
- The transfer, indigenisation and production of electricity technologies.
- Developing sources of power generation that are complementary to oil and gas based generation.
- Encourage energy conservation and the rational use of electricity.

### **30.5.3 Policies**

- Upgrading of residential electricity services, and providing a clear and stable regulatory framework for the electricity industry.
- Maintaining comprehensive coverage of electricity services.
- Compiling comprehensive data on electric-system failures and reliability of service.
- Enhance productivity and economic efficiency of all activities and facilities of the electricity sector.
- Completing restructuring of the electricity sector and privatisation of its activities.
- Achieving competition in the electricity industry to encourage private-sector investment and ensure freedom of choice for consumers.
- Specifying the electricity tariff structure and periodically reviewing it.
- Promoting energy conservation and rationalisation of electricity consumption of all categories of subscribers.
- Completing network connection with the Gulf and the Arab Networks to promote exchange and export of electric power.
- Encouraging programmes, projects and activities aimed at transfer, development and indigenisation of electricity technology.

- Developing the use of solar and wind energy for electricity production.
- Develop the use of nuclear energy for electricity production, water desalination and other peaceful uses.
- Supporting energy conservation programmes and the development of energy sources that are complementary to oil and gas.

#### **30.5.4 Targets**

- Providing electricity to about 1.3 million new subscribers, including about 1.1 million residential subscribers over the years of the Ninth Plan.
- Increasing actual generating capacity by about 20.4 thousand MW during the Plan.
- Raising generation reserves to 19.8% of total peak load by the end of the Plan.
- Improving labour productivity in the electricity sector at an average annual rate of 5% over the period of the Plan.

**Page**  
**596**

# TRANSPORT

## 31.1 INTRODUCTION

Over the past four decades, the transport sector underwent fundamental changes embodied in the building of an advanced transport network covering all regions, linking the Kingdom to neighbouring countries and the world beyond. The Eighth Development Plan continued efforts to upgrade the efficiency and productivity of transport services by sustaining the policy of restructuring and privatization.

Under the Eighth Development Plan, projects for expanding the railway network were launched. This will provide an effective means for transporting passengers and goods among regions. It will also provide advanced transport services linking the holy sites with the ports and gateways of the Kingdom. Liberalization of the domestic air transport market was also initiated, in addition to continuing with the restructuring and privatization of the Saudi Arabian Airlines Corporation and comprehensive expansion of King Abdul-Aziz International Airport in Jeddah.

The Ninth Development Plan will continue developing transport facilities and improving their efficiency, in order to keep up with growing demand. Moreover, integration of transport facilities into a multimodal transport system will be enhanced, and their position in the regional and international transport system will be strengthened. The plan will focus on implementing the various aspects of the National Transportation Strategy, once adopted by the Council of Ministers. The Plan also aims to improve the efficiency of public transport services within cities, improve safety of all modes of transport, and safeguard the environment from negative impacts of transport, as well as provide within the national transport system the requirements for national defence, security and responsiveness to disasters.

This chapter reviews the current conditions of the transport sector, and the developments that took place during the Eighth Development Plan. It also reviews the key issues and challenges that need to be addressed

under the Ninth Development Plan, assesses projected demand for transport services, highlights the future vision, and presents the general objectives, policies and targets for the sector under the Ninth Development Plan.

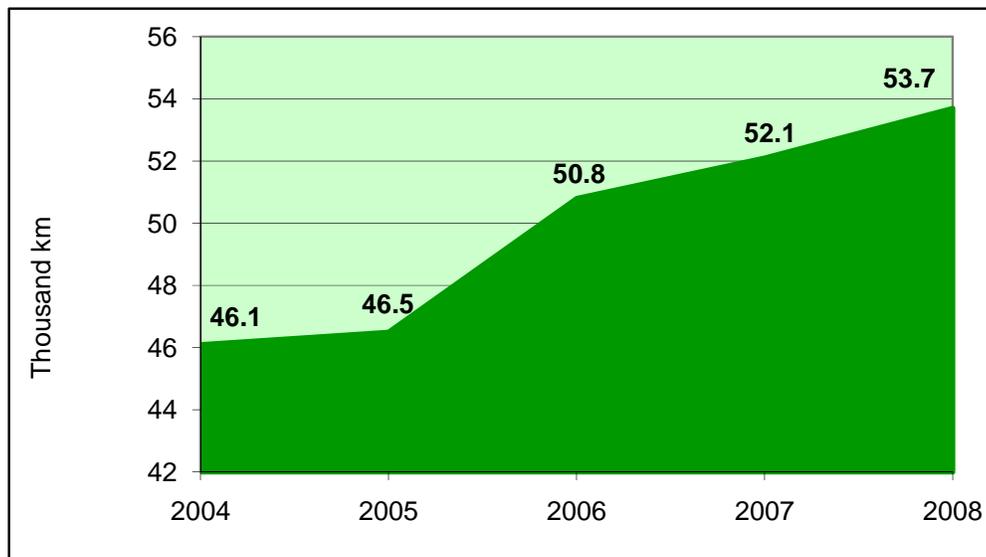
## 31.2 CURRENT CONDITIONS

### 31.2.1 Roads

The national road network length improved considerably during the Eighth Development Plan. Over the first four years of the plan, total length of roads increased from 165 thousand km in 2004 to about 183.9 thousand km in 2008, reflecting an average annual growth rate of 2.7%. The increase in the paved-roads network was around 7.6 thousand km, an average annual growth rate of 3.9% (Figure 31.1). The unpaved-roads network expanded at an average annual rate of 2.3%. Over the same period, overall road density rose from 6.9 km to 7.4 km per thousand of population, reflecting improved accessibility provided by this key transport facility.

Page  
598

**Figure 31.1**  
**Paved-Road Network**  
**Eighth Development Plan<sup>(\*)</sup>**



(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Transport.



**Table 31.1**  
**Road Network by Administrative Region**  
**2008**

Region	Paved Roads (km)				Unpaved Roads (km)
	Main Roads	Secondary Roads	Feeder Roads	Total	
Riyadh	2485	2230	9043	13758	12867
Makkah	2196	1007	2225	5428	16707
Madinah	1233	937	1958	4128	17110
Qasim	710	1010	3512	5232	17197
Eastern Region	2252	1349	2086	5687	3523
Asir	884	887	2695	4466	20718
Tabuk	1585	189	976	2750	3601
Hail	763	433	2568	3764	11831
Northern Borders	934	0	845	1779	1022
Jizan	269	222	811	1302	4609
Najran	454	528	704	1686	9647
Baha	122	389	1144	1655	5922
Jawf	984	0	1149	2133	5403
<b>Total</b>	<b>14871</b>	<b>9181</b>	<b>29716</b>	<b>53768</b>	<b>130157</b>

*Source: Ministry of Transport.*

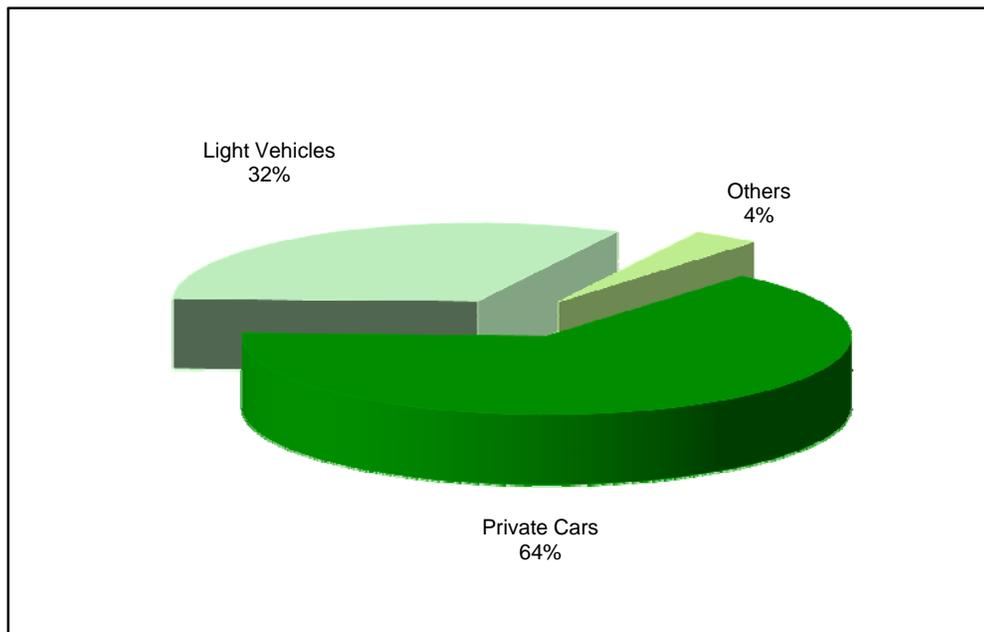
Notably, the roads sector received substantial financial support through the three phases of the budget surplus revenues programme that was commanded by The Custodian of the Two Holy Mosques, receiving a total of SR14.5 billion.

Major urban centres are linked by modern fast and dual-carriage highways. Governorates and other centres are linked by major axis roads: along east-west or north-south corridors. A large part of the main roads of these two axes, 7,482 km long, were implemented by the end of the fourth year of the Eighth Development Plan. Work is proceeding on completing the remaining distance under the Ninth Development Plan. A study is being conducted for establishing an alternative routes' network to facilitate access and reduce distances; thereby achieving significant savings in transport costs. In addition, comprehensive development to convert international roads that link the Kingdom with neighbouring countries, especially GCC countries, into dual-carriage roads is under way.

By the end of the Eighth Development Plan, the estimated total number of registered vehicles actually operating on the roads was 5.36 million,

with private cars and light trucks constituting 96% of the total (Figure 31.2). Road transport using private vehicles is the foremost means of transport, accounting for 85% of all trips. This is dictated in the first place by consumer preferences, and spatial distribution of production and consumption centres locally and nationally, in addition to appropriate alternatives being limited in some parts of the network.

**Figure 31.2**  
**Road Transport Fleet**  
**2009**



*Source: Ministry of Economy and Planning.*

Over the same period, the number of buses of various sizes was 100 thousand, while the number of trucks and tankers of various sizes was 190 thousand, with an estimated total capacity of 6.6 million metric tonnes per fleet per day.

The increase of the average rate of car ownership, the increasing geographical density of roads, and expansion of development projects in various regions, resulted in an increase of overall mobility by 29% over the period 1999–2008.

The Saudi Public Transport Company (SAPTCO) continued to provide transport services with a fleet of 3,000 modern buses, serving 382

cities and villages within the Kingdom and 30 international destinations. The number of passengers served by the company in 2008 was about 6.9 million passengers travelling between cities, and about 11.9 million passengers using the service inside cities, including about 5.5 million passengers for the purpose of Hajj (pilgrimage) and Umrah, while 0.6 million passengers used the service for international trips.

### 31.2.2 Railways

Currently, the railway network is limited to the line, used for passengers and freight connecting Dammam on the Eastern coast with Riyadh. The volume of cargo transported grew from about 2.6 million tonnes in 2004 to about 3.5 million tonnes in 2008, reflecting an annual average growth rate of about 8%, while the number of passengers transported over the same period fluctuated (Table 31.2).

**Table 31.2**  
**Activity of Railway Network**  
**Eighth Development Plan<sup>(\*)</sup>**

	2004	2005	2006	2007	2008	Average Annual Growth Rate (%)
Number of Passengers (thousand)	1124.0	1228.0	1109.9	1071.1	1107.1	-0.38
Cargo (million tonnes)	2.56	2.50	2.67	3.27	3.48	8.0
Number of Containers (thousand standard containers)	280	315	318	349	398	9.2

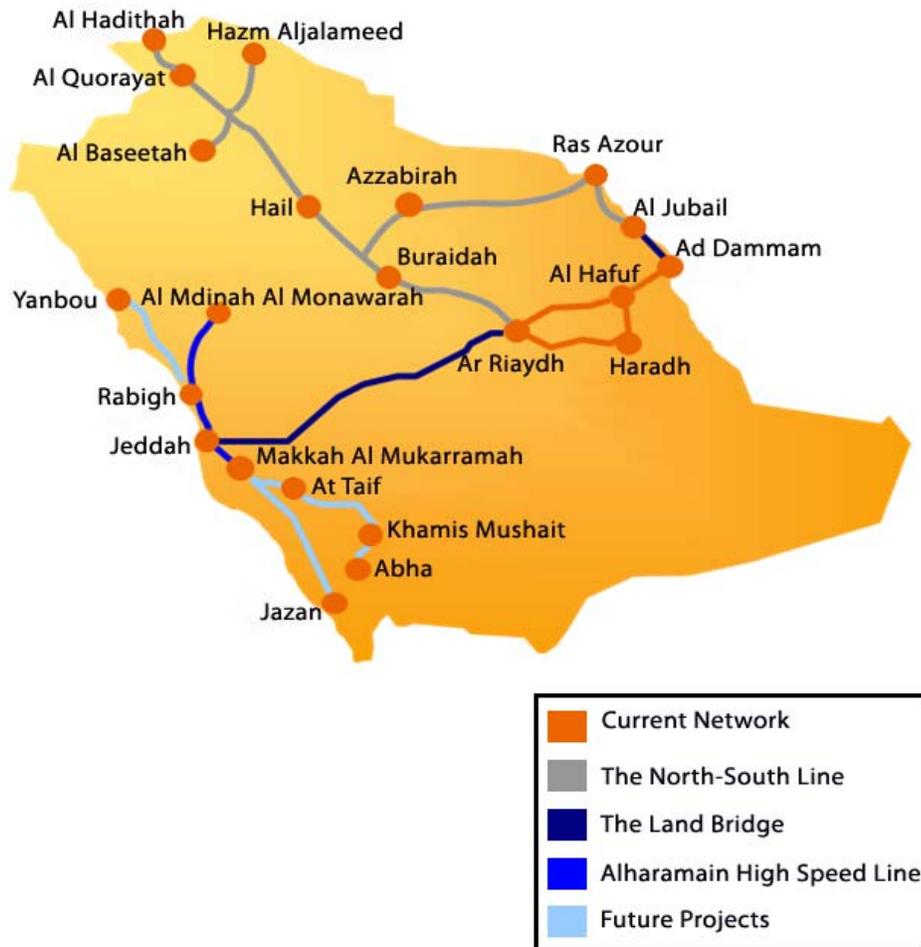
(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Saudi Railways Organization.

During the Eighth Development Plan, implementation of an important expansion for the railway network was embarked upon, including three projects that will add about 3,900 km of railway lines. The first is the north-south line, linking the mining sites in the north to Riyadh, passing through Jawf, Hail and Qasim regions, with a spur to Ras Al Zour port on the Arabian Gulf. An independent company was licensed in 2006 to construct and operate this line. The second project is the "Haramain Train" project, linking the cities of Makkah, Madinah and

Jeddah by a high-speed passenger rail. Implementation of this project began in 2009 and was funded by the Public Investment Fund. The line is intended to transport pilgrims and Umrah performers and visitors from and to the holy places. The third project is the Landbridge Project, which will connect Dammam on the Arabian Gulf with Jeddah on the Red Sea coast, via Riyadh, in addition to a spur connecting Dammam with Jubail. This project, is expected to be implemented through a build-operate-transfer (BOT) concession (Figure 31.3).

**Figure 31.3**  
**Planned Railway Network**  
**Ninth Development Plan**



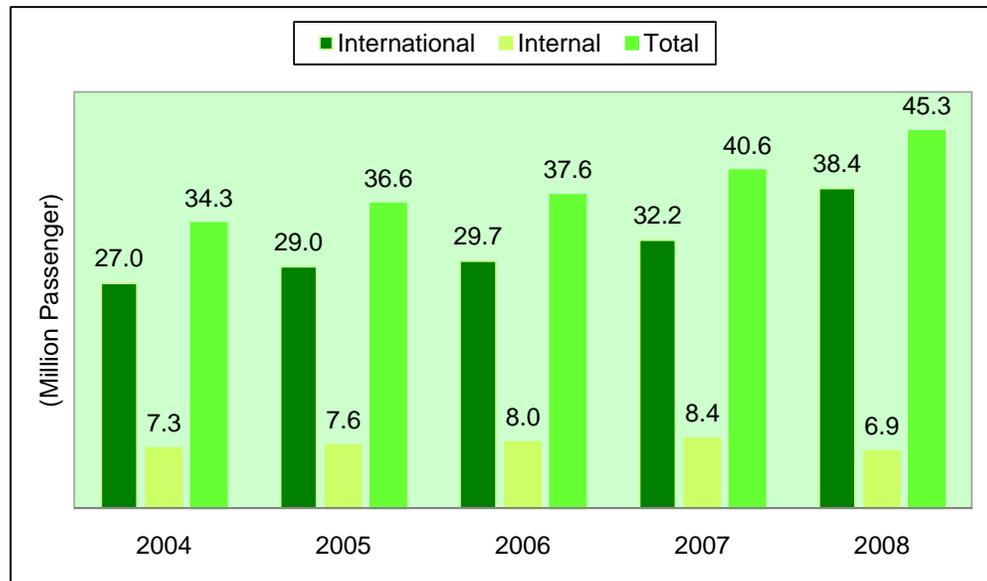
*Source: Saudi Railways Organization.*

### 31.2.3 Air Transport

The air transport network comprises 26 airports, including 4 international, 6 regional and 16 domestic airports. The domestic air transport, which underwent significant development under the Eighth Plan, is an important means of transport, particularly since the geographical distribution of airports is such that about 90% of the population live within about a two-hour drive from the nearest airport, thereby making air transport the preferred option for return trips of over 350 km undertaken within one day.

Under the Eighth Plan, passenger air transport grew at an average annual rate of 7.2%, amounting to about 45.3 million passengers in 2008 (Figure 31.4), with international airports accounting for 84.8% of total passenger traffic. In contrast, the growth rate of goods transported by air was at an average annual rate of 1.7%.

**Figure 31.4**  
**Passenger Traffic at Airports**  
**Eighth Development Plan<sup>(\*)</sup>**



(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: General Authority of Civil Aviation.

During the Eighth Development Plan, a comprehensive expansion project of King Abdul-Aziz International Airport began, aimed at raising its capacity from 15 to 80 million passengers annually by the

end of the project. In addition, construction by a BOT concession of a new international airport in Madinah was approved. The capacity of this airport is expected to reach about 12 million passengers annually by the end of the first stage of the project in 2014.

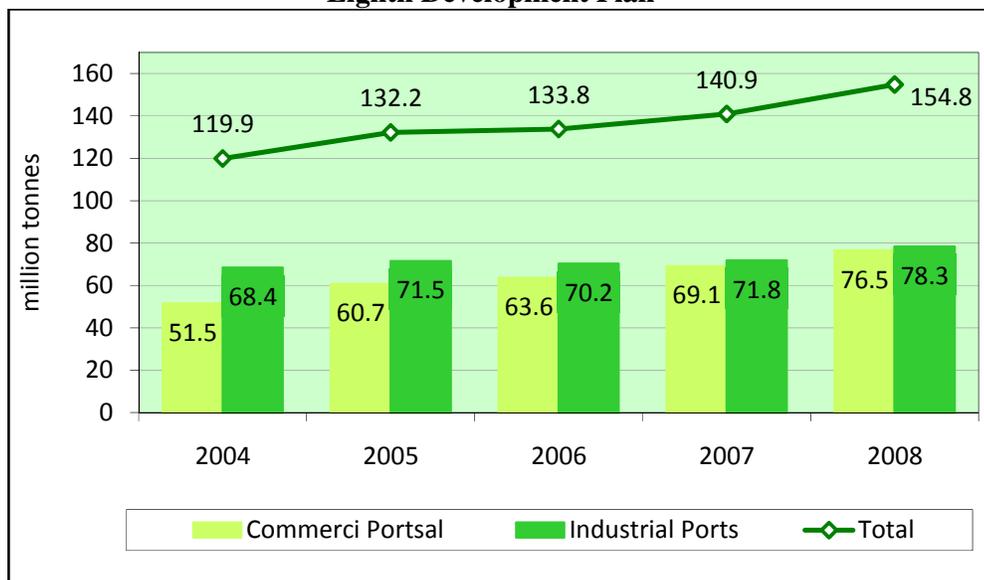
### 31.2.4 Seaports and Marine Transport

The total volume of goods handled by seaports increased from 119.9 million tonnes in 2004 to 154.8 million tonnes in 2008, an average annual growth rate of 6.6% (Figure 31.5). Movement of handled goods in ports is expected to be affected by the global economic crisis that erupted towards the end of the Eighth Development Plan.

In an effort to increase the capacity of seaports, the infrastructure at the Jeddah Islamic Port and the King Abdul-Aziz Port in Dammam was improved by constructing new container terminals with private sector funding. In 2008, the total number of handled containers was 4.65 million TEU; an increase of 17.7%, compared with 2004. Jeddah Islamic Port accounts for 71% of total container handling, compared with 27% for King Abdul-Aziz Port in Dammam.

Page  
604

**Figure 31.5**  
**Cargo Handled by Commercial and Industrial Ports**  
**Eighth Development Plan<sup>(\*)</sup>**



(\*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Saudi Ports Authority.

In 2008, the number of passengers travelling through ports was 1.3 million, compared with 2.05 million in 2004; a decrease of 36.6%.

Under the Eighth Development Plan, implementation of the Ras Al Zour port project on the coast of the Arabian Gulf began. This port will serve mainly the mining and associated industries.

In 2008, the number of licenses issued for marine economic activities was 122; an increase of 45% compared with the end of the Seventh Development Plan in 2004. The number of vessels registered was 653 ships with a total capacity of about 1.9 million tonnes,; an increase of 6.5% over the same period. In addition, modern ferries were supplied to increase efficiency of the transport services between Jazan and Farasan island.

### **31.2.5 Intra-city Public Transport**

The Eighth Development Plan attached importance to developing and modernising the intra-city public transport system, in order to improve the efficiency of internal transport, reduce pressure on the environment and rationalize energy consumption. Under the plan, studies were commenced to prepare comprehensive Intra-city public transport plans. Also, the preparation of a study on policies and legislation to regulate public transport was completed and the results of the study were reviewed and forwarded to the Ministerial Committee for Administrative Organization. Within this framework, the detailed design of an Intra-city public transport system for Riyadh, using light rail trains (LRT), was commenced under the Eighth Development Plan.

Under the Eighth Plan, a number of regulations were adopted and measures taken including: the executive regulations of the public transport system, the regulations governing small-car rental, the regulations governing the operation of public taxis, and the regulations for licensing and conditions of operation of school transport and female-teachers transport.

### **31.2.6 Performance Efficiency**

Under the Eighth Development Plan, the Ministry of Transport continued enhancing the road network and improving their conditions, through developing the national system that consists of traffic control stations and truck weighing stations. This system protects the roads from excessive loads, and it collects data on traffic flows for use in managing, developing and maintaining the road network.

The financial position of the Saudi Railways Organization continued to improve under the Eighth Plan, due to growing demand for its services in general, and cargo and containers services, in particular, as well as to continued improvements in productivity. Total revenues from key activities increased from SR180.9 million in 2004 to SR 290.8 million in 2008; an increase of 61%. The biggest share of total income was from transport of goods, which amounted to 82% in 2008.

**Page**  
**606**

Under the policy of restructuring and privatization of transport activities, the assets of the Saudi Railways Organization were transferred, in compliance with the Council of Ministers Resolution No. 244 of 2006, to the company that will undertake the execution of the Land Bridge project, linking Jeddah and Dammam via Riyadh. In addition, approved expansions of the railway network will be implemented through partnerships with the private sector. These are expected to have a positive impact on the efficiency of the railways in particular and the whole of the transport system in general.

The Eighth Development Plan had four targets for the air transport sector: approving and implementing the open-skies policy; completing the privatization of the national carrier, Saudi Arabian Airlines; restructuring the General Authority of Civil Aviation (GACA); and developing King Abdul-Aziz International Airport in Jeddah. Over the period, substantial progress was made towards achieving these targets. The Kingdom began to adopt an open-skies policy, and the new Civil Aviation Act was issued, defining the task of GACA, which is primarily licensing national and foreign airlines. For its part, GACA issued regulations and procedures for granting licenses to air carriers.



Under the Plan, the first phase of the programme for promoting competition in the air transport market was concluded, with licenses granted to two companies that started working in the domestic and regional markets alongside Saudi Arabian Airlines. In preparation for full privatization, several units of Saudi Arabian Airlines, such as catering and cargo services, were privatized. Contracts were signed with competent international companies in 2008 to manage and operate on a commercial basis King Khalid International Airport in Riyadh, King Abdul-Aziz International Airport in Jeddah and King Fahd International Airport in Dammam, with the aim of upgrading their administrative efficiency and financial viability in order to enhance their attractiveness.

Implementation of the privatization programme of the management and operation of seaport facilities continued. The number of concessions granted was 29, for periods ranging from 10 to 20 years. The private sector invested about SR4 billion in developing ports to enhance their regional and global competitiveness.

### **31.2.7 Traffic Safety**

The number of traffic accidents on the road network rose to about 486 thousand in 2008, compared with about 293.3 thousand in 2004. Accidents in urban areas accounted for 86% of the total. The rise in the number of traffic accidents on the roads led to increasing fatalities, making this a most troubling issue. The number of deaths caused by road accidents increased from 5,168 to 6,458 over the same period. Serious accidents resulting in deaths and injuries constituted 20% of the total in 2008, compared with 8.8% in 2004. In response to these developments, new traffic regulations were issued and work on monitoring road traffic and record traffic violations using an advanced ICT network-based (SAHER) is proceeding.

### **31.2.8 Environmental Protection**

Consistent with the policies of the Eighth Development Plan, environmental impact assessment became a key component of

feasibility studies of all large transport projects, and conservation of the environment became one of the most important conditions of project planning, design and implementation. The National Transportation Strategy includes a special section on the environment. The resolution of the GCC Supreme Council on the adoption of unified standards and criteria for noise levels and air quality in GCC countries was applied. The national strategy for dealing with environmental disasters, in which transport plays a major part, is being prepared.

Traffic density in the cities is a major source of pollution, placing increasing pressure on the environment and public health. This is an important factor calling for developing an integrated public transport system in large and medium cities, which is currently being studied, with implementation expected to begin over the next few years.

### **31.2.9 Institutional and Organizational Development**

**Page**  
**608**

The transport sector is undergoing rapid, radical institutional and regulatory developments, through both restructuring and privatization, which cover all modes of transport and related services. The following were the most important developments under the Eighth Development Plan:

#### **□ *Roads***

A new traffic system and its executive regulations were issued. Public transport policies and legislation are undergoing a comprehensive review, with the aim of bringing about structural and regulatory development. Mechanisms for raising the efficiency of service stations on the roads and reviewing the necessary frameworks are also being discussed.

#### **□ *Railways***

The Railway Authority, as an independent body tasked with regulating the sector, was established to ensure fair competition, set fees and prices, and license new activities. The Council of Ministers issued a resolution approving the establishment of the Saudi Railway Company

(SAR), to be responsible for the north-south railway project, and the establishment of The Saudi Land Bridge Company. In view of the significant developments in the sector, new railway regulations are currently under preparation.

#### ❑ *Air Transport*

The Civil Aviation Act, the organization of the General Authority for Civil Aviation (GACA), the civil aviation tariff system, and the civil aviation economic regulations were approved. In 2007, two air carriers were licensed to work alongside the Saudi Arabian Airlines in local and regional markets. In addition, contracts were signed with international companies to manage the three international airports in Jeddah, Riyadh and Dammam, and Prince Mohammad Bin Abdul-Aziz Airport in Madinah was classified as an international airport.

#### ❑ *Marine Transport*

In view of domestic and international developments, especially the Kingdom's accession to the WTO, and the desire for expanding trade with the world, work is proceeding on formulating the Saudi commercial marine act to unify all marine transport regulations.

### **31.3 ISSUES AND CHALLENGES**

#### **31.3.1 Infrastructure Development**

##### ❑ *Transport infrastructure*

Various agencies are engaged in furnishing the transport sector with infrastructural services, each within its respective competency. However, despite the steady progress achieved by the various transport modes, further integration is called for. A number of successful international experiences indicate that the efficiency of the transport sector can be improved through promoting linkages among various transport modes in the early planning stages.

This is one of the fundamental issues that will be addressed by the National Transportation Strategy (NTS), which involves a long-term framework, through which the tasks of the various relevant agencies will be determined. Hence, under the Ninth Development Plan, all agencies will prepare their requirements of infrastructural projects in compliance with the strategy; offering evidence of economic feasibility, cost estimates, and funding programmes. Thus, there will be, at an early stage, linkages between planning and finance of infrastructural developments. Moreover, to ensure dynamic control according to needs and developments, plans will be subject to periodic review.

#### □ *Participation of the private sector*

Provision of investment channels for the development of infrastructure is an important issue, especially in view of the limited financial resources available. The financing gap has narrowed relatively over the past few years, due to improved oil markets and high oil prices. However, oil markets are characterised by instability. Hence, total dependence on the resources of the state budget should be avoided. The gap that may arise from decreasing public funding can be bridged through providing investment opportunities to the private sector and liberalizing transport markets and promoting competition within them. If the restructuring programme and privatization of all modes of transport is aimed at upgrading efficiency and improving productivity, the corollary is to enhance private-sector participation and commercial operation of the various facilities, so as to achieve financial independence, taking into account the social dimension in the provision of public transport services.

Page  
610

### **31.3.2 Transport of Goods and Trade Facilitation**

#### □ *Providing logistics services for multimodal transport*

Globalization and expansion of trade have led to a growing interest in multimodal transport. Moreover, mergers of global shipping companies were stepped up and the geographical scope of their services broadened, leading them to become global networks of transport services. Furthermore, operators of transport facilities enhanced efficiency of their operations. These developments are expected to contribute to improving the management of global transport networks

and increasing demand for their services.

Keeping pace with these developments calls for developing a national system of integrated multimodal transport, capable of integration with the global transport system. This can be achieved by continuing to raise the capabilities of national ports, providing them with communications and information exchange systems that improve the flow of goods. Ports should also be able to provide distribution, storage and transfer of goods and services. In this regard, use of multimodal transport contributes to facilitating and speeding movement of goods from source to final destination. For example, use of the railway network for long-distance transport over land, in combination with port services and with medium-to-short distance road transport will greatly enhance efficiency of the movement of goods.

#### ❑ *Development of regulatory frameworks*

Expansion of the railway network services and their operation on a commercial basis are expected to create new challenges, especially for competing modes of transport. Thus, there is a need for further efforts to revise and develop the rules and regulations, in order to incorporate professional proficiency requirements, in addition to safety and environmental conservation standards. Furthermore, regulations to ensure effective and fair competition among various modes of transport should be developed, in addition to providing transport services to all regions.

#### ❑ *Facilitation of global trade*

The future development in the Kingdom's foreign trade will be affected by the smoothness of crossing international borders, whether by road or by the rail network that will be launched in the future. To meet this challenge, there is a need to strengthen the capacity of customs services and facilitate customs procedures to ensure that goods flow in accordance with the requirements of integration with global markets and competing in them.

In view of the growing importance of international road transport, which provides viable opportunities for trucking companies, national regulations should be reviewed to ensure compliance with international standards, treaties and multilateral conventions related to transport services, such as the conventions on vehicle safety, handling hazardous materials, customs procedures and transit transport. Moreover, the possibility of creating a national association for providers of shipping services and another for operators and providers of trucking services should be studied. Such national societies would participate in formulating national and international standards and regulations, and benefit from the support provided by international organizations, which includes skills development and efficiency improvement. National societies would also contribute to implementation of international treaties, such as the customs treaty for transit.

### **31.3.3 Passenger Transport**

**Page**  
**612**

Population growth and concentration in major cities have led to escalating congestion on intra-city roads, since the private car remains the main travel mode within cities. Studies have shown that building and operating high-level public transport systems and operating them on a purely commercial basis may not be economically feasible, and would require partial subsidisation. Yet, the indirect social benefits of efficient transport systems in cities are great, especially if environmental, health and accident reduction implications are taken into account. Thus, success of intra-city public transport requires coordination among the agencies concerned, such as those responsible for traffic management, car parks management, and urban planning.

### **31.3.4 Transport Safety**

The Kingdom has an advanced road network, both in terms of coverage and quality. However, growth of movement of goods and passengers, along with exclusive use of private cars in cities led to high rates of traffic accidents, with the resulting loss of life, and health and material damage to individuals and society.

Despite the actions and measures taken to improve safety, the high rate of accidents calls for developing the road safety system, taking into account all aspects, including: condition of roads, density of traffic, awareness and behaviour of drivers, extent of abidance by traffic rules, efficient implementation of traffic regulations, and conditions of vehicles.

In this context, it is imperative to develop coordination among all agencies involved in the development of transport infrastructure, traffic management and organization, and vehicle licensing and inspection; in addition to raising awareness among drivers and pedestrians, and applying deterrent penalties.

### **31.3.5 Protection of the Environment**

In view of the high congestion on intra-city roads over recent years, car exhaust emissions have become one of the major sources of pollution, and hence a threat to public health, in the cities. Reduction of emissions is possible through adopting number of policies including new environmentally effective regulations for import of vehicles, developing procedures and raising its standards of periodic inspection of vehicles, and developing related environmental protection systems.

## **31.4 DEMAND FORECASTS**

Demand forecasts are based on a number of macro and micro indicators, the most important of which are: growth of GDP and spatial distribution of sectoral economic activities, demographic shifts, urban development, expected developments in income and consumption, and regional and global economic outlook.

### **31.4.1 Land Based Transport**

The total number of trips over land is expected to rise from 303 million trips in 2009 to about 365 million trips in 2014, an average annual growth rate of 3.8%. The expected growth is due to the increase of the number of private-car trips, from about 271 million to about 325.5

million trips, an average annual growth rate of 3.7%, and the increase of the number of bus trips from about 14 million to about 16 million trips, an average annual growth rate of 2.7%. In addition, the number of train trips is expected to increase from about 18 million to about 23.5 million trips, an annual average growth rate of 5.2% (Table 31.3).

**Table 31.3**  
**Forecast of Land Transport Activity**  
**(Number of Trips)**  
**Ninth Development Plan**

Description	2009	2010	2011	2012	2013	2014	Average Annual Growth Rate under Plan (%)
Number of private- car trips (million)	270.8	279.5	290.4	301.6	313.3	325.5	3.7
Number of bus-trips (million)	13.9	14.2	14.6	15.0	15.4	15.9	2.7
Number of train- trips (million)	18.2	20.2	21.0	21.8	22.7	23.5	5.2
<b>Total number of land-transport trips (million)</b>	<b>302.9</b>	<b>313.9</b>	<b>326.0</b>	<b>338.4</b>	<b>351.4</b>	<b>364.9</b>	<b>3.8</b>

*Source: Ministry of Economy and Planning.*

### 31.4.2 Railways

The projected rise in the intensity of train trips under the Ninth Development Plan is expected to be due to the introduction of new railway lines into service towards the middle of the Plan (Table 31.3). In view of the expected growth rates of the various transport modes, the share of private vehicles and buses in total land based trips is expected to decline from 89.4% and 4.6% by the end of the Eighth Plan to about 89.2% and 4.4%, respectively, under the Ninth Development Plan. In contrast, the share of train trips is expected to go up from 6.0% to about 6.4%, while the growth rate of inter-city passenger transport on public buses will stabilize. In view of continued absence of suitable transport alternatives within cities, and distribution



of production and consumption centres in major urban areas, private-car trips are expected to remain the preferred means of transport in the near future.

Since completion dates of expansions of some parts of the rail network are planning dates, demand forecasts remain preliminary. Under the Ninth Development Plan, the number of railway passengers is expected to be about 10.8 million, of whom about 7.7 million will be transported by existing lines, and about 2.5 million by the Makkah-Madinah line. The volume of freight transported by railways is expected to be about 57 million tonnes of goods and materials, of which about 16.4 million tonnes would be transported by existing lines, while the north-south line is expected to transport about 38.6 million tonnes of metallurgical products (Table 31.4).

**Table 31.4**  
**Forecast of Railway Activity by Major Route**  
**Ninth Development Plan**

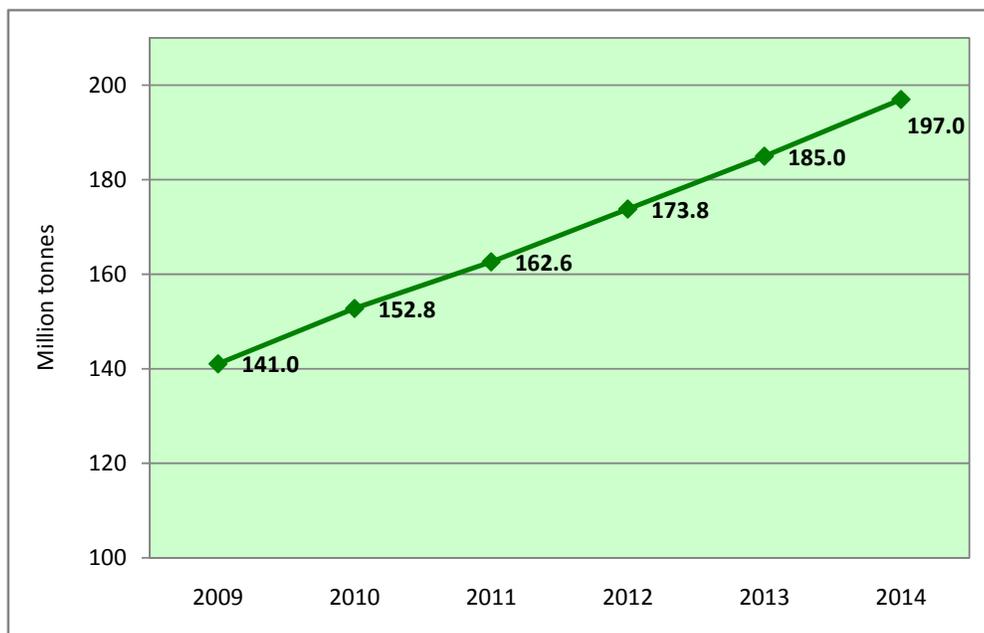
Description	2010	2011	2012	2013	2014	Total
<b>Existing lines</b>						
Number of passengers (million)	1.36	1.45	1.54	1.63	1.73	7.71
Freight (million tonnes)	3.08	3.14	3.26	3.39	3.51	16.38
<b>North-South Line</b>						
Number of passengers (million)	0.00	0.00	0.13	0.14	0.15	0.42
Freight (million tonnes)	4.41	5.67	8.43	9.70	10.35	38.56
<b>East-West Line</b>						
Number of passengers (million)	0.00	0.00	0.00	0.11	0.13	0.24
Freight (million tonnes)	0.00	0.00	0.00	0.42	0.51	0.93
<b>Makkah-Madinah Line</b>						
Number of passengers (million)	0.00	0.00	0.00	1.11	1.36	2.47
Freight (million tonnes)	0.00	0.00	0.00	0.42	0.51	0.93
<b>Total</b>						
Number of passengers (million)	1.36	1.45	1.67	2.99	3.37	10.84
Freight (million tonnes)	7.49	8.81	11.69	13.93	14.88	56.80

*Source: Ministry of Economy and Planning.*

### 31.4.3 Marine Transport

The total volume of cargo handling is expected to rise from 141 million tonnes in 2009 to about 197 million tonnes in 2014 (Figure 31.6), an average annual growth rate of 6.9 %. Jeddah Islamic Port and King Abdul-Aziz Port in Dammam are expected to continue playing their principal role.

**Figure 31.6**  
**Forecasts of Port Activity (Cargo Handling)**  
**Ninth Development Plan**



*Source: Ministry of Economy and Planning, Saudi Ports Authority.*

### 31.4.4 Air Transport

During the Ninth Development Plan, the total number of international and domestic airline passengers is expected to increase at an average annual growth rate of 4.8%; 4.7% for international airlines passengers and 4.9% for domestic airlines passengers (Table 31.5). The total volume of air cargo is expected to rise at an average annual growth rate of 1.7%, the bulk of which (96%) will be on international flights, and the volume of cargo on domestic flights is expected to decrease at an annual rate of 0.4%.

**Table 31.5  
Air Traffic Forecasts  
Ninth Development Plan**

Description	2010	2011	2012	2013	2014	Total	Average Annual Growth Rate under Plan (%)
<b>Passenger Transport</b>							
Number of international passengers (million)	36.1	37.8	39.6	41.5	43.5	45.6	4.7
Number of domestic passengers (million)	9.3	9.8	10.2	10.7	11.2	11.8	4.9
Total passengers (million)	45.4	47.6	49.8	52.2	54.7	57.4	4.8
<b>Cargo Transport</b>							
Volume of international cargo (thousand tonnes)	517.1	526.1	535.2	544.4	553.9	563.9	1.7
Volume of domestic cargo (thousand tonnes)	22.5	22.4	22.3	22.2	22.1	22.0	-0.4
<b>Total cargo (thousand tonnes)</b>	<b>539.6</b>	<b>548.5</b>	<b>557.5</b>	<b>566.6</b>	<b>576.0</b>	<b>585.9</b>	<b>1.7</b>

*Source: Ministry of Economy and Planning.*

## 31.5 DEVELOPMENT STRATEGY

### 31.5.1 Future vision

Providing an integrated transport sector comprising all transport means that would meet future needs, be characterized by safety, efficiency and technological advancement, and contribute to economic development and enhance global competitiveness of national economy; all in a healthy, safe environment for all members of society.

### 31.5.2 Objectives

- Providing highly efficient and effective transport services.
- Supporting economic and social development.
- Raising safety standards of transport.
- Protecting the environment from transport emissions.
- Supporting national security.

- Providing transport services for Hajj (pilgrimage) and Umrah.

### **31.5.3 Policies**

- Improving performance of agencies providing transport services.
- Strengthening private-sector participation in various transport services.
- Achieving a balance between prices and costs of transport services.
- Providing efficient transport services at a reasonable cost for all economic and social activities.
- Supporting balanced regional development, by facilitating transport of people and goods.
- Strengthening regional and international cooperation to promote trade and investment activities and movement of individuals.
- Ensuring the safety of all modes of transport.
- Developing regulations and procedures and applying them efficiently.
- Developing traffic safety and road safety information databases.
- Reducing pollution by various modes of transport, through developing inspection rules and other measures.
- Reducing the use of substances harmful to the environment.
- Conserving and protecting environmental resources.
- Developing environmental awareness among all concerned parties, such as transport and maintenance companies.
- Ensuring that the transport system meets the requirements of national defence and security.
- Ensuring that the transport system meets the requirements of disaster management.
- Enhancing the efficiency of transport systems for Hajj (pilgrimage) and Umrah.

- Improving safety conditions in the transport of pilgrims and Umrah performers.

#### **31.5.4 Targets**

- Constructing the Ras Al-Zour port.
- Completing the development of King Abdul-Aziz International Airport in Jeddah.
- Developing Prince Mohammed bin Abdul-Aziz Airport in Madinah.
- Completing the expansion of the railway network:
  - North-South Line.
  - Al Haramain High Speed Rail.
  - Land Bridge Project.

### **31.6 FINANCIAL REQUIREMENTS**

The financial allocations for government agencies in the transport sector (Ministry of Transport, Saudi Ports Authority, Saudi Railways Organization, and General Authority for Civil Aviation) under the Ninth Development Plan are a total of SR107.8 billion.

**Page**  
**620**

# MUNICIPAL AFFAIRS

## 32.1 INTRODUCTION

Under the Eighth Development Plan, municipal services improved substantially. The progress achieved is attributable to the financial support received by the municipal sector, the importance attached by the state to achieving significant expansion of public services and facilities in Saudi cities and villages, and the development of the technical and administrative capabilities of the municipal agencies. These factors led to improved municipal work and services, which, in turn, enhanced regionally balanced development opportunities.

With half the members of municipal councils elected, community participation in municipal efforts was one of the main achievements. In addition, Amanats (principalities) were formed in every region, to which local municipalities report, and implementation of a strategy for privatizing municipal activities and services was commenced.

The Ninth Development Plan aims at : expanding the coverage of municipal services; continuing to implement the National Spatial Strategy; reducing regional disparities in service coverage by establishing new municipal agencies and supporting existing ones; and continuing to develop and raise the technical and human capacity of municipal agencies. Moreover, the Plan attaches importance to : enhancing the financial revenues of municipalities; continuing restructuring and institutional development; privatizing activities when and if economically and socially feasible, doubling the waste-recycling capacity and improving its management; enhancing the efficiency of environmental health programmes and projects; and maintaining public health and safety.

This chapter reviews the current conditions of the municipal sector, including the developments that took place during the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected

demand, and presents the future vision, the objectives, policies and targets set for the sector under the Ninth Plan.

## 32.2 CURRENT CONDITIONS

### 32.2.1 Improving the Living and Environmental Conditions of the Population and Achieving Regionally Balanced Development

Enhancing the financial allocations for the municipal sector during the Eighth Development Plan (whether through Chapter IV of the state budget or through budget surplus projects) had a significant impact on achieving clear progress. Municipal services and projects met the specified targets by rates ranging between 100% and 101% (Table 32.1). All regions, especially those that were experiencing a shortage of services in the past, developed and updated their municipal services (Table 32.2).

Page

622

These developments resulted in a marked improvement in coverage of municipal services in all administrative regions, as well as in improvements of the proportion of population covered by municipal services.

**Table 32.1**  
**Targeted and Implemented Municipal Services Projects**  
**Eighth Development Plan**

Municipal Service	Number of Targeted Projects	Number of Implemented Projects	Achievement to Target (%)
Planning Studies	520	525	101.0
Storm Water Drainage	1400	1403	100.2
Roads and Streets	4800	4840	100.8
Gardens and Parks	410	415	101.2
Markets	160	161	100.6
Municipal Buildings	520	528	101.5
Environmental Health	560	568	101.4
Public Utilities	440	446	101.4
Enhancement of Municipal Performance	120	120	100.0
Expropriation	145	145	100.0

*Source: MOMRA Budgets and Follow-up Reports.*



**Table 32.2**  
**Approved Municipal Services Projects in Regions**  
**Eighth Development Plan**

Region	Planning Studies	Storm Water Drainage	Enhance Municipal Performance	Roads and Streets	Gardens and Parks	Markets	Municipal Buildings	Environmental Health	Public Utilities	Expropriation
Riyadh	134	294	20	998	97	50	129	88	52	36
Makkah	61	161	11	482	33	7	46	55	56	17
Madinah	13	91	5	349	29	2	26	43	26	8
Qassim	3	91	1	429	37	25	63	55	23	14
Eastern Region	20	104	14	449	49	11	44	75	35	7
Asir	27	158	16	577	37	18	72	44	96	17
Tabuk	9	59	1	219	16	2	13	20	15	3
Hail	12	71	2	304	14	15	25	34	25	3
Northern Borders	2	60	4	139	16	2	17	23	10	1
Jazan	18	121	7	374	40	14	32	63	38	21
Najran	9	58	3	132	19	5	16	21	20	1
Baha	16	59	7	202	16	9	19	27	30	8
Jawf	8	53	4	176	12	1	16	17	12	9
Various regions (Cabinet Office)	193	23	25	10	0	0	10	3	8	0
<b>Total</b>	<b>525</b>	<b>1403</b>	<b>120</b>	<b>4840</b>	<b>415</b>	<b>161</b>	<b>528</b>	<b>568</b>	<b>446</b>	<b>145</b>

*Source: MOMRA Budgets and Follow-up Reports.*

Government efforts directed towards improving less developed regions resulted in reducing discrepancies among regions in relation to availability of municipal, public services, and infrastructure, which are prerequisites for balanced economic and social development.

### **32.2.2 Operational Efficiency of Municipal Facilities and Services**

Under the Eighth Development Plan, the capacity of *Amanat* and municipalities in all regions was enhanced by providing them with additional municipal buildings and computer and electronic-network services. The Ministry of Municipal and Rural Affairs (MOMRA) launched its website, through which it provides researchers and applicants with various data and information, and provides citizens with electronic forms to fill directly online.

Under the Eighth Plan, a programme designed to promote health control was implemented, and the process of obtaining licences from *Amanat* and municipalities was facilitated. Efforts to develop an electronic network for municipal affairs continued, with the aim of linking all related agencies and facilities through a consolidated network for information exchange and work coordination. In addition, a municipal database and information base were completed.

**Page**

**624**

While there were some improvements in the indicators for this sector, continued development, modernization and improvement of municipal services remain contingent upon availability of skilled, qualified manpower. The sector implemented a broad programme for training and scholarships that covered large numbers of employees from all municipal agencies.

### **32.2.3 Private Sector Role in Providing Municipal Facilities and Services**

During the Eighth Development Plan, the framework for the privatization strategy of municipal services and activities was approved and a procedures manual was issued, setting priorities and standards; primarily economic and social feasibility and willingness of the private sector and its ability to implement services in the regions. To implement this approach, an inventory of 141 services and activities provided by the municipal agencies was compiled, and determination of their priorities and implementation programmes is currently underway.

Among the activities targeted for privatization are: slaughterhouses, vegetables and fruits markets, operation of public gardens and parks, municipal transport services, collection of municipal revenues, cleaning services, waste management, and management of investment in municipal properties. Privatization of some municipal activities began, according to a predetermined implementation plan.

#### **32.2.4 Protecting the Environment and Promoting Sustainable Urban Development**

During the Eighth Development Plan, municipal environmental health services doubled. Such services include: sanitation facilities and services, waste treatment of various kinds, environmental health laboratories, drying out of swamps and spraying pesticides, plans to combat epidemics, such as Dengue fever, and establishment of manual and automated slaughterhouses, and quarantine centres. During the Eighth Plan, the percentage of recycled waste went up from 20% to 35%.

#### **32.2.5 Institutional and Organizational Development**

During the Eighth Development Plan, which aimed at promoting the participation and enhancing the efficiency of local administrations, the municipal sector achieved significant institutional and organizational development. The shift towards administrative decentralization was strengthened through expanding the participation of citizens in the management of local affairs and electing half the members of municipal councils, as well as through establishing of regional principalities (*Amanat*), to which local municipalities report.

Municipal services and their geographical coverage improved. A number of new municipalities and village clusters were created, and a number of existing ones were upgraded. Council of Ministers Resolution No. 214 of 2009 abolished village clusters as an organizational form, and upgraded 44 of them to category D municipalities. It also expanded the classification of municipalities to five categories (A, B, C, D, E) and converted the remaining village

clusters to category E municipalities. Council of Ministers Resolution No. 284 of 2009 upgraded the municipalities of Al-Taif and Al-Hasa Governorate to *Amanat*. Thus, by the end of the Eighth Development Plan, there were 241 municipal agencies, up from 178 at the end of the Seventh Plan (Table 32.3). Table 32.4 shows the distribution of municipal agencies at the end of the Eighth Development Plan by region.

**Table 32.3**  
**Number of Regional Municipalities (Amanat),**  
**Municipalities and Village clusters**  
**At End of Seventh and Eighth Development Plans**

<b>Municipal Agency</b>	<b>2004</b>	<b>2009</b>
<i>Amanat</i>	5	16
Category A Municipality	16	6
Category B Municipality	25	25
Category C Municipality	51	51
Category D Municipality	16	60
Category E Municipality	0	83
Category B Village Cluster	5	0
Category C Village Cluster	19	0
Category D Village Cluster	41	0
<b>Total</b>	<b>178</b>	<b>241</b>

*Source: MOMRA Follow-up Reports.*

Among the responsibilities of MOMRA are: classification of contractors, management of the construction and building sector database, management of the Mina and the Holy Sites Development Project, and the building and construction laboratories. During the Eighth Plan, other responsibilities were added, such as : managing and implementing the Building Code, applying the real-estate registration system in coordination with the Ministry of Justice, and issuing

municipal licenses for commercial, industrial, artisanal and vocational activities.

**Table 32.4**  
**Distribution of *Amanat* and Municipalities by Administrative Region**  
**2009**

Region	<i>Amanat</i>	Municipalities					Total Municipal Agencies
		Category A	Category B	Category C	Category D	Category E	
Riyadh	1	1	8	16	11	7	44
Makkah	3	0	1	6	4	8	22
Madinah	1	1	1	3	3	7	16
Qassim	1	1	3	4	7	8	24
Eastern Region	2	2	3	2	4	8	21
Asir	1	1	4	4	7	10	27
Tabuk	1	0	1	4	1	4	11
Hail	1	0	0	2	8	6	17
Northern Borders	1	0	0	2	1	5	9
Jazan	1	0	2	3	7	8	21
Najran	1	0	0	1	3	4	9
Baha	1	0	1	2	3	4	11
Jawf	1	0	1	2	1	4	9
<b>Total</b>	<b>16</b>	<b>6</b>	<b>25</b>	<b>51</b>	<b>60</b>	<b>83</b>	<b>241</b>

*Source: MOMRA Follow-up Reports.*

Box 32.1 shows the main regulatory decisions related to the sector, which were passed during the Eighth Development Plan.

**Box 32.1: Main Regulatory Decisions Related to the Municipal Sector Issued under the Eighth Development Plan**

- Council of Ministers Resolution No. 70 of 2006 approving the contractors' classification system and tasking MOMRA with the responsibility for the classification of contractors, in accordance with the provisions of the system and its executive regulations.
- Council of Ministers Resolution No. 71 of 2006 vesting the jurisdiction for issuing commercial, industrial, artisanal and vocational licenses with MOMRA exclusively.
- Council of Ministers Resolution No. 11 of 2007 establishing a central unit within MOMRA to oversee implementation of the Saudi Building Code and introduce the necessary subsequent amendments.
- Council of Ministers Resolution No. 157 of 2008 approving the rules governing and identifying the urban zone until 2028, which seek to provide public services and utilities and attain the optimal size of cities and villages in line with the National Spatial Strategy approved by Council of Ministers Resolution 127 of 2000.
- Council of Ministers Resolution No. 167 of 2009 approving the transfer of the provisions on municipal councils stipulated in the municipality and village system to a specific system for municipal councils, and expediting the presentation of the draft system, in accordance with current procedures, with membership of municipal councils continuing for a period of two years from 31/10/2009.
- Council of Ministers Resolution No. 284 of 2009 upgrading the municipalities of Al-Taif and Al-Hasa to *Amanat*.
- Council of Ministers Resolution No. 285 of 2009 stipulating that MOMRA shall not zone any land within oil, gas and mining concession areas and shall exclude dangerous-to-inhabit sites when preparing spatial plans for cities and villages relying on maps of the sites intended for development and urban development supplied by the agencies concerned.
- Council of Ministers Resolution No. 286 of 2009 licensing the establishment of a joint stock company owned by the *Amana* of Makkah by the name of Al Balad Al Ameen Company for Urban Development.

## 32.3 ISSUES AND CHALLENGES

### 32.3.1 Demand for Municipal Services

Within the framework of promoting administrative decentralization, demand for municipal services is expected to increase, which calls for persistence in developing the human and financial resources of municipal agencies, as well as speeding up implementation of adequate alternatives for funding various programmes, such as expanding private-sector participation in providing services, through continuing to hold investors in large land and residential and commercial development responsible for providing services according to the standard specifications. Meeting this challenge requires : enhancing municipal investment and programmes; commercial use of assets owned by the *Amanat* and municipalities; continuous evaluation of municipal service fees with a view to break even; and increasing efficiency of services and reducing their costs, without affecting their quality and availability.

### 32.3.2 Municipal Services in Regions

Municipal services cover all centres and surrounding villages in the various regions. However, there are relative disparities in their standards. Hence, there is a need for further improvement, development and expansion of services, with a view of reducing disparities among regions. This, in turn, requires expanding the scope of municipal services in existing municipalities, and creating new municipalities according to a specific time plan in line with the National Spatial Strategy.

### 32.3.3 Coordination among Concerned Agencies in the Sector

A number of other agencies join *Amanat* and municipalities in providing public services and infrastructure for water, sanitation, electricity, transport, communications and other services. Lack of coordination among the agencies, in planning, designing and

implementing various projects often leads to higher costs and disruption of traffic and movement within cities and neighbourhoods. Repetitive excavations within a short timeframe and other unplanned interactions weaken efficiency of public-service projects.

Adherence to urban planning, which determines various land uses within cities, is one of the most prominent challenges. In addition, there is a need for enhancing interest in long-term planning of public services for its important role in achieving rational administration of capabilities and resources available to cover growth in demand for various services. Furthermore, developing an accurate, current and comprehensive database will enhance the level of coordination among relevant agencies.

### **32.3.4 Environmental Health**

**Page**  
**630**

There is a direct, close correlation between achieving social welfare and providing a healthy and clean environment. Expansion of urban boundaries, population growth and economic activity in some urban centres have increased environmental pressures, including; pollutant emissions from industrial facilities, increasing traffic within cities, excessive generation of urban solid and liquid wastes, and rising levels of ground water tables that are due to the low coverage rate of sewage networks in some neighbourhoods.

These challenges require effective solutions such as: developing an integrated public transport system in cities and suburbs to ensure reduction of the growing congestion and traffic jams; adopting technologies for safe disposal of organic waste; enhancing and developing technologies for recycling solid waste; ensuring universal coverage of the sanitation system as soon as possible; reducing pollutants in petroleum products consumed locally; and reducing carbon pollutants emitted by vehicles and means of transport through strict traffic controls. Thus, it is necessary to build the capacity of municipal agencies for enhanced health monitoring and control, in particular by providing highly qualified and efficient manpower.



### **32.3.5 Horizontal Expansion of Cities**

Various cities expanded horizontally, due to economic, social and administrative factors; primarily high land prices near city centres, which stimulate expansion in the periphery; and regulations restricting vertical growth, which contribute to decreasing the efficiency of exploitation of flat areas within urban boundaries. These factors, along with escalating growth of city populations, led to an increase in pressures on public services and infrastructure in major cities. Moreover, in recent years, the widening of the geographical boundaries of the cities, in the absence of a public transport system, exacerbated traffic congestion problems. Hence, ensuring sustainable development of cities requires addressing these multi-dimensional challenges through: strict application of urban boundary and land use regulations; encouraging vertical development of cities within the capabilities of services such as water and sanitation; providing an integrated, modern public transport system in major cities and suburbs; developing radical solutions for vacant lands within cities, to ensure their optimal utilization; and distributing economic and services facilities in a way that reduces horizontal expansion of large cities.

### **32.3.6 Municipal Revenues and Expenditures**

During the Eighth Development Plan, municipal revenues, an important financial resource for municipal services, grew substantially, from SR1,680 million in 2005 to SR2,251 million in 2009; an increase of 34%. Nevertheless, municipal revenues still constitute no more than 30% of current operating expenses. This is due to several reasons, mainly: untapped economic assets, low collection efficiency, and provision of several services free of charge.

Development and improving the standards of municipal services require managing municipal facilities and services on a commercial basis, especially in view of the shift towards privatization of many services. This calls for: reviewing current service fees to ensure covering costs and rationalization of usage; enhancing efficiency of services; reducing service costs; increasing fee-collection efficiency; reinforcing investment of land and assets owned by municipalities; and

providing the private sector with opportunities to participate in providing services, thereby easing the burden of escalating expenses, while promoting community participation in providing and managing services.

### **32.3.7 Utilization of Land Grant Subdivisions**

The number of existing grant subdivisions is currently about 3,605, covering more than 2.2 million pieces of land that can accommodate about 11 million people. These land subdivisions constitute a huge asset that can be added to the national real-estate market, ensuring provision of housing for large segments of citizens. However, utilization of these subdivisions requires supplying various services and infrastructure, within the framework of a programme that ranks priorities in accordance with the National Spatial Strategy, issued by Council of Ministers No. 127 of 2000, to ensure that development is focussed upon approved development corridors. In addition, it is imperative to benefit from various sources of funding available, especially opportunities for partnerships with the private sector, so that financing is not limited to direct funding from the state budget.

**Page**  
**632**

### **32.3.8 Flash Flooding Risks**

Especially in the rainy season, several cities and villages face the dangers of flash floods that may threaten life and property, and cause damage to public utilities, services and facilities. This calls for approval of the strategic study on storm-water drainage and prevention of the dangers of flash flooding, which involves erecting barriers, building dams, and streamlining courses of valleys (wadis) to redirect floods towards them away from built-up areas. It also calls for continuing to emphasise compliance with circulars and directives prohibiting tampering with courses of flash floods.

## **32.4 DEMAND FORECASTS**

Forecasts of demand for municipal services under the Ninth Development Plan are based on the need to achieve universal coverage

of municipal services; taking into account population increases, urban growth and economic expansion; and replacement of facilities upon expiry of their operational age; all while taking into consideration regionally balanced development.

Table 32.5 illustrates about 12493 planned schemes to meet the demand for municipal services under the Ninth Development Plan, distributed by administrative region. About 65% of the demand will be satisfied during the Ninth Development Plan by implementing about 8,122 municipal service projects.

**Table 32.5**  
**Planned Projects to Meet Demand for Municipal Services**  
**by Administrative Region**  
**Ninth Development Plan**

Region	Planning Studies	Storm Water Drainage	Roads and Streets	Parks and Gardens	Public Markets (*)	Municipal Buildings	Environmental Health	Public Utilities (**)	Expropriation of Properties	Total Projects
Riyadh	245	371	1107	157	99	181	157	208	64	2589
Makkah	160	213	595	82	23	76	94	131	35	1409
Madinah	49	112	363	50	15	46	77	62	18	792
Qassim	25	93	426	66	49	68	75	74	28	904
Eastern Region	97	91	402	79	19	75	102	85	14	964
Asir	72	211	712	74	43	75	72	172	29	1460
Tabuk	24	84	233	38	11	26	32	42	10	500
Hail	39	99	336	40	36	50	66	62	16	744
Northern Borders	20	76	165	27	10	18	36	34	5	391
Jizan	68	138	448	84	41	64	101	93	43	1080
Najran	19	69	138	30	10	30	31	27	6	360
Baha	33	77	223	33	17	20	36	53	17	509
Jawf	21	70	214	24	14	27	38	41	16	465
Various regions (Office of Ministry)	283	8	12	0	0	13	1	9	0	326
<b>Total</b>	<b>1155</b>	<b>1712</b>	<b>5374</b>	<b>784</b>	<b>387</b>	<b>769</b>	<b>918</b>	<b>1093</b>	<b>301</b>	<b>12493</b>

(\*) Fruits, vegetables, meat, fish and livestock markets.

(\*\*) Public spaces, urban centres, cemeteries, facilities for washing the deceased, car parks, and festivities halls.

Source: Programmes and Projects of MOMRA for the Ninth Development Plan.

## **32.5 DEVELOPMENT STRATEGY**

### **32.5.1 Future Vision**

Municipal services that are compliant with international standards and which meet the growing needs of the population in urban and rural areas alike; enhancing efficiency of services, facilities, and infrastructure; and supporting the role of the private sector in establishing, operating and financing municipal utilities; thereby improving the quality of life of citizens.

### **32.5.2 Objectives**

- Improving living conditions and achieving regionally balanced development.
- Raising the operational efficiency of municipal agencies and improving effectiveness of their services.
- Protecting the environment and ensuring public safety.
- Continued development and upgrading of Holy Places.
- Improved classification capability and beginning the process of classifying consultants and private sector contractors.

**Page**  
**634**

### **32.5.3 Policies**

- Expanding provision of municipal services in accordance with the National Spatial Strategy.
- Providing comprehensive municipal services in the approved development corridors and growth centres.
- Developing the technical and human capacities of municipal agencies and enhancing their powers.
- Developing municipal revenues to enable municipalities to develop and sustain their services.
- Continuing efforts of restructuring and institutional development of municipal services and privatization of services.

- Recycling and safely disposing of wastes.
- Applying public health and safety rules firmly.
- Providing an integrated system of public transport within cities.
- Strictly applying traffic regulations in respect of vehicle safety and carbon emissions.
- Taking appropriate measures to protect and prevent encroachment on public land for the benefit of present and future sustainable development.
- Continue efforts to develop Holy Places.
- Design mechanisms for classifying consultants and private sector contractors.

#### **32.5.4 Targets**

- Creating 60 new municipalities in various regions.
- Raising the proportion of recycled waste to 75%.
- Developing municipal revenues to cover about 60% of operating expenses.
- Instituting regulations governing municipal councils and their formation.
- Establishing 40 urban centres.
- Applying and periodically updating the Saudi Building Code.
- Preparing the study on development and classification of contractors and implementing its recommendations upon its approval.
- Completing all regional plans.
- Completing projects in the holy places.
- Completing the master plans of all municipalities.
- Increasing Saudization of manpower to about 84.8% by the end of the Ninth Development Plan.

- Implementing about 8,122 municipal service projects, as indicated in Table 32.6.

**Table 32.6**  
**Municipal Services Targets by Administrative Region**  
**Ninth Development Plan**

Region	Planning Studies	Storm Water Drainage	Roads and Streets	Parks and Gardens	Public Markets	Municipal Buildings	Environmental Health	Public Utilities	Expropriation of Properties	Total Projects
Riyadh	173	265	830	124	66	100	90	129	37	1814
Makkah	67	133	384	48	17	37	57	80	20	843
Madinah	22	73	231	45	5	21	42	26	10	475
Qassim	12	53	288	66	37	53	49	51	17	626
Eastern Region	34	50	242	46	12	34	51	36	5	510
Asir	53	118	436	63	28	42	44	121	19	924
Tabuk	17	54	153	28	3	18	29	25	5	332
Hail	19	65	209	27	21	28	35	44	5	453
Northern Borders	17	55	110	27	6	11	21	22	1	270
Jazan	39	99	309	64	26	29	66	55	34	721
Najran	17	48	81	24	9	17	21	24	1	242
Baha	32	52	158	26	11	16	30	45	10	380
Jawf	16	45	120	16	5	12	16	27	8	265
Various regions (Cabinet Office)	227	8	12	0	0	10	1	9	0	267
<b>Total</b>	<b>745</b>	<b>1118</b>	<b>3563</b>	<b>604</b>	<b>246</b>	<b>428</b>	<b>552</b>	<b>694</b>	<b>172</b>	<b>8122</b>

*Source: Programmes and Projects of MOMRA for the Ninth Development Plan.*

## 32.6 FINANCIAL REQUIREMENTS

The financial allocations for government agencies in the municipal sector (MOMRA, *Amanat* and municipalities) under the Ninth Development Plan are SR95.4 billions.

# CULTURE AND INFORMATION

## 33.1 INTRODUCTION

Cultural development is a cornerstone of comprehensive overall development, for it is through culture that scientific capacities, knowledge and skills are raised to levels of innovation and creativity in all fields. Economic and social transformations in the Kingdom were paralleled by cultural achievements through the contributions of many Saudi innovators, thinkers, researchers, and scholars. Such contributions were sponsored by national-government and private institutions and organizations concerned with the development of culture; in particular, the Ministry of Culture and Information, literary clubs, culture and arts associations, universities, schools, public libraries, newspapers, and publishing houses. Activities were not confined to the country but were extended into the Arab, Islamic and international spheres. Indeed, endeavours to reach out to the world were made by embassies and educational and cultural attachés abroad and their information services. The endeavours culminated in sponsorship by the Custodian of the Two Holy Mosques, King Abdullah bin Abdul-Aziz, of the International Islamic Conference for Dialogue in Makkah and the World Conference on Interfaith Dialogue in Madrid.

Under the Eighth Development Plan, various cultural events were held, where various forms of expression like essays, poetry, stories, novels, intellectual theses, researches and scientific studies met with great interest. Likewise, there was mounting interest in various forms of artistic endeavour, as well as in national and popular heritage and archaeological treasures and sites. Numerous literary and cultural prizes were granted for scientific and literary excellence. Moreover, cultural events and festivals were organised each year, such as the National Janadriyah Heritage and Culture Festival. Furthermore, print and audio-visual media activity developed qualitatively and quantitatively.

Under the Ninth Development Plan, efforts to improve the quality of cultural services will continue, through organising and supporting cultural events and activities. In addition, information services will be advanced and expanded.

This chapter presents the current conditions of the culture and information sector and the developments that took place under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand for services, presents the future vision for the sector and reviews the objectives, policies and targets set for it under the Ninth Development Plan.

## **33.2 CURRENT CONDITIONS**

### **33.2.1 Culture**

**Page**  
**638**

Saudi cultural life is rich and multifaceted. The following are indicators of the achievements under the Eighth Development Plan:

- The Ministry of Culture and Information organised numerous activities and events. Exhibitions and workshops were organized at the rate of 23 annually. Through the General Administration for Literary Clubs, which number 16, a range of activities, averaging 491 annually, were undertaken, including symposia, forums, and poetry and short story evenings. In addition, the Ministry published more than 53 publications, and presented through the 13 branches of the Culture and Arts Association, which span the whole of the country, plays, seminars and lectures, at an annual average of about 27 poetry and short story evenings, 13 symposiums, 28 plays, 48 exhibitions, and 52 workshops and art exhibitions. The Ministry also held 6 educational workshops attended by 1,745 children, and supplied the 80 public libraries it oversees with more than 800 titles annually, in addition to organising the annual book fair. Among the prominent cultural activities of the Ministry was the organization of 13 cultural weeks in cooperation with Arab and friendly countries. The Ministry has also created five new



societies, alongside the philatelic society. These are: the Saudi Arabian Society for Culture and the Arts, the Saudi Theatre Society, The Saudi Photography Association, the Saudi Arabic Calligraphy Society, and the Saudi Society for Fine Arts.

- For more than two decades, the National Janadriyah Heritage and Culture Festival, which is one of the most outstanding cultural events in the Arab world, is held annually under the auspices of the National Guard Command. The Festival is open for two weeks each year and includes podium activities, a heritage village and publications. The festival has so far been held 24 times comprising intellectual and scientific symposia, and poetry and short story evenings. It also published about 144 books, in addition to holding a book fair and an art exhibition. Alongside, various governmental agencies and regional governorates exhibit their achievements and heritage treasures, each in a separate wing.
- The concerted efforts of the state, together with efforts by the private sector and individuals, promoted diversified cultural authoring and production. Publishing houses totalled 448, including 321 owned by the private sector and 127 owned by government. There were some 175 thousand publications and 24 volumes, comprising 71,731 items, chronicling Saudi publications and books. There were about 1,980 libraries, including 194 specialized, 80 public, and 1,646 school and 60 university libraries. Library acquisitions totalled more than 1.9 million book titles and other materials. In addition, major libraries possess outstanding acquisitions, such as King Abdul-Aziz Library, which has about 200 thousand acquisitions; King Abdul-Aziz Foundation, which has about 800 thousand acquisitions; the National Library has about 300 thousand acquisitions; and King Fahd National Library, which has about 1.3 million items and is responsible for keeping Saudi intellectual production since the introduction of the filing system in 1993.
- The Ministry of Islamic Affairs, Endowments, Dawah and Guidance played an active role in the service of Islamic culture,

publishing a total of about 1,230 Arabic and translated books. Moreover, the General Presidency of Scholarly Research and Ifta' published about 270 books, and the General Presidency for the Promotion of Virtue and Prevention of Vice published about 700 books.

- King Fahd Cultural Centre sponsored several varied cultural, scientific and technical events; from conferences, to symposiums, lectures, and theatre events.

The establishment of King Abdul-Aziz Centre for National Dialogue is qualitative cultural addition. It addresses cultural development issues and constraints, social phenomena and the challenges they pose, and it plays a significant role in disseminating the culture of dialogue.

#### **Box 33.1: King Abdul-Aziz Centre for National Dialogue**

King Abdul-Aziz Centre for National Dialogue was set up in 2003, by order of the Custodian of the Two Holy Mosques, King Fahd bin Abdul-Aziz.

The Centre seeks to provide an enabling environment for national dialogue among individuals and social groups of both sexes, in the public interest and to preserve national unity which is based on the Islamic doctrine, through:

- Consolidating national unity within the framework of Islam through constructive national dialogue.
- Contributing through constructive dialogue to the formulation of a true Islamic discourse based on moderation and temperance.
- Addressing social, cultural, political, economic and educational problems through intellectual dialogue.
- Promoting intra-society dialogue as a means for addressing all issues that society faces.
- Promote wide participation of society members in dialogue and strengthening the role of civil societies in ensuring justice, equality and freedom of expression within the framework of the Sharia (Islamic law).
- Reinforcing national dialogue, in coordination with all relevant agencies.
- Enhancing channels of communication and intellectual dialogue with organizations and individuals abroad.
- Developing a strategic vision of national dialogue and ensuring that it will be applied.

### 33.2.2 Information

The Ministry of Culture and Information oversees media activities that aims to: inculcate the values and principles of tolerant Islam; enhance people's sense of national belonging; urge people to contribute seriously to progress and development and respect for the law; strengthen bonds of love and synergy and enhance the spirit of social solidarity; advance intellectual and cultural endeavours; combat illiteracy; preserve and revive heritage; consolidate traditions and customs of Arab dignity; combat destructive attitudes, expose their fallacy and the threat they pose to individuals and communities; and highlight the identity and distinctiveness of the Kingdom, the stability and security enjoyed by its society and the economic and social progress it achieved.

Information channels include television and radio stations, newspapers and magazines and media centres.

Under the Eighth Development Plan, print and audio-visual information media advanced considerably:

- There were 28 broadcasting stations transmitting 5 programmes: the Glorious Quran Radio; the Call of Islam Radio; the Riyadh-based General Programme Radio; the Jeddah-based Radio Two; and the Directed Broadcasting Radio, which broadcasts in 12 languages. In addition, there were 246 FM stations, and 149 television centres transmitting 5 channels, in addition to 4 new ones covering culture, economic issues, Holy Quran, and the noble tradition of the Prophet (Sunnah). Moreover, there were 60 new digital transmission TV centres, replacing analogue transmission.
- The Saudi Press Agency (SPA) had 21 offices. Moreover, it expanded its capacity.
- The private sector played an important role in developing the culture and information sector, through press institutions publishing 14 daily newspapers and 165 scientific and specialized magazines; more than 321 bookshops and publishing

houses; media and advertising companies and institutions; and various artistic production institutions; in addition to its contribution to the establishment of information and cultural facilities.

### **33.2.3 Education and Scientific Research**

In addition to their vital role in the development of education, general and higher education institutions contributed effectively to enriching cultural life. Saudi universities produced numerous researches and studies; contributed to authoring and translation activities through various publications; and stimulated cultural life through scientific and cultural conferences, meetings, seminars and book fairs.

King Abdul-Aziz City for Science and Technology contributed to culture, science and technology by supporting more than 2,600 researches. It completed about 90 researches, 30 of which national and (60) in cooperation with international scientific institutions. In addition, it Arabized hundreds of scientific terms; produced scientific films and programmes; published more than 300 scientific books; and issued the Science and Technology Quarterly, of which 90 issues have been published.

**Page**  
**642**

Through publication of books and scientific research and studies, the Institute of Public Administration (IPA) plays a significant cultural role, in addition to its core mission of training human resources. The total acquisitions of the library of IPA number about 203 thousand reference books; it published over 200 books; and continued to issue a monthly magazine, of which 195 issues have been published. Through Social Development and Services Centres, the Ministry of Social Affairs offers cultural services, such as literacy and adult education programmes; it organizes cultural competitions, symposiums, and lectures; publishes books publishing and produces programmes. Under the Eighth Development Plan, it organized about 186 cultural events were organized.

### 33.2.4 Heritage

There has been mounting national interest in tourism and antiquities, as well as in encouraging domestic tourism. The General Commission for Tourism and Antiquities is conducting explorations, and documenting historical sites, monuments and unique natural landmarks, in addition to collecting, protecting and maintaining national heritage and establishing museums in various regions. Some 23 registered museums were in operation by the end of the Eighth Development Plan, the most outstanding of which is the Riyadh-based National Museum. In addition, about 65 private museums were licensed. Over 1,100 archaeological sites and more than 1,000 ancient mining sites were surveyed. Mada'in Saleh, Dir'iyah and the historic centre of Jeddah were included in the UNESCO World Heritage list of historic sites. The historic cultural Okaz Market in the city of Taif was revived, and has so far had three festivals. The ancient mosque in Marid Fortress in Domat Al-Jandal was renovated, as was Al-Akhdoud Castle in the city of Najran.

The Commission is undertaking the rehabilitation of the historic buildings built under the reign of the founder, King Abdul-Aziz, to be opened to the public as museums of the early history of the Kingdom. It is also undertaking the folkloric markets project and is developing the historic centres of a number of cities, such as Jeddah and Taif. In addition, the Commission continues work on heritage-village projects, such as: old Al Ghat, Rijal Alma, Dhi Ain Village, Jubbah and old Al-Ola towns.

## 33.3 ISSUES AND CHALLENGES

### 33.3.1 Preservation and Consolidation of National Identity

The national identity has three elements: spiritual, cultural, and national. In view of the global major shifts in patterns of thought and behaviour and the clash of cultures and interests, enabling the national identity to withstand challenges calls for deepening the culture of

dialogue and openness, providing access to various sources and channels of knowledge, creating trust and a climate of tolerance among actors in intellectual and cultural life, and encouraging dialogue that enrich the national identity.

### **33.3.2 Globalization and the Cultural Identity**

The communications and information revolution has led to drastic changes in the global cultural discourse, due to the high speed with which information is disseminated widely and the multiplicity of options it offers, leading to globalization. It is no longer possible to control the flow of information and cultural messages. Furthermore, cultural indicators, such as literary; intellectual and artistic output; number and readership of newspapers; number of libraries, museums and symposiums; and the number of websites and internet users are now established as part of the criteria by which living standards and quality of life are measured. Hence, it is imperative to upgrade cultural and media materials, news and cultural programmes and art works, and encourage national competencies to participate in their innovation. This would help maintain a close relationship between citizens and cultural and media agencies, but it requires developing cultural and information facilities, as well as honing manpower skills.

**Page**  
**644**

### **33.3.3 Developing Interest in Reading and Cultural Affairs**

There have been ambitious initiatives to promote reading and development of knowledge. For example, King Abdul-Aziz Library has established the Festival of Free Reading, which aims to encourage citizens to make reading an essential part of their lives. The Festival incorporated several events stressing the importance of reading. In 2009, it also launched the Reading at Airports programme. With the help of its Chamber of Commerce and Industry, the city of Jeddah organized the Saudi Publisher Fair, where importance of reading and the history of books and the book industry were exhibited.

The rate of reading is an important indicator of civilizational progress.

Human development reports issued by the United Nations over the past years pointed out that the reading rate in the Arab world is low, compared with Europe and America. Even though reliable statistics and surveys are lacking, it is clear, nevertheless, that interest in reading and culture is lower than aspired levels. Hence, there is a need for incorporating free reading, research and study skills into curricula, as well as for increasing interest in book publishing and distribution, in addition to translation and Arabization.

### **33.3.4 Scientific Culture and the Drive Towards Knowledge Society**

The Kingdom is heading towards a knowledge society and a knowledge-based economy. However, to achieve this, it is necessary to increase awareness and enlighten the community. The media plays an active role in this by using print and audio-visual educational programmes. The Ninth Development Plan envisages expanding these efforts. For its part, the scientific and technical culture has become an essential factor in economic and social development. Hence, promoting it has become ever more urgent.

### **33.3.5 Translation and Cultural Content**

The cultural wealth of the Kingdom is increasing steadily, as evidenced by the growing cultural content, whether in traditional media, such as books, or in digital media, such as CDs. Translation is a basic factor in cultural enrichment. Interest in translation has emerged recently, but it needs to be consolidated and expanded by training competent manpower and instituting translation programmes, especially in areas of development of the culture of science, technology and innovation.

## **33.4 DEMAND FORECASTS**

The Ninth development plan envisages significantly growing demand for cultural and information facilities and associated activities over its five years period, not only due to population growth, but also due to the growing cultural and information awareness among citizens, which

is reflected in their interest in national cultural affairs and their eagerness for information, especially among young people, who make up a significant proportion of Saudi society. Hence, the plan will endeavour to meet the bulk of the increased demand by achieving the targets it has set for cultural and information services.

## **33.5 DEVELOPMENT STRATEGY**

### **33.5.1 Future Vision**

Prevalence of a high level of culture, inspired by the cultural values of the Saudi society, where media would play a pivotal role in serving the interests of the Kingdom, and where the culture and information sector would contribute effectively to the development process and to the drive towards a knowledge society.

### **33.5.2 Objectives**

- Preserving and strengthening the Arab and Islamic identity of the national culture.
- Developing the intellectual and cultural structures that constitute a cornerstone of civilization.
- Supporting authoring, translation, Arab media production and cultural activities within the Kingdom and abroad.
- Dealing positively with the impact of globalization, with the aim of enhancing national culture and consolidating its standing among world cultures.
- Developing and improving efficiency of media and cultural agencies and strengthening their links with various economic, social, scientific, cultural, educational and recreational activities.
- Producing competitive, influential, and attractive programmes and materials.
- Increasing private sector participation in the provision of cultural and information services.
- Achieving a regionally balanced dissemination of culture.



The aforementioned objectives involve four dimensions:

1. Economic, which requires strengthening the role of cultural industries in the development of the national economy, keeping pace with modernization and globalization in cultural fields, and providing opportunities for young people in various fields of culture and information.
2. Educational, which requires developing and modernizing educational programmes.
3. Institutional and regulatory framework, which requires establishing partnerships and complementarities among those concerned with cultural affairs, including government and private institutions and the civil society; raising the standard of quality and performance in the cultural sector; and cooperation with international and Arab cultural institutions.
4. Social, which requires mainstreaming a new cultural experience that emphasises the Saudi cultural identity, while emulating globalization.

### **33.5.3 Policies**

- Encouraging domestic production and marketing of cultural materials and disseminating them.
- Increasing and supporting all forms of cultural and media production and enhancing its role in development.
- Providing a modern, contemporary infrastructure, particularly for means of communications, in order to promote cultural development.
- Building capacity in culture and information, including scientific culture.
- Developing educational programmes to suit the aspirations of youth and labour market requirements in cultural and media activities.
- Strengthening the role of educational institutions in raising the cultural level.

- Addressing duplication - if any - in government work in culture and information.
- Formulating a modern information and culture strategy and supporting it with clear practical implementable mechanisms
- Developing a strategy for culture and another for the advancement of the Arabic language.
- Stimulating the civil society and the private sector to establish new information and cultural institutions.
- Launching specialized activities to help develop the cultural sectors.
- Raising performance quality in culture and information.
- Increasing cultural and media interaction with the outside world, and developing Arab and international partnerships in culture and information.
- Making the Kingdom a key player on the Arab and Islamic cultural scenes.
- Motivating young people to show interest and participate in the discussion of cultural issues.
- Increasing the contribution of the cultural and media sector in the drive towards a knowledge-based economy.
- Developing a database on national culture.
- Increasing interest in scientific translation from and into Arabic.
- Intensifying efforts to conduct studies and research into culture and media, and establishing national and regional research networks.

### **33.5.4 Targets**

#### **First: in cultural services:**

- Establishing 4 new literary clubs.
- Opening 3 branches of the Society for Culture and Arts.
- Establishing 7 cultural centres.

- Establishing 8 new libraries.
- Organizing 20 cultural weeks.
- Organizing 50 theatre events.
- Organizing 80 folk art events in the Kingdom and abroad.
- Organizing 100 plastic art events in the Kingdom and abroad.
- Organizing 110 book exhibitions in the Kingdom and abroad.

**Second: In Information Services:**

- Establishing 23 new TV broadcasting centres.
- Replacing analogue TV broadcasting centres with digital ones, covering the First, Second, Sports and News Channels.
- Adding 38 new FM stations and establishing 5 FM stations on the highways.
- Establishing a shortwave radio station, in addition to updating 7 radio stations.
- Modernizing 28 radio stations.
- Establishing two radio-broadcasting studios in Makkah and Madinah.
- Opening 4 new Saudi Press Agency (SPA) offices.
- Opening 3 internal information centres.

A summary of the targets set for the cultural and information facilities by administrative region under the Ninth Development Plan is illustrated by Table 33.1

**Table 33.1**  
**Cultural and Information Services Targets**  
**by Region**  
**Ninth Development Plan**

Region	TV Centres	FM Radio Stations	Digital Centres	Ministry Branches	Cultural Centres	Libraries	Society for Culture and Arts	Literary Clubs	Updating Radio Stations Stages 1+2
Riyadh	3	5	4	–	–	1	–	1	4
Makkah	3	4	3	–	2	–	1	–	5
Madinah	5	4	3	1	–	1	–	1	2
Qassim	–	2	2	–	–	1	–	1	2
Eastern Region	2	5	3	1	1	1	–	–	5
Asir	2	4	3	1	1	1	–	–	2
Tabuk	1	3	3	–	1	–	–	–	1
Hail	–	2	2	–	–	1	–	–	2
Northern Borders	1	1	2	–	1	1	1	–	1
Baha	2	–	2	–	1	–	–	–	–
Jazan	2	2	1	–	–	–	–	–	2
Najran	–	3	3	–	–	–	1	1	1
Jawf	2	3	1	–	–	1	–	–	1
<b>Total</b>	<b>23</b>	<b>38</b>	<b>32</b>	<b>3</b>	<b>7</b>	<b>8</b>	<b>3</b>	<b>4</b>	<b>28</b>

*Source: Ministry of Economy and Planning.*

### 33.6 FINANCIAL REQUIREMENTS

The financial allocations for information and cultural programmes under the Ninth Development Plan are SR12.1 billion.

# RELIGIOUS, JUDICIAL, HAJJ AND UMRAH SERVICES

## 34.1 RELIGIOUS SERVICES

### 34.1.1 Introduction

The Kingdom of Saudi Arabia is the cradle of revelation and Islam. The two Holy Cities of Makkah and Madinah are destinations of pilgrims who assemble from all over the world to perform Hajj and Umrah. Ever since its inception, the Kingdom has been guided by Islamic teachings and principles, and this commitment is emphasized in the Basic Law. Hence, caring for the Holy Places has been a top priority of the successive development plans, which consistently sought to develop the two Holy Mosques so as to facilitate the performance of Hajj and Umrah.

Under the Eighth Development Plan, several mosques were built in all regions of the Kingdom, in response to population growth, urban development, and the expansion of call (Daawa) activities. Large numbers of the Holy Quran were printed and distributed around the world, and numerous Islamic books were translated. Workshops, lectures and seminars on various topics of interest to the Islamic world were held, and qualified advocates were dispatched. Furthermore, the Kingdom took the initiative of calling for dialogue among followers of religions and civilizations, and contributed at the highest levels to dialogue activities that were welcomed by the world community.

The Ninth Development Plan aims to continue to develop and improve the efficiency of all aspects of religious services, in order to keep pace with demographic changes and urban expansion. Moreover, activities to combat extremism and benefit from international openness, while maintaining Islamic traditions and values will be enhanced, as will be the dialogue with followers of other religions and cultures. In addition, the Ninth Development Plan aims to restructure religious endowments

(Awqaf), on the basis of a comprehensive strategy aimed at developing the Department of Awqaf and enhancing its role in social development.

This part of the chapter presents the current conditions of religious services, and the developments that took place under the Eighth Development Plan. It also reviews the key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand, the future vision and reviews the objectives and policies set for the sector under the Ninth Development Plan.

### **34.1.2 Current Conditions**

#### **34.1.2.1 Expansion of the Two Holy Mosques**

Expansion of the Holy Mosque in Makkah under the Eighth Development Plan increased its absorptive capacity. Total area increased to 413 thousand m<sup>2</sup> by the end of the Plan, and work is underway to further enlarge it by about 632 thousand m<sup>2</sup>, for the total area to become 1.04 million m<sup>2</sup>, with a capacity of more than 2.25 million worshipers.

**Page**  
**652**

A number of development projects were implemented in the Prophet's Holy Mosque in Medina to increase its absorptive capacity to more than one million worshipers. 250 sunshades were installed, covering 143 thousand m<sup>2</sup> surrounding all four sides, and utilities, parking and other services were added.

#### **34.1.2.2 Caring for the Holy Quran**

Over the first four years of the Eighth Development Plan, the King Fahd Complex for Printing the Holy Quran in Madinah produced some 54 million copies of the Holy Quran, translations, books on the noble tradition of the Prophet (Sunna), and the Prophet's biography. In addition, there was great interest in learning the Holy Quran, and several national and international recital, exegesis and intonation contests of the Holy Quran were organized.

### 34.1.2.3 Caring for Mosques

Over the first four years of the Eighth Development Plan, 4,500 mosques were established; bringing the total number in 2008 to more than 95 thousand. In addition, 449 mosques were rehabilitated in all regions (Table 34.1.1).

Under the Plan, committees were formed to select imams and muezzins according to criteria that give priority to qualified students of the Holy Quran and that emphasise moderation in behaviour and approach. In addition, several courses to train mosque staffs were held.

**Table 34.1.1**  
**Services of the Ministry of Islamic Affairs, Endowments,**  
**Call and Guidance**  
**2008\***

Region	Mosques (Jami')	Community Mosques (Masjid)	Ministry Branches	Awqaf Assets	Ministry Offices in Governorates	Quran-Learning Charities	Call (Daawa) Centres
Riyadh	3600	15300	1	357	19	28	8
Makkah	4320	9000	1	1052	11	18	6
Madinah	1900	2700	1	289	6	8	1
Qassim	2160	7200	1	78	10	14	3
Eastern Region	970	3420	1	186	11	4	2
Asir	2560	7530	1	2390	11	19	2
Tabuk	540	3060	1	22	5	8	1
Hail	1080	5220	1	356	3	9	1
Northern Borders	450	2520	1	3	2	4	1
Jazan	1800	8460	1	287	13	16	2
Najran	1000	2340	1	38	6	5	1
Baha	1260	3600	1	1990	6	10	1
Jawf	360	2880	1	57	2	5	1
<b>Total</b>	<b>22000</b>	<b>73230*</b>	<b>13</b>	<b>7105</b>	<b>105</b>	<b>148</b>	<b>30</b>

\* Including mosques in stations and farms.

Source: Ministry of Islamic Affairs, Endowments, Call and Guidance.

#### **34.1.2.4 Development of Endowments (Awqaf)**

Over the first four years of the Eighth Development Plan, 1,088 Awqaf assets were accounted for and recorded, bringing the total in 2008 to 7,105. Efforts also continued to identify endowed assets and ascertain their title deeds. In addition, development and investment of endowed assets continued through various means, including: long-term leasing, establishing endowment investment funds, and partnering in development projects using the value of the assets concerned. Suitable investment assets were purchased to substitute endowed assets that have been removed in the public interest, and real-estate properties in the regions of Makkah and Madinah and Qassim were bought for investment from the surplus proceeds of endowments.

Awqaf libraries were supplied with reference books and periodicals, manuscripts were maintained, some libraries restored, several libraries opened in mosques in cities and governorates, women libraries were established, and qualified women to provide services to female researchers and students in these libraries were provided. Computers were introduced into Awqaf libraries, a network linking them together and with public libraries was established, and a website was set up for them. Moreover, forums, conferences and exhibitions were held in these libraries, and businessmen were invited to contribute support to them.

**Page**  
**654**

#### **34.1.2.5 Urging Compliance with Islamic Ethics**

Under the Eighth Plan, numerous activities and programmes urging virtue and compliance with Islamic ethics were implemented, including activities by the Council of Call and Guidance, its general secretariat and its preparatory committee. These activities addressed a number of important issues, such as: the danger of misleading religious edicts (fatwas) and how to combat them with argument and evidence, means of combating intellectual invasion of Muslims, manifestations of deviation and how to address them, maintenance of security and preservation of the achievements of the country, and call (Daawa) institutions and their role in exposing erroneous, corrupting claims, etc.



The Institute for Imams and Preachers, in cooperation with the Mosques, Call and Guidance Agency, continued to implement numerous activities and programmes, including organizing lectures for imams and preachers, developing advocacy in youth welfare programmes, and utilizing sports clubs, in order to promote guidance and counselling programmes.

The General Presidency for the Promotion of Virtue and Prevention of Vice contributes to urging adherence to good conduct, noble Islamic morals, guidance and advice. During the Eighth Development Plan, the Presidency further built its competencies and capabilities through several special training programmes for its employees. By the end of 2008, the number of facilities under the supervision of the Presidency was 474, including 13 branches in the administrative regions, 13 centres in the cities, 100 centres in the governorates, and 348 centres in administrative centres.

#### **34.1.2.6 Institutional and Organizational Development**

A number of agencies provide religious services. The Presidency of the Holy Mosque and the Prophet's Mosque is responsible for looking after and maintaining the two Holy Mosques, in addition to preaching, raising awareness and guidance activities. The Ministry of Islamic Affairs, Endowments, Call and Guidance is responsible for overseeing, caring for and maintaining mosques (Jami') and community mosques (masjid) throughout the Kingdom; overseeing the learning of the Holy Quran and the Prophet's noble tradition (Sunnah); the call (Daawa) to God; supervising King Fahd Complex for Printing the Holy Quran; organizing national and international Holy Quran learning contest; and developing the charitable endowments (Awqaf), investing their resources and managing their assets. The Department of Scientific Research and Ifta' is responsible for issuing and disseminating religious edicts (Fatwas), in addition to undertaking and circulating scientific researches and studies.

Under the Eighth Development Plan, in an effort to develop the performance of the administrative units of the General Presidency for the Promotion of Virtue and Prevention of Vice, the Ministerial Sub-

Committee of the Ministerial Committee for Administrative Organization applied the approved new experimental organizational map to the administrative structure of the Presidency.

### **34.1.3 Issues and Challenges**

#### **34.1.3.1 Excess and Extremism**

Islam is a religion of moderation and temperance. It abhors extremism, which is harmful to all aspects of economic and social life, impedes progress and stability of society, and distorts the perception of Islam by non-Muslims. Islam also forbids deviances from the right path and violent behaviour. The Ninth Plan aims to continue efforts to demonstrate the tolerance of Islam, and its rejection of fanaticism and extremism in all their forms and manifestations. Moreover, it aims at strengthening and consolidating moderation, protecting society from deviant thoughts and modes of behaviour, through outreach and counselling programmes designed to make youth aware of the threat of extremism, guide them to the correct path, and instil in them the sublime principles and values of Islam; all in cooperation and coordination with all parties concerned.

**Page**  
**656**

#### **34.1.3.2 Development of Endowed Assets**

Awqaf are enduring charities that need to be continually developed so that they meet their goals. Moreover, they are a major component of the social sector of the economy. In spite of the achievements made, there is still a need for additional enhancement and promotion of the role of Awqaf in development.

Addressing this issue requires restructuring the affairs of Awqaf to put them in an institutional framework, as well as developing a comprehensive strategy with specific programmes covering all relevant aspects of their affairs. Most notably, there is a need for inventorying all Awqaf assets throughout the Kingdom, as well as for developing effective mechanisms to invest these assets and other resources and improve their economic efficiency. All this requires capable administration and qualified economic and finance competencies.

### 34.1.4 Demand Forecasts

Future demand for religious services is estimated on the basis of anticipated population growth and associated demographic developments, in addition to urban developments in the various regions; taking into account the current conditions of facilities and assessing the need for repairs or replacement over the coming period.

Estimates of the demand for religious services under the Ninth Development Plan point to the need for establishing about 400 mosques (Jami') and 600 community mosques (Masjid), fencing off about 165 venues for feast prayers, establishing 13 call (Daawa) centres, opening 29 outreach centres, re-building about 500 mosques (Masjid and Jami'), and constructing 34 administrative buildings (Table 34.1.2).

**Table 34.1.2**  
**Demand Forecast of Religious Services**  
**by Region**  
**Ninth Development Plan**

Region	mosque (Jami')	Mosque (Masjid)	Administrative Buildings	Imam Housing	Fencing off Feast Prayers Venues	Call (Daawa) Centres	Outreach Centres	Rebuilding Mosques (Jami')	Rebuilding Mosques (Masjid)
Riyadh	55	70	5	26	25	1	0	26	40
Makkah	40	60	5	20	15	1	18	20	35
Madinah	30	60	3	20	10	1	1	20	25
Qassim	35	60	3	20	15	1	0	20	25
Eastern Region	35	60	3	20	15	1	4	20	25
Asir	35	60	3	20	15	1	1	20	25
Tabuk	20	40	2	10	10	1	1	10	15
Hail	15	30	2	8	7	1	0	8	20
Northern Borders	15	20	2	8	7	1	1	8	15
Jazan	50	60	3	20	19	1	1	20	30
Najran	30	30	1	10	10	1	1	10	15
Baha	15	20	1	8	7	1	1	8	15
Jawf	25	30	1	10	10	1	0	10	15
<b>Total</b>	<b>400</b>	<b>600</b>	<b>34</b>	<b>200</b>	<b>165</b>	<b>13</b>	<b>29</b>	<b>200</b>	<b>300</b>

Source: Ministry of Economy and Planning.

## **34.1.5 Development Strategy**

### **34.1.5.1 Future Vision**

The future vision of religious services is embodied in the Kingdom's determination, Government, people and institutions, to raise the efficiency and effectiveness of religious services, in harmony with the tolerant values and sublime ethical principles of Islam and the established virtues of tolerance and moderation. Moreover, Awqaf shall provide major support to economic and social development plans and programmes, in accordance with the role entrusted to them by Islam, particularly contributing to combating poverty and need, epitomizing the principle of social synergy and solidarity; which requires developing Awqaf to achieve these noble goals.

### **34.1.5.2 Objectives**

**Page**  
**658**

The key objectives set for religious services under the Ninth Development Plan are:

- Promoting recital and learning by heart and publication of the Holy Quran.
- Calling (Daawa) for following the path of God with wisdom and good preaching.
- Caring for and maintaining Houses of God.
- Strengthening the role of Awqaf in economic and social development.

### **34.1.5.3 Policies**

Achieving the key objectives of the religious services under the Ninth Development Plan will be through the following policies:

- Continuing and enhancing the publications of King Fahd Complex for Printing the Holy Quran and promoting Quran and the Prophet's noble tradition (Sunnah) education.

- Supporting associations involved in learning the Holy Quran and Sunnah.
- Organizing annual national and international Holy Quran and Prophet’s noble tradition (Sunnah) contests.
- Strengthening efforts to present the high ideals and sublime values of Islam, aimed at deepening love among all people and achieving justice and peace in the world.
- Highlighting the efforts of the state in support of humanitarian issues in Islamic and friendly countries.
- Encouraging young Muslims to recite and learn the Holy Quran by heart.
- Building and maintaining Houses of God and caring for their appearance and the quality of their services.
- Continuing efforts to inventory and list Awqaf assets and ascertain their legal deeds.
- Expanding investment of Awqaf assets and managing their recourses.
- Continuing efforts to qualify and improve the capabilities of preachers, in order to enable them to present the tolerant and moderate image of true Islam, and develop standards for evaluation of their performance.

### 34.1.6 Financial Requirements

The financial allocations for the Ministry of Islamic Affairs, Endowments, Call and Guidance under the Ninth Development Plan amount to SR 21.5 billion.

## **34.2 JUDICIAL SERVICES**

### **34.2.1 Introduction**

Availability of a comprehensive, efficient judicial system is the most important element of the regulatory and institutional environment of modern societies, for it offers to the community security, stability and protection of rights and preservation of justice. Under the Eighth Development Plan, there was rising demand for the judicial services provided by the Ministry of Justice, the Board of Grievances, the Bureau of Investigation and the Public Prosecutor. In addition, in order to develop judicial services and procedures further, the Law of the Judiciary and the Law of the Board of Grievances were passed. Furthermore, and in recognition of the importance of an efficient judiciary in the development process and in support of reform and development, the Custodian of the Two Holy Mosques King Abdullah bin Abdul-Aziz' initiative of allocating some SR7 billion for the development of the judicial system was announced.

**Page**

**660**

The Ninth Development Plan aims at completing the implementation of the requirements of the judicial and the Board of Grievances systems; in particular, providing appropriate facilities and competent, specialist human capabilities and capacities, as well as strengthening managerial and technical capabilities. The Plan also aims at strengthening the capacity of the Bureau of Investigation and the Public Prosecutor, supporting them with qualified manpower and the necessary facilities and infrastructure.

This part of the chapter presents the current conditions of judiciary services, and the developments that took place under the Eighth Development Plan. It also reviews the key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand presents the future vision and reviews the objectives and policies set for the sector under the Ninth Plan.

## 34.2.2 Current Conditions

### 34.2.2.1 Judicial Services

Under the Eighth Development Plan, driven by the growth of economic activity, there was rising demand for many judicial services, such as administrative, commercial and financial transactions; dispute resolution; and protection of the rights of individuals and institutions. To meet this growing demand, 3 new appellate courts were added; as were 4 new general courts, bringing the total of the latter courts to 278, in addition to the other facilities that consist of: the Supreme Council of Magistracy, the Supreme Court, 6 appellate courts, and 29 specialized courts. In addition, more facilities are being built, including 8 complexes of legal departments in each of Buraydah, Hail, Tabuk, Jizan, Skaka, Khamis Mushayt, Dammam and Najran.

In addition to the main headquarters in Riyadh, the facilities of the Board of Grievances consist of one Appellate Court and seven administrative courts in seven regions. Six other administrative courts are being established in the remaining regions.

In an effort to facilitate judicial proceedings, seminars and workshops were held to discuss various relevant issues. Moreover, modern technologies were utilized to archive documents and facilitate other administrative work. In addition, new legal pleading offices started operation. These are offices where fact sheets, appointments, and preparation of adversaries are carried out in one hall in each court, thereby better organising workflow and saving time and effort.

### 34.2.2.2 Notaries Public

Driven by increased economic activity under the Eighth Development Plan, there was growing demand from diverse individuals and institutions for the services of notaries public. To meet this growing demand, the Ministry of Justice established more notaries public in various regions, bringing the total to 139. In addition, development to facilitate procedures by automating offices using the latest

technologies continued. Thus in 2008, more than two million Islamic bonds (sukuk) were issued, compared with about 1.6 million in 2004. Furthermore, the courts, which, alongside their main work, issue sukuk in areas that do not have notaries public, issued in 2008 a total of 130 thousand sukuk.

#### **34.2.2.3 Investigation and Prosecution**

The Bureau for Investigation and Prosecution carries out its tasks through its headquarters in Riyadh, 13 branches in the regions, and 77 investigation and prosecution departments in the governorates. In accordance with the law and regulations, the Bureau investigates crimes, prosecutes before judicial bodies, appeals rulings, supervises execution of criminal sentences, and monitors prisons and detention centres. It also examines cases of crimes committed abroad, if Saudi judicial bodies have jurisdiction over such cases under international regulations or international treaties to which the Kingdom is a party.

**Page**

**662**

The total number of cases investigated and prosecuted over the first four years of the Eighth Development Plan was about 457 thousand, an average annual rate of 114 thousand. The number went up from about 92 thousand in 2004 to about 119 thousand in 2008. With regard to monitoring and inspection of correction and detention homes, the Bureau examines cases of prisoners and detainees to ensure their access to their rights and it oversees the correct application of sentences.

#### **34.2.2.4 Raising Manpower Efficiency**

Over the first four years of the Eighth Development Plan, the total number of judges went up from 663 in 2004 to 715 judges in 2008, while the total number of notaries public went up from 305 in 2004 to 413 in 2008. As part of efforts to expedite the development of judicial services, Royal Decree No. 9715 / m b of 2007 stipulated the creation of 447 judicial jobs, in addition to a corresponding number of auxiliary administrative jobs.



To develop human capacities and capabilities, several training seminars for judges and notaries public were held, in collaboration with the Higher Institute of Justice. In addition, courses on financial and business issues were held, in collaboration with the Institute of Banking of the Saudi Arabian Monetary Agency (SAMA), and other specialized courses were held at the Institute of Public Administration and a number of other institutes in the Kingdom and abroad.

The number of judges of the Board of Grievances went up from 184 in 2004 to 303 judges in 2008. By the end of 2008, the total number of employees at the Bureau of Investigation and Prosecution was 4,087, and all were Saudis. About 2,469 staff members of the Board were trained over the first four years of the Plan, and 61 officers were sent to postgraduate studies in the Kingdom. Furthermore, in order to enhance competency and performance, a network linking all departments of the Bureau together is being established, and databases are being unified.

#### **34.2.2.5 Institutional and Organizational Development**

Under the Eighth Development Plan, there was significant progress of judicial services. The Law of the Judiciary and the Law of the Board of Grievances were issued by Royal Decree No. M / 78 of 2007. The two systems and their implementation mechanisms supplement preceding judicial systems, such as: the Law of Criminal Procedure, the System of Proceedings before Sharia Courts, and the Law Practice System. Together, they constitute a comprehensive structure, and an important institutional and regulatory development step towards keeping abreast of economic and social development and meeting their requirements.

The new Law of the Judiciary classified courts into three levels: the Supreme Court, Appellate Courts, and First-Degree Courts. The latter were also classified into five types of court according to specialisation: general courts, criminal courts, personal status courts, commercial courts, and labour courts.

The Law of the Board of Grievances instituted it as an independent administrative judicial body, and stipulated the establishment of an

Administrative Judicial Council, in addition to the formation of three courts; the High Administrative Court, the Administrative Courts of Appeals, and Administrative Courts. The Law identifies the powers, responsibilities and competencies of these courts.

In addition, the Ministry of Justice commenced the first phase of the application of the real estate registration system, which was approved by Royal Decree No. M / 6 of 2002, and which is aimed at preserving and protecting private and public property rights.

### **34.2.3 Issues and Challenges**

#### **34.2.3.1 The Judiciary Hierarchy**

Regulations of the Board of Grievances and judicial systems established institutional and regulatory frameworks which provided the foundations for building a competent judicial system able to meet the requirements of economic and social development. However, to achieve the desired objectives, it is necessary to provide the requisite physical, administrative and human resources. Available data indicate that judicial services are in need of judges, notaries, and other competent personnel, in addition to the requirements of the specialized courts established under the new system of qualified personnel in various judicial specializations.

#### **34.2.3.2 Suitable Buildings for Judicial Services**

Provision of judicial services at the desired level requires facilities compatible with facilitation of processes and procedures. Only 17% of the premises of the Ministry of Justice are owned by it, the rest are leased and often do not meet the requirements of judicial services.

#### **34.2.3.3 Specialized and Supervisory Jobs**

The rapid growth of the number of investigation and prosecution cases and the increased control over prisons and detention centres over the past years resulted in deficits in the manpower needed to carry out

investigation, prosecution, control and inspection, and oversight of application of sentences. The provisions of the Code of the Criminal Procedure stipulate several tasks that should be undertaken by investigators within specified time periods, which has increased the work burden of investigation personnel. Hence, the next stage requires enhancing the capacity of the agency by adding manpower, intensifying qualification and training programmes to improve productivity of all personnel, and providing infrastructure and support programmes to improve efficiency.

#### **34.2.3.4 Facilities of Bureau of Investigation and Prosecution**

Currently, most of the investigation and prosecution premises are rented and do not provide conditions appropriate to the nature of work, which affects both productivity and efficiency. Providing an appropriate work environment requires establishment of departments that meet the requisite conditions.

### **34.2.4 Demand Forecasts**

#### **34.2.4.1 Judicial Services**

To keep pace with the rising demand for judicial services, judges, lawyers, notaries, other support personnel, and various facilities need to be provided and distributed over all regions, according to the volume of judiciary adjudication cases. This volume is determined by several factors, including population growth, economic and social developments, and efficiency of the institutional and regulatory environments.

Estimates of expected demand for judicial services under the Ninth Development Plan and the requirements of implementing the new system of justice indicate a need for establishing 7 new appellate courts, 29 new general courts, 58 new specialist courts, as well as 33 new notaries.

Manpower estimates indicate that about 715 additional judges and 690 additional notaries will be needed. Moreover, a new Supreme Administrative Court, 3 appellate courts, and 5 administrative courts are required for the new Board of Grievances, with an estimated number of judges of about 460. With these additions, there will be under the Ninth Development Plan 8.8 judges per 100 thousand population, up from 4.2 at the end of the Eighth Development Plan.

Table 34.2.1 shows the estimates for all categories of courts by administrative region under the Ninth Development Plan.

**Table 34.2.1**  
**Forecast of the Number of Courts**  
**by Category and Region**  
**Ninth Development Plan**

Region	2009			2014			Additions under the Plan		
	Appellate Courts	General Courts	Specialist Courts	Appellate Courts	General Courts	Specialist Courts	Appellate Courts	General Courts	Specialist Courts
Riyadh	1	55	5	1	58	13	0	3	8
Makkah	1	38	6	1	42	12	0	4	6
Madinah	–	14	2	1	23	6	1	9	4
Qassim	1	24	1	1	25	5	0	1	4
Eastern Region	1	27	7	1	30	15	0	3	8
Asir	1	44	2	1	47	8	0	3	6
Tabuk	–	9	1	1	10	4	1	1	3
Hail	–	14	1	1	17	4	1	3	3
Northern borders	–	7	0	1	7	3	1	0	3
Jazan	–	24	1	1	25	5	1	1	4
Najran	–	6	1	1	7	4	1	1	3
Baha	–	12	1	1	12	4	1	0	3
Jawf	1	4	1	1	4	4	0	0	3
<b>Total</b>	<b>6</b>	<b>278</b>	<b>29</b>	<b>13</b>	<b>307</b>	<b>87</b>	<b>7</b>	<b>29</b>	<b>58</b>

Source: Ministry of Economy and Planning.

### **34.2.4.2 Investigation and Prosecution**

Economic, social and cultural developments under the Eighth Plan were accompanied by the emergence of previously unknown practices related to IT systems, money laundering and other economic issues. Several laws were issued criminalizing some such acts, and charging the Bureau of Investigation and Public Prosecution with the responsibility for prosecuting them. This calls for developing the facilities and capabilities of the Bureau to enable it to perform its tasks efficiently and effectively.

Demand forecasts indicate that the Bureau will need to add 6 category A branches, 21 category B Departments, and 12 departments in cities.

## **34.2.5 Development Strategy**

### **34.2.5.1 Future Vision**

Development of judicial services in line with the judicial system, the Law of the Board of Grievances, and the Law of the Bureau of Investigation and Public Prosecution, through establishing more appellate courts, general courts, criminal courts, specialist courts, and administrative courts in each administrative region to strengthen judicial capacity and efficiency in all regions; and development of investigation, prosecution, and inspection services, in order to ensure preservation of rights.

### **34.2.5.2 Objectives**

The main objectives of judicial services during the Ninth Development Plan are:

- Developing and increasing the provision of judicial services in all regions.
- Enhancing the efficiency of social and economic judicial services.

- Developing and increasing the provision of investigation, prosecution, and inspection services in all regions.

### **34.2.5.3 Policies**

Achieving the objectives set for the sector is contingent upon implementing the following policies:

- Increasing the number of Sharia and specialized courts, as provided for by the new Law of the Judiciary and the Law of the Board of Grievances
- Increasing the number of notaries public departments.
- Increasing the number of investigation and prosecution departments.
- Streamlining and facilitating procedures and methods of work.
- Increasing the number of judges, notaries public, and registrars, in order to satisfy the increasing demand for judicial services.
- Increased utilisation of modern technology in the courts, notaries public, and investigation and prosecution departments.

**Page**  
**668**

### **34.2.6 Financial Requirements**

Under the Ninth Development Plan the financial requirements are:

- Total financial requirements for judicial services are SR16.5 billion.
- Total financial requirements of the Bureau of Investigation and Prosecution are SR5.5 billion.

## 34.3 HAJJ AND UMRAH

### 34.3.1 Introduction

The Kingdom regards as an honour entrusted to it by God the services and facilities it provides to pilgrims and Umrah performers in Makkah and Madinah in a manner befitting the sanctity and status of the cradle of revelation and the launching of the message of Islam and peace to the world carried by the blessed Prophet. Under the Eighth Development Plan, the Holy Places were expanded significantly, the expansion of the Holy Mosque and the Prophet's Mosque and the comprehensive development of bridges to the stone casting paths (Al-Jamrat) were monumental achievements that enabled pilgrims and visitors to conduct their worship and rituals comfortably and easily.

The Ministry of Hajj cares for pilgrims and Umrah performers within the framework of a comprehensive system involving several agencies, foremost among which are the Hajj Supreme Commission and the Hajj Central Committee. The Ministry also coordinates with officials in Islamic states and states with Muslim minorities and with Hajj missions to ensure that performers and visitors conduct their rituals comfortably and smoothly.

This part of the chapter presents the current conditions of Hajj and Umrah services, and the developments that took place under the Eighth Development Plan. It also reviews the key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand, presents the future vision and reviews the policies, objectives and targets set for the sector under the Ninth Plan.

### 34.3.2 Current Conditions

#### 34.3.2.1 Overall Performance

Over the first four years of the Eighth Development Plan, the Ministry of Hajj supervised services provided to about 7.5 million pilgrims, a rate of 1.9 million pilgrims per year, in addition to more than 12

million Umrah performers, a rate of 3 million annually. The Ministry also supervised the activities of pilgrim guides in Makkah and Madinah; the agencies registering pilgrims at the Kingdom's entry points; the General Automobile Association; the local pilgrims services establishments; the Umrah services companies; the accommodation inspection committee; and the committees monitoring the activities of all organizations serving pilgrims both from within and from outside the Kingdom.

#### **34.3.2.2 Development of the Holy Places**

Under the Eighth Development Plan, organization and services at the Holy sites in Makkah improved steadily. The stone casting (Al-Jamrat) bridge and surrounding area project was implemented, to enable pilgrims to perform the rituals of casting stones easily and smoothly. Other projects designed to provide convenience to pilgrims and facilitate performance of rites include: expansion in use of sophisticated tents; continuing the terracing of parts of the mountains to accommodate the largest number of pilgrims; developing the water stations and reservoirs of the Holy Places; instituting an automated system for grouping pilgrims at the departure stage, through electronic connections with the General Authority of Civil Aviation and Saudi Arabian Airlines; developing centres to guide lost pilgrims in Arafat, and establishing guide centres in Madinah. In addition, a centre for grouping pilgrims was established on the Makkah-Jeddah highway, a standard model for services at points of entry was adopted, and regular communication and coordination with government agencies and private organizations involved in the affairs of Hajj and pilgrims was maintained.

Moreover, work continued on the development of transport services and facilities in the Holy Places to accommodate the projected increases in the number of pilgrims and Umrah performers visiting the Holy Mosque. Work began on the Haramain High Speed Rail Project, which will link the Two Holy Mosques in Makkah and Madinah via Rabigh and Jeddah.



### **34.3.2.3 Improving Performance of Agencies Responsible for Providing Hajj and Umrah Services**

Under the Eighth Development Plan, efforts to develop the performance of agencies responsible for providing Hajj and Umrah services continued. Several committees were formed to monitor and evaluate the performance of domestic pilgrims companies and institutions in the Holy Places and various regions, to ensure their readiness and commitment to contractual conditions with the Pilgrims and Umrah performers. Moreover, the capacities of these committees were enhanced by trained manpower, and Royal Decree No. M / 58 of 2005 approving the internal pilgrims service system and its executive regulations contributed to the service efficiency.

A number of programmes aimed at raising the efficiency of manpower in providing Hajj and Umrah services were implemented, including 11 training programmes that trained 625 participants at the Hajj and Umrah Employees Training Centre, and training more than a thousand employees of the Ministry of Hajj at the Institute of Public Administration. A number of specialist workshops were also organized to improve and develop service levels.

### **34.3.2.4 Institutional and Organizational Development**

In coordination with other relevant agencies, the Ministry of Hajj supervises services provided to pilgrims from arrival at ports of entry, during their stay in the Holy cities of Makkah and Madinah, until their departure. In addition, the Ministry supervises activities of pilgrim guide institutions and agencies; the General Automobile Association; transport companies of pilgrims and Umrah performers; internal pilgrimage services and the development of service establishments licensed for this work. It also participates in the work of the Supreme and Central Hajj committees and in the preparation and implementation of pilgrim grouping; and coordinates with all government agencies involved in Hajj and Umrah services, in order to consolidate efforts to provide service and comfort to pilgrims.

Council of Ministers Resolution No. 56 of 2009 approved the Organizational Manual of the Ministry of Hajj, which was put together by the Ministerial Committee for Administrative Organization. The Manual, which covers the Ministry of Hajj and its three branches in Makkah, Madinah and the district of Jeddah, was part of the enhanced administrative reform efforts by the Kingdom.

### **34.3.3 Issues and Challenges**

#### **34.3.3.1 Performing Rituals and Worship**

Pilgrims and Umrah performers come from all over the world. They hail from varied nationalities and cultures; speak various languages; and come from several different social, economic, and educational backgrounds. Some lack correct understanding of the rituals of worship, or behave in an inappropriate manner in dealing with the Holy Places or in the uses of their facilities, which may cause inconvenience to other pilgrims.

**Page**

**672**

To address this challenge, there is a need for raising, through guidance and direction programmes, the awareness of pilgrims, Umrah performers and visitors; either during their performance of rituals or before they leave their countries. This requires continuous coordination and close cooperation with all the agencies involved, such as the Ministry of Islamic Affairs, Endowments, Call and Guidance; pilgrim guides institutions; and missions accompanying international pilgrims. The Ministry also needs to enhance coordination with the Hajj missions to organise workshops on proper performance of rituals, and ensure that before they come to the Holy Places, pilgrims are familiarized with the correct religious rites and provided with appropriate guidance material.

#### **34.3.3.2 Developing Pilgrims Transportation**

Congestion on modes of transport from and to the Holy Places represents both a challenge and an impediment to expanding capacity. Transport is still limited to buses and small private vehicles. The

increasing number of these vehicles and their slow movement caused by traffic jams lead to environmental pressures; principally, air and noise pollution. Hence, it is necessary to develop inside and outside the Holy Places a transport system that constitutes an adequate long-term solution. In particular, there is a need for developing fast electrical modes of transport in Makkah and other Holy Places.

### 34.3.4 Demand Forecasts

The number of pilgrims is expected to increase from about 1.97 million pilgrims in 2009, including about 1.78 million international pilgrims, to about 2.07 million pilgrims in 2014, of whom about 1.87 million are international pilgrims, reflecting an average annual growth rate of total pilgrims of 0.96%, and of international pilgrims of 0.99%.

The number of Umrah performers is forecast to rise from about 3.05 million pilgrims in 2009 to about 3.15 million pilgrims in 2014, an average annual growth rate of 0.65% (Table 34.3.1).

**Table 34.3.1**  
**Forecast of the Number of Pilgrims and Umrah Performers**  
**Ninth Development Plan**

Description	(in thousands)		
	2009	2014	Average Annual Growth Rate under the Plan (%)
Pilgrims from abroad	1780	1870	0.99
Domestic pilgrims	192	199	0.72
Total number of pilgrims	1972	2069	0.96
Number of Umrah performers	3050	3150	0.65

Source: Ministry of Hajj.

## **34.3.5 Development Strategy**

### **34.3.5.1 Future Vision**

Continuing to develop the Holy Places, expand facilities, and employ the latest technologies in their management, to enable pilgrims to perform the Hajj and Umrah rituals easily, smoothly and contentedly, in a clean and safe environment.

### **34.3.5.2 Objectives**

The key objectives of the Hajj and Umrah services under the Ninth Development Plan are:

- Implementing the directives of the State regarding serving pilgrims and Umrah performers and providing the appropriate atmosphere for them to perform the rituals in safety and contentment.
- Raising the level of services provided to pilgrims and Umrah performers from arrival to land, air or sea ports of entry, during their stay in Makkah and Madinah, until their departure.
- Educating pilgrims and Umrah performers and familiarising them with regulations, rights and duties to enable them to perform rituals easily and smoothly.

**Page**  
**674**

### **34.3.5.3 Policies**

Achieving the above objectives is contingent upon implementing the following policies:

- Enhancing coordination with internal and external pilgrims institutions as regards developing the services provided to pilgrims.
- Developing guidance and grouping control centres, and increasing the numbers of guidance centres in Makkah and Madinah and other Holy Places.

- Intensifying awareness, counselling and guidance programmes to pilgrims prior to arrival at Makkah and Madinah and the Holy Places.
- Continuing coordination with the Hajj Central Committee, Islamic Hajj missions and other related government agencies, in order to provide pilgrims and Umrah performers with the best possible services.
- Continuing coordination with the relevant authorities to develop modes of transport.
- Developing the necessary and appropriate mechanisms to the requirements of each season, in order to ensure that appropriate services are provided to all pilgrims.

### **34.3.6 Financial Requirements**

The financial allocations to the Ministry of Hajj under the Ninth Development Plan amount to SR3.2 billion.

**Page**

**676**

# STATISTICAL DATA AND INFORMATION SERVICES

## 35.1 INTRODUCTION

During the period of the Eighth Development Plan, work continued on developing databases and information bases to meet the increasing needs for statistical data and information, which are critical inputs for economic, social and environmental development planning, in addition to their use in civil, academic, economic and social institutions. In view of the integration of the national economy into the global system, especially since the accession of the Kingdom to the WTO at the end of 2005, demand by various international institutions for data and information has increased.

The Kingdom kept pace with all the above developments. There was marked progress during the Eighth Development Plan in sectoral and specialized databases. Population, economic and social statistics were expanded and diversified, and their timelines developed in line with the requirements of their varied usages. Moreover, efforts were made to ensure that statistical surveys are carried out regularly within specific time cycles.

The Ninth Development Plan envisages continuation of efforts and plans to develop statistical data in the public and the private sectors and expand their coverage; in addition to continuing to build the statistical capacity of various agencies, based on international best practice. The plan also envisages developing social statistics, diversifying the price index, and providing social indicators for regions and major cities. Moreover, to be able to measure performance in each sector and formulate plans for future developments, the Plan aims at developing databases for various sectors. Furthermore, the time cycle of several indicators will be reduced, as will be the timelines for providing and disseminating various data.

This chapter presents the current conditions of the services of the Central Department of Statistics and Information (CDSI) and the developments that took place under the Eighth Development Plan. It also reviews the key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand for the services of the Department, and presents the future vision, the objectives, policies and targets set for it under the Ninth Development Plan.

## **35.2 CURRENT CONDITIONS**

### **35.2.1 Statistical Information**

The CDSI, which is responsible for the organization of the statistical sector, expanded the scope of its statistical researches and studies to cover a number of social and economic activities. It also developed its statistical bulletins and periodicals to monitor economic, social and demographic changes more comprehensively and faster. For their part, most government agencies and public institutions provided various detailed statistical bulletins on their sectoral tasks and activities.

**Page**  
**678**

Under the Eighth Development Plan, the detailed results of the 2004 General Census of Population and Housing were published. The Census constituted a general framework for population and social development research, and a reference base for a number of studies conducted by various agencies, including the Atlas of Population and Housing prepared by CDSI published in 2007. In addition, results of the 2003 Establishment Census, which constitutes a framework and an important resource for the annual economic researches, as well as for periodic surveys, were published. Over the period, preparations were completed for the General Census of Population and Housing to be conducted in 2010, followed in the same year by the Economic Establishment Census.

The statistical surveys system developed significantly, both in terms of the topics addressed and the depth and comprehensiveness of the surveys conducted. Moreover, surveys were organized in specific time cycles. Over the period of the Eighth Plan, various surveys were conducted (Table 35.1), including:



**Table 35.1**  
**Implemented Statistical Surveys**  
**Eighth Development Plan**

Description	Date of Last Survey	Frequency	Notes
<b>Population and Social surveys:</b>			
Demographic Survey	2007	Every 5 years	Studies demographic, economic and social phenomena of population
Population and Environment Survey	2007	Every 5 years	Provides information on the characteristics of houses and the services and infrastructure to which they are connected
Disability survey	2007	Every 5 years	Identifies characteristics of the disabled in terms of size, type of disability and proliferation
Manpower Survey	2009	Semi-Annually	Provides economic, social and demographic data on manpower, both employed and unemployed
Household Expenditure and Income Survey	2007	Every 5 years	Provides data on averages and percentages of household income and expenditure on goods and services
Statistics on Pilgrims	2009	Annually	Provides data on pilgrims, such as numbers, nationalities and gender
Directory of Services	2006	Every 3 years	Inventories services available in every population centre
<b>Economic surveys:</b>			
Survey of economic Establishments	2009	Annually	Provides data on economic activities and updates databases for specialized economic research
Survey of Tourism	2007	Every 5 years	Measures participation of the tourism sector in the development process
Survey of Finance and Insurance	2007	Every 5 years	Provides data on finance and insurance activity
New Enterprises Survey	2007	Every 2 years	Identifies rates of growth of enterprises
Foreign Investment Survey	2008	Every 2 years	Provides data on the volume of foreign investment and its sources
Economic Indicators Survey	2009	Quarterly	Provides indicators for the purpose of preparing estimates of the quarterly national accounts
Survey of Manufacturing Production	2009	Quarterly	Provides an index for industrial production
Cost of living Index	Continuous survey	Monthly	Builds price-movement indices for wholesale goods and services weighted by their relative contributions to total cost of living expenditure
Wholesale Price Index	Continuous survey	Quarterly	Builds price movement indices for wholesale goods and services
Average Prices	Continuous survey	Monthly	Monitors price movement of goods and services by usage

*Source: Central Department of Statistics and Information.*

- Population and social surveys: demographic surveys and household expenditure and income surveys every five years, manpower survey on a biannual basis, and others.
- Economic surveys: foreign investment and new institution surveys every two years; annual economic survey of institutions; and quarterly finance, insurance and tourism surveys and economic indicators and industrial production surveys.

CDSI continued to prepare the monthly cost of living index and the quarterly wholesale price index; and in a complementary step, a monthly report on average prices for a basket of selected goods and services was launched in 2009.

Within the framework of reports and statistical studies, efficiency of national accounts was enhanced by adding a quarterly report to supplement the annual one, as well as by launching an annual report of national accounts in accordance with the 1993 system. Moreover, another set of annual, quarterly and monthly statistics on foreign trade was also launched (Table 35.2).

Furthermore, there was clear improvement in the scope and quality of the statistical data provided by government agencies and public institutions. Most agencies publish detailed and periodic data on their activities and services. This development was most pronounced in financial data and statistics, spurred by the expansion of activity in the local and regional financial markets, especially stock and bond markets, as well as in the emerging promising economic sectors, such as tourism and investment.

**Table 35.2**  
**Implemented Reports and Statistical Studies**  
**Eighth Development Plan**

Description	Year of Last Issue	Frequency	Notes
National Accounts Report	2009	Annually	Includes estimates of GDP by sector; and domestic demand, inflation rates, export and import data. Issued at current year end
National Accounts Bulletins according to the 1993 and 1968 Systems	2008	Annually	Estimates GDP at current and fixed prices; in addition to the consolidated accounts, national income, disposable income, capital formation and others
National Accounts Indicators	2009	Quarterly	Estimates quarterly GDP by economic sector
Export Statistics Bulletin	2008	Annually	Monitors movement of exports of goods
Import Statistics Bulletin	2008	Annually	Monitors movement of imports of goods
Trade Bulletin	2008	Annually	Monitors movement of exports and imports over 10 years with the most important 60 countries, and the trade balance and main goods during the year
Monthly Report on Saudi Non-Oil Exports and Imports	Continuous	Monthly	Monitors movement of non-oil exports and imports of goods during the month
Indices of Foreign Trade Bulletin	2008	Annually	Measures values and quantities of exported and imported goods
Monthly Cost of Living Index Bulletin	Continuous	Monthly	Monitors movement of wholesale goods prices of a basket of goods and services weighted by their relative contributions to total expenditure
Wholesale Price Index Bulletin	Continuous	Quarterly	Monitors movements of wholesale prices of goods and services
Statistical Yearbook and Statistical Indicator	2009	Annually	Monitors and documents statistical information and data, and highlights activities of governmental and non-governmental agencies
Atlas of Population and Housing	2006	Upon publication of detailed census results	Presents the detailed results of the Census on Atlas maps

*Source: Central Department of Statistics and Information.*

### **35.2.2 Provision of Timely Data and Information**

Developments in the statistics and information sector were not limited to the amount and scope of data, but there was also improvement in their accuracy and reliability. This improvement is attributed to the maturity of many databases, especially with the accumulation of experience and the development of the technical and administrative capabilities of the agencies involved, as well as the high level of transparency and increasing demand for accurate data by society and various economic, social and civil sectors. In addition, the provision of information through local networks and the internet contributed to enhancing the credibility of information.

Availability of timely statistical data and information and their issuing within fixed timeframes are the most prominent determinants of data quality. Under the Eighth Development Plan, there was significant improvement, with most statistical publications issued to a large extent within specific time periods and the time cycle of some reduced to annually, quarterly and monthly. Efforts designed to effect further improvement are expected to continue. Moreover, the timing of statistical releases improved, with the duration between the end of the statistical period and the date of issue of the related statistical bulletin reduced. Financial information services in general, and those related to trading in the stock market in particular, represent an advanced case, with data on direct trading operations provided through various means of communication, primarily mobile phones and the internet.

**Page**  
**682**

### **35.2.3 Statistical Capacity Building**

Expansion of the scope of statistical data and improvement in their timeliness and reliability was accompanied by further statistical capacity building, both at the CDSI and at governmental and private agencies. Under the Eighth Development Plan, there were continued efforts to advance the National Computer Centre, administered by CDSI, through developing systems and software applications and databases, as well as through strengthening the capacity for digital authentication of the outputs of censuses, surveys and statistical

research. Moreover, technical services provided by the CDSI to agencies associated with the Centre were improved, with the aim of helping these agencies to utilise their systems and programmes to enhance the efficiency of the information network.

Over the period, statistical maps based on geographic information systems were developed and utilised in conducting censuses and statistical research. The maps improve the efficiency and productivity of census operations by installing population definitions, identifying and updating locations of statistical samples, through linking topographical data with the plans of cities and centres.

The e-government transactions project “YESSER” that was launched in 2005 enhanced the statistical capacity and the databases of various government agencies, taking advantage of the close interrelationship and functional integration among them. The project aspires to build a standard government statistical database that supports e-transactions, which requires technical and human skills capacity building and development in ICT in all government departments and public institutions.

Dissemination of statistical data and information was expanded, benefiting from the multimedia capabilities provided by ICT. Most statistics and data have become available through websites of the agencies on the internet, as well as through print and electronic statistical bulletins. The Kingdom participates in the General Data Dissemination System (GDDS) sponsored by the International Monetary Fund and the World Bank.

#### **35.2.4 Institutional and Organizational Development**

Council of Ministers Resolution No.284 of 2005 ordered the restructuring and reorganisation of the statistics and information sector to enhance its capabilities and improve its efficiency to enable it to meet the growing demand by public and private institutions and individuals. The following are some of the most prominent provisions of the Resolution:

- Assigning the task of collecting information to the renamed Central Department of Statistics and Information (CDSI)
- Forming a national committee, with representatives from a number of government agencies, to coordinate and consolidate efforts, both among government agencies and between them and the CDSI. The Committee will also develop effective mechanisms to ensure an effective flow of information among the various parties, in addition to a series of projects designed to provide a national bank of statistical information that will meet requests for information on all fields.
- Various agencies should provide the CDSI with statistical data and information automatically and regularly on time.
- Government agencies that do not have units for statistics and information are to establish such units and enhance their capabilities.

**Page**  
**684**

Also the Council of Ministers Resolution No. 235 of 2007 confirmed the CDSI as the main and official reference for all information and statistical data and highlighted its tasks, which include: implementation of population, economic and social censuses; and compilation, tabulation and analysis of information and statistical data taken from administrative records of government agencies. The Resolution also stipulated that the CDSI conduct studies and present proposals for developing the statistics and information sector; make regulations, methods and various classifications compatible with international standards; establish a centralised information system linked automatically to all government agencies; and engage actively in the establishment of the National Bank of Information and Statistics. The Resolution also pointed to the need for finding a mechanism through which statistical services, researches and studies in both the public and the private sectors would be provided in a commercial manner similar to that practised in some developed countries.

## 35.3 ISSUES AND CHALLENGES

### 35.3.1 Regional Databases

Regional statistical databases have become comprehensive and highly reliable, particularly data on public services and infrastructure. Nevertheless, databases on a number of sectors are not consistent with the requirements of economic and social development. Hence, efforts should be made to bridge the gap in national statistics, through development of regional data on economic, social, financial, commercial and industrial sectors, for these improve the efficiency of local development and support regionally balanced development.

### 35.3.2 Price index

In addition to supporting studies on, and planning, implementation and operation of programmes and projects, indicators are the most important determinants of management of socioeconomic development. On that basis, the price index was developed under the Eighth Development Plan, and is now available on a monthly basis, both at the national level and at the level of major cities. However, developments at all levels require the availability of indicators that are more representative of the economic and social situation of major segments of society, concurrently reflecting the demographic, geographic and spatial dimensions of the Kingdom. Moreover, there is a need for developing price sub-indices to serve specific socioeconomic management purposes and private sector activities. This would require continuous efforts to keep pace with developments, while adopting international best practices.

### 35.3.3 Dissemination of Statistical Data

Due to economic, technical and knowledge developments all over the world, modern economies are characterized by rapid dynamics that require the use of correct scientific methodologies to measure statistics over shorter periods and in regular cycles, in order to provide economic, financial and administrative indicators efficiently and

accurately. Achievements made in this regard were noted above, with some of the important indicators being measured semi-annually or quarterly, and the price index and foreign trade statistics monthly. Nevertheless, semi-annual, even quarterly, cycles are no longer sufficient for a number of indicators, such as national accounts and key labour market indicators.

Hence, efforts should be made to develop the statistical data cycle, for it to correspond to international practices and to the requirements of a modern economy. This, in turn, requires supplying the CDSI in a timely manner with the key basic data that enter into the calculation of the indicators, while ensuring that such data cover the required details in accordance with standard statistical classifications. Moreover, indicators have to be published immediately at the end of the statistical cycle concerned.

### **35.3.4 Private Sector Administrative Data and Indicators**

**Page**

**686**

Companies and enterprises have comprehensive information on their various activities, including, for example, investment expenditure, operating expenses, wages, and procurements. Periodic collection of such data at both the sectoral and the national levels, and derivation of economic and financial indicators from them would significantly benefit all agencies and enterprises in both the public and the private sectors. Hence, it would be beneficial to use the administrative data and information available at the private sector, through developing the requisite institutional and organizational capacities.

## **35.4 DEVELOPMENT STRATEGY**

### **35.4.1 Future Vision**

Providing diverse, advanced and comprehensive databases on all economic and social variables, characterised by accuracy and reliability, both in terms of reliability and timeliness, to which all public and private entities contribute, each according to its function and competence; all overseen by the CDSI.



### 35.4.2 Objectives

- Providing statistical data and information, covering economic, social, and demographic activities and developments.
- Enhancing the efficiency and reliability of statistical data and information.
- Building and developing the national statistical capacity.

### 35.4.3 Policies

- Encouraging all agencies and public and private institutions to build and disseminate comprehensive databases on their activities.
- Strengthening the function of CDSI: preparation and dissemination of statistical data and coordination of national databases.
- Providing a variety of statistical indicators within multiple timeframes.
- Applying international standards for data dissemination, following up, and applying new ones.
- Supporting and developing the establishment of statistical units in all government agencies and institutions.
- Supporting the establishment of professional associations and encouraging them to provide statistical data.

### 35.4.4 Targets

- Implementing the General Census of Population and Housing, the Census of Economic Establishments, and the Census of Agriculture and Industry.
- Carrying out the annual demographic, social and economic survey of establishments.
- Implementing specialized economic surveys, covering specific economic sectors, such as construction, industry and tourism, including data and statistical information on the inputs and

outputs of each sector by type of service, production, value added, manpower distribution, operating expenses, wages and income.

- Continuing to develop and issue statistical publications, such as: the National Accounts Bulletin; the bulletin on statistics on foreign trade (exports and imports); and the bulletin on price statistics, cost of living indices, wholesale price indices, and average prices, along with implementing a special programme to monitor the quality of price data.
- Developing the website of CDSI in form and content to meet all the needs of beneficiaries and reflect developments in CDSI activities.

### **35.5 FINANCIAL REQUIREMENTS**

The total estimated financial requirements for CDSI under the Ninth Development Plan amount to SR1.5 billion.

# METHODOLOGY OF THE NINTH DEVELOPMENT PLAN

## 36.1 INTRODUCTION

Over the successive five-year plans, development planning in the Kingdom has been based on a cogent methodology that balances economic, social and organizational dimensions, while adapting to the conditions of each plan. This methodology deals efficiently and flexibly with local variables and regional and international developments; enhances the role of the private sector through indicative planning, by integrating its initiatives with those of the government sector that are based on directive planning; and forms comprehensive long-term visions for economic and social development through strategic planning.

The Ninth Development Plan continues to improve planning methodology and methods in the light of accumulated experience and lessons learned from successful regional and international experiences.

This chapter reviews the planning methodology followed by the Kingdom; the components of the development plan, its preparation, implementation and follow-up mechanisms; its key methodological themes, and the future vision for planning methodology.

## 36.2 PLANNING METHODOLOGY

The Kingdom adopts a comprehensive approach to planning, which covers strategic and medium term planning with both directive and indicative components, as well as regional level planning. Strategic planning is concerned with formulating a long-term development perspective that determines development priorities, potential challenges, and possible future growth paths in the light of expected developments in the internal and external environments.

Directive planning relates to the operational programmes and projects of various government agencies that are adopted and financed by the

state for achieving development goals both at the macroeconomic and the sectoral levels.

For its part, indicative planning seeks to enhance the developmental role of the private sector, through preparing an enabling environment, which attracts private investment and provides incentives and investment opportunities that contribute to the overall objectives of the economic and social development plans. Policy planning, which is an important stage of indicative planning, seeks to achieve private sector economic efficiency in investment, production and organization. Such planning was adopted by the Eighth Development Plan, and the Ninth Development Plan will continue to rely on it.

The regional dimension of planning aims at achieving regionally balanced development, through balanced distribution of government services among the various regions, ensuring optimum utilization of the available economic resources in each region, in order to secure balanced spatial and social distribution of the benefits of economic development. The regional law of 1992 reinforced this dimension of development. The Ninth Development Plan emphasises regional development and seeks greater harmonisation between the sectoral and the geographic dimensions of projects included in the operational plans of government agencies.

The system of planning in the Kingdom encompasses the following key tasks: preparing a long-term vision for development; coordinating development efforts in both the public and the private sectors; directing government resources in accordance with economic and social planning priorities; and conducting periodic reviews and evaluating results of development plans, programmes and projects.

### **36.3 COMPONENTS OF DEVELOPMENT PLAN**

The components of the Ninth Development Plan are:

- The Plan Document: a comprehensive report that includes: a review and evaluation of the Eighth Development Plan; major development issues at the macroeconomic and sectoral levels;

and the future vision, objectives and policies of the Ninth Development Plan.

- Operational plan: a detailed plan for individual government agencies that defines for each the objectives, policies, targets, key issues, financial and human resources requirements, programmes, and projects.
- Regional Plans: a detailed plan for each individual region that includes: an evaluation of the economic and social conditions; and the objectives, policies, programmes and projects of the sectoral operational plans for the region concerned.
- Monitoring report: an annual report prepared by the Ministry of Economy and Planning, in cooperation with all government agencies, which: assesses the performance of the Plan, monitors implementation of programmes and projects, ascertains whether the achievements are in line with the planned objectives, and addresses core issues and barriers to implementation.

## **36.4 PREPARATION OF DEVELOPMENT PLAN**

Preparation of the plan includes: evaluating the methodology to be followed; conducting studies to support the plan; providing the required statistical databases and information for monitoring and analysis, at the macro, sectoral and regional levels; preparing manuals to assist ministries and government agencies in the preparation of operational plans; conducting field visits to various regions; providing economic models which are necessary planning tools; and intensifying consultation and coordination with ministries, government agencies, and the private sector throughout the entire plan preparation period.

### **36.4.1 Methodology Evaluation**

Before proceeding with the preparation of the five-year development plans, the proposed methodology to be followed in the preparation of each plan is reviewed; and the required development aspects are

defined, on the basis of accumulated experience, guided by successful regional and international development planning experiences, and employing distinguished national and international expertise. During the preparatory phases of the plan, there were numerous domestic and international economic and social developments, including accelerated globalization, global trends towards further trade liberalisation and privatisation, and heightened competition. These developments required using more sophisticated methods for each phase. More advanced methodologies were used for each plan, and there was a shift from project planning to programme planning. The scope of the planning methods was expanded to include, in addition to directive planning, indicative planning and strategic planning, as well as emphasis on regionally balanced development.

### **36.4.2 Supporting Studies**

**Page**  
**692**

For the preparation of five-year development plans, studies of core issues are conducted. Such studies play an important role in enriching the plans and developing their components.

The next phase envisaged by the Ninth Development Plan involves numerous issues and challenges that need to be addressed from a comprehensive strategic perspective. Hence, in-depth studies were prepared on the issues that are vital to the orientation and future policies of the Plan.

### **36.4.3 Databases and Statistical Information**

The Central Department of Statistics and Information provides up-to-date key data and information that are essential for macro and sectoral economic analysis, such as demographic statistics, economic indicators, and national accounts, in addition to the data for the economic models used for forecasting and developing alternative economic scenarios.

Moreover, databases and information are enhanced and updated continuously. Such data are an essential component in evaluating the

performance of the Plan, preparation of sectoral and macro policy papers, and various economic reports that contribute to setting future directions. The Ministry of Economy and Planning is linked electronically with various ministries and government agencies, which ensures that up-to-date electronic databases are provided to enhance the preparation of the Plan and monitor its implementation.

#### **36.4.4 Plan Preparation Manual**

The Ministry of Economy and Planning prepares a plan preparation manual, which offers technical planning guidelines to all ministries and government agencies on how to prepare operational plans that include programmes and projects spread across various regions, cities and centres.

To facilitate plan preparation, an electronic system was established on the website of the Ministry, so that government agencies can directly enter the data from their plans, programmes and projects electronically into the draft plan.

#### **36.4.5 Field visits**

The Ministry of Economy and Planning organizes field visits to various regions of the Kingdom to observe closely the economic and social conditions. This helps in the preparation of the chapters of the plan, as well as the operational and regional plans.

#### **36.4.6 Economic Models**

The Ministry of Economy and Planning uses economic models in the preparation of development plans, as well as in forecasting and developing alternative economic scenarios for each plan, and formulating economic policies and evaluating their effectiveness. These economic models are continuously updated and upgraded.

The economic models used are five: the century model, the selection model, the implementation model, the oil model, and the regional

model. These are used to determine the projected trajectory of growth, during the development plan, at the macro and sectoral levels, ensuing from the current conditions of the national economy. Projected economic and social developments during the years of the plan are then estimated, in the light of the overall objectives of the development plan and the best alternatives available for optimising exploitation of economic resources.

### **36.4.7 Strengthening of Participation of Government Agencies and the Private Sector**

The Ministry of Economy and Planning consults and coordinates with other ministries and various government agencies and elicits the opinion of the private sector in all plan preparation stages. Ministries and government agencies participate through sectoral working teams made up of representatives of government agencies, which prepare operational plans in coordination with the Ministry of Economy and Planning. The agencies also contribute to setting objectives by providing their initial perceptions of the objectives and policies that would achieve development for each sector in the medium and long terms.

**Page**  
**694**

## **36.5 ADVANCES IN PREPARATION OF DEVELOPMENT PLAN**

### **36.5.1 Strategic Dimension of the Plan**

To establish the strategic dimension of the planning process and concurrently with the preparation of the Ninth Development Plan, the Long-Term Strategy of the National Economy Until 2024 was reviewed, in the light of the local and international economic development and the forecasts for some economic variables, including the shift towards a knowledge-based economy. The review covered updating the databases that underpin the components of the quality-of-life indicator and the regional development indicator. In addition, use was made of adopted sectoral strategies, including: the National



Industrial Strategy, the National Spatial Strategy, the National Policy for Science and Technology, the Privatisation Strategy, the National Communication and Information Technology Plan, the National Employment Strategy, and the Strategy for Talent, Creativity and Innovation.

### **36.5.2 Operational Plan**

The operational plan is an essential tool for achieving the objectives of the development plan. Hence, and in line with the policy of applying electronic transactions, the Ministry of Economy and Planning, in cooperation with the other government agencies, developed an electronic system that facilitates preparation of operational plans and allows monitoring implementation via the internet. The Manual for the preparation of the Ninth Development Plan describes the required procedures to be followed for entering data, including procedures of defining objectives, programmes for achieving objectives and implementation mechanisms. Guidelines focus on the need for identifying priorities among objectives and among programmes, through giving them specific weightings, as well as for identifying success indicators for objectives, policies and programmes.

### **36. 5.3 Regional Plans**

Significant advances have been made in regional plans, with continued implementation of the developmental themes methodology adopted by the National Spatial Strategy and the master plans set by the relevant government agencies. These themes provide a basis for extending development from urban centres to the less developed communities; identifying promising investment opportunities offered by each region and their potential and comparative advantages; formulating urban development strategic alternatives for each region; and developing programmes aimed at raising the capacity of local institutions and improving their efficiency.

Moreover, the Ninth Development Plan adopts giving local authorities in the regions more administrative powers, and supporting them with

technical and human resources to help set up development programmes and projects and monitor their implementation.

#### **36.5.4 Monitoring Plan Implementation**

Council of Ministers Resolution No. 1368 of 1976 specifies the rules of monitoring implementation of development plans. Pursuant to this Resolution, the Ministry, in collaboration with other agencies, prepares at the end of each year a monitoring report. This report monitors implementation of the objectives of the plan at both the macro and the sectoral levels; provides detailed follow-up of the implementation of programmes and projects; cites the most fundamental issues affecting implementation; and summarises the performance of the national economy and its major sectors during the year.

Development of monitoring mechanisms is a continuous process that relies on developments in ICT. For example, the projects of the Plan were entered into a common electronic database for use by the Ministry of Economy and Planning and implementing agencies. This database includes detailed data on the progress of implementation, thereby allowing a continuous monitoring. In addition, under the e-government applications programme, an automated link between the ministry and other government agencies was established on the website of the Ministry, which allows short-cycle monitoring of performance.

**Page**  
**696**

### **36.6 FUTURE VISION OF PLANNING METHODOLOGY**

Developing indicative-planning mechanisms commensurate with the growing role of the private sector, increasing reliance on policy planning, promoting decentralization by delegating more powers to local administrations, and completing the process of formulating sectoral strategies.

### **36.6.1 Geographical Dimension**

Efforts will continue to enhance the geographical dimension of the planning process, through developing the analytical and statistical aspects of regional development. This will include further modification and development of models of operational plans to cover the geographical dimension in the activities of government agencies in a more effective and detailed manner, as well as continuing to develop regional development model to include a larger number of indicators. This model is intended to provide an advanced analytical framework, through which distribution of investments and production and services activities among the region would be optimised; thereby accelerating the achievement of balanced development and reduction of regional development disparities.

### **36.6.2 Linkage between Plan and Strategy**

Efforts to strengthen the linkage between the development plan and the Long-Term Strategy of the National Economy until 2024 will continue, with each government agency preparing or developing its own long-term strategy in line with the long-term strategy of the national economy. Furthermore, strengthening the planning capacity of government agencies will continue, through periodic workshops and meetings.

### **36.6.3 Monitoring Mechanisms**

To achieve effective management of development plans, the system of monitoring implementation should, alongside follow-up of projects and performance evaluation, include monitoring implementation of macroeconomic and sectoral policies. Monitoring implementation of economic policies should increase the effectiveness of the indicative role of the development plan. However, plan preparation should include identifying suitable indicators for economic policies and implementation mechanisms and effective methods for assessing policy implementation.

The Ninth Development Plan included in its operational plans more measurable indicators and targets for monitoring implementation. These indicators will support performance evaluation, and strengthen the indicative role of the Plan. To develop measurement and evaluation methods for assessing performance of the Saudi economy, the Ministry will continue, through cooperation and coordination with other government agencies, to develop indicators for the productive and services sectors and activities, to enable measuring performance against commonly accepted standards.

**Page**

**698**

# TABLE OF CONTENTS

Subject		Page
Preface		
Glossary of terms and Abbreviations		
Table of Contents		
List of Tables		
List of Figures		
List of Boxes		
<b>1.</b>	<b>THE NATIONAL ECONOMY UNDER THE EIGHTH DEVELOPMENT PLAN</b>	<b>1</b>
1.1	INTRODUCTION	1
1.2	THE ECONOMIC SITUATION	1
1.2.1	Principal Growth Rates	1
1.2.1.1	Oil-and-Gas Sector	2
1.2.1.2	Non-Oil Sectors	3
1.2.1.3	Production Sectors	4
1.2.1.4	Service Sectors	5
1.2.2	Gross Fixed Capital Formation	7
1.3	PRIVATE SECTOR	8
1.4	PUBLIC FINANCE	9
1.4.1	Expenditure on Development Sectors	11
1.4.2	Public Debt and Government Foreign Assets	12
1.5	FOREIGN TRADE AND BALANCE OF PAYMENTS	13
1.6	HUMAN RESOURCES DEVELOPMENT AND EMPLOYMENT	15
1.7	THE FINANCIAL SECTOR	17
1.7.1	Banks	17
1.7.2	Saudi Banks and the Global Financial Crisis	18
1.7.3	Specialized Lending Institutions	19
1.7.4	Domestic Liquidity	20
1.7.5	Saudi Stock Market	21
1.8	PRICES OF GOODS AND SERVICES	22
<b>2.</b>	<b>MAIN DIRECTIONS OF THE NINTH DEVELOPMENT PLAN</b>	<b>25</b>
2.1	INTRODUCTION	25
2.2	OBJECTIVES	25
2.3	IMPLEMENTATION MECHANISMS	27
2.4	GENERAL FRAMEWORK OF THE DIRECTIONS OF THE PLAN	30
2.4.1	Improving Standard of Living and Quality of Life	30
2.4.2	Balanced Development among Regions	31
2.4.3	Diversification of Economic Base	33
2.4.4	Towards a Knowledge-based Economy	34
2.4.5	Enhancement of Competitive Capacities	36
2.4.6	Human Resources Development	39
<b>3.</b>	<b>LONG-TERM STRATEGY FOR THE SAUDI ECONOMY</b>	<b>43</b>
3.1	INTRODUCTION	43
3.2	STRATEGIC ISSUES AND CHALLENGES	43
3.2.1	Raising the Standard of Living and Improving the Quality of Life	43
3.2.2	Achieving Sustainable Development	44

	Subject	Page
	3.2.3 Enhancement of Competitiveness	46
	3.2.4 Laying the Foundations for a Knowledge-Based Economy	47
	3.2.5 Regional and Arab Integration	47
3.3	SUPPORTING FACTORS FOR FACING CHALLENGES	48
3.4	TARGET PATHS ENVISAGED BY THE STRATEGY	50
	3.4.1 Long-Term Population Forecasts	51
	3.4.2 Future Vision of the Saudi Economy	52
	3.4.2.1 GDP and Per Capita Income	52
	3.4.2.2 GDP by Expenditure Item	53
	3.4.2.3 GDP by Sector	55
	3.4.2.4 Labour Force and Employment	58
	3.4.3 Target Path for Improving Quality of Life	60
	3.4.4 Target Path for Development of Scientific, Technological and Knowledge Capacities	60
3.5	LONG-TERM STRATEGY AND THE NINTH DEVELOPMENT PLAN	60
	<b>4. NATIONAL ECONOMY UNDER THE NINTH DEVELOPMENT PLAN</b>	<b>61</b>
	4.1 INTRODUCTION	61
	4.2 ENVIRONMENT OF PLAN PREPARATION	61
	4.3 MAJOR OBJECTIVES OF THE PLAN	63
	4.4 AGGREGATE SUPPLY	65
	4.4.1 Major Growth Rates	65
	4.4.2 Sectoral Growth and Economic Structure	67
	4.4.3 Imports	73
	4.5 AGGREGATE DEMAND	73
	4.5.1 Consumption	74
	4.5.2 Investment	75
	4.5.3 Change in Inventories	76
	4.5.4 Exports	76
	4.6 BALANCE OF PAYMENTS	77
	4.7 FINANCIAL REQUIREMENTS OF DEVELOPMENT SECTORS	77
	4.8 EMPLOYMENT AND UNEMPLOYMENT	80
	4.9 LOW-INCOME GROUPS AND REGIONAL DEVELOPMENT	81
	4.10 PRODUCTIVITY AND COMPETITIVENESS	81
	4.11 INSTITUTIONAL AND ADMINISTRATIVE DEVELOPMENT	82
	4.12 KNOWLEDGE ECONOMY	82
	4.13 ECONOMIC POLICIES	83
	4.13.1 Fiscal Policy	83
	4.13.2 Monetary Policy	84
	4.13.3 Investment Policy	84
	4.13.4 Foreign Trade Policy	85
	<b>5. KNOWLEDGE-BASED ECONOMY</b>	<b>87</b>
	5.1 INTRODUCTION	87
	5.2 CURRENT CONDITIONS	88
	5.2.1 Dissemination of Knowledge	88
	5.2.2 Knowledge Transfer and Indigenisation	89
	5.2.3 Knowledge Production	90
	5.2.4 Utilisation of Knowledge	91
	5.2.5 Favourable Environment	91

<b>Subject</b>		<b>Page</b>
	5.2.6 Projects Enhancing the Knowledge- Based Economy	93
5.3	ISSUES AND CHALLENGES	94
	5.3.1 Education and Dissemination of Knowledge	94
	5.3.2 Transfer and Indigenisation of Knowledge	96
	5.3.3 Knowledge Production Capabilities	96
	5.3.4 Transforming Knowledge into Products	98
	5.3.5 Knowledge Management	100
	5.3.6 Knowledge And Community	100
5.4	DEVELOPMENT STRATEGY	101
	5.4.1 Future Vision	101
	5.4.2 Objectives	101
	5.4.3 Policies	101
	5.4.4 Targets	104
<b>6.</b>	<b>COMPETITIVENESS OF THE NATIONAL ECONOMY</b>	<b>107</b>
6.1	INTRODUCTION	107
6.2	CURRENT CONDITIONS	107
	6.2.1 Elements of Competitiveness	107
	6.2.2 General Competitive Position	108
	6.2.3 The Private Sector and Competitiveness of National Products	110
	6.2.4 National Competitiveness Centre	111
	6.2.5 Access Programme	112
6.3	ISSUES AND CHALLENGES	112
	6.3.1 Technology Content of National Exports	112
	6.3.2 Innovation	113
	6.3.3 Favourable Environment for Exports	114
	6.3.4 Employment in the Private Sector	115
	6.3.5 Business Clusters	115
	6.3.6 Family Businesses	116
6.4	DEVELOPMENT STRATEGY	117
	6.4.1 Future Vision	117
	6.4.2 Objectives	117
	6.4.3 Policies	118
	6.4.4 Targets	121
<b>7.</b>	<b>INSTITUTIONAL AND ADMINISTRATIVE DEVELOPMENT</b>	<b>123</b>
7.1	INTRODUCTION	123
7.2	CURRENT CONDITIONS	124
	7.2.1 Overall Performance	124
	7.2.2 E-Government Transactions	126
	7.2.3 Protection of Integrity and Combating of Corruption	127
	7.2.4 Performance Measurement in Government Agencies	127
7.3	ISSUES AND CHALLENGES	129
	7.3.1 A Comprehensive Strategy for Institutional and Administrative Development	129
	7.3.2 Appropriateness of Organizational Structures	130
	7.3.3 Implementation of Public Projects	130
	7.3.4 Human Resources Development	131
	7.3.5 Performance Indicators	131
7.4	DEVELOPMENT STRATEGY	132
	7.4.1 Future Vision	132

	Subject	Page
	7.4.2 Objectives	132
	7.4.3 Policies	132
	7.4.4 Targets	133
	<b>8. THE PRIVATE SECTOR</b>	<b>135</b>
	8.1 INTRODUCTION	135
	8.2 CURRENT CONDITIONS	136
	8.2.1 Overall Performance	136
	8.2.2 Private Sector Enterprises	138
	8.2.3 Bank Credit	141
	8.2.4 Business Environment	141
	8.2.5 Chambers of Commerce and Industry	142
	8.2.6 The Private Sector and the Privatization Strategy	143
	8.3 ISSUES AND CHALLENGES	144
	8.3.1 The global financial crisis	144
	8.3.2 The World Trade Organization (WTO)	145
	8.3.3 National Employment	146
	8.3.4 Microfinance	147
	8.3.5 Institutional Framework for Development of SMEs	147
	8.4 DEVELOPMENT STRATEGY	148
	8.4.1 Future Vision	148
	8.4.2 Objectives	148
	8.4.3 Policies	148
	8.4.4 Targets	151
	<b>9. INVESTMENT</b>	<b>153</b>
	9.1 INTRODUCTION	153
	9.2 CURRENT CONDITIONS	153
	9.2.1 Overall Performance	153
	9.2.2 Sectoral Structure of Investment	154
	9.2.3 Balance of Savings and Investment	156
	9.2.4 Foreign Direct Investment (FDI)	157
	9.3 IMPROVEMENT OF INVESTMENT CLIMATE	158
	9.4 ISSUES AND CHALLENGES	160
	9.4.1 Public-Private Partnerships	160
	9.4.2 Medium-and Long-Term Finance	161
	9.4.3 Economic Cities	162
	9.4.4 Investment Incentives	162
	9.4.5 Entrepreneurs	162
	9.5 DEVELOPMENT STRATEGY	163
	9.5.1 Future Vision	163
	9.5.2 Objectives	163
	9.5.3 Policies	164
	9.5.4 Targets	166
	9.6 FINANCIAL REQUIREMENTS	168
	<b>10. MANPOWER AND THE LABOUR MARKET</b>	<b>169</b>
	10.1 INTRODUCTION	169
	10.2 CURRENT CONDITIONS	169
	10.2.1 Total Employment	169
	10.2.2 Employment and Saudization of Jobs in the Public Sector	171
	10.2.3 Employment and Indigenisation of Jobs in the Private Sector	172

Page

*viii*



Subject		Page
10.2.4	Institutional and Regulatory Development of the Labour Market	173
10.3	ISSUES AND CHALLENGES	174
10.3.1	Training of Saudi Manpower	174
10.3.2	Productivity of Saudi Manpower	175
10.3.3	Unemployment	175
10.3.4	Labour Force Participation of Saudis	176
10.3.5	Labour Market Services	176
10.4	DEVELOPMENT STRATEGY	177
10.4.1	Future Vision	177
10.4.2	Objectives	177
10.4.3	Policies	178
10.4.3.1	Policies for training and improving productivity of Saudi manpower	178
10.4.3.2	Policies for reducing unemployment and increasing Saudi labour force participation rates	179
10.4.3.3	Policies for supporting labour market services	180
10.5	LABOUR MARKET KEY INDICATORS	182
10.6	SAUDI MANPOWER SUPPLY	183
10.7	LABOUR DEMAND	184
10.7.1	Labour Demand by Sector and Economic Activity	184
10.7.2	Labour Demand by Major Occupational Groups	186
10.8	OCCUPATIONAL BALANCE OF EMPLOYMENT	187
<b>11.</b>	<b>POPULATION AND STANDARD OF LIVING</b>	<b>189</b>
11.1	INTRODUCTION	189
11.2	CURRENT CONDITIONS	190
11.2.1	Demographic Characteristics	190
11.2.2	Standard of Living and Quality of Life	194
11.3	ISSUES AND CHALLENGES	196
11.3.1	Population Issues and Challenges	196
11.3.2	Issues and Challenges Related to Standard of Living and Quality of Life	198
11.4	TARGET PATHS	200
11.5	DEVELOPMENT STRATEGY	205
11.5.1	Future vision	205
11.5.2	Objectives	205
11.5.3	Policies	205
11.5.4	Targets	207
<b>12.</b>	<b>REGIONAL DEVELOPMENT</b>	<b>209</b>
12.1	INTRODUCTION	209
12.2	CURRENT CONDITIONS	209
12.2.1	Pillars of Regional Development	209
12.2.2	Administrative Regions	211
12.2.3	Population Trends	212
12.2.4	Economic Activity	214
12.2.5	Unemployment	216
12.3	ISSUES AND CHALLENGES	217
12.3.1	Production Base	217
12.3.2	Database	217
12.3.3	Population Concentration	217
12.3.4	Environmental Aspects	218

	Subject	Page
	12.4 DEVELOPMENT STRATEGY	219
	12.4.1 Future Vision	219
	12.4.2 Objectives	219
	12.4.3 Policies	219
	12.4.4 Targets	221
	<b>13. BUILDING AND CONSTRUCTION</b>	<b>223</b>
	13.1 INTRODUCTION	223
	13.2 CURRENT CONDITIONS	223
	13.2.1 Developments	223
	13.2.2 Capital Assets	224
	13.2.3 Building Permits	225
	13.2.4 National Employment in the Sector	227
	13.2.5 Regulatory Environment	227
	13.2.6 Indicators of Activity in Building Materials	229
	13.3 ISSUES AND CHALLENGES	230
	13.3.1 Economic Efficiency of Contracting Activities	230
	13.3.2 Productivity and Saudization of Jobs	231
	13.3.3 Institutional and Organizational Development	231
	13.3.4 Information and Databases	232
	13.4 DEVELOPMENT STRATEGY	232
	13.4.1 Future Vision	232
	13.4.2 Objectives	232
	13.4.3 Policies	232
	13.4.4 Targets	234
	<b>14. ENVIRONMENTAL MANAGEMENT</b>	<b>235</b>
<i>x</i>	14.1 INTRODUCTION	235
	14.2 CURRENT CONDITIONS	236
	14.2.1 Environmental Protection	236
	14.2.2 Wildlife Protection	237
	14.2.3 Combating Desertification	239
	14.2.4 Pollution and Environmental Health	240
	14.2.5 Institutional and Organizational Development	242
	14.2.6 National Strategies and Plans for Environmental Protection	243
	14.3 ISSUES AND CHALLENGES	244
	14.3.1 Coordination of Environmental Action	244
	14.3.2 Natural Resources	244
	14.3.3 Environmental Pressures	245
	14.3.4 Marine Environment	245
	14.3.5 Exhaustion of Wildlife Resources and their Natural Habitats	246
	14.4 DEVELOPMENTAL STRATEGY	246
	14.4.1 Future Vision	246
	14.4.2 Objectives	247
	14.4.3 Policies	247
	14.4.4 Targets	248
	14.5 FINANCIAL REQUIREMENTS	249
	<b>15. TOURISM AND ANTIQUITIES</b>	<b>251</b>
	15.1 INTRODUCTION	251
	15.2 CURRENT CONDITIONS	252
	15.2.1 Tourist Attraction Factors	252
	15.2.2 Tourist Services	253

<b>Subject</b>		<b>Page</b>
15.2.3	Size of Tourism Market	254
	15.2.3.1 Inward Tourism	254
	15.2.3.2 Domestic Tourism	255
	15.2.3.3 Outbound Tourism	256
15.2.4	Achievements of the Saudi Commission for Tourism and Antiquities (SCTA)	257
15.2.5	Institutional and Organizational Development	259
15.3	<b>ISSUES AND CHALLENGES</b>	260
15.3.1	Domestic Tourism	260
15.3.2	Tourism Awareness	260
15.3.3	Tourist Products	261
15.3.4	Infrastructure	261
15.3.5	Traditional Crafts and Industries	261
15.4	<b>DEVELOPMENT STRATEGY</b>	262
15.4.1	Future Vision	262
15.4.2	Objectives	262
15.4.3	Policies	263
15.4.4	Targets	263
15.5	<b>FINANCIAL REQUIREMENTS</b>	264
<b>16.</b>	<b>TRADE</b>	<b>265</b>
16.1	<b>FOREIGN TRADE</b>	265
16.1.1	Introduction	265
16.1.2	Current Conditions	265
	16.1.2.1 Trade in merchandise	265
	16.1.2.2 Trade in services	269
	16.1.2.3 Inter-trade	270
	16.1.2.4 Balance of payments	272
	16.1.2.5 Institutional and organizational development	273
16.1.3	Issues and Challenges	273
	16.1.3.1 The global financial crisis	273
	16.1.3.2 Non-oil exports	274
	16.1.3.3 Free zones	274
	16.1.3.4 Balance of services and transfers	275
	16.1.3.5 Competitiveness of national exports	276
16.1.4	Development Strategy	278
	16.1.4.1 Future vision	278
	16.1.4.2 Objectives	278
	16.1.4.3 Policies	278
	16.1.4.4 Targets	279
16.2	<b>DOMESTIC TRADE</b>	280
16.2.1	Introduction	280
16.2.2	Current Conditions	280
	16.2.2.1 Domestic trade indicators	280
	16.2.2.2 Commercial Companies	283
	16.2.2.3 Specifications and standards	284
	16.2.2.4 Institutional and organizational development	285
	16.2.2.5 Employment	286
16.2.3	Issues and Challenges	286
	16.2.3.1 Classification of trade activities	286
	16.2.3.2 Small and Medium Enterprises (SMEs)	287
	16.2.3.3 Inflationary pressures	288

	Subject	Page
	16.2.3.4 Commercial and industrial fraud and counterfeit goods	289
	16.2.3.5 Contribution of Saudi manpower	290
	16.2.3.6 Fronting and issuance of NSF Cheques	290
	16.2.3.7 Joint-stock real estate ventures	291
	16.2.4 Development Strategy	292
	16.2.4.1 Future vision	292
	16.2.4.2 Objectives	292
	16.2.4.3 Policies	293
	16.2.4.4 Targets	295
	16.2.5 Financial Requirements	295
	<b>17. FINANCIAL SERVICES</b>	<b>297</b>
	17.1 INTRODUCTION	297
	17.2 CURRENT CONDITIONS	297
	17.2.1 Performance of Commercial Banks	297
	17.2.2 Banking Sector and the Global Financial Crisis	299
	17.2.3 Development of Stock Market Performance	300
	17.2.4 Investment Funds	302
	17.2.5 Development of Activity of Specialized Lending Institutions	302
	17.2.6 Insurance Market	304
	17.2.7 Islamic Banking and Sukuk (Bonds)	305
	17.3 ISSUES AND CHALLENGES	306
	17.3.1 Global Financial Crisis	306
	17.3.2 Developmental Role of Investment Banks	306
	17.3.3 Developmental Role of Islamic Sukuk	307
	17.3.4 Scarcity of Venture-Capital Companies	307
	17.3.5 Specialized Lending Institutions	308
	17.4 DEVELOPMENT STRATEGY	309
	17.4.1 Future Vision	309
	17.4.2 Objectives	309
	17.4.3 Policies	310
	17.4.4 Targets	311
	<b>18. YOUTH AND DEVELOPMENT</b>	<b>313</b>
	18.1 INTRODUCTION	313
	18.2 CURRENT CONDITIONS	314
	18.2.1 Demographic Profile of Youth	314
	18.2.2 Institutions Concerned with Youth	316
	18.2.3 Achievements	320
	18.3 ISSUES AND CHALLENGES	320
	18.3.1 Social Issues	320
	18.3.2 Educational Issues	322
	18.3.3 Economic Issues	323
	18.3.4 Health Issues	324
	18.3.5 Issues Concerning Young Women	325
	18.4 DEMAND FORECASTS	325
	18.4.1 Youth Activities	326
	18.4.2 Sports Facilities	326
	18.5 DEVELOPMENT STRATEGY	327
	18.5.1 Future Vision	327
	18.5.2 Objectives	327
	18.5.3 Policies	328

Subject		Page
18.5.4	Targets	329
18.6	FINANCIAL REQUIREMENTS	330
<b>19.</b>	<b>WOMEN AND THE FAMILY</b>	<b>331</b>
19.1	INTRODUCTION	331
19.2	CURRENT CONDITIONS	332
19.2.1	Main Features of Conditions of Women and the Family	332
19.2.2	Institutions Serving Women and Family	340
19.3	ISSUES AND CHALLENGES	341
19.3.1	Domestic Violence	341
19.3.2	Divorce	342
19.3.3	Unemployment	342
19.3.4	Illiteracy	343
19.3.5	People With Special Needs	344
19.3.6	Social Care Services	344
19.3.7	Social Safety Nets	345
19.4	DEMAND FORECASTS	346
19.5	DEVELOPMENT STRATEGY	347
19.5.1	Future Vision	347
19.5.2	Objectives	348
19.5.3	Policies	349
19.5.4	Targets	351
<b>20.</b>	<b>HOUSING</b>	<b>353</b>
20.1	INTRODUCTION	353
20.2	CURRENT CONDITIONS	354
20.2.1	Overall Performance	354
20.2.2	Home Ownership	355
20.2.3	Types of Housing	355
20.2.4	Institutional and Organizational Development	356
20.3	ISSUES AND CHALLENGES	357
20.3.1	Affordable Housing	357
20.3.2	Home Ownership	358
20.3.3	Costs of Housing Units	358
20.3.4	Real Estate Development Fund (REDF)	358
20.3.5	Real Estate Financing	359
20.3.6	Requirements of Housing and Urban Planning	359
20.3.7	Housing Sector Database	360
20.4	DEMAND FORECASTS	360
20.5	DEVELOPMENT STRATEGY	362
20.5.1	Future Vision	362
20.5.2	Objectives	362
20.5.3	Policies	363
20.5.4	Targets	364
20.6	FINANCIAL REQUIREMENTS	365
<b>21.</b>	<b>SCIENCE, TECHNOLOGY AND INNOVATION</b>	<b>367</b>
21.1	INTRODUCTION	367
21.2	CURRENT CONDITIONS	368
21.2.1	Research, Development and Innovation	368
21.2.2	Sponsoring Giftedness and Creativity	373
21.2.3	Scientific Publications and Patents	374

Subject		Page
	21.2.4 Qualifying Scientific and Technical Cadres	376
	21.2.5 Economic Offset Programme	376
	21.2.6 Institutional and Organizational Development	377
21.3	ISSUES AND CHALLENGES	378
	21.3.1 Expenditure on Research, Development and Innovation	378
	21.3.2 Attracting Researchers and Technologists	379
	21.3.3 R&D at Universities	379
	21.3.4 Private Sector Participation	379
21.4	DEMAND FORECASTS	380
21.5	DEVELOPMENT STRATEGY	380
	21.5.1 Future Vision	380
	21.5.2 Objectives	381
	21.5.3 Policies	381
	21.5.4 Targets	383
21.6	FINANCIAL REQUIREMENTS	384
<b>22. DEVELOPMENT OF HUMAN RESOURCES</b>		<b>385</b>
22.1	GENERAL EDUCATION	385
	22.1.1 Introduction	385
	22.1.2 Current Conditions	386
	22.1.2.1 Kindergartens	386
	22.1.2.2 Primary, intermediate and secondary education	387
	22.1.2.3 Secondary education outputs	389
	22.1.2.4 Contribution of private general education	389
	22.1.2.5 Eradication of illiteracy	390
	22.1.2.6 Institutional and organizational development	391
	22.1.3 Issues and Challenges	392
	22.1.3.1 Rates of success, repetition and dropout	392
	22.1.3.2 School environment	393
	22.1.3.3 Raising quality of education	393
	22.1.3.4 Fostering early-childhood education	395
	22.1.4 Demand Forecasts	395
	22.1.4.1 Kindergartens	396
	22.1.4.2 Primary, Intermediate and Secondary Education	396
	22.1.5 Development Strategy	399
	22.1.5.1 Future Vision	399
	22.1.5.2 Objectives	400
	22.1.5.3 Policies	400
	22.1.5.4 Targets	402
	22.1.6 Financial requirements	403
22.2	HIGHER EDUCATION	404
	22.2.1 Introduction	404
	22.2.2 Current Conditions	405
	22.2.2.1 Accepted, enrolled and graduated students	405
	22.2.2.2 Postgraduate students	406
	22.2.2.3 Faculty members	406
	22.2.2.4 Absorptive Capacity	407
	22.2.2.5 Scientific research activity	407
	22.2.2.6 Institutional and organizational development	408
	22.2.3 Issues and Challenges	408
	22.2.3.1 Quality of education	408
	22.2.3.2 Quality absorptive capacity of higher education	409
	22.2.3.3 Identifying changing needs of labour market	410

<b>Subject</b>		<b>Page</b>
22.2.4	Demand Forecasts	412
22.2.5	Development Strategy	412
22.2.5.1	Future Vision	412
22.2.5.2	Objectives	412
22.2.5.3	Policies	413
22.2.5.4	Targets	415
22.2.6	Financial requirements	417
22.3	<b>TRAINING</b>	418
22.3.1	Introduction	418
22.3.2	Current Conditions	419
22.3.2.1	Technical and Vocational Training Corporation (TVTC)	419
22.3.2.2	Institute of Public Administration (IPA)	420
22.3.2.3	Training in government agencies	421
22.3.2.4	Training in the Private Sector	421
22.3.3	Issues and Challenges	422
22.3.3.1	Absorptive Capacity	422
22.3.3.2	Vocational examination system	422
22.3.3.3	Actual training needs	423
22.3.4	Demand Forecasts	423
22.3.5	Development Strategy	426
22.3.5.1	Future Vision	426
22.3.5.2	Objectives	426
22.3.5.3	Policies	427
22.3.5.4	Targets	428
22.3.6	Financial requirements	429
<b>23.</b>	<b>HEALTH</b>	<b>431</b>
23.1	<b>INTRODUCTION</b>	431
23.2	<b>CURRENT CONDITIONS</b>	432
23.2.1	Overall Performance	432
23.2.2	Health Insurance	439
23.2.3	Emergency Medical Services	440
23.2.4	Advanced Specialist Treatment Services	440
23.2.5	Food and Drug Control	441
23.2.6	Institutional and Organizational Development	441
23.2.7	Saudization of Health Sector Manpower	443
23.2.8	Role of Private Sector	444
23.3	<b>ISSUES AND CHALLENGES</b>	445
23.3.1	Increased Demand for Healthcare Services	445
23.3.2	Medical and Health Employment	446
23.3.3	Improving Quality of Health Services	447
23.3.4	Health Information System	448
23.3.5	Healthcare Management and Operation	449
23.4	<b>DEMAND FORECASTS</b>	450
23.4.1	Curative Care	451
23.4.2	Primary Healthcare	454
23.5	<b>DEVELOPMENT STRATEGY</b>	456
23.5.1	Future Vision	456
23.5.2	Objectives	456
23.5.3	Policies	457

	Subject	Page
	23.5.4 Targets	459
	23.6 FINANCIAL REQUIREMENTS	462
	<b>24. INFORMATION AND COMMUNICATIONS TECHNOLOGY</b>	<b>463</b>
	24.1 INFORMATION AND COMMUNICATIONS TECHNOLOGY	463
	24.1.1 Introduction	463
	24.1.2 Current Conditions	464
	24.1.2.1 The National Communications and Information Technology Plan (NCITP)	464
	24.1.2.2 Communications and information services	465
	24.1.2.3 Bridging the digital divide	469
	24.1.2.4 Raising productivity of public and private Sectors	470
	24.1.2.5 Building a national information industry	471
	24.1.2.6 Institutional and organizational development	472
	24.1.3 ISSUES AND CHALLENGES	473
	24.1.3.1 Development of internet services	473
	24.1.3.2 Infrastructure	473
	24.1.3.3 Capacity Building	474
	24.1.3.4 Applications of ICT	474
	24.1.4 Demand Forecasts	474
	24.1.5 Development Strategy	479
	24.1.5.1 Future vision	479
	24.1.5.2 Objectives	479
	24.1.5.3 Policies	479
	24.1.6 Financial Requirements	480
<b>Page</b>	24.2 POSTAL SECTOR	480
<i>xvi</i>	24.2.1 Introduction	480
	24.2.2 Current Conditions	481
	24.2.2.1 Postal facilities	481
	24.2.2.2 Volume of postal services	482
	24.2.2.3 Postal service performance	483
	24.2.2.4 Institutional and organizational Development	484
	24.2.3 Issues and Challenges	485
	24.2.3.1 Lengthy administrative procedures	485
	24.2.3.2 Competition and technological developments	485
	24.2.4 Demand Forecasts	486
	24.2.5 Development Strategy	488
	24.2.5.1 Future vision	488
	24.2.5.2 Objectives	488
	24.2.5.3 Policies	488
	24.2.5.4 Targets	490
	24.2.6 Financial Requirements	491
	<b>25. WATER AND SANITATION</b>	<b>493</b>
	25.1 INTRODUCTION	493
	25.2 CURRENT CONDITIONS	494
	25.2.1 Conservation and Development of Water Resources and Rationalisation of their Use	494
	25.2.2 Water and Sanitation Services	496
	25.2.3 Utilisation of Water for Industrial and Agricultural Purposes	498
	25.2.4 Integrated Management of Water Resources	498
	25.2.5 Institutional and Organisational Development	499



<b>Subject</b>		<b>Page</b>
25.3	ISSUES AND CHALLENGES	500
25.3.1	Water Resources Sustainability	500
25.3.2	Quality of Water and Sanitation Services	501
25.4	DEMAND FORECASTS	502
25.4.1	Water	502
25.4.2	Potable Water and Sanitation Services	505
25.5	DEVELOPMENT STRATEGY	507
25.5.1	Future Vision	507
25.5.2	Objectives	508
25.5.3	Policies	508
25.5.4	Targets	509
25.6	FINANCIAL REQUIREMENTS	510
<b>26.</b>	<b>OIL AND NATURAL GAS</b>	<b>511</b>
26.1	INTRODUCTION	511
26.2	CURRENT CONDITIONS	512
26.2.1	Exploration and Prospecting for Oil and Gas	512
26.2.2	Production of Oil and Gas	513
26.2.3	Refining and Distribution Capacity	514
26.2.4	Domestic Demand	516
26.2.5	Conservation and Rationalization of Use of Energy Resources	519
26.2.6	Environmental Protection	519
26.3	ISSUES AND CHALLENGES	520
26.3.1	Domestic Refining Capacity	520
26.3.2	Energy Facilities in the Regions	520
26.3.3	Indigenising Energy Industry Technologies	520
26.3.4	The Environmental and Technological Challenge	521
26.3.5	New Sources of Energy	521
26.4	DOMESTIC DEMAND FORECASTS	522
26.5	DOMESTIC PRODUCTION FORECASTS	524
26.6	DEVELOPMENT STRATEGY	525
26.6.1	Future Vision	525
26.6.2	Objectives	526
26.6.3	Policies	526
26.6.4	Targets	527
26.7	FINANCIAL REQUIREMENTS	528
<b>27.</b>	<b>MINERAL RESOURCES</b>	<b>529</b>
27.1	INTRODUCTION	529
27.2	CURRENT CONDITIONS	530
27.2.1	Improvement of Indicators of Production and Activities of the Sector	530
27.2.2	Private Sector Participation in Mining Activities	531
27.2.3	Diversity in Mining Activities	532
27.2.4	Manufacturing Industries	534
27.2.5	Investment Returns and Mining Activity	535
27.2.6	Mineral Resources Sector and Balanced Development	536
27.2.7	Institutional and Organizational Development	537
27.3	ISSUES AND CHALLENGES	537
27.3.1	Diversification of the Mineral-Resources Production Base	537
27.3.2	Land Use Conflicts	538
27.3.3	Infrastructure at Sites of Mineral Formations	538
27.3.4	Environmental and Social Aspects of Mining Investment	538

	Subject	Page
	27.3.5 Integration between Production Sectors and Mineral Resources Sector	539
27.4	DEMAND FORECASTS	539
27.5	DEVELOPMENT STRATEGY	541
	27.5.1 Future Vision	541
	27.5.2 Objectives	542
	27.5.3 Policies	542
	27.5.4 Targets	543
27.6	FINANCIAL REQUIREMENTS	543
	<b>28. AGRICULTURE</b>	<b>545</b>
28.1	INTRODUCTION	545
28.2	CURRENT CONDITIONS	546
	28.2.1 Contribution of the Agricultural Sector to Diversification of the Economic Base	546
	28.2.2 Improving Efficiency of Natural Resources Use	549
	28.2.3 Improving Economic Performance of the Agricultural Sector	550
	28.2.4 Consolidation of Investment Capacity in the Agricultural Sector	551
	28.2.5 Institutional and Organisational Development	553
28.3	ISSUES AND CHALLENGES	554
	28.3.1 Non-Renewable Water Resources	554
	28.3.2 Marketing Efficiency of Agricultural Production	555
	28.3.3 Competitiveness of National Agricultural Products	555
	28.3.4 Fisheries Development	556
	28.3.5 Research and Development	556
	28.3.6 Environment and Public-Health Protection	557
28.4	DEMAND FORECASTS	557
28.5	DEVELOPMENT STRATEGY	559
	28.5.1 Future Vision	559
	28.5.2 Objectives	559
	28.5.3 Policies	559
	28.5.4 Targets	560
28.6	FINANCIAL REQUIREMENTS	560
	<b>29. INDUSTRY</b>	<b>561</b>
29.1	INTRODUCTION	561
29.2	CURRENT CONDITIONS	561
	29.2.1 Overall Performance	561
	29.2.2 Financing	563
	29.2.3 Employment	565
	29.2.4 Geographical Distribution	566
	29.2.5 Competitiveness	566
	29.2.6 Infrastructure	569
	29.2.7 Support Services	569
29.3	ISSUES AND CHALLENGES	570
	29.3.1 Saudi Employment	570
	29.3.2 Technological Capabilities	571
	29.3.3 Small and Medium Enterprises (SMEs)	572
	29.3.4 Industrial Diversification and Geographical Spread	572
29.4	NATIONAL INDUSTRIAL STRATEGY	573
29.5	DEVELOPMENT STRATEGY	575
	29.5.1 Future Vision	575
	29.5.2 Objectives	575

Subject		Page
29.5.3	Policies	575
29.5.4	Targets	577
29.6	FINANCIAL REQUIREMENTS	579
<b>30.</b>	<b>ELECTRICITY</b>	<b>581</b>
30.1	INTRODUCTION	581
30.2	CURRENT CONDITIONS	581
30.2.1	Electric Power Consumption	581
30.2.2	Electricity Service Coverage	582
30.2.3	Power Loads	583
30.2.4	Electrical Generating Capacity	583
30.2.5	Generated Electric Power	585
30.2.6	Fuel Consumption in the Electricity Sector	585
30.2.7	The Electrical Grid	586
30.2.8	Employment	586
30.2.9	Institutional and Organisational Development	587
30.3	ISSUES AND CHALLENGES	587
30.3.1	Return on Investment	587
30.3.2	Rationalising Growth of Electrical Loads	588
30.3.3	Building a Comprehensive Database	589
30.4	DEMAND FORECASTS	589
30.4.1	Total Consumption of Residential Subscribers	589
30.4.2	Subscribers	590
30.4.3	Electricity Consumption	592
30.4.4	Peak Load	592
30.4.5	Targeted Productivity Improvement	592
30.4.6	Actual Generating Capacity	593
30.5	DEVELOPMENT STRATEGY	593
30.5.1	Future Vision	593
30.5.2	Objectives	593
30.5.3	Policies	594
30.5.4	Targets	595
<b>31.</b>	<b>TRANSPORT</b>	<b>597</b>
31.1	INTRODUCTION	597
31.2	CURRENT CONDITIONS	598
31.2.1	Roads	598
31.2.2	Railways	601
31.2.3	Air Transport	603
31.2.4	Seaports and Marine Transport	604
31.2.5	Intra-city Public Transport	605
31.2.6	Performance Efficiency	606
31.2.7	Traffic Safety	607
31.2.8	Environmental Protection	607
31.2.9	Institutional and Organizational Development	608
31.3	ISSUES AND CHALLENGES	609
31.3.1	Infrastructure Development	609
31.3.2	Transport of Goods and Trade Facilitation	610
31.3.3	Passenger Transport	612
31.3.4	Transport Safety	612
31.3.5	Protection of the Environment	613
31.4	DEMAND FORECASTS	613
31.4.1	Land Based Transport	613

	Subject	Page
	31.4.2 Railways	614
	31.4.3 Marine Transport	616
	31.4.4 Air Transport	616
31.5	DEVELOPMENT STRATEGY	617
	31.5.1 Future vision	617
	31.5.2 Objectives	617
	31.5.3 Policies	618
	31.5.4 Targets	619
31.6	FINANCIAL REQUIREMENTS	619
	<b>32. MUNICIPAL AFFAIRS</b>	<b>621</b>
32.1	INTRODUCTION	621
32.2	CURRENT CONDITIONS	622
	32.2.1 Improving the Living and Environmental Conditions of the Population and Achieving Regionally Balanced Development	622
	32.2.2 Operational Efficiency of Municipal Facilities and Services	624
	32.2.3 Private Sector Role in Providing Municipal Facilities and Services	624
	32.2.4 Protecting the Environment and Promoting Sustainable Urban Development	625
	32.2.5 Institutional and Organizational Development	625
32.3	ISSUES AND CHALLENGES	629
	32.3.1 Demand for Municipal Services	629
	32.3.2 Municipal Services in Regions	629
	32.3.3 Coordination among Concerned Agencies in the Sector	629
	32.3.4 Environmental Health	630
	32.3.5 Horizontal Expansion of Cities	631
	32.3.6 Municipal Revenues and Expenditures	631
	32.3.7 Utilization of Land Grant Subdivisions	632
	32.3.8 Flash Flooding Risks	632
32.4	DEMAND FORECASTS	632
32.5	DEVELOPMENT STRATEGY	634
	32.5.1 Future Vision	634
	32.5.2 Objectives	634
	32.5.3 Policies	634
	32.5.4 Targets	635
32.6	FINANCIAL REQUIREMENTS	636
	<b>33. CULTURE AND INFORMATION</b>	<b>637</b>
33.1	INTRODUCTION	637
33.2	CURRENT CONDITIONS	638
	33.2.1 Culture	638
	33.2.2 Information	641
	33.2.3 Education and Scientific Research	642
	33.2.4 Heritage	643
33.3	ISSUES AND CHALLENGES	643
	33.3.1 Preservation and Consolidation of National Identity	643
	33.3.2 Globalization and the Cultural Identity	644
	33.3.3 Developing Interest in Reading and Cultural Affairs	644
	33.3.4 Scientific Culture and the Drive Towards Knowledge Society	645
	33.3.5 Translation and Cultural Content	645
33.4	DEMAND FORECASTS	645
33.5	DEVELOPMENT STRATEGY	646

Subject		Page
33.5.1	Future Vision	646
33.5.2	Objectives	646
33.5.3	Policies	647
33.5.4	Targets	648
33.6	FINANCIAL REQUIREMENTS	650
<b>34.</b>	<b>RELIGIOUS, JUDICIAL, HAJJ AND UMRAH SERVICES</b>	<b>651</b>
34.1	RELIGIOUS SERVICES	651
34.1.1	Introduction	651
34.1.2	Current Conditions	652
34.1.2.1	Expansion of the Two Holy Mosques	652
34.1.2.2	Caring for the Holy Quran	652
34.1.2.3	Caring for Mosques	653
34.1.2.4	Development of Endowments (Awqaf)	654
34.1.2.5	Urging compliance with Islamic ethics	654
34.1.2.6	Institutional and Organizational Development	655
34.1.3	Issues and Challenges	656
34.1.3.1	Excess and Extremism	656
34.1.3.2	Development of Endowed Assets	656
34.1.4	Demand Forecasts	657
34.1.5	Development Strategy	658
34.1.5.1	Future Vision	658
34.1.5.2	Objectives	658
34.1.5.3	Policies	658
34.1.6	Financial Requirements	659
43.2	JUDICIAL SERVICES	660
34.2.1	Introduction	660
34.2.2	Current Conditions	661
34.2.2.1	Judicial Services	661
34.2.2.2	Notaries Public	661
34.2.2.3	Investigation and Prosecution	662
34.2.2.4	Raising Manpower Efficiency	662
34.2.2.5	Institutional and Organizational Development	663
34.2.3	Issues and Challenges	664
34.2.3.1	The Judiciary Hierarchy	664
34.2.3.2	Suitable Buildings for Judicial Services	664
34.2.3.3	Specialized and Supervisory Jobs	664
34.2.3.4	Facilities of Bureau of Investigation and Prosecution	665
34.2.4	Demand Forecasts	665
34.2.4.1	Judicial Services	665
34.2.4.2	Investigation and Prosecution	667
34.2.5	Development Strategy	667
34.2.5.1	Future Vision	667
34.2.5.2	Objectives	667
34.2.5.3	Policies	668
34.2.6	Financial Requirements	668
34.3	HAJJ AND UMRAH	669
34.3.1	Introduction	669
34.3.2	Current Conditions	669
34.3.2.1	Overall Performance	669
34.3.2.2	Development of the Holy Places	670
34.3.2.3	Improving Performance of Agencies Responsible for Providing Hajj and Umrah Services	671
34.3.2.4	Institutional and Organizational Development	671

	Subject	Page
	34.3.3 Issues and Challenges	672
	34.3.3.1 Performing Rituals and Worship	672
	34.3.3.2 Developing Pilgrims Transportation	672
	34.3.4 Demand Forecasts	673
	34.3.5 Development Strategy	674
	34.3.5.1 Future Vision	674
	34.3.5.2 Objectives	674
	34.3.5.3 Policies	674
	34.3.6 Financial Requirements	675
	<b>35. STATISTICAL DATA AND INFORMATION SERVICES</b>	<b>677</b>
	35.1 INTRODUCTION	677
	35.2 CURRENT CONDITIONS	678
	35.2.1 Statistical Information	678
	35.2.2 Provision of Timely Data and Information	682
	35.2.3 Statistical Capacity Building	682
	35.2.4 Institutional and Organizational Development	683
	35.3 ISSUES AND CHALLENGES	685
	35.3.1 Regional Databases	685
	35.3.2 Price index	685
	35.3.3 Dissemination of Statistical Data	685
	35.3.4 Private Sector Administrative Data and Indicators	686
	35.4 DEVELOPMENT STRATEGY	686
	35.4.1 Future Vision	686
	35.4.2 Objectives	687
	35.4.3 Policies	687
	35.4.4 Targets	687
	35.5 FINANCIAL REQUIREMENTS	688
	<b>36. METHODOLOGY OF THE NINTH DEVELOPMENT PLAN</b>	<b>689</b>
	36.1 INTRODUCTION	689
	36.2 PLANNING METHODOLOGY	689
	36.3 COMPONENTS OF DEVELOPMENT PLAN	690
	36.4 PREPARATION OF DEVELOPMENT PLAN	691
	36.4.1 Methodology Evaluation	691
	36.4.2 Supporting Studies	692
	36.4.3 Databases and Statistical Information	692
	36.4.4 Plan Preparation Manual	693
	36.4.5 Field visits	693
	36.4.6 Economic Models	693
	36.4.7 Strengthening of Participation of Government Agencies and the Private Sector	694
	36.5 ADVANCES IN PREPARATION OF DEVELOPMENT PLAN	694
	36.5.1 Strategic Dimension of the Plan	694
	36.5.2 Operational Plan	695
	36.5.3 Regional Plans	695
	36.5.4 Monitoring Plan Implementation	696
	36.6 FUTURE VISION OF PLANNING METHODOLOGY	696
	36.6.1 Geographical Dimension	697
	36.6.2 Linkage between Plan and Strategy	697
	36.6.3 Monitoring Mechanisms	697
	<b>APPENDIX</b>	<b>699</b>

Page

*xxii*

# LIST OF TABLES

Subject		Page
1.1	Main Items of the State Budget under Eighth Development Plan	10
1.2	Government Expenditure under Seventh and Eighth Development Plans by Development Sector	11
1.3	Appropriations to Development Sectors of Budget Surplus for 2004–2006	12
1.4	Contributions of Major Sectors of National Economy in Provision of Employment Opportunities to National Labour, Eighth Development Plan	16
3.1	Population Developments over the Period of the Strategy	51
3.2	GDP and Saudi Per Capita Income at 1999 Constant Prices	53
3.3	GDP by Expenditure Items at 1999 Constant Prices	54
3.4	Exports Structure at the Beginning and End of the Strategy Period, at 1999 Constant Prices	55
3.5	Real GDP at 1999 Constant Prices	57
3.6	Labour Force and Employment Indicators	58
3.7	Saudi Labour Force by Level of Education	59
4.1	Macroeconomic Indicators of the Ninth Development Plan Compared with the Eighth Development Plan (1)	64
4.2	GDP by Activity, at Constant 1999 prices	68
4.3	Components of Aggregate Demand, Ninth Development Plan	73
4.4	Financial Requirements of Development Sectors, Ninth Development Plan	78
8.1	Private Sector Performance Indicators, Eighth Development Plan	136
8.2	Distribution of Private Sector Enterprises by Size and Type of Economic Activity, 2008	139
8.3	Percentage Distribution of Private Sector Variables by Economic Activity, Eighth Development Plan	140
8.4	Evolution of Bank Credit to Private Sector Under Eighth Development Plan	141
9.1	Investment by Category of Capital Goods, Eighth Development Plan, at Constant 1999 Prices	156
9.2	Balance of Savings and Investment, Eighth Development Plan	157
9.3	Planned Investment, Ninth Development Plan	167
10.1	Main Indicators of Labour Market, Ninth Development Plan	182
10.2	Total Employment by Sector and Economic Activity, Ninth Development Plan	185
10.3	Total employment by Major Occupational Group, Ninth Development Plan	186
10.4	Employment Balance by Occupational Group, Ninth Development Plan	188
11.1	Distribution of the Saudi and Non-Saudi Population by Age Group, and the Estimated Median Age of the Saudi and Non-Saudi Populations, 1992 and 2004	193

	Subject	Page
	11.2 Main Indicators of Improved Quality of Life, Ninth Development Plan	207
	12.1 Administrative Hierarchical Structure in Regions	212
	12.2 Population by Region, Eighth Development Plan	213
	12.3 Distribution of Developmental Credit among Regions in 2008	216
	12.4 Ratios of Population Concentration in Largest Two Governorates by Region, (2008)	218
	13.1 Capital Assets in Building and Construction Sector, Eighth Development Plan	225
	13.2 Evolution of Number of Building Permits by Category of Facility, Eighth Development Plan	226
	13.3 Building Permits by Province, 2008	226
	13.4 Employment and Value Added in the Construction Sector, Eighth Development Plan	227
	13.5 Distribution of Classified Contractors by Grade and Region, Eighth Development Plan	228
	13.6 Exports and Imports of Basic Building Materials, Eighth Development Plan	229
	14.1 Existing Protected Areas until 2008	238
	14.2 Number of Reintroduced Animals and Birds, Eighth Development Plan	239
<b>Page</b>	15.1 Tourist Services by Region, 2008	254
<b>xxiv</b>	15.2 Distribution of Inward Tourist Trips and Spending by Purpose of Visit, 2008	255
	15.3 Domestic Tourist Trips by Destination and Purpose in 2008	256
	15.4 Tourist Trips Abroad and Spending by Purpose of Visit, 2008	257
	15.5 Top Five Destinations for Tourism Abroad by Purpose of Visit, 2008	257
	16.1.1 Development of Commodity Exports, Eighth Development Plan	267
	16.1.2 Commodity Exports by Major Group of Countries, Eighth Development Plan	268
	16.1.3 Commodity Imports, Eighth Development Plan	269
	16.1.4 Exports and Imports of Services	270
	16.1.5 Non-oil Trade with GCC Countries, Eighth Development Plan	271
	16.1.6 Main Items of Balance of Payments, Eighth Development Plan	272
	16.1.7 Competitive Non-oil Exports, 2004–2007	277
	16.2.1 Activities of Domestic Trade and its Services, Eighth development Plan	282
	17.1 Monetary and Banking Indicators, Eighth Development Plan	298
	17.2 Saudi Stock Market Indicators, Eighth Development Plan	300
	17.3 Main Indicators for Investment Funds, Eighth Development Plan	302
	17.4 Performance of Specialized Lending Institutions, Eighth Development Plan	303
	18.1 Distribution of Young People by Marital Status 2007	315



<b>Subject</b>		<b>Page</b>
18.2	Distribution of Young People in and out of the Workforce, 2004	316
18.3	Care Services for Youth by Administrative Regions, 2009	317
18.4	Demand Forecast for Youth Activities, Ninth Development Plan	326
18.5	Demand Forecast for Sports Facilities, Ninth Development Plan	327
19.1	Household Possessions of Saudi Families in 2007	334
19.2	Progress Made in MDG Maternal and Children Indicators	335
19.3	Beneficiaries of Governmental Social-Welfare and Social-Development Institutions, 2008	339
19.4	Additional Demand for Care Units and Community Centres, Ninth Development Plan	347
20.1	Housing Units by Type, General Censuses of Population and Housing, 1992 and 2004	356
20.2	Demand for Residential Units, Ninth Development Plan	361
20.3	Demand for Residential Units and Land by Region, Ninth Development Plan	362
20.4	Distribution of Target Housing Units and Land by Region, Ninth development Plan	365
21.1	Areas of Scientific Publication, 1996–2006	375
22.1.1	Increase in Number of Kindergartens, Eighth Development Plan	387
22.1.2	Growth of Primary, Intermediate and Secondary Education, Eighth Development Plan	388
22.1.3	General Education (Primary, Intermediate and Secondary) by Administrative Region, 2008	388
22.1.4	Development of Secondary-Education Outputs, Eighth Development Plan	389
22.1.5	Contribution of Private General Education, 2008	390
22.1.6	Development of Adult Education, Eighth Development Plan	391
22.1.7	Forecast Demand for Kindergartens (Children Enrolled), Ninth Development Plan	396
22.1.8	Forecast Numbers of Students Enrolled in General Education (Primary, Intermediate, Secondary), Ninth Development Plan	398
22.1.9	Forecast Distribution of Graduates of Secondary School by Track, Ninth Development Plan	398
22.1.10	Forecast Demand for School Buildings, Ninth Development Plan	399
22.2.1	Numbers of New entrants, Graduates and Enrolled Students, Eighth Development Plan	405
22.2.2	New Entrants, Graduates and Enrolled Students by Region in 2008	406
22.2.3	Distribution of Students by Disciplines in Higher Education	411
22.3.1	Training Activity of TVTC, Eighth Development Plan	419
22.3.2	Activities of IPA, Eighth Development Plan	421
22.3.3	Forecast of Demand for Basic Training by TVTC, Ninth Development Plan	424
22.3.4	Forecast of Increase in Numbers of Training Staff, Ninth Development Plan	424
22.3.5	Forecast of Total Number of Male and Female Trainees in Joint, Government, Private Sector and Community-Service Programmes, Ninth Development Plan	425

	Subject	Page
	22.3.6 Major Training Activities Planned for IPA, Ninth Development Plan	425
	23.1 Health Facilities and Employment, Eighth Development Plan	433
	23.2 Percentage Contribution of Health Sectors, Eighth Development Plan	434
	23.3 Percentage Contribution of Health Sectors, Outpatients and Inpatients, 2007	435
	23.4 Maternity and Child Healthcare Indicators	438
	23.5 Incidence of Communicable Diseases, Targeted by Immunization	439
	23.6 Development of Private-Sector Health facilities, Eighth Development Plan	444
	23.7 Target Number of Hospital Beds by the end of 2014	451
	23.8 Target Number of MOH Hospital Beds by the End of 2014 by Region	452
	23.9 Target Number of Physicians in Hospitals by the End of 2014	453
	23.10 Target Number of Nursing Staff in Hospitals by the End of 2014	453
	23.11 Target Number of Ancillary Medical Workers in Hospitals by the End of 2014	454
	23.12 Target Numbers of MOH Healthcare Centres by the End of 2014	455
	23.13 Target Number of Workers in MOH Primary Healthcare Centres by the End of 2014	456
	24.1.1 Information and Communications Services, Eighth Development Plan	466
	24.1.2 Information and Communication Services by Region	470
<b>Page</b>	24.1.3 Forecast of Demand for ICT services, Ninth Development Plan	476
	24.1.4 ICT Services per 100 of People by Administrative Region, Ninth Development Plan	477
<b>xxvi</b>	24.1.5 Coverage of ICT Services by Administrative Region, Ninth Development Plan	478
	24.2.1 Postal-Service Facilities, Eighth Development Plan	481
	24.2.2 Postal Services Network by Administrative Region, 2008	482
	24.2.3 Development of Postal Services, Eighth Development Plan	483
	25.1 Water Balance, Eighth Development Plan	494
	25.2 Number of Dams and Storage Capacity, Eighth Development Plan	495
	25.3 Water Desalination, Eighth Development Plan	496
	25.4 Potable Water Services, Eighth Development Plan	497
	25.5 Sanitation Services, Eighth Development Plan	497
	25.6 Forecast of Water Supply and Demand, Ninth Development Plan	503
	25.7 Forecast of Water Demand by Region, Ninth Development Plan	504
	25.8 Water Desalination, Ninth Development Plan	504
	25.9 Forecast of Potable Water and Sanitation Services, Ninth Development Plan	505
	25.10 Forecast of Potable Water Services by Region, Ninth Development Plan	506
	25.11 Forecast of Sanitation Services by Region, Ninth Development Plan	507
	26.1 Domestic Production of Refined Products, Eighth Development Plan	515
	26.2 Domestic Energy Consumption, Eighth Development Plan	516
	26.3 Domestic Consumption of Natural Gas and Liquids, Eighth Development Plan	517
	26.4 Domestic Consumption of Refined Products, Eighth Development Plan	518
	26.5 Domestic Energy Consumption, Ninth Development Plan	522
	26.6 Domestic Consumption of Natural Gas and Liquids, Ninth Development Plan	523

Subject		Page
26.7	Domestic Consumption of Refined Products, Ninth Development Plan	524
27.1	Mining Activities Indicators, Eighth Development Plan	531
27.2	Mineral Resources Production Sector, Eighth Development Plan	533
27.3	Demand for Mining Products, Ninth Development Plan	541
28.1	Crop Production, Eighth Development Plan	547
28.2	Meat and Dairy Products, Eighth Development Plan	547
28.3	Animals and Poultry, Eighth Development Plan	548
28.4	Relative Distribution of Agricultural Land and Crops over Regions	549
28.5	Loans and Subsidies Provided by the Agricultural Development Fund, Eighth Development Plan	552
28.6	Beneficiaries of the Agricultural Development Fund Loans, 2008	552
28.7	Forecast of Demand for Basic Agricultural Products, Ninth Development Plan	558
29.1	Main Achievements of the Industrial Sector, Eighth Development Plan	562
29.2	Number of Factories, Funding and Employment, Eighth Development Plan	564
29.3	SIDF Loans until 2008	565
29.4	Number of Operating Factories, Employment and Finance by Administrative Region, 2008	567
29.5	Industrial Exports, Eighth Development Plan	568
29.6	Calibration and Quality Control Services, Eighth Development Plan	570
29.7	Targets for Industrial Sector, Ninth Development Plan	578
29.8	Calibration and Quality Control, Ninth Development Plan	578
30.1	Key Indicators of Electricity Sector, Eighth Development Plan	584
30.2	Key Indicators of Electricity Sector, Ninth Development Plan	590
30.3	Forecast of Peak Loads and Number of Subscribers by Administrative Region, Ninth Development Plan	591
31.1	Road Network by Administrative Region, 2008	599
31.2	Activity of Railway Network, Eighth Development Plan	601
31.3	Forecast of Land Transport Activity (Number of Trips), Ninth Development Plan	614
31.4	Forecast of Railway Activity by Major Route, Ninth Development Plan	615
31.5	Air Traffic Forecasts, Ninth Development Plan	617
32.1	Targeted and Implemented Municipal Services Projects, Eighth Development Plan	622
32.2	Approved Municipal Services Projects in Regions, Eighth Development Plan	623
32.3	Number of Regional Municipalities (Amanat), Municipalities and Village clusters At End of Seventh and Eighth Development Plans	626
32.4	Distribution of Amanat and Municipalities by Administrative Region, 2009	627
32.5	Planned Projects to Meet Demand for Municipal Services by Administrative Region, Ninth Development Plan	633
32.6	Municipal Services Targets by Administrative Region, Ninth Development Plan	636

<b>Subject</b>		<b>Page</b>
33.1	Cultural and Information Services Targets by Region, Ninth Development Plan	650
34.1.1	Services of the Ministry of Islamic Affairs, Endowments, Call and Guidance, 2008	653
34.1.2	Demand Forecast of Religious Services by Region, Ninth Development Plan	657
34.2.1	Forecast of the Number of Courts by Category and Region, Ninth Development Plan	666
34.3.1	Forecast of the Number of Pilgrims and Umrah Performers, Ninth Development Plan	673
35.1	Implemented Statistical Surveys, Eighth Development Plan	679
35.2	Implemented Reports and Statistical Studies, Eighth Development Plan	681

**Page**

*xxviii*

# LIST OF FIGURES

Subject	Page
1.1 Public Debt and Net Foreign Assets of Government under Eighth Development Plan	13
1.2 Distribution of Bank Credit by Maturity, Eighth Development Plan	18
3.1 Percentage Contribution of Economic Sectors to GDP	57
3.2 National Labour Force Structure by Level of Education	59
4.1 Growth Rate of GDP and its Major Components, Ninth Development Plan	66
4.2 Main Components of Aggregate Demand, Ninth Development Plan	74
4.3 Trade and Current Account Balance at Current Prices, Ninth Development Plan	77
4.4 Employment and Unemployment Growth Rates, Ninth Development Plan	80
6.1 General Ranking of Kingdom in Doing Business Report	110
8.1 Distribution of Private Sector Enterprises by Type of Economic Activity, 2008	138
9.1 Fixed investment, Capital Stock and GDP, Under Eighth Development Plan	154
9.2 Sectoral Structure of Major Investment Expenditure, Under Eighth Development Plan	155
9.3 Distribution of FDI Balance by Economic Sector, 2008	158
10.1 Percentage Distribution of Total Employment by Level of Education and Nationality, 2008	170
10.2 Distribution of Public Sector Workers by Type of Job, 2008	171
10.3 Percentage Distribution of Employment in Private Sector by Economic Activity, 2008	173
10.4 New Entrants to Labour Market by Level of Education, Ninth Development Plan	183
11.1 Population Pyramids of Saudis and Expatriates According to 2004 General Census of Population and Households	192
11.2 Quality of Life Index and its Components, Eighth Development Plan	196
13.1 Value Added in Building and Construction Sector, Eighth Development Plan	224
13.2 Cement Production, Eighth Development Plan	230
15.1 Percentage Distribution of Craftsmen and Craftswomen over Regions, 2008	253
16.1.1 Percentage Distribution of Non-Oil Exports by Major Item, 2008	267

	Subject	Page
	16.1.2 Non-Oil Exports and Re-Exported Goods, Eighth Development Plan	275
	16.2.1 Structure of Existing Registers for Activities of Domestic Trade, Eighth Development Plan	281
	16.2.2 Number of Companies, Eighth Development Plan	283
	16.2.3 Number of GCC, Mixed and Foreign Companies, Eighth Development Plan	284
	16.2.4 Employment in Domestic Trade Sector, Eighth Development Plan	286
	16.2.5 Number of Workers in Wholesale and Retail Trade, 2008	291
	18.1 Distribution of 15–24 Year Olds by Place of Residence, 2004	315
	22.1.1 Forecast of New Entrants by Education Level, Ninth Development Plan	397
	23.1 MOH Beds per 10 Thousand of Population, by Region	436
	23.2 MOH Physicians per 10 Thousand of Population by Region	436
	23.3 MOH Nursing Staff Per 10 Thousand of Population by Region	437
	24.1.1 Type of Internet Connection by Activity, Eighth Development Plan	468
	24.1.2 PCs and Internet Service Coverage, Eighth Development Plan	469
<b>Page</b>	26.1 Production of Oil and Natural Gas, Eighth Development Plan	514
	26.2 Forecast of Production of Natural Gas and Liquids, Ninth Development Plan	525
<b>xxx</b>	27.1 Development of Raw Materials Production, Eighth Development Plan	530
	27.2 Government Revenues from Mining Activities, Eighth Development Plan	535
	27.3 Distributions of Mineral Sites in the Kingdom	536
	28.1 Share of Regions in Total Demand for Main Agricultural Products, Ninth Development Plan	558
	29.1 Percentage Distribution of Industrial Employment, 2009	566
	30.1 Distribution of Electricity Consumption by Category of consumers, 2008	582
	30.2 Percentage Distribution of Electric Power Generated by Type of Generation, 2008	585
	30.3 Number of Subscribers, Ninth Development Plan	591
	30.4 Forecast of Electricity Consumption, Ninth Development Plan	592
	31.1 Paved-Road Network, Eighth Development Plan	598
	31.2 Road Transport Fleet, 2009	600
	31.3 Planned Railway Network, Ninth Development Plan	602
	31.4 Passenger Traffic at Airports, Eighth Development Plan	603
	31.5 Cargo Handled by Commercial and Industrial Ports, Eighth Development Plan	604
	31.6 Forecasts of Port Activity (Cargo Handling), Ninth Development Plan	616

# LIST OF BOXES

Subject		Page
5.1	Most Important Supporting Projects for Building a Knowledge-Based Economy	94
5.2	Main Education Issues in the Kingdom	95
5.3	Main Challenges of Transfer and Indigenisation of Knowledge Content	97
5.4	Main Challenges of Building Capacity for Knowledge Production	98
5.5	Main Challenges of Transforming Knowledge into Products	99
6.1	Competitiveness of the Kingdom as Assessed by International Reports	109
6.2	Examples of Clusters	116
7.1	Projects in the Field of Electronic Transactions	126
9.1	Sectoral Focus of SAGIA for Investment	160
10.1	Saudi Employment Strategy	177
11.1	Tasks of the National Commission on Population	194
11.2	Main Measures for Reducing Cost of Living	197
21.1	Scientific Research Methods and Mechanisms	371
24.1.1	The General Objectives of NCITP	465
26.1	Domestic Refining Projects Underway	516
28.1	King Abdullah Initiative for Agricultural Investment Abroad	554
32.1	Main Regulatory Decisions Related to the Municipal Sector Passed under the Eighth Development Plan	628
33.1	King Abdul-Aziz Centre for National Dialogue	640

Ninth Development Plan

Page

xxxi

Table of Contents

# PREFACE

The Ninth Development Plan comes at a crucial distinctive point in the history of the development of the Kingdom. Subsequent to the remarkable comprehensive achievements and the quantum leap accomplished by the Kingdom since the inception of its five-year plans, nearly four decades ago, the Ninth Five-Year Plan comes at a time when speeding up the process of development has become imperative. The world is witnessing accelerated developmental dynamics that require enhancement and acceleration of development efforts. Determination by the State to achieve this is reflected in the expenditure programme embedded in the plan.

Since the inception of its five-year plans, Saudi Arabia has adopted comprehensive planning as the ideal framework for guiding development towards consistent comprehensive goals, while carefully balancing economic growth with safeguarding our great values and heritage.

Successive development plans adopted a scientific approach, making for the rational use of national resources, which enabled the Kingdom to achieve significant developments, exemplified by significant gains reflected in the various indicators of socioeconomic development.

Accumulated development over the past decades has achieved significant improvement in standards of living and the quality of life. Moreover, the Saudi economy has attained a prestigious status, becoming the largest and most vital Arab economy, having, for example, the largest industrial base, the largest business sector, and the largest financial market in the Arab world.

The Saudi economy is globally one of the largest and most powerful nineteen economies, allowing the Kingdom to join the group of twenty largest economies (G20), and to participate in its summits. Furthermore, the Kingdom has been selected for membership of the enlarged Global Financial Security Board. Such are the very significant signs of high



status of the Kingdom regionally and globally that they confirm the validity and efficacy of the development process pursued.

The Ninth Development Plan was being formulated while the global economy was in the throes of a severe financial and economic crisis. Nonetheless, the development programme adopted by the plan reflects the determination of the State to accelerate development and enhance the momentum gathered throughout the past decade, especially during the period of the Eighth Development Plan. The development programme of the plan is based on the wise directives of the leadership, urging continued investment and accelerated implementation of strategic projects in the coming years, to consolidate gains and keep pace with rapid international developments. The programme is also based on the solid foundations of the national economy, built progressively through the cumulative effects of numerous achievements of development over the past decades, as well as on many positive conditions; including the high level of solvency and liquidity of the banking sector, the low level of public debt, in addition to the excellent ratings of the business environment and investment climate as reflected by abundant global indicators.

**Page**

**ii**

Aiming to reduce the impact of the global crisis on the national economy in the coming years, the Plan adopted a strategy based on attaching greater importance to intensifying the role of internal sources and driving forces of economic growth, as well as to developing the structure of the national economy. Hence, the Plan has paid special attention to the development of non-oil natural resources to enhance their contribution to local value chains, and to achieving a steady expansion in the use of modern technologies and improved production methods. Moreover, the Plan aims to achieve high rates of accumulation of fixed capital, expansion of the capacity of the national economy for absorbing high levels of investment, and increased export capacity, particularly of non-oil products and industries; in addition to upgrading of skills and productive capacities of Saudi labour and increasing its share of the national labour market.

The Ninth Development Plan constitutes the second stage in a strategic course that extends over the coming fifteen years, and has been prepared with the prospect of achieving sustainable development in mind. In the formulation of objectives, policies and programmes and the selection of projects, the Plan was guided by the speech of the Custodian of the Two Holy Mosques, opening the second year of the fourth session of the Shura Council, in which he advised that the Kingdom's way forward is "comprehensive development, seeking, through well-thought development plans, the welfare and happiness of citizens; hoping to provide them with housing, work, education, health care and other services and amenities", adding "we are eager to eradicate poverty and give consideration to areas that did not undergo their share of development". The Plan was also guided by the resolutions of the Shura Council on the development plans and its reports on implementation.

The Ninth Development Plan is based on five main themes, together forming an integrated framework for furtherance and acceleration of balanced, comprehensive development in the coming few years, as well as for laying the foundations for sustainable development in the long run. These five themes are: continuing efforts to improve the standard of living and quality of life for citizens, development of national human resources and their employment, restructuring of the Saudi economy, balanced development among regions, enhancement of the competitiveness of the national economy and Saudi products in both the domestic and external markets.

In addition, the Plan focused on numerous other issues, such as continued expansion and maintenance of infrastructure, acceleration of the pace of economic and institutional reform and the privatization programme, promotion of technological and informatics development, as well as raising economic efficiency and productivity in the public and private sectors, development of natural resources, especially water, and development of environmental protection systems.

In conclusion, I wish to pay tribute to the fruitful cooperation and effective contribution by all government and private agencies

throughout the stages of preparing the Plan. This work would not have been possible without continued support and guidance from the wise leadership of our cherished country.

**Minister of Economy and Planning**

**Khalid bin Mohammad Alghosaibi**

**Page**

**iv**