بسم الله الرحمن الرحيم

In the name of Allah
most gracious most merciful

Preface

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To the
7th Global Forum on
Building Trust in Government
For
Further Participation and Transparency

The Saudi's Message in Brief

The Kingdom of Saudi Arabia attaches great importance to the enforcement of the international cooperation in order to meet the challenges of the 21st century. As the world has become a global village, the need for better understanding, tolerance, cooperation and interdependence among all states and nations has become an urgent requirement to provide the necessary inputs and infrastructures for a sustainable development, and to secure the safety, stability and well-being of human life throughout the world.

To demonstrate its strong commitments to these principals, the government of the Kingdom of Saudi Arabia has, over the past three decades, enacted and adopted several laws, and regulations. A complete set of frameworks and strategies intended to provide its citizens with all the requirements for decent life and livelihood has also been implemented. These milestones raised public awareness, boasting national sense of citizenship, affiliation to their homeland, as well as enhancing confidence in their government. All these factors will ultimately strengthen the social fabric of the society, and undoubtedly broaden the base of popular participation and increase constructive contribution through civil society institutions in the management of the country's affairs.

As a matter of fact, it would require much more time and space to highlight all efforts exerted by the Saudi Government, and the initiatives taken over the past few years. Therefore, our review, through this massage, will be limited to those major initiatives of reforms, the Saudi Government has successfully accomplished over the last few years (2000-2007). These will include reform at the political level, encouragement of national dialogue and popular participation, as well as economic, social and administrative restructuring, job opportunities creation, broadening investment horizons and, last but not least, increasing the participation of the private sector in all economic activities.

The Saudi delegation to the 7th Global Forum on Building Trust in Government is delighted to present, to all participants in a very brief manner the Saudi experience as well as its continuous endeavors to achieve better participation and full transparency. These efforts will definitely boost citizens' trust building in their Government, through broadening the scope of participation of the civil society, enhancement of national dialogue as well as effective accountability.

These initiatives come at a time when the Kingdom has made a remarkable progress and a great headway on the path of development, modernization, and reform. This was made possible through the issuance of a set of new laws and regulations intended to meet the requirements of the comprehensive development process witnessed by our country in recent years. Such a wave of restitution and betterments were also motivated by the realization on the part of the Saudi Government that the absence of full transparency and accountability in any civilized society will no doubt leave a deep negative impact on all walks of life, particularly on political, economic, social and educational aspects. The net result of which will be detrimental to national interests. Furthermore, lack of good governance would only create and foster chaotic status, injustice, and would generate inconsistent and inappropriate decisions. Consequently, such a situation will undermine the functions of the government and destabilize political and security mainstays. Mistrust, as a result, thereof, will mushroom between the popular base and the authority pyramid.

Introduction:

The enhancement of transparency concept, safeguard of integrity, and building trust are a well established constant of the policy of the Kingdom of Saudi Arabia. That is because they stem from a deeply-rooted constitutional foundation derived from our True Islamic Religion. The Kingdom of Saudi Arabia is a Muslim state where the Holy Koran and the Sunna of the Prophet, peace be upon him, constitute the Shari'a law. Article (7) of the Basic law of Governance has also affined that "the Government in Saudi Arabia derives its power from the Holy Koran and prevalence of this and all other laws of the Government". He who tracks the objectives of the provisions of the Islamic Shari'a will come to know that its first and foremost aim is to safeguard and maintain the necessities that are indispensable to serve the best interest of the people, whether in the life of this world, or thereafter.

Once any of there essential prerequisites for a decent life is missing or transgressed, righteousness is lost too; disorder will be prevalent, corruption will spread, and interests will go the ways of the winds. The law of Islam, the Shari'a, secures and safeguards the five fundamentals: religion, life, mind, dignity and property. In such an outstanding and well-balanced society, violation and breach of order become a gross and disavowed crime, objectionable and detested by the society.

Corruption in general, and on the part of public officials in particular, has become a chronic plague, a serious disease and a devouring evil. Islam has warned against it and urged that it be prevented and combated in all its forms. The Koran verses and prophet traditions that cautioned against Corruption are varied and numerous.

Throughout the world Corruption is posing nowadays a great challenge to both government and societies alike. This is because corruption hinders development efforts, undermines political process, impairs institutions and values, incapacitates socio-political justice and undermines the rule of law.

Furthermore, corruption causes a vast waste of resources disrupts development sustainability and deepens the gap between the rich and the poor. In addition, corruption nurtures international crime and fosters money laundering. With all of these considerations in mind, the Government of Saudi Arabia has set a clear objective that focused in law and practice on guarding against corruption within Government agencies. To this end, Article (79) of the Basic Law of Governance provided that "all state movable and immovable assets shall be audited in order to ensure the good use of these assets and the preservation thereof". Article (80) of the same law has also provided that "Government agencies shall be audited in order to ensure the proper performance of their departments and allow the investigation in administrative and financial mismanagement.

Ever since its inception, the Kingdom of Saudi Arabia has been introducing and promoting laws, regulations and statutes. Those related to integrity and combating corruption, have particularly undergone important development over the last years. The aim was to enhance trust within Government agencies and institutions. At the forefront of this legislation is the Basic Law of Governance, Regional law, the consultative board law, etc. The promulgation of many other laws and regulations has surely enabled state agencies and civil society institutions, as well as the private sector to effectively participate in the political, administrative, and socio-economic decision-making. These legislative mechanisms have remarkably upgraded the level and quality of services provided to citizens. Transparency and accountability concepts were also firmly established and highlighted. This in turn further classified the roles and responsibilities among Government agencies, and greatly helped provide much more accurate and timely information for the best interest of Saudi citizens. With the understanding that transparency and accountability do mutually boost good governance, all this should be positively reflected on the ways and means utilized in combating corruption while realizing justice, fairness and equity.

The following sections will, hopefully, shed light on the most prominent initiatives and efforts undertaken by the Kingdom of Saudi Arabia with the object of building trust of Saudi citizens in their Government:

Section 1: **Agencies concerned with trust enhancement in Government**

Section 2: **Main agencies supporting economic reform.**

Section 3: **Economic reform priorities in the Kingdom Of Saudi.**

Section 4: **Most prominent rewards of political and economic reforms in the Kingdom of Saudi Arabia.**

Section 5: **Saudi Economy Long-term Strategy 2025**

First section: Agencies concerned with trust enhancement in Government

It is well known that building of trust, realizing governmental transparency and obtaining information is not the task of one agency alone but, rather more than one security, control, investigative and lawful agencies should unite their efforts through a well coordinated and integrated work in the course of implementing the general policy of the state, in a manner that realizes the transparency, support the different aspects of reform and prevents all types of corruption by taking the protective and controlling measures and by observing the questioning accountability rules and the application of the lawful and orderly penalties without hesitation or discrimination.

In the Kingdom of Saudi Arabia, as in other countries of the world, several authorities share the responsibility of building trust in government, protection of integrity, combating corruption and protection of the society from its evils. These authorities are as follows:

1.1 Arrest and Investigation Authority:

1.1.1 Ministry of Interior

The founder, King Abdulaziz ibn Abdulrahman Al Saud succeeded in spreading the security in the country by wisdom and strictness according to Sharia through putting an end to the suffering of the country from the political dispersion, tribal struggles, administrative negligence, lack of security and the absence of a central government capable of extending its authority throughout the country.

After the founder passed away, his sons followed suit, applying the most modern sciences, regulations and technologies in the field of maintaining security.

The Ministry of Interior undertook the responsibility of rendering its services to the citizens and residents through maintaining security, stability and tranquility. The history and structure of the Ministry as well as its various sectors have had witnessed an ongoing administrative developments. The Ministry of Interior has endeavored to define and realize its strategic objectives, They are as follows:-

- To realize security and stability throughout the Kingdom and provide the means of tranquility and safety to citizens and residents through fighting all types of crime, vice, wickedness and corruption with the aim of preserving safety of the Saudi society and ensuring its progress.

- To preserve the safety of pilgrims and protect them against all risks, thus enabling them to perform their rituals freely and safely.

- To cooperate in the field of security with the neighboring Arab and GCC countries for protecting the internal and external security, fighting crimes, drugs and smuggling, exchange of information, regulation of immigration, nationality rules as well as those governing other domains.

- To support and enhance the security cooperation and coordination with the Arab countries to safeguard the cultural gains and achievements, consolidate the mainstays of the internal and external security in the face of different threats and challenges, combat crime, terrorism and drugs to develop and upgrade the Arab security bodies. The Ministry comprises several sectors and directorates general such as the Frontiers guard, the Directorate General of public security, Civil Defense, prisons, and Passports. In addition, there is a number of other departments that are assigned for such as those in charge of apprehension and prevention of corruption, as follows:

1– Administrative Investigations: Specialized in fighting bribery crimes and relevant crimes as provided for in Bribery Fighting Regulation.

2 – Forgery Fighting Department: It is concerned with fighting the forgery crimes involving passports and other travel documents.

3- Investigations and Criminal Search Department: Concerned with the other forgery cases as well as the embezzlement crimes coupled with forgery crime or a criminal offence. Attached to this Department are the following:

a) Organized and economic crimes fighting division: This division is concerned with investigation, seizure and collection of evidences. It is also concerned with carrying preliminary investigations concerning organized crimes as well as financial and economic crimes.

b) Financial Investigations Unit.: Responsible for receiving, analyzing reports of suspected dealings and transactions in all financial and non-financial institutions. It also keeps and maintains a database covering all reports and information concerning money laundry. This database is being updated regularly. Confidentiality of the information is observed and data is made available to all authorities concerned. Information and data can also be exchanged and/or requested from competent authorities. The necessary measures are also taken regarding money laundry.

1.1.2 Board of Investigation and Prosecution:

The board is competent according to the regulations and to that determined by the executive bill to the following:-

a) Investigate the crimes.
b) The disposal in the investigation by litigation or keep it as determined by the rules.
c) Litigate in front of the judicial directions according to the executive bill.
d) Ask the cassation of judgments.
e) Supervise the execution of the punitive judgments.
f) Monitoring and inspecting of prisons, detention places and any place where punitive judgments are executed, hearing the complaints of the detainees and ensure the legality of their detention or imprisonment as well as the legality of their staying in the prison or detention after the expiry of their detention period and taking the necessary measures to release those who were illegally imprisoned or detained and application of the relative regulation on those who caused such cases and reporting findings to the Minister of Interior in this regard. Such reports should be submitted every six months about prisoners and detainees.
g) Any other jurisdiction entrusted thereto issued according to this regulation, Council of Ministers resolutions or Royal orders.

1.1.3 Auditing & Investigation Board

The is concerned with monitoring the performance of all government employees and investigating those accused of failure in order to make sure of the good administrative performance of the Government staff and the public institutions and inquire those proved to be guilty. Also it investigates the bribery, forgery, public funds crimes and those crimes provided for in the Royal Decree No.(43) for 1957G.

1.1.3.1 Investigation Authority:

The investigation body at the Auditing and Investigation Bureau represents the Investigation and Prosecution Authority in the crimes of bribery, forgery, public funds crimes and the crimes provided for in the Royal Decree No. (43) for 1957G. The disciplinary Regulation gave several powers to the investigators in performing their duties. Also the Royal Decree No.(M/51) for 1982 gave them the competence to investigate into the crimes of bribery, forgery and other crimes. It also empowered them to adequately perform their duties, including:-

- To check with all other official agencies and review whatever documents deemed necessary and they should be enabled to have access to act accordingly.
- Inspect different public places and seize whatever is discovered by the inspection.
- To hear witnesses and others who are related to the case or have beneficial information in determining the truth.

Should the investigation reveal that evidences are deemed sufficient for condemnation, it refers the case file through the head of the board to the President of the Bureau of Grievances after preparing the accusation verdict.

1.2 The Judiciary

1.2.1 Ministry of Justice

The fourth section of the judicial regulation issued by Royal Decree No. M/64 for 1965G. specified the functions and duties of the Ministry of Justice where article (87) provides for the following:

The Ministry of Justice shall assume the administrative and financial supervision over the courts and other judicial panels, take actions, and submit to the appropriate authorities such proposals and projects as may secure the proper standard for the justice system in the Kingdom. It shall also study the proposals and decisions which it received from the Supreme Judicial Council, and submit to the high Authorities those which require issuance of Royal orders or decrees.

Through this great task which is concerned with taking the necessary measures to ensure the appropriate level of justice facilities in the Kingdom, the Ministry of Justice provided several concepts and projects that resulted in enhancing the work performance and the development of its methodologies according to the latest, most accurate and integrated methods.

Hereunder are the most prominent objectives of the Ministry:

1 – Taking care of the perfect application of the Islamic Sharia and its provisions in a way that realizes the stability and security of the country.

2 – Make available the judicial service to the citizens and residents.

3 – Ensure quick settlement of disputes and finalizing the adversaries brought before the courts.

4 – Provide documentary services to beneficiaries according to strict procedural frames.

5 – Consolidate social stability by solving the problems arising among citizens in the light of the noble Islamic Sharia and its provisions.

6 – Tackle all the obstacles facing the work and any shortage of manpower that might hinder the

judicial services.

7 – Review the suggestions and decisions received from the Supreme Judiciary Council and take the necessary action for forwarding same to the higher Authorities in order to issue the relative Royal orders or decrees.

8 – Review all suggestions submitted by the Judges and Notary Publics and make use of those received from the public.

9 – Meet the needs of the judicial circles such as manpower and different work mechanisms.

10- Review and evaluate the judicial and administrative systems of the courts and notary publics in the light of their factual practicalities and net results, positive or negative, and make use of practices, submittals and concepts in this field in order to keep pace with the ongoing development process.

11 – Prepare statistics that are useful in the performance evaluation process and to assess its future needs and review its impediments.

12 – Draw up plans and lay down work mechanisms for upgrading performance and providing for the required skills and expertise.

13 – Hold meetings, symposia and seminars for their eminences the Judges, Notary Publics and managers of branches to enhance their functional performance and to create the necessary forums to exchange judicial and administrative experiences.

1.2.2 Dominance and Independence of the Judiciary

In its issue No. 3 in 1924, Um Al_qura newspaper quoted the late King Abdulaziz as saying in Makkah Al Mukaramah:

"No one, who ever he was, may review any of the cases brought before a Shari'ah Court for consideration. The Government wish that the adversaries to litigate before the Shari'ah courts so that cases are adjudged without bias or slyness or trickery" In this announcement, the late King Abdulaziz imposed the dominance of the Judiciary upon all disputes and litigations. He also decreed that all disputes and litigations be adjudged according to Shari'ah without any discrimination, trickery or slyness, thus proving the power and independence of the Judiciary.

1.2.3 The Supreme Judiciary Council

The Supreme Judiciary Council was formed – after the Office of the Chief Qadi was transformed to the Ministry of Justice – in the capacity of a board called (Supreme Judicial Board) to assume the judicial jurisdiction in cases where destructive penalties are adjudged. The Judiciary Regulation issued by Royal Decree No. M/64 for 1975 provided, under Chapter Two, Article (5) that the Shari'ah courts be comprised of the following:

a) The Supreme Judiciary Council.
b) The Appellate Court.
c) General courts.
d) Summary courts.

1.2.4 The Bureau (Board) of Grievances:

The Bureau (Board) of Grievances is an independent administrative judiciary board that is directly linked with the King.

1 – The Bureau of Grievance has jurisdiction to decide the following:

a) Cases relating to the rights affixed in the Civil Service regulations and the retirement of the employees and workers of the government and the agencies with the independent public judicial persons or their heirs or legal beneficiaries.

b) Cases involving appeal against administrative decisions whenever the subject matter of the appeal is the non competence, or is due to a defect in the form or violation of regulations or erroneous application, interpretation or misuse of power.

c) Compensation cases filed by concerned parties against the government or individuals.

d) Cases raised in disputes relating to contracts in which the government or public nominal entity is a party.

e) Disciplinary cases raised by the Auditing and Investigation Panel.

f) Penal or criminal cases involving forgery crimes prescribed by law, as well as crimes provided for in the bribery fighting regulation, crimes provided for in the Royal Decree No. 43 in 1957 G. and the crimes provided for in the tampering with public funds issued by the Royal Decree No. 77 in1975 G.

g) Applications for the execution of foreign judgments.

h) Cases under the jurisdiction of the Bureau according to special regulatory provisions.

2- without prejudice to the juridical established rules, the Council of Ministers may refer any issues or cases to the Bureau of Grievance for consideration.

1.3 The Control Authority

1.3.1 Ministry of Finance:

A directorate for the public finance was formed on 1924 G. for the management of the financial matters and to centralize it under one body. The Royal Order No. 381 for the year 1929 G. was issued changing the name of the Directorate of Public Finance to Ministry of Finance. The Ministry of finance has, thus, become responsible for organizing, keeping and collecting the state funds. Also it has become responsible for securing the sources of its revenues and expenditures. Furthermore, it has become the general reference for all the finances of the Hijazi - Najdi Kingdom and its dominions.

In order to meet the demands and requirements of the economic expansion, the Ministerial decision No. 518 was issued on 1950 to establish a bureau to supervise the economic affairs, and handle the decisions of different International Organizations that are established upon recommendations of the Security Council and decisions by the United Nations as well as the Islamic and Arab conferences.

Ministry Responsibilities and Duties:

- Oversee the Kingdom's financial and monetary policies and monitor the implementation by competent agencies.
- Prepare the Kingdom's state budget; discuss it with other government agencies and the implementation thereof.
- Maintain the records of all current accounts between the Ministry and other government agencies.

- Control the antecedent prior to expending from budget allocation in all government agencies.
- Oversee the Kingdom's revenue collection procedures and ensure the conformity of the procedures with the established set of regulations and bylaws.
- Oversee finalization of the government's annual closing accounts record of expenditures.
- Supervise and maintain government properties.
- Represent the Kingdom at international and regional economic and financial organizations, and pursue financial and economic information worldwide, and prepare the necessary reports connected therewith.
- Give effect to the Kingdom's decisions regarding foreign aid.
- Implement the Kingdom's policy with respect to granting loans to Saudi citizens and national companies in different development areas through the commercial banks and the specialized credit institutions such as the Saudi Arabian Agricultural Bank, the Saudi Credit Bank, the Industrial Development Fund, the Real Estate Development Fund, and the Public Investment Fund.

1.3.2 Ministry of Economy and Planning:

The Kingdom of Saudi Arabia has been following a firmly set planning policy that goes back to more than three decades. This policy officially started in 1970G. This approach paved the way for the Saudi Government to take wise decisions regarding the allocation of resources and channeling among various development purposes. The Kingdom witnessed tremendous changes over the last three decades that included six development plans which resulted in fast growth in the citizens' income and their living standards, together with a great improvement in the social and physical infrastructure.

Motivated by a spirit of cooperation and coordination with a view to attain the set policy priorities, the Ministry assumes the following functions:

- Prepare a periodic economic report about the Kingdom's economy. he report reflects the progress achieved in this area, and forecasts the future developments.
- Prepare the five-year development plans of the Kingdom.
- Prepare an approximate estimate of the funds that need to be set aside to implement those development plans to be approved by the Council of Ministers. Such estimates shall form the basis for the state budget of the State. To this end, the Ministry of Economy and Planning and the Ministry of Finance shall be constantly in content for mutual consultations and exchange of information and ideas, to reach a full match between the requirements of the overall development plan and the available financial resources.
- Carry out the necessary economic studies in the matters that so require and present final recommendations.
- Collect, analyze and release socio-economic and residential statistics on all relevant areas concerned, and carry out diverse statistical researches, as necessary, considering that the Central Department of Statistics (CDS) is the only statistical reference in the Kingdom.
- Help other governmental agencies in matters relating to planning and statistics.
- Give technical advice in matters entrusted to by the Custodian of the Two Holy Mosques, and prepare for and supervise the implementation of the population and residence units general census in the Kingdom.
- Compile statistical data and information coming from the other Government bodies, classify, analyze and utilize them in preparing different statistical publications and releases.

1.3.3 Ministry of Civil Service

Giving the due attention to the civil service affairs in the Kingdom of Saudi Arabia is not a recent practice, The foundation to such a practice as laid down by the late King Abdulaziz, since the inception of the Kingdom in 1927 The pioneer organizational march covered general rules for organizing the state employees in a way that would suit the then prevailing administrative position at the time. Several steps followed that were appropriate to and in full tandem with the current stage the civil service was passing through. In1945G. the first regulation ever, concerning the Government employees, i.e. , (General Employees Regulation) was issued.

The Royal Order No.(3221) for the year 1969 G. was issued approving the decision by the Supreme Committee for the Administrative reform No. (16) for the year 1969 G. relating to the new organizational structure of the Bureau, to serve as a body to foresee the affairs of the civil service employees in all Government bodies.

In 1977G, the Royal Decree No.(M/48) for the year 1977G. was issued. It ruled that "Civil Service Council" be established. The Decree approved the Charter of the Council. The Civil Service Council, therefore, had its own separate independent legislative body headed by the Prime Minister, with the task of formulation of the general policy of the civil service and drawing up the necessary plans and programs for the implementation thereof, and issuance of the relevant Implementing Regulations. In the meantime, another Royal Decree (No.M49) was issued approving a new regulation titled» Civil Service Regulation" followed by the 1978 decision of the Council of Ministers, requiring the application of the Civil Service Regulation to the employees of most of the public institutions.

In 2000 G. Royal Decree No.(A/28) was issued to set up the Ministry of Civil Service to replace (the General Bureau of Civil Service) in order to assume supervision over the civil service affairs in the Ministries, Government departments and the bodies representing judicial persons. It was intended to assume the responsibility of recommending regulations having to do with civil service and to oversee implementation thereof; to conduct studies and researches in the area of civil service; to upgrade the standards of civil service and to enhance the efficiency of personnel performance; to draw up the rules and procedures in connection with posts occupancy; to propose wages and salaries, allowances, remunerations and compensations; to participate in conducting studies regarding jobs to be created and ensure compliance thereof with the established scale and rules; to lay down those rules having to do with job classification, keeping and maintenance of the files and records of the State personnel and public workers; to initiate close cooperation with other government personnel sections with a view to reach the best ways and means that would ensure implementation of rules, laws, implementation regulations and decisions having to do with staff and personnel affairs in the best possible manner; and to review and examine grievances of personnel referred to it by agencies concerned.

1.3.4 General Auditing Bureau

The Kingdom of Saudi Arabia has been paying much attention to the subject of the financial control auditing ever since the commencement of setting the basic legislations and the administrative structures of the State in 1926 G, when it was decided to establish the General Auditing Bureau. This machinery developed and evolved, keeping pace with the fast development and growth in all walks of life in the Kingdom. In 1971G. the inception of the General Auditing Bureau was initiated, pursuant to

Royal Decree No.M/9 approving the Charter of (GAB). Consequently, the scope of the Bureau auditing mission has so expanded as to encompass (performance auditing) together with the financial auditing. The bureau was given the powers that enable it to contribute to the process of modernization and reformation. Article (8) paragraph (1) of the GAB Regulation has required the Bureau to "Ascertain that all state revenues and entitlements such as movable and immovable assets and services have been recorded in accordance with the regulations in force and that all its expenditures have been made in accordance to the provisions of the annual budget and the administrative and financial regulations in force." Paragraph (2) of Article (8) has also required the Bureau **"*to ascertain that all state assets are used for the purposes for which they were intended by the concerned authority and that such authority has adopted procedures which guarantee the safety, and proper use of such assets, and prevent the misuse of these assets or their use for purposes other than those for which they were intende*d".**

Furthermore, the GAB has been accorded full independence in the course of discharging its responsibilities and jurisdiction. In its Constitution, Article (1) affirmed that "GAB *is an independent body that reports directly to the Prime Minister, i.e. the Custodian of the Two Holy Mosques.*" Article (3) of the GAB's Charter has also provided that "*the President is to be appointed by virtue of a Royal Edict. He shall not be pensioned off or discharged except by a Royal Order.*"

***This* implies an implicit indication of the degree of independence the legislature desires to confer upon the GAB, with the objective of enabling it to discharge its duties and responsibilities with due impartiality and objectivity.**

The GAB' Annual Report is regularly referred to the Consultative Council (Parliament) for review and discussion in the presence of GAB's concerned senior staff. Subsequently, the Annual Report is referred by the Consultative Council, duly supported by whatever recommendations and decisions the Council may have in conjunction with Report, to the Custodian of the Two Holy Mosques, the Prime Minister, for review and guidance.

Out of its keen interest and resolution to develop and upgrade its processes and methodologies, the tasks assigned thereto is not any more restricted to Financial Audit activities and verification of accuracy and validity of financial transactions as well as compliance with regulations and directives in force. They rather have become more varied and broad in scope as to encompass Performance Audit. Such an Audit ensures that the auditee's resources management is conducted in an efficient manner and in compliance with rational economic standards and methodologies. Furthermore, it helps monitor how much success has been realized in the application of set working plans and hoped for objectives. It goes without saying that Auditing, in its broad sense, seeks and endeavors to control and rationalize expenditures, let alone cooperation with auditees and providing them with the necessary recommendations and guidance that should help them upgrade their performance, safeguard public finances and rationalize the use thereof, and maximize the return thereof on the national economy as a whole.

Also the General Auditing Bureau attached great importance to follow up on the implementation of the projects and programs approved in the development plans and the general budget of the state whether in terms of contractual obligations to implement these projects, availability of disbursement vouchers, or compliance of contractors and suppliers with the provisions of the contracts concluded with them.

The role of the Bureau in this regard is represented in the following:-

- Auditing the contractual procedures,
- Auditing the implementation of the contracts and the Disbursement vouchers.
- Performance auditing and the evaluation of the achievements avis set objectives.

1.3.5 Auditing and Investigation Commission

The Commission's jurisdiction covers the audit and investigation of all matters concerning Government's staff in discharging their duties. This implies conducting investigation with whoever is charged with negligence or omission. The objective is to ensure a good level of administrative performance, whether at the level of government machinery, or the public corporations. He whoever is proved guilty by the investigatory process shall be accountable and liable to his crime. The Commission>s jurisdiction also covers crimes of forgery and bribery, embezzlement of government funds, as well as those crimes provided for in the Royal Decree No. (43) for the year 1957.

1.3.5.1 The Auditing Authority:

The Financial Auditing Department in the auditing and Investigation Commission has jurisdiction in the following areas:-

1 – Review the cases referred to it relating to financial contraventions in order to determine such contraventions and those responsible for them before investigating it and suggest the necessary means and ways to limit the occurrence of such violations.

2 – Examine whatever to complaints or information referred to it to report any financial offences, review and scrutinize all information or inquiries gathered on suspects for further investigations and measures to be taken, and recommend remedial measures.

3 – Carry out the examination as suggested by the investigations carried out by the organization in the cases and transactions referred to it. In case there is a representative present from one of the other auditing bodies to investigate the same subject matter, such an examination should be conducted in by both sides for the purpose of combining efforts.

4 – Help the concerned agencies follow up on the implementation of the approved annual plan for the purpose of evaluating the level of achievement in the works domain and the level of performance in the field of services in agreement with the Ministry of Economy and Planning.

5 – Inspect the government leased buildings within the scope of the jurisdiction conferred to the Authority, pursuant to the Council of Ministers' Decision No. 1164 in 1972.

6 – Follow up on the financial contraventions raised by other auditing bodies through the copies of the files and reports referred thereto.

7 – Conduct those researches and studies as has become necessary as a result of analyzing the general phenomena observed in the course of discharging responsibilities and duties thereof.

1.4 The National Strategy on the Protection of Integrity and Combating Corruption

The Kingdom of Saudi Arabia saved no pains to combat corruption. The Custodian of the Two Holy Mosques, King Abdullah ibn Abdulaziz pointed out in his speech before the Consultative Council on May 2007G. every support possible shall be added to the efforts being exerted to combat corruption. His Majesty said: ***I owe you***

the pledge to justly - stem inequity and oppression and to stand up to the challenge in defense of my religion, my country and towards you.*" His Majesty added "*It is hoped, God willing, that the upcoming period will witness the launch of a number of significant projects and the establishment of a national Commission for combating corruption".

It is worth mentioning that the Government of the Kingdom of Saudi Arabia issued resolution No. 7/B/5657 for the year 2001G, ruling the formation of a Supreme Authority to be headed by His Royal Highness the Minister of Interior and the membership of a number of concerned Ministers (Ministers of Justice, Civil Service, Finance, General Auditing Bureau, Auditing and Investigation Commission, the Bureau of Investigation and Prosecution Organization, the Experts team at the Council of Ministers….etc.) to assume the responsibility of drawing up a National Strategy for the Protection of Integrity and Combating Corruption .This has finished its work. Early 2007 the Council of Ministers resolved that the National Strategy on the Protection of Integrity and Combating Corruption be set up. The Commission identified corruption as: any behavior that violates any of the rules guidelines, controls imposed by law." As for corruption, it was defined as any act that would threaten a public interest, whether through betrayal or non-compliance therewith through putting the personal interest on top of the public interest, or misuse of the public office for the purpose of realizing private gains".

The National strategy for the protection of Integrity and Combating Corruption aims to:

1 – To protect integrity and combat corruption in all its forms and features..

2– To reinforce the Saudi society against corruption of religious, moral, ethical and educational values.

3 – Guide Saudi citizens and residents towards sound behavior and respect of Shari'ah and lawful provisions.

4 – Provide healthy and appropriate environment for the success of the development plans, especially the socio-economic ones.

5 – Contribute to the efforts exerted to enhance and reinforce regional, Arab and International cooperation in the field of protection of integrity and combating corruption.

6 – Administer justice among society members.

the mechanisms envisaged to achieve the above objectives include setting up a National Commission to combat corruption with a view to assume the following:-

a) Follow up on the implementation of the Strategy, monitor results thereof, and evaluate and check its performance and set working program and applications thereof.
b) Coordinate the efforts of both the public and private sectors in planning, auditing and evaluation of the corruption fighting program.
c) Receive and review periodic reports and statistics from competent agencies, and prepare relevant analytical data in this regard.
d) Collect, classify, sort out, analyze and exchange information, data and statistics, with agencies concerned directions.

Second section: Main agencies supporting economic reform:

The beginning of the third millennium witnessed essential developments in the Saudi economy the changes the budget deficit to surplus and the petroleum and non petroleum exports levels increased. On the investment side, the Kingdom has realized incredible jumps whether in the field of securities or the foreign investment. Also in this period a large privatization process took place, the thing that opened vast field in front of the private sector in many of the economical and social developmental activities.

The restructuring of the instruments in the economical management in the state had a major role in theses developments, especially regarding the setting up of the Supreme Economical Council, the Saudi Arabian General Investment Authority, the Saudi Authority for the Industrial Cities, the Supreme Tourism Authority, Communications and Information Technology Authority besides the restructuring of the Supreme Council of Petroleum and reorganizing the activities of some Ministries by joining it with other Ministries as the case in the Water which was joined to the Electricity, the Industry joined to the Commerce for the coordination between the two pillars money and businesses, the Economy joined to the Planning for enhancing the linkages between the policies and tools of the planning and executive process in the economical domain.

Hereunder, we review the efforts by the main bodies supporting this reformative course:

2.1 The Supreme Economic Council:

On August 1999, the Kingdom of Saudi Arabia announced the formation of the Supreme Economic Council in order to undertake the tasks of evaluating the economical, industrial, agricultural and work force policies, for the purpose of deciding the effectiveness of these policies and to supervise the privatization program and follow up its implementation. The decision by the Council of Ministers No. (60) for the year 1998 has defined the objectives of the privatization that will be reviewed, to include the definition of the necessary policies for realizing these objectives, taking in consideration the integrity and the non duplicity in the policies as follows:

First Objective: To enhance the efficiency of the National Economy and to increase its competitive capacity to withstand the regional and international challenges and competition.

Second Objective: Urge the private sector to the investment and the active participation in the National Economy and to increase his share in the domestic product, in a way that realizes the growth of the National Economy.

Third Objective: To extend the scope of the participation by the citizens in the productive assets.

Fourth Objective: To encourage the National and Foreign capital to invest locally.

Fifth Objective: To increase the job opportunities and the perfect employment of the National work force and to continue realizing fair increase in the individual’s income.

Sixth Objective: The provision of the services for the citizens and investors in time and with reasonable cost.

Seventh Objective: Rationalize the general expenditure and reduce the burden of the state's budget by giving the chance to the private sector to finance, operate and maintain some of the services in its capability.

Eighth Objective: Increase the state revenues through the returns of the contribution in the activity to be transferred to the private sector and through the funds obtained such as on granting franchises as well as from the earnings obtained as a result of selling by the state to a portion of its share.

2.2 The Supreme Council of Petroleum:

The Royal Decree No. A/212 for the year 2000 was issued necessitation the reformation of the Supreme Council for Petroleum and Minerals headed by the Custodian of the Two Holy Mosques and the Prime Minister, to be concerned with the following:-

First: To decide in all petroleum, gas and the other hydrocarbon substances, and this competence includes the following:

a) Determine and ratify the policies and strategies of the petroleum, gas and the other hydrocarbon substances in the light of the National circumstances and interests to include the determination of the production quantities and to ratify the pricing plans of the fuel sources and the different values in the Kingdom.

b) Set the public policy for Saudi Aramco to be as follows:
   - Ratification of the fifth work plan of the Co., including its schedule for producing the crude oil and its program for the discovery of new reserves of the hydrocarbon substances and its development.
   - Ratification of the five years program of the Co. for the capitalistic investments in the future.
   - Decide all the other matters launched by the Board of Directors.

c) In consideration to the limiting of the exploration works, prospecting and production of petroleum, gas and all the other hydrocarbon substances to Saudi Aramco, and with consideration to its articles of association, the Council will decide in all the investment matters in all the stages subsequent to production and that to include the approval of the necessary agreements and contracts with the specialized companies.

d) In consideration to the period of the two franchising agreements in the divided region and the submerged region parallel to it, the Council is concerned with deciding in all the investment matters in the petroleum, gas and all the other hydrocarbon substances in both regions and that to include the exploration, prospecting, production and approving the development, operation and the contracts for the other investments with the competent companies.

e) Review the projects of the International agreements in the fields of petroleum, gas and minerals.

f) The Council undertakes the follow up the implementation of the abovementioned policies and strategies, and he might ask the competent directions any information or reports that might help it to carry out his work.

All matters under the competence of the Council will be referred to it.

Second: Without prejudice to the provisions of the mining regulation, the Council is competent to review and ratify the public mining policies and to review it agreements and contracts.

2.3 The General Investment Authority:

On April 2000 G. the General Investment Authority was founded. The Authority aims to attract sufficient investments in order to realize fast economical growth by investing the distinct power elements of the Kingdom of Saudi Arabia, considering it the most significant source of energy in the world, in order that the Kingdom will reach the of the best (10) countries in the world as to the competitive investment environment on 2010 G.

The regulation of the Authority has stipulated that its objectives include:

- Preparation of the state policies in the field of developing and increasing the local and foreign investment and forward same to the Supreme economical Council.
- Propose the executive plans and the rules that prepare the investment environment in the Kingdom and forward same to the Supreme economical Council.
- Follow up and evaluate the local and foreign investment and prepare a a periodic report about that.
- Preparation of studies about the investment opportunities in the Kingdom and promote it.
- Coordination and work together with the relative Government directions in a way that enables the Authority to perform its tasks.
- Organize conferences, seminars, internal and external exhibitions and the efficacies relating to the investment.
- Develop databases and carry out the necessary statistical surveys to commence its competencies.
- Any tasks orderly entrusted with the Authority.

It can be said that those objectives are focused on three major roles:

- The improvement of the investment environment in the Kingdom.
- Support and develop the local investment.
- Attract and encourage the foreign investment.

The regulation of encouraging the foreign investment was ratified on 2000 G. that was issued by the General Investment Authority to allow the foreign investors to own the real estates, the thing which will allow them to practice their licensed activity, transfer their funds and profits, own their projects in full and enjoy all the allowed tax reductions . On the other hand, the regulation provides the protection to the foreign investors from the confiscation of their property unless with a judicial judgment and it is not allowed to take away the ownership of their investments except for the public interest against a fair compensation.

Since its founding, the Authority has granted more than (2000) license for projects with investments exceeding 15 billion U.S.D.

Also, the Saudi Investment Authority has launched, during its tour in U,S,A, during the month of May 2007 G., investment opportunities in the Kingdom for 500 billion U.S.D. The tour of the Authority aimed to meet with the presidents of the leading companies in the investment sectors which the Authority focuses thereon. The official of the Authority have already made similar visits to Japan and China for realizing the same objective. During these visits the concentration was on the integrated industrial cities, as the Authority endeavors in this stage to attract the major investments in each city, the thing that will contribute in providing many supporting investment opportunities. The Authority has revealed the investment opportunities in Saudi Arabia with a value estimated by about half a trillion U.S.D. in the integrated industrial cities and the sectors of transport, energy and industry that are based on knowledge.

2.4 Supreme Commission for Tourism:

The Kingdom of Saudi Arabia is facing several economical challenges that are imposed by significant factors, among which are the increasing population growth, the limited economical structure and its reliance on the oil as a basic source of income and the limited opportunities of investment and employment.

These challenges have originated a reality represented in the regression of the economical growth averages and the increasing internal and external disorders in a number of the National economy sectors.
One of the most significant initiatives of the economical and administrative reform adopted by the Government of the Kingdom within the inclusive reform program and economical restructuring, that included in the decision by the Council of Ministers No. (9) dated 26/04/2000 G. by " approving the tourism as a productive sector that contributes in keeping the Saudi tourist within the country, increasing the investment opportunities, developing the human capabilities and finding new employment opportunities for the citizens" and to consider the tourism accordingly as a National economical project.

The Kingdom of Saudi Arabia, being the source of Islam, endeavors to develop a valuable and distinct tourism services with social, cultural, environmental and economical benefits, starting from its Islamic values, the originality of its deep heritage and its traditional hospitality. Each year arrive to the Kingdom about two million Muslims from all over the world to perform the Hajj rituals and year round the Kingdom receives many muslims who come to the Holy Lands for visit and to perform Omra and also the Kingdom is a direction and destination for reasons other than the religious intents.

The Kingdom is rich with its history and culture, And Allah the Almighty has bestowed it with much and much that it could present to this world such as unique charming tourism, antiquities locations, fascinating sceneries and imaginable shores rich with all types of marine life.

2.5 Saudi Food and Drug Authority

The Saudi Food and Drug Authority was founded on 2002G. as an independent authority with a moral identity undertaking all the procedural, executive and control tasks that are performed by the currently existing directions to ensure the intactness of the food and drugs for the human and animal and the safety of the vital and chemical preparations as well as the electronic products that affects the human health. The Authority is considered leading regionally in the field of food, drugs and medical equipments and it provide its services with distinguished professionalism that contribute in the protection and enhancing the health in the Kingdom of Saudi Arabia to ensure the intactness of the food, safety, quality and efficacy of the drug and the soundness and efficiency of the medical equipments and necessities through setting up an effective control cadre for realizing the following main objectives:

- The safety, security and efficacy of the food and drug to humans and animals.
- The safety of the complementary vital and chemical preparations, cosmetics and insecticides.
- The soundness of the electronic products from affecting the general health.
- The strict standards and intactness of the medical and diagnostic equipments.
- Set clear policies and procedures for the food and drug and plan to achieve and activate these policies.
- Conduct researches and applied studies in order to recognize the health problems, its causes and to determine its effects including the methods and evaluation of researches, besides setting a scientific rule to be utilized in the cultural purposes, the consultative services and the executive programs in field of food and drug.
- Monitor and supervise the licensing procedures for the food, drug and medical equipments factories.
- Exchange and spread the information with the local and international scientific and legal directions and prepare a database about the food and drug.

Third section: Economic reform priorities in the Kingdom Of Saudi:

3.1 Diversification of the Economy

The encouragement of the private sector is privileged with great priority in the development efforts for the diversification of the economy and lessens the reliance on the petroleum. On 2005 G, the ratio of the contribution by the private sector in the grand domestic product with the fixed prices amounted to 44,6 percent and the ratio of its contribution in the domestic non petroleum product with the fixed prices amounted to 65,9 percent. It is expected that the privatization program adopted by the Government will enhance largely the role of the private sector, the thing which will enable it to practice its role in the economy with more stability and vitality.

In order to achieve this objective, several programs were started including a program for encouraging the small and medium establishments. The basic element for this project is represented in encouraging the commercial banks to finance those establishments, the thing which will augment the productivity of the non petroleum sector and that resulted in increasing the non petroleum exports in the last years which was not mentioned before twenty five years. The exports of the non petroleum exports of the Kingdom have increased steadily since the year 2000 G. as its average growth amounted in the last three years (2003-2005) to 30,2 percent with a value exceeding 71,3 billion Saudi Riyal on 2005 G.

3.2 Improving the Environment for the Direct Foreign Investment

The economical method that relies on the market regulation adopted by the Kingdom has contributed earlier in finding the suitable position for the beneficial investment. In order to attract more foreign investment, the Kingdom recently updated the foreign investment system, the income tax system and the competition system and opened more fields such as the gas and communications sectors for the foreign investors. On 2005G., the General Investment Authority granted licenses to 642 foreign and joint projects with a financing of more than 202 billion Riyal and the number of the industrial licenses therefrom amounted to 174 project for a value of 77,9 billion Riyal and 466 service projects for a value of 124,3 billion Riyals.

3.3 Work Place Reforms

The continuity of finding jobs, especially to the youth who are recently graduated from the educational institutions as one 0f the challenges that face the Saudi economy and that is due to the elevated population growth and the flexible policy of recruitment of the foreign work force. The percentage of the Saudi work force from the total work force in the private sector amounted to 11,63 percent only by the end of 2005 G. Due to the passive consequences of the unemployment on the economical and social results, the Kingdom began to execute reforms in the work market. The reforms focus on realizing some sort of balancing between the number of local and foreign work force through the restructuring of the work permits regulation and linking the education with the work market requirements, improvement of the easy shifting of the work force, facilitate the employment and training of the citizens and to encourage them to join the private sector and to utilize the programs of the human resources development program that was founded on the year 2000 G. in order to realize these objectives. The fund, in cooperation with the United Nations Industrial Development Organization has organized a training program to develop and train the work owners aiming to qualify those who wish to establish business firms to rely on themselves in order to be businessmen instead of looking for jobs.

3.4 Developing the Financial Market

The Saudi financial system is privileged with its development and its escorting to the International changes and its merger in the International system. Now, there are evident efforts for developing and deepening the Saudi financial market. On 31/07/2003 G. the financial market regulation was issued and an authority for the financial market was originated in order to regulate and control the financial market and the other developments relating to gathering the medium and long term capitals. Also the system of the cooperative insurance was applied for organizing the insurance and reinsurance business in the Kingdom and approval was given to the installment system on 11/04/2005 G. As a reflection to these developments and to the future aspirations that encourage the economy, the Saudi financial market continued the enhancing of its position and power.

3.5 Monetary and Financial Stability

Efforts are exerted to maintain the monetary and financial stability in order to ensure the realization to an ever lasting economical development. The inflation was under control and the exchange rate was stable within a long time period. The average of inflation amounted to less than 1,0 percent during the last ten years (1996 – 2005 G.) and that was due to controlling the liquidity growth average in the Kingdom and the sufficient availability of goods and services as a result of the growth of the non petroleum grand domestic product and the openness of the Saudi economy. Also the exchange rate of the Saudi Riyal was maintained on 3,75 Riyals for one U.S.A. Dollar since 1986 G. and this stability has resulted in the ability of the private sector to plan for the commercial projects and to encourage the investment activity in general.

3.6 Increasing the Commercial Exchange

Huge efforts are exerted in search for larger markets through the liberation of the economical activity and enhancing the commercial competition and initiations, and for this purpose, endeavors were exerted to come to an economical integration between the GCC countries, the thing which will result in the enhancing of the regional and International commercial exchange. It is hoped that the joining by the Kingdom to the International Trade Organization which was realized by the end of 2005 G. to enhance more chances for the Saudi economical growth as a result to the advantages of the openness on more markets, the easy commercial exchange with the member countries in the International Trade Organization and the relative advantages of the several Saudi economical sectors that enable it to compete and benefit from the available opportunities in the International markets.

3.7 The Application of the Government Electronic Transactions

The Government of the Kingdom is keen to continue the upgrading of the Government bodies and to develop its performance. Therefore, the Council of Ministers issued its decision No. 40 dated 27/03/2006G. necessitating the approval to the controls for applying the Government electronic dealings for the purpose of providing the Government services to the citizens, residents, investors and business companies in a standard time with high efficiency and with the least effort possible, which will have a clear effect on the economical and social reform process and provide an attracting environment for the investment. The most prominent issue in the decision of the approval of the application of the Government electronic transactions is the following:-

- The Government directions will classify its information and data according to unified guiding levels and specifications set by the Governmental electronic transactions.
- Each Governmental direction will avoid the duplicity in the databases and the program, will coordinate with the other Governmental direction for the full information and data in a way that there will be one direction who is responsible of handling the duplicity and the contradiction of information and data with its several sources. Each Governmental direction should manage its databases and make the joint data electronically available to the other Governmental directions.
- Each Governmental direction should depend electronically on the information and data available with the relative directions and to lessen the information and data to be presented in the Government forms and all the Government direction should define to its employees the norms relating to the privacy.
- Each Government direction will confine and determine the services it renders, the requirements of obtaining such services and set the approved forms for this purpose in an electronic form according to a guiding methodology to be prepared by the program for this purpose.
- The Government direction should form an internal committee with the objective of dealing with the entire e-Government Interoperability framework and it should be linked with the senior official in that direction and the membership of the senior official in every department concerned with the e-Government Interoperability framework and the senior official of the information technology and administrative development. Its main task will be the supervision of the implementation of its e-Government Interoperability framework and its following up and this committee should coordinate with the program.
- The program, jointly with the Government directions will set a technical frame for applying the e-Government Interoperability framework and its updating periodically to include the technical specifications and policies that facilitate the exchange of information and data between the Governmental directions in a way that all the Government directions will abide by the information technology and its e-Government Interoperability framework.
- The program will initiate the national port for the e-Government Interoperability framework for facilitating the access to the Governmental information and to obtain the Governmental services.
- Each person of natural or moral capacity will have a unified identification number to be entered in all the informative systems in a way that this number suffices the needs of all the concerned directions relative to the electronic information and the applications of the e-Government Interoperability framework and the program will coordinate with all the concerned Government directions, each in his field of competence in order to determine the nature of such numbers and its specifications. Each Governmental service will have its unified identification number that suffice the E-Government Interoperability framework according to the standards set by the program.
- All Governmental directions will protect its information and data systems according to the relative international standards and as per the guiding norms prepared by the program for this purpose.

The Council of Ministers have approved in his meeting of 08/05/2006G. to allocate the amount of three billion Saudi Riyals for the e-Government Interoperability framework (Yusr) for the first five years beginning from the fiscal year (2006G) for the implementation of the requirements of the infrastructure projects and the e-Government services aiming to provide no less than 150 E-Government services that include more than one thousand branch services provided by 40 Government directions. This year, six Governmental services will be initiated jointly with the concerned directions.

This program aims to motivate and enable the Government directions to apply the electronic transactions in its works and in the services rendered to the citizens and the private sector in order to increase the efficiency, raise the productivity of the public sector, improve the services level and to contribute in providing the attracting environment to the investment in the Kingdom.

The Custodian of the Two Holy Mosques – May Allah Keep Him – directed all the officials in the Governmental directions to pay attention to the implementation and the collective work for realizing the future vision of the safe electronic transactions from any place and at any time.

3.8 Evolution of Privatization Process

Privatization is representing one of the most important strategic pivots of the 8th Strategic Plan. The emphasis of this plan is placed on the privatization of more activities and public utilities and public services and on the acceleration of privatization process. Privatization is considered to be a very important mechanism to broaden the participation of private sector in the economic development. Such participation would create a competitive environment and increase of efficiency and would minimize the effects associated with the fluctuation of the government income. The government of the Kingdom of Saudi Arabia was concerned to prepare a suitable environment and proper opportunities to activate and the developmental role of private sector by providing it with advanced technological environment and the encouraging legalizations.

In November2002, the government of the Kingdom of Saudi Arabia has announced its plans to privatize a number of important economical sectors. The Higher economic Council took the responsibility of this program. The Council determined the sectors that need to privatized and laid down the strategic plans in this regard in addition to a timetable for the privatization program.

The targeted sector for privatization include: communication. Civil aviation, desalination of sea water, management of roads, railways, sport clubs, health services, hotels, municipal services, education services, operation and management of social services centers, Saudi recruitment services, agricultural services, building and management of slaughter houses, public parks, entertainment centers, and services of cleaning and collecting wastes. Furthermore, construction works began in King Abdullah Economical City on December 21, 2005, which is considered to be the greatest individual investment carried out by private sector in the Kingdom. The tangible examples on the success of privatization efforts include:

3-8-1 Commission of Communication and Information Technology.

The Commission of Communication and Information Technology (CCIT) performed a comprehensive study on communication and information technology market in the Kingdom to explore the market needs of communication and information technology services and to study the best available choices for opening the Kingdom’s markets for more of these services and to develop them. The Commission, also, exerted tremendous efforts to prepare the policies, conditions, and specifications of issuing more licenses of telephone and mobile services and to set the transparent an just criteria of evaluating the new requests to obtain any new license. Currently, a new license of telephones and mobile phones is under issuance. The number telephones in the Kingdom reached 3.8 million in 2005 and the number of mobile phones reached to 11.8 million and the number of internet users reached to 2.7 million with a rate of 13.0% of the total number of population.

3.8.2 Telecommunications Services:

Privatization of Saudi Telecom Co. started on December 2002, where about (30%) of company shares have been sold to public by placing the shares on the market for general underwriting. The revenue was more than ($4billion).

On 5 June, 2005 the telecommunications organization and information technology has been awarded special license for the third mobile generation for Saudi Telecom Co., the following are the issued licenses:

1. License of Saudi Telecom Co. for providing telecommunications services and information technology.
2. License of telecommunication Union Co. for providing mobile service of second Generation (G2).
3. License of Itihad Al-Itisalat Co. (Mobily) for providing mobile service of third generation (G3).
4. License of Saudi telecom Co. for providing mobile service of third generation (G3).
5. License of First Data Co. for Networks services" for providing information services.
6. License of "Integrated telecom Co." for providing information services.
7. License of Saudi mobile communications for providing mobile telephone service of third generation (G3).

S	License type	Total licenses
1	Providing telephone services	1
2	Providing mobile services	3
3	Providing mobile services of third generation (3G)	3
4	Providing information services	3
5	Providing mobile personal communications services through satellites (GMPCS)	3
6	Providing communications services using VSAT system	11
7	Providing internet service by airplanes	1
8	Providing mobile service on airplanes (GSM 1800)	1
9	Providing Internet service (ISP)	57
10	Providing machine system service for managing vehicles (AVL)	28
11	Providing SMS services	110
12	Providing audible texts service (700)	27
13	Providing communication center service	9
14	Providing electronic wallet service	3
15	Providing mobile service for prepaid rechargeable cards	4
16	Providing a service of managing and distance networks control	3

Telecommunications organization and information technology also has announced its purposeful plans to introduce the most recent technologies in the field of computer to all Saudi families, subsequently generalize computer knowledge, abilities and skills.

3.8.3 Postal Services

In 2002, the Government of the Saudi Government transferred the responsibility of management of postal services from the previously Ministry of Telegrams , Post, and Telephones to the responsibility of private sector. In January 2003, it was announced that the postal services have become operative within the scope of states program of privatization, successfully by one hundred private sector companies.

3.8.4 Corporation of Railways

In the mid forties the thought of establishing a railway corporation began when a need for a port on the Gulf coast aroused to transport the imported goods from the port to ARAMCO warehouses on the midland. In 1966, a Royal Decree No.: 2/3 was issued on the basic law of the corporation which led to transform the railways to be a corporation that have independent identity.

On 11th of April 2004, the Higher Economic Council issued his approval on the urgent execution of three major projects for the Railway Corporation by private sector company. The first project will be the execution of a railway from north to south where it begins from the north west of the Kingdom to Riyadh by 2400 km long. The second project will be the execution of a railway from east to west, beginning from Jeddah Islamic Port in the west to Riyadh-Dammam railway in the east by 900km long. Meanwhile, the third project will connect Makkah with Madina via Jeddah. The operation of these railways will be as of 2009.

3.8.5 Airports

The Government of the Kingdom is willing to privatize the the operation and management of its national and international airports. Meanwhile the security of these airports will the responsibility of the government. There are 24 local airport and four international airport in the Kingdom located in Riyadh, Jeddah, Dammam, and Madina.

3.8.6 Saudi Arabian Airlines

The Saudi Arabian Airlines is considered to be one of the biggest airlines in the Middle East. It owns a 117 airplanes that serves more than 12 million passenger a year in 50 different cities in four continents. Now, the privatization plans of Saudi Airline are laid down and a visibility study in this regard is submitted to the Ministry Council.

In June 2003, the Higher Economical Council agreed on opening the Saudi civil aviation sector for privatization for the privte sector to provide the opporunity for corporations to provide local aviation services. An authorization were granted to three aviation corporations to provide aviation services inside the Kingdom as of the beginning of year 2007.

3.8.7 Saudi Ports Authority

The Saudi Ports Authority privatized many projects to private sector to hasten the process of handling goods and naval services in the eight ports in the Kingdom. For example, we can find in Jeddah Islamic Port and King Abdulaziz Port in Dammam that the dockyard in both ports and the areas of preparing exports are totally rented to the private sector. The investment of private sector in the year 2006 mounted to more than 800 million USD in the Kingdom’s net of ports which is considered to be the biggest in the Middle East.

3.8.8 Saline Water Conversion Corporation

The Kingdom of Saudi Arabia is considered the biggest producer of desalinated water in world (the desalinated water produced on 2005 reached to 1059.5 million cm). Now, efforts are exerted to privatize the current plants of water desalination in the Kingdom which worth 14.4 billion USD.

The Ministry of Water and Electricity, in the execution of the Cabinet’s resolution number 219 dated 11/11/2002, forwarded the invitation to a number of local company’s to bid for projects in the field of water and electricity of more than 8 billion USD. As a result the Corporation set up a study team to study the required procedures to privatize and restructuring the Corporation. A work plan was prepared and a timetable for the transition of the corporation from being a governmental entity to a commercial entity that works on a commercial basis. A contract was signed with four consultative offices to explore the strategic, technical, financial, and systematic aspects of privatizing the company. These contracts defined the aspects that include the frame work of each aspect, according to the following:

a. A visibility study of privatizing the corporation according to:

i. Studying the justification of privatization and the expected returns.

ii. Studying the privatization choices.

iii. Stating the obstacles of execution if present.

iv. Assessment of the privatization possibility when available.

b. The studies, results, and recommendations will be submitted to the Higher Economical Council to take the necessary action regarding the privatization of the corporation. In case the privatization decision is issued, the the corporation will prepare a program for privatization according to the required studies. After obtaining the necessary approval from the Higher Economical Council, the necessary action and steps will be taken to finalize the privatization process.

c. The corporation under the auspices of the Privatization Committee of the Higher Economical Council will be managing the execution program of privatization. The execution program will include the variable factors determining the state's policy and the organizational factors and the necessary steps and timetable of execution, and handling the obstacles of execution when thy are present not to forget to mention the procedures of the Corporation restructuring.

d. Primary plans of privatization will be made including the percentage and selling methods and the timetable for concluding the operation.

3.8.9 General Organization for Grain Silos and Flour Mills (GSFMO)

The World Bank Group performed a study on privatizing the GSFMO and recommended privatization. A number of consultative offices were contacted to choose the most appropriate method for the requirement of the first stage of privatization represented in the participation of private sector in The Build-Operate-Transfer (BOT) system for the flour mills sector, which represent the first step toward full privatization of the Organization. An Advocate Office was chosen and entrusted to organize the relationship between the Organization and the investor during the first phase of privatization by preparing the related documents of the participation of private sector in the construction of mills. The Advocate Office, currently is preparing the final shape of the primary draft of the contract documents which will be ready for signature between the Organization and the investor.

3.9 Mining

In April 2003, a new mining strategy in the Kingdom was announced that targets the support of the investment of private sector in mining. On 13 of September 2004, the system of investing in mining is issued. This system will provide jobs and opportunities for local and foreign investors to the exploration and prospect ion of mines in the Kingdom. It well known that the Kingdom is rich with natural resources that include phosphate, raw iron, bauxite , zinc, copper. On June 2005, the Kingdom affirmed its plans to issue the shares of its companies in the field of petrochemical and mining for public subscription, which would result in a 6 billion USD.

3-9-1 Saudi Mining Corporation "Maadin"

In 19 of May 2004, the Higher Economical Council approved the privatization of the Saudi Mining Corporation "Maadin" which is totally owned by the Government. As a first step, "Maadin" is setting up a unit for studying and evaluating the precious and normal mining sector as of January 2005.

On the 1st of May 2005, the Cabinet approved the privatization of "Maadin" by issuing 50% of its shares for public subscription at the end of 2006, after concluding all agreements and the necessary procedures for subscription.

3-10 Energy

By the year 2004, an agreement of investment in the field of oil that worth 7 billion USD was concluded with some international companies. This agreement targeted the development of exploration operations and extraction of natural gas in the south region of the Empty Quarter. That was the beginning of a chain of projects that worth more than 25 billion USD of investment in the few coming years. Saudi ARAMCO is now devoted to execute international projects starting from dissemination of petrol in the United States of America and refining oil in Pakistan.

3-11 Selling the Government shares in Corporations and Hotels

According to the approval of the Ministerial Committee for Privatization in its meeting on the 2nd of February 2001 on selling the Government Shares in the national corporations and selling the remaining portion gradually in a later time. After the success of the two experiments of selling 30% of the Saudi Telecom Company shares and selling the whole share of the Government of The National Company for Cooperative Insurance (NCCI) amounted to 50% of its capital in a public subscription. More quotes of the Government in other corporations will be sold gradually in a way that would have no effects on shares market.

The Cabinet issued a decision on the 11th of November 2001 that the General Investment Fund is delegated to sell The Government quotes in the binary Joint Arabic and Islamic Corporations to private sector. This decision was submitted to the Chambers of Commerce and Industry, and Chairmen of Governing Boards owned equally between the Kingdom's Government and other Arab and Islamic countries. Other shares are under evaluation at the moment.

3-12 Insurance

On the 14th of July 2003, the insurance system was issued to provide the legal frame that organize the insurance and re-insurance process in the Kingdom.

On the 18 the of May 2004, the Higher Economic Council approved the selling of Government shares in one of the biggest corporation in insurance which is the National Cooperative Insurance Corporation. This selling process of the Government shares will help in the expansion insurance market/activity in the Kingdom which worth 2.5 billion USD.

In October 2006, licenses were issued fir 13 insurance companies in the Kingdom of Saudi Arabia which but an end to the monopolization of the National Cooperative Insurance Corporation. Most of these new businesses are a joint venture with other foreign insurance companies.

3.13 Economical Cities:

The Kingdom has launched four economical cities by the end of 2005 as the following:

3.13.1 King Abdullah Economical city in Rabig:

The custodian of the two holy mosques has inaugurated King Abdullah Economical city in Rabig on December 2005. this industrial, housing and commercial project which will be established near to Jeddah with total cost of $26.6 milliard will include an international airport, port and educational facilities. It is expected that it would make available of (500.000) employment opportunities in different fields.

3.13.2 Economical Knowledge City in Almadinah Almunawara

It is also decided that the economical knowledge city in Almadinah Amunaora is an international industrial city which bases on knowledge.

3.13.3 Prince Abdulaziz ben Masaad Economical city in Hail

It will focus on transportation and logistic services in north of Saudi Arabia which is expected to make available of (120.000) employment opportunity.

3.13.4. Jazan Economical City:

It has been inaugurated by the custodian of the two holy Mosques King Abdullah on November 2006. and it is expected to attract more than ($26.7) milliard of investments, and there is about half a million employment opportunity. This city will include an industrial area, power plant/ desalination and housing area.

In the beginning of 2007 the inauguration of two economical cities took place in Eastern and Tabouk area.

The cities will enjoy by a competitive investing environment that enhancing to investment and specified in accordance with international criteria before the national competitive center and it will provide all services to Saudi and foreign investors through comprehensive services centers in standard period of time. Each economical city will include an educational city that provides a group of training programs for making available of required Saudi competences in all economical sectors in these cities. As an initial step, the developers will delegate a number of Saudi youth to study abroad. The national center has been established for businessmen in cooperation with MIT university, and a group of dwellers from Hail Region have been sent and trained in America. The main developer for Jazan economical city will make available of thousand scholarships to Malaysia.

The economical cities aim to fulfill development plans in the Kingdom through gaining economical balanced variation of regional development. Making available of employment opportunities as well as updating infrastructure, knowledge transfer, and the economical cities will represent an important pivot in the growth process and economical welfare for the Kingdom.

	Saudi economy	Economical cities in 2020
Total local production	US$310 billion	US$ 150 billion
Jobs	7.5 million	1.3 million
Habitants	23.8million	4.5million
Individual income rate	$13.000	$33.500

Where the economical cities have been planned in accordance with 6 basic pivots for its success:

- Establishing new manufactures that base on competitive properties for the Kingdom.
- Establishing economical cities as integrated cities which have the aspects of modern life.
- Making available of modern infrastructure with an international standards to increase the competitiveness of Kingdom's economy.
- Execution would be completely by the private sector.
- Attracted and enhanced environment for investment.
- Executing of a clear strategy for human resources.

3.14 Joining World Trade Orginizition

On 11th of December 2005, the Kingdom of Saudi Arabia became officially the 149th member of the WTO. The General Assembly of the WTO confirmed the joining on 11th of November 2005 with a deadline of 30 days.

As part of the official procedures process, the Kingdom signed a 36 bilateral accords to reach the other countries markets. These includes the markets of United States of America on 9th of September 2005. the Kingdom signed on 31st of August 2003 a bilateral accord with the European Union that guaranteed the freedom of reaching markets of goods and services.

3.15 Other Legislations

3.15.1 Development of Work Law

In the frame of efforts exerted by the Government to face current challenges of the labor market of which is the increase of national workforce participation rate in private sector, and to ease the structural deficiencies in the labor market balance, and to augment the job opportunities of the national workforce, and to process the unemployment in the youngster, and to activate the participation of women in the labor market according to its nature and not contradicting Islamic Shariah Law. The Cabinet agreed on the new law of Labor issued by the Royal Decree Numbered M/51, dated 27/09/2005 on the basis that this system will be effective as from 23/4/2006. This law will replace the current Labor law and will cancel all contradicted rules. The Labor law is meant to preserve the rights of labors and employers in a balanced and just manner. Pleas, find below the most important features of the law:

- ◆ Replacing foreign labor with national labor on the basis that the national worker has the priority of work.
- ◆ The new law forced all entities in different aspects regardless of the umber of workers to attract Saudi Nationals and employ them and provide them with the means of continuity and a proper

opportunities to prove their capability by guiding, training, and qualifying them for their entrusted works. The system, also, forced that the percentage of Saudi workers should not be less than 75% of total workers. The Minister of Labor in case of the unavailability of proper specialties can temporarily lower this percentage.

- The law allowed the work of women in all fields that suites the woman nature. The law, also, granted a four weeks maternity leave before birth date and a six weeks after birth. The system forced the employer who hire 50 women worker or more to prepare a suitable place with a sufficient number of governess to take care of the workers children who are under six years of age.
- The law forced the employer, who has 25 worker or more and the work nature allows handicapped to work, to employ the handicapped by 4% of the total labor.
- The law forced the Ministry of Labor to provide free of charge recruitment units that provide help to those who are seeking for employment. The system allowed every citizen able to work to be registered himself in the recruitment unit. The system, also, requested from each employer to send a statement to the labor office with the types, place, salary, and the conditions of each vacant and new positions.
- The law placed a detailed base for calculation of service awards on the basis of the worker salary in addition to the allowances and percentages of sales and profits.

The law included the some types of workers who are not included in the previous law, in addition to a special policy for domestic servants that organize the relationship with their employers. The law, also, defined a number of conditions that are more coherent in relation to work contracts, with the emphasis is placed on the basic rights of workers according to a specific controls that observe the interest of both parties. The law assigned a new category for the partial job and another category for work in mines and quarries according to a specific controls. The law, also, took the decision to transfer fines monies to the Human Resources Development Fund for supporting the Fund in contribution of broadening the training programs fro recruitment and Saudization. An essential amendment was made by the law in relation to commissions of labor settlements of disputes in relation to formation and jurisdictions. The law stipulated the formation of higher commission to settle disputes from an umber of bureaus to accelerate the determination of labor disputes.

3.15.2 Printing and Publication Regulations

On 17th of July 2001, the Kingdom of Saudi Arabia approved the Printing and Publication Regulations to restructure the printing and publication industry. These regulations allow the Saudi journalists to establish a Saudi Journalist Society that aims to protect the rights of journalists in the Kingdom and to coordinate the relationship of journalists with the different media associations. By June7, 2004, a nine member council was elected among two of them are ladies. in March 2005, Shura Council approved to form a similar society for Saudi litterateurs. The aim of this society is to protect the authors rights and to provide them help to enable them to publish their work. On the other hand, the Ministry of Culture and Media formed a guiding committee its mission is to appoint members that take the responsibility of electing board members.

3.15.3 Authors Rights Regulations

The Council of Ministers in the Kingdom approved the Authors Rights Regulations on 9th of June 2003. these regulations is composed of 28 items that accommodate the requirements of WTO Accords in relation to the trade and thinking rights aspects. These regulations cover the written items, lectures, records, visual records, softwares, and literature. It contains a series of fines and penalties that could be forced in case of any violations on author rights. On the other side, the Kingdom joined the international accord of authors rights and Burn accord to protect the arts and literature works in order to support the intellectual property and encourage the continuity of creative thinking.

3.15.4 Potency Regulations

The Cabinet approved the Potency Regulations that comprises 65 items include all aspect of pertaining to the Potencies, designs, plans of complete studies, botany, and the industrial samples. These new regulations fulfill the requirements of Paris accords of Industrial Property.

3.15.5 Law of Fighting Information Crimes

This law aims at preventing the information crimes by defining these crimes and their penalties, as follow:

1.help to reach information security.
2.reserving the rights of using automated accounts and information networks.
3.protecting the general interest and morals.
4.protecting the national economy.

3.15.6 Money Laundering Fighting Law

The second item of the Money Laundering Fighting law stipulates that:

1.performing any money laundering process knowing that the money is a product of a criminal act or unlawful source.
2.transferring, acquiring, using, keeping, or receiving monies knowing that the money is a product of a criminal act or unlawful source.
3.hiding or camouflaging any monies, its source, movement, property, place, or handling knowing that the money is a product of a criminal act or unlawful source.
4. financing terrorism acts or any terrorist organization.

Fourth section: Most prominent rewards of political and economic reforms in the Kingdom of Saudi Arabia:

The kingdom has laid down comprehensive plans for political and economic reforms due to its conviction of the indispensability of reform and maximization of popular participation in the political process as a pivotal component predominantly Significant to rein force the comprehensive reform march. Taking into account the kingdom's unwavering conviction and adherence to this principle on both the local and Regional fronts the kingdom had presented to the Arab Summit Conference held in Tunisia in January 2003 on initiative under the heading " A charter For the Reform of the Arabic States by way to urge and accelerate the implementation of the political and economic reforms in the Arab world.

The Charter urges the Arab Countries to realize the pressing need for internal reform and elaboration of the citizens' being as such, practical and significant steps leading to the development of the human resources and reinforcement of democracy in the Arab world as well.

The initiative calls the Arab Countries to create a Greater Arab Free Trade Zone, well before the end of 2005. The objective behind entering this agreement is attributed to the intent of the Arab Countries to implement a Consolidated Dues and Tariff within (10) years to become at a later stage the basis for the establishment of the Common Arab Market (CAM). Furthermore, the Initiative encouraged the Arab League member Countries to promote their Local Economies, initiate privatization of the State's owned Industries and open new avenues and horizons for foreign Investment and participation in economic development.

Upon winging up the Arab Summit Conference in May 2003, the Kingdom of Saudi Arabia in Common with the Twenty – one other Arab countries members of the Arab League released The Tunisia Declaration with an undertaking to implement political and economic reforms, democracy, broadening popular participation in politics and political issues, support of Women rights.

The content of this Declaration has been retreated in the Arab Summit Conference (17) in Algeria in March 2005.

As for the accomplishments achieved in the internal front, the most important are as follows.

4.1 Majlis Ash-Shura (The Consultative Council)

The Consultative council is considered to be one of the predominant achievements which King Abdulaziz Al-Saud called for after the unification. Of the Kingdom of Saudi Arabia and announcement of the current monoculture of the kingdom, proclaiming thereafter the core directives which clearly announced the adoption of the consultation principle advice consultancy to the king.

Since the very beginning of the core directives, the adoption of the Islamic Sharia has been declared a constitution and Methodology to govern all actions and activities and to eliminate whatever contradicts or contravenes the dictates of the holy Koran or the Sunna. Thus the Shura has become a significant feature placed by King Abdulaziz to contribute to the enactment of Laws and regulations of this country.

The Sure had also assumed different forms and structures during King Abdulaziz era.

It began with the local councils, consultative bodies and advisors to his Majesty together with Professional committees. The consultation function included as well the ulama specialized in Islamic Jurisprudence as well as the dignitaries and tribal chieftains. This had been followed by the first official Consultation set-up called the Advisory council in 1928, composed by not fully occupied members.

With the expansion of the Saudi State and the subsequent increase of obligations and duties the Royal Directive No: 37 had been issued in 1927 for the formation of the first consultative council presided by the Deputy General of the King with eight fully occupied members.

King Abdulaziz inaugurated the council and presided over the first Session in 1927.

In 1930 the consultative council has been re-formed for its new Seasonal session which continued to the end of 1931. in 1932 the formation of the Second consultative council had been completed with continuation of work of the First seasonal session. The service of the member had been renewed for a second tenure in 1934 until 1935. In 1936 the Consultative Council had been re-formed- it had been composed of a chairman, a vice – chairman, a second vice chairman and (10) fully occupied members. The work continued until the council had been re-formed in 1953 which was considered the last council for King Abdulaziz era. This council had been very distinctive because if was manned by twenty members instead of thirteen. The activities of this council assumed the function of on advisory mature with an independent responsibility and remained until the issuance of the charter for the council of Ministers in 1953 in which the latter assumed some functions of the consultative council.

The development of the consultative council continued after King Abudlaziz as asserted by King Faisal in a public Statement in 1962 and re-confirmed by King Khaled in 1980 when his Majesty demanded a review of the canal's charter and the review to issue basic regulations for Government. This was followed by the efforts of the Custodian of the Tow Holy Mosques – King Fahad bin Abdulaziz who re-enforce the existence of consultation and dialogue concepts in the kingdom as clearly stated in his historical keynote address toe the nation in 1992 on the occasion of the re-birth of a new charter for the consultative council meant to develop and update the charter already in existence, by enhancing the council's frameworks, procedures and tools to ascertain the presence of sufficiency, organization and liveliness to cope with the influx of development the country is with witnessing during the last decade in all walks of life and in order to cope with the requirements needed to meet the demands of our present time.

The most important feature of existing charter of the consultative council, which is a product of several years of review and study, is that, as contained in Article (2) of the charter, it reiterated the importance to adhere to the fundamental values of Islam as a basis for legislation.

Function ally the council is required to express an opining on the states public policies upon referral from The King.

Specifically the Council is authorized to:

- Review and discuss the General plan of the economic and social development and express an opinion thereof.
- Review and appraise Regulations, Rules International Treaties and Agreements and concessions and to submit proposals as and when required.
- Conduct an interpretation of the State's regulations.
- Review and discuss Annual Reports

Presented by ministries and other government agencies and submit proposals as may be suitable.

Each group composed of (10) members are entitled to propose a new system or amend a system a already in existence thereafter submitted to the chairman of the council to refer the issue to the King. The Councils resolutions are released only after the approval, of the majority of the councils total number of its membership and not the majority of members attending the session, and session will not be considered quorum unless attended by more than tow thirds of the total membership of the council. The tenure of the council is for four higra years.

The council, in its first tenure was composed of a chairmen and sixty members. In its second tenure it was composed of a chairmen and ninety members. In its third tenure it was composed of a chairman and one hundred twenty members selected from different and diverse academic and professional specialties and cadres. The membership included scientists, doctors, engineers, economists, experts, businessmen security experts and highly qualified personnel how hold high academic Degrees. Those who hold PHD represent 64% Masters Degree 14% while the BSC holders represent 20% of the MSC and PHD holders 80% were awarded their degrees by Universities in the west and the others were awarded by K.S.A and the Arab Republic of Egypt Universities.

In the 29th of November 2003 King Fahad bin Abdulaziz approved some changes aiming to support the legislative role of the council and had subsequently amended Articles (17) and (23) of the council's charter to authorize the council propose new laws or introduce amendments to the laws and regulations in free. It authorizes the council as well to discuss such proposals without obtaining prior consent from the King.

4.2 The National Dialogue

In the third of August 2003 the Custodian of the Two Holy Mosques king Abudlah ibin Abdulaziz, the crown prince at that time, announced the establishment of king Abdulaziz Center for National Dialogue The objective of the center is to exchange thoughts and opinions as an essential part of the Saudi Life with its different political and social interests and tendencies. At this center, the major issues will exposed for discussion.

As to date the center offered five national dialogues treating different issues and topics eating education, extravagance / excessiveness, the role of women and all other issues of interest to youth.

As for the Sixth Dialogue, the Custodian of the Two Holy Mosques instructed that it should tackle issues relating to promotion and development of education in the kingdom.

4.3 Municipality Elections

The Participation in the management of public affairs is a vital criteria as part of the Citizenship concept and as a basic condition for effective accountability. The participation should offer equitable opportunities to all citizens to participate in the management of public affairs, irrespective of their social status, racial origin or any discrimination.

In the 13th of October 2003 the Government approved some plans which were used to commence the activation of the Local governments and the Municipalities councils role by introducing the election concept of having six elected member in each conceit (50%) With such procedure there will be an assurance that the citizens hold the management of public affairs and exercise power in the local affairs.

The resolution to conduct this election was a significant step in the agenda for the continuous reform in the kingdom as well as being a practical manifestation of the speech king Fahad had delivered in the consultative council in the 17th of May 2003 when he side. I would like to assure that we will continue to march on the way to political and social reform and will work to reform the Government system and public sector performance and maximization of poplar participation in the political process.

In the 10th of July 2004 the Kingdom announced the basic arrangements and the methodical procedures for the election process have been completed and that the election committees have finished the review of the relevant details for the establishment of the balloting centers, the registration of voters and nominees, specify in thee times for balloting and election of municipalities councils members amounting to 178 councils distributed all over the kingdom in clouding villages of the (13) provinces.

On the other hand, the Kingdom conducted a consultancy with a U.N Visiting Team of Experts regarding the arrangements taken by the Ministry of Municipalities and Rural.

Affairs regarding these elections. The U.N visiting Team held meetings with the Election Committees in charge of monitoring the election process. The special elections for. Municipalities councils were conducted in three Stages: The election stage in Riyadh Region on the 10th of February 2005, the election stage in the Eastern and Southern Regions on the 3rd of March. As for the third and last stages these included the western and Northern Regions and the were made on the 21st of April 2005. The total number elected in all these regions reached (592) candidates.

4.4 Acknowledgement Of Sovereignty (Baiah) Commission

In the 20th of October 2006 the Royal Bureau declared the formation of a commission bearing the name The Acknowledgement of Sovereignty Commission. The objective of this commission is to organize the ruling affairs, acknowledge the sovereignty of the king and choose the future crown prince. The commission whose members are king Abdulaziz sons and grandsons, shall assume the task of voting for the identification of the future kings and Crown princes. This mechanism shall be included as part of an amendment activity being introduced to the Basic system of government.

4.5 The Judicial Legislations

The Kingdom of Saudi Arabia had recently issued several Judiciary issued several judiciary legislations to ensure the presence of a comprehensive judiciary legislations enjoying the merit qualities of probity, integrity and impartiality. These legislations include the following:

4.5.1 The Sharia (Islamic) code of Procedure

In September 2001. the Kingdom of Saudi Arabia issued the Sharia code of procedure in order to identify the rights of defendants and the legal.

Procedures related to these rights. In addition, the defendant has a legal right to express his / her opinion, claims evidences. The code specifies the procedures appropriately accepted by courts as sound evidences.

4.5.2 The Defense law

In January 2002, the Defense law was put in practice in the Kingdom of Saudi Arabia. The law specified the specific stipulations the solicitor or lower as to satify to obtain a license a practitioner of law. The stipulations include the academic qualifications and the Registration requirements to appear before courts for legal proceedings. The law defined as well the obligations and rights of solicitors and lowers.

4.5.3 law of Penalties' procedures

In May 2002 the Kingdom of Saudi Arabia issued a law for the penalties' procedures. The law was composed of (225). Articles. The objective of the law is to specify the defendants and suspects rights before courts and police departments. The law aims as well to provide legal protection for the defendants during the investigation and detention period. Any defendant has the right to reach the investigation authorities to ensure, through their field visits, that the detained defendants rights are well maintained. The law had also spelt out a series procedures to be followed by the officers in charge and authorities responsible for the application of law and realization of justice through out all stages up to the implementation of sentences made by the court. The law indicated the need for continuous review to ensure the presence of probity and fair adjudication in the judiciary process.

In April 2004 the Ministry of Justice organized a symposium about the judiciary system in the kingdom. In its final statement it was concluded that the Islamic Sharia is invariably suitable and applicable at all times and places. It was also mentioned that the legal procedures should always and consistently be adhered to in order to support the rights of individuals. The statement persisted that in cases incurring penalties the legal procedures should always and ever observe the preservation of human dignity and pride. The statement want on to demand that the existing objective pattern of allocation equitable.

4.6. National Authority of Human rights

By definition, it is a national independent society concerned with the human rights issues. The society was founded by an elite group of the kingdom of Saudi Arabia in 2004 in Riyadh city. The society is entitled to establish in-kingdom branches as well as outside. The society is expected to tackle the following issues:

1. The importance of human rights issues in the life of communities.
2. The formidable challenges facing the Kingdom of Saudi Arabia internally and externally.
3. The interest of the national contribution to face the challenges in search of "truth" and identification of shortcomings and offering assistance to rectify situations.
4. Provision of assistance to the state to establish "justice" and eliminate "injustice".
5. To advocate the values and application of the Sharia (Islamic Law).

The objectives

1. To protect human rights as per statement provided in the basic law of governance, derived from the Kuran and "Sunna" sayings and deeds by the Prophet and in accordance with systems and regulations in force and in line with the relevant literature in circulation, the human rights charters issued by the Arab League, the Organization of the Islamic Conference, the United Nations and its affiliated agencies and committees subject to non-contravention/ contradiction with the Islamic established and deeply, rooted virtuous values and teachings.

2. Cooperation with the International organizations having interest in human right issues.
3. To take a firm stand against injustice, violence torture, non-tolerance and tyranny.

The Mandate

1. To ensure the implementation of the provisions contained in the Basic law of governance and any other in-kingdom regulations having correlation with human rights issues.
2. Cooperation with international institutions working in this field.
3. To ascertain that the Kingdom had duly fulfilled its commitments and obligations towards human rights issues as provided for in the "Cairo Declaration for Human rights, in Islam, the United Nations charter and any other charters and international documented obligations relating to human rights issues.
4. To receive and follow-up complaints from the concerned agencies and to ascertain the validity of allegations of irregularity and any other claims breaching human rights.
5. To present proposals and thoughts to government and civil society institutions to urge the circulation of information/ knowledge to diffuse awareness of human rights issues.
6. To handle and collaborate informally with official international institutions as well as with non-governmental international institutions in respect of human rights issues.
7. To study the international charters and any other documentary literature and practices pertaining to human rights issues.
8. To hold symposiums, conferences and local, regional and international workshops to treat and expose human rights issues.
9. To encourage regional and international cooperation to support and protect human rights.
10. To disseminate literature such as pamphlets on human rights matters.

4.7. Human Rights Commission

In March 2004 King Fahad Bin Abdulaziz approved the establishment of the first independent commission for Human rights in the Kingdom of Saudi Arabia. This commission executes the international covenants of human rights signed by the K.S.A. This commission, which includes a special body for follow up of violation of women rights, had been formed following the human rights conference held in October 2003 under the title "Human Rights in peace and war". The conference was concluded by what was called "Riyadh Declaration" which stated that "Respect of human life and dignity is the base of human rights, the human soul deserves due respect regardless of race, color or sex". The declaration also added "Violation of Human rights is a crime that implies the strict punishment and arresting of the human without legal evidence is prohibited by the Islamic Sharia. Also, humiliation of the personal freedom and property rights is considered violation to human rights. The religious and belief tolerance is a matter acknowledged and required by the Islamic Sharia which prohibits forcing people to believe in and follow a certain religion."

4.8. United Nation Human rights Council

In the 10th of May 2006 the Kingdom of Saudi Arabia was elected member of United Nations Human right council at the first voting round.
4.9. Position of K.S.A. from United Nations Anti Corruption Agreement.
The Kingdom had positively and effectively participated in the works of the committee assigned for the negotiations for preparing an international deed for struggle against

corruption. The Kingdom had signed the United Nations Anti corruption agreement and participated the first parties' conference held lately in Jordan in the month of December 2006. currently the completion of the necessary regulatory procedures for its approval is going on.

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4.10. Economic Reform

During the last few years the Kingdom had experienced wide reformative procedures for achieving sustainable economical growth and continuous availability of job opportunities and boosting of the citizen's welfare level. The economical growth during the last years was boosted and the activity of the private sector was remarkably improved. Steps for employment of Saudi nationals were taken. Maintaining the stability of the prices was secured including the rate of exchange of the national currency. The general financial position of the government improved. The current account of payables balance had exercised surplus in the last years. The effects of the economical reformation are mostly remarkable in the following economical sectors:

4.10.1. Commerce & Industry

According to the report issued by the Ministry of Commerce and Industry regarding its activities up to the end of 2006, the total number of industrial permits issued by the Ministry had reached 13,587 permits with financing total 855.20 Billion Saudi Riyals up to the end of 2006. white the number of industrial permits that do not commence production and not cancelled had reached 9681 permits with financing total of 558.7 Billion SR. The number of productive factories reached 3906 factory with financing total 296.5 Billion SR. The Ministry of Commerce and Industry had, estimated in its report the number of workers in the licensed industrial plants that do not start production about 471,19 workers up to the end of 2006. The Ministry referred to the rise in the number of permits during the past year by about 18.4% associated with increase in the total financing of 42.3%.

According to the report the chemical industries and plastic products of the plants that did not start production, occupied the first place as regard to the number of permits with total 3050 permits representing 31.5% of the total permits with financing total of 322.7 Billions SR representing 57.8%. The number of these permits had increased during the last year with 19.3% , also, with increase in the financing total of about 33.6%. The mineral industries had occupied the second place as regard to the number of permits of total 2354 permits representing 24.3% and total financing 91.2 Billion Saudi Riyals representing 16.3% of the total financing. In the third place came food industries with 1280 permits representing 13.2% of the total number of permits and the financing amounted to 16.6 billion SR representing 3% of the total financing.

As for the productive factories according to the industrial activity at that period, the Ministry had shown that the number of factories reached 3906 factories with total financing 296.5 billion SR with 395.6 thousands workers.

The Ministry showed that the mineral industries occupied the first place as regard of the number of factories of about 1081 factories representing 27.7% of the total number of productive factories, with total financing 39.1 billion SR representing 13.2% whereas the chemical industries and plastic products in the second place with 895 factories representing 22.9% and total financing 175.6 billion SR representing 59.2%. Building materials, China, Ceramic and glass industries occupied the third place with 618 factories representing 15.8% and with total financing of amount 39.1 billion SR representing 13.2%. The fourth position was occupied by food industries as the number of factories had reached 605 representing 15.5% and total financing 24.8 billion SR representing 8.4%.

The Ministry said that the number of productive project pursuant to the foreign capital investment system reached 520 factories representing 13.3% of the total number of the productive factories up to the end of 2006 with total financing 147.7 billion SR representing 49.8% of the total of productive factories financing. The number of workers reached 88780 workers representing 22.5% of the total manpower in the productive factories.

The Ministry indicated that the mineral industries occupied the first place as regard to the number of factories reaching 38.6% of the total productive factories pursuant to foreign capital investment system followed by the chemical industries and plastic products with 27.1% although these industries occupied the first place as regard to the total financing of productive factories with 83.1% followed by building materials, china, ceramic and glass industries percentage 6.5%.

With respect to the licenses issued by the General Investment Authority in the same period the mineral industries came in the first place as regard to the number of licenses reaching 104 licenses representing 36.1% of the total number of licenses. The total financing was 1.5 billion SR with percentage 9.1% followed by chemical industries and plastic products in the second place with 78 licenses representing 27.1% and total financing 14.3 billion SR with 83.6%. the third place occupied by building materials, china, ceramic and glass industries with 28 licenses representing 9.7% and financing 300 Million SR. eventually came the foods and beverages industry in the fourth place with 27 licenses and financing 400 million SR representing 2.6%.

4.10.2. Education and Health

Currently (22) governmental universities are found in the Kingdom of Saudi Arabia and more than 100 colleges and more than 26000 schools. The number of the current registered student in the educational system reached (5.2) million students (males and females) of whom 603.7 thousand students in the higher education stage according to the educational statistics for the study year 2005. The rate of the students to the teachers reaches (12.5) to (1). This rate is considered one of the lowest rates in the world. The Government of the K.S.A. allocates about (25%) of its annual budgets for education. The current initiative package includes the following:

- Now the K.S.A. considers the execution of an inclusive program targeting the updating of the curricula and study methodologies and the introduction of modern learning methods and providing better training to the teachers.
- Now, also the work on the forming of students' boards in the governmental schools is running so as to avail culture to Saudi youths and show them responsibility towards the civil socity specially the prudent management of the judgment affairs in particular.

The Health sector had scored growth in its human resources during 2005 as the number of hospitals in the governmental and private sectors reached 364 in which works about 4.0 thousand physicians and more than 78.6 thousand nurses. The number of beds in the hospitals reached more than 51.1 thousand beds. The number of Health centers in 1848 governmental health centers and 1043 private polyclinics.

4.10.3 Developmental lending Fund

The Kingdom of Saudi Arabia has established a number of developmental lending funds which aim to fulfill more luxury for citizens and supporting economical and agricultural activities on the level of individuals, companies and projects that require huge investments, the thing that contributed in reducing the gap between poor and rich people and gain an equal dividing of wealth between different classes of the community, in addition to specifying special funds for supporting low income families, these funds are providing easy loans which its period of payment reach to (30) years without administrative or financial benefits, these funds are distributed to different activities as the following:

4.10.3.1 Agricultural Fund

It is a governmental credential corporation specialized in funding different fields of agricultural activities in allover the Kingdom, to help in development of agriculture and raising productivity effectiveness for agricultural sector using the best scientific methods and modern technology. Its duty is to give a group of agricultural supports which incurred by the government for reducing necessary agricultural expenses for production, which represent 45 or 50% from the value of agricultural machines, pumps and equipments in addition to subsidy of poultry equipment and milks production that represents 20 or 30% of its cost according to the term of loaning and funding it from the bank from non, added to that is giving the cost of transporting the imported dairy of good genetic qualities from country of origin to Saudi ports. The thing which is obviously reflected on pushing agricultural development process as a result of farmers to use the modern equipments and machines and supporting milks production projects, where the total of what have been given from these supports since commencing work on it up to the end of fiscal year 2003/2004 to (411614) loan its total value is more than SR. (36) billion.

4.10.3.2 Saudi Industrial Development Fund

Saudi Industrial Development Fund is participating actively in fulfilling the goals and policies of industrial development programs in Kingdom of Saudi Arabia, that is through providing financial support in form of easy loans for industrial investments, the fund has contributed effectively through twenty nine years from its establishment in pushing industrial development in the Kingdom, where the number of industrial loans that approved by the fund since its establishment up to the end of fiscal year 2004/2005 (2731) loans with total value of (52) SR. Fifty two billion.

4.10.3.3 Real Estate Development Fund

Real estate development fund has been established for the purpose of providing loans to citizens to help them on building special houses for them and for investment, with capital of SR. (250) two hundred and fifty million Saudi Riyadh, this number would be doubled until reaching to about SR. (83) billion, since the beginning of its activity by the fiscal year 1975 up to the end of fiscal year 1999/2000 the fund could provide (443.842) special loans and (2.488) investment loans which its total value reached to SR. (120) one hundred twenty billion Saudi Riyal which is contributed in establishing about five hundred and fifty five thousand and sixty six housing unit. The fund services included 3976 city and village in different areas of The Kingdom up to now.

4.10.3.4 Saudi Bank for Lending and Saving

The lending bank has been established as a morale character and independent financial guarantee, and it has property, acting and prosecution qualification. The bank capital is about SR. (6) milliard. Saudi lending bank has been established to provide non profit loans for Saudis who have limited possibilities to support them on getting rid of financial difficulties.

4.10.3.5 General Investments Fund

The investments fund has been established with a capital of about SR. (70) billion, for the purpose of making available of fund for some productive commercial projects, for its great importance for national economy development and making available of fundamental factors for its establishment which the private sector can not perform it alone either for the lack of experience, capital or both of them. The total loans which the general investments fund undertook it up to the end of fiscal year 2006 reached to SR. 64 billion for financing 78 productivity projects within the Kingdom.

4.10.3.6 Human Resources Development Fund

The Saudi human resources development fund forms one of the major challenges which facing the Kingdom in its efforts towards enhancing economical growth through economical reforms that started to appear, and through a number of procedures and decisions that taken by the government of the custodian of the Two Holy Mosques which one of its major titles is jobs Saudization and preparing Saudi youth to bear their responsibilities to participate in national economic development, in addition to encouraging and helping private sector companies on appointment of Saudis and benefit from their services and capabilities. Those who are concerning by economical policy in the Kingdom have realized the necessity of giving top priority to human resources development and finding and developing effective modern mechanisms for its acceleration and guidance in a way that suites the requirements of local market place, to guarantee the highest income qualitatively and quantitatively, supporting national economic and activating its sectors in facing the regional and international competition.
The attention on expending on human resources development has been increased greatly in the Kingdom starting from the first Fifth plan in 1970 up to the end of seventh (Fifth) plan in 2004, so as the preparation of Saudi human person, his training and skills development became of top priority in developmental policy for the government, where more than SR.276 Billion has been specified for human resources development in the seventh (Fifth) plan.

From this point a decision of ministers council No. (107) in 2001G. and royal deed No M/18 in 2001. have been issued by the agreement on establishing human resource development fund which has its juristic personality and enjoys with administrative and financial independence and representing by the presidents of its board of directors with headquarter in Riyadh. For commencing its activity, the fund should establish branches or appoints agents in other cities, the fund is concerned with facilitating Saudis appointment, training and encouraging them for working in private sector.

The fund is aiming to support the efforts of qualifying national manpower and appointing it in private sector, and in order to fulfill its goals it should carry out the following:

- Providing monitory aids for qualifying national manpower, training and appointing in private sector.
- Participation in the costs of qualifying national manpower, training on private sector jobs, and

the director boards would specify the percentage of this participation and the remaining would be paid by the employer who is benefiting from qualifying the trainee.

- Bearing a part of salary of those who are appointed in private sector establishment, specially after qualifying and training him as well as appointing them in these establishments in coordination with the fund and the employer would pay the remaining part of salary and the fund would bear this percentage for a period not less than two years and the directors board would set the necessary conditions for giving it.
- Funding the field programs, projects, plans and studies that aiming to appoint Saudis and replacing the foreign labor.
- Providing loans to corporations of qualifying and training national manpower special these which are established within Saudi Arabia and corporations the found for the purpose of expanding its activity or to introduce the modern methods to it.
- Conducting researches and studies related to its activities in the field of qualifying, training and recruiting national manpower as well as providing technical and administrative consultation for corporations of national manpower qualification and training.

4.10.3.7 The centennial fund

The fund is a non-profit institution established in the Kingdom by the royal command in 2005 to help Saudi youth (male and female) to achieve an economic independence through private projects establishment that capable to provide them self-reliance and employ themselves and other citizens. The volume of loans that provided to small corporations has reached to about SR. (100) million, and the volume of these loans ranges between (50) to SR. (250) thousand for one corporation.

Objectives:

- To help in finding job opportunities.
- to help the local/domestic economy to develop through establishing productive projects.
- Increasing the chances of projects success through funding, training and guiding mechanism.
- Developing and supporting ethical ideals in working place to find a generation of youth to become businessmen.

The funds mission

To enable the new generation of Saudi males and females start their own businesses through guidance, borrowing and facilitate and convert them from being applicants for jobs to employers and help them to achieve financial independence

4.10.4 Population and Manpower

The population of K.S.A. has increased from 12 millions in 1980 to 23.1 millions in 2005 of which about 16.8 millions are Saudi nationals and 6.5 are non Saudis.

The government of K.S.A. is exerting tremendous efforts for providing job opportunities through the different reforms mentioned earlier such as the economical variety, privatization and more openness to the market and other initiatives.

The statistics of the Ministry of Labor in 2005 showed that the total number of manpower working in the private sector in K.S.A. is about 5.4 millions of which 11.6% are Saudis while the non Saudis constitute 88.4%.

The definition of Saudi manpower is that all adult Saudi nationals 15 and more year of age who either work or

looking for job opportunities. At the end of 2006, the general statistics authority informed that the rate of unemployment between Saudi nationals is (9.1%) for males and (26.3%) for females.
The number of applications submitted by those looking for jobs (unemployed) within the Saudization frame had reached (180,443) applications according to what issue by the Ministry of Labor dated 12 January 2005.

4.10.5 Women employment

In 2002 the working number of Saudi women reached 465000 i.e. 15% of the total manpower in the K.S.A. The number of Saudi women who won private business whether in total or part exceeds (22000). A number of centers were opened for the furnishing and training of women cadres in the different fields such as computer, accountancy and banking works. The result was finding more job opportunities for Saudi women.

4.10.6 Transportation

In the field of roads executed by the Ministry of Transport, the total length of these roads up to the end of the fiscal year 2005, has reached 46.5 thousand kilometers of which 13.8 thousand kilometers were main roads and 23.7 thousand kilometer were branch roads and 9.1 thousand kilometers were secondary roads.

4.10.7 Tourism

The surveys of the supreme commission for Tourism show that the number of local touristic trips by the nationals and resident foreigners reached 35.4 million trips during 2004. while the touristic trips made by foreign coming form other countries inside the Kingdom reached 8.6 million trips. The number of local touristic nights in 2004 reached 217 million nights.

The size of expenditure over local touristic trips (Transportation expenses not included) had reached 36.3 billion SR. The size of departure touristic trips had reached (Transportation expenses not included) 16.0 billion SR. According to the most tourism attracting areas in the K.S.A., surveys showed the region of Makkah Al Mukarramah is the most attracting region as it recorded about 15 million torustic trips, followed by Riyadh region with 6 million trips, then the Eastern regions with about 4.3 million touristic trips, Al Madinah Al Munawarrah region with about 3 million trips, Aseer area with 2.3 million touristic trips.

The Supreme commission for tourism expects that the total number of touristic trips to the K.S.A. shall reach 141.1 million trips with the advent of 2020 of which 128 million local trips and 13.1 million touristic trips coming from abroad which implies the increase of investment in hotels and furnished flats sectors.

Fifth section: Saudi Economy Long-term Strategy 2025

The Long-Term Strategy 2025 (LTS 2025) marks the culmination of an extensive process of consultation, analysis and thinking. In effect, the work on this strategy began with the Royal Consent on 7/3/1419 (July 2, 1998) giving the responsibility to the Ministry of Economy and Planning to organize a National Symposium on the "Future Vision for the Saudi Economy." It was expected that this Symposium would review the past performance of the Saudi economy and develop strategic options for dealing with current and future challenges facing the Saudi economy. This, in turn, was expected to provide the foundation for designing a long-term strategy to achieve the future vision for the Saudi Economy. The Symposium organized in Riyadh on October 19-23, 2002 fulfilled these expectations.

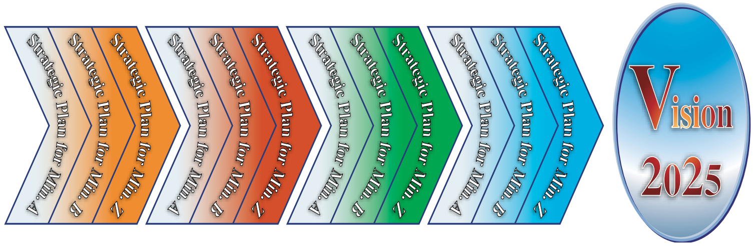
The proposed long-term strategy is supported by three pillars. The first pillar of this long-term strategy involves clear articulation of Vision 2025. It defines the direction and destination for the Saudi economy for the next twenty years. The policies required to achieve Vision 2025 constitute the second pillar of the strategy. These policies provide the "means" for achieving the "ends" enunciated in the Kingdom's Vision 2025. In other word, while the first pillar specifies what the society wants to achieve, the second pillar outlines "how" the society can achieve it. The third pillar consists of follow-up and implementation mechanisms to ensure that aspirations articulated in Vision 2025 are converted into reality on the ground. This pillar operationalizes the old adage: what gets measured gets done.

These three pillars are like the individual legs of a three-legged stool. Each leg is indispensable and equally important to achieve the objectives of the long-term strategy.

This document is divided into five sections. The first section outlines the rationale for the Long-Term Strategy and its inter-relationships with the 8th Plan. Section two presents future vision for Kingdom's economy in the year 2025. This is followed by a brief description of proposed policies to achieve Vision 2025 in Section three. The fourth section describes the proposed follow-up and monitoring mechanisms to ensure effective implementation of these policies. This is followed by brief concluding comments in section five.

1. 8^{TH} Plan in the context of long term strategy 2025

With the increasing role of market in the development process, it was natural for the Kingdom to move towards indicative planning. The 8^{th} Development Plan takes the process of indicative planning initiated during the 5^{th} Plan to a more advanced level. In addition to indicating the expected outcomes for the next five years in the 8^{th} Plan, the Long-Term Strategy provides a vision for the next twenty years. That is, LTS 2025 extends the horizon of indicative planning to twenty years. While each development plan gives the details of five years covered by that plan, it is intended as part of a logical sequence to achieve the aspirations articulated in Vision 2025. The proposed relationship between individual plans and the long-term strategy is depicted in Figure 2.



This longer perspective has several distinctive advantages. It allows policy makers to take a longer view of economic development. Thus, sustainability of the planning process becomes an intrinsic part of the five year plans. In addition, it provides a more effective option for dealing with the challenges facing the Saudi economy. In the earlier phase of development, the emphasis of the development strategy was to provide adequate physical, social and intellectual infrastructure. During this phase, development projects in various sectors (health, education, transport, etc.) provided the power to propel the economy forward. The widely-recognized success in the provision of infrastructure was achieved by a public sector led development strategy. However, private sector is expected to be the main engine of growth in the next phase of the development. The new development strategy requires a much greater attention to policies that encourage and support the private sector in playing the expected role. Many of these policies require time horizons that are greater than five years. Finally, many of the challenges facing the contemporary Saudi economy require a long-term perspective to deal with them. For example, a long term strategy is required to deal with the challenges such as: job creation, poverty alleviation, diversification and balanced regional development. Each development plan is expected to be part of the proposed long-term response to deal with these challenges. This, then, is the rationale for developing the 8^{th} Plan in the context of LTS 2025.

2. The first pillar: Vision 2025

A strategy is a means towards and end. It is an instrument for achieving society's goals. At the most fundamental level, a strategy is primarily about creating clarity of purpose. When everyone in a government agency or system is clear about its fundamental purpose or purposes, improving performance and achieving future Vision is much easier. Also, this clarity of eventual destination makes it easier to devise means and methods for reaching there. Therefore, the starting point for any strategy has to be a clear articulation of intentions and aspirations of the society. They can be expressed in many different ways. The Vision is the most succinct, yet comprehensive and inclusive way to describe the final destination.

The Long-Term Strategy 2025 is inspired by the following Vision for the Saudi economy:

> *"By the will of Allah, the Saudi economy in 2025 will be a more diversified, prosperous, private-sector driven economy, providing rewarding job opportunities, quality education, excellent health care and necessary skills to ensure the well-being of all citizens while safeguarding Islamic values and the Kingdom's cultural heritage."*

This Vision simultaneously represents continuity and change. The individual elements of this vision have been part of the planning process in the Kingdom for many years. For example, the desire to have a diversified economy has been mentioned in all previous Plan documents. Similarly, the emphasis on the role of the private sector has now been a guiding principle for development planning for sometime. Yet, this Vision differs from the previous statements in a fundamental way. It does not say that we will try to achieve these goals, rather, it affirms with confidence that the Kingdom will achieve these goals. In other words, this Vision statement implies that the ultimate destination is non-negotiable. Only the means to reach this destination are negotiable. This Vision is not a statement based on historical trends but an attempt to change the trends themselves.

2.1 Measuring Progress towards Vision

To ensure that that the economy is moving in the right direction and to make appropriate changes in the strategy to keep the economy marching towards the Vision, it is essential to translate the Vision statement into quantifiable indicators and milestones. As the saying goes, "what gets measured gets done."

The proposed Vision statement has two distinct aspects. One deals with the material welfare and prosperity. The other aspect of the Vision deals with the quality of life, including the continuity of Kingdom's rich cultural and religious traditions. To ensure that it is possible to monitor progress on these two fronts, two distinct, though related, yardsticks have been proposed:

- *Doubling of Real Per Capita GDP by 2025*

  The per capita GDP will double from its current level of SAR 43,300 at the beginning of 2005 to SAR 98,500 in 2025 at constant 1999 prices.

- *Commensurate increase in the quality of life of Saudi citizens.*

  For comprehensive development of the Saudi economy and society, it is important to ensure that the increase in per capita income of Saudi citizens is accompanied by a matching increase in their quality of life. To measure the progress on this front, a multi-dimensional Saudi Quality of Life Index has been proposed.

A balanced and simultaneous increase in the per capita GDP and the Saudi Quality of Life Index will ensure that the Kingdom is moving in the right direction. It is proposed that an annual report on the two fronts will be published to enable Saudi citizens to know the degree of progress made towards the Vision.

The Long-Term Strategy is focused on achieving these two broad objectives and the degree of its success will be judged by the progress made in achieving these two broad goals (doubling of real per capita GDP and commensurate increase in quality of life). Thus, to understand the rationale for the other pillars of the strategy and measure its success, it is important to describe these two aspects in greater details before proceeding further.

2.1.1. Doubling of real per capita GDP by 2025

The GDP (Gross Domestic Production) of a country is a standard measure of economic welfare of a nation. It measures the total value of goods and services produced in the country during a particular year. However, it is possible for the total quantity of goods and services to increase while the average amount available to each person decreases as a result of the population growing faster than the GDP. That is why, per capita GDP at constant prices is considered to be an even more appropriate indicator for measuring the true economic welfare of citizens. Table 1 shows the expected trend in per capita GDP at constant prices from 2004 to 2024. [1]

Table 1: GDP and Average Per Capita Income During LTS 2025

(1999 Constant Prices)

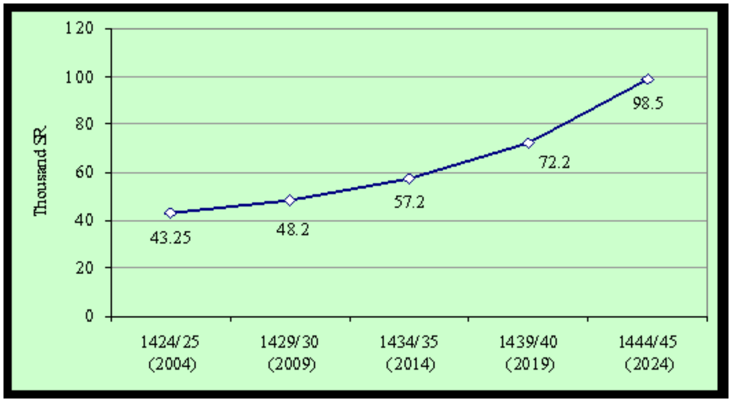
Years	GDP (billion)	Average per capita income SR (000)
2004	714.9	43.25
2009	895.2	48.2*
2014	1189.1	57.2
2019	1674.7	72.2
2024	2542.5	98.5
	Average annual growth rate (%)	
2005-2009	4.6	2.2
2010-2014	5.8	3.5
2015-2019	7.1	4.8
2020-2024	8.7	6.4
2005-2024	6.6	4.2

Numbers for the real per capita GDP in Table 1 are a result of a rigorous exercise in which a multi-sector general equilibrium model was used to generate a set of internally consistent numbers. To derive these numbers, the target for GDP by 2025 was fixed and the rest of the numbers calculated from the model.

The Long Term Strategy aims at promoting the national economy to the level of advanced economies; hence the average per capita income is targeted to double, from about SR 43,300 by the end of 2004 to SR 98,500 by the end of 2024, at constant prices of 1999. This implies an annual growth rate of 4.2 percent during the strategy period.

Figure 2: Growth of Average Per Capita Income

(1999 Constant Prices)



It is important to understand the implications of this approach. As mentioned earlier, the target for per capita GDP is not based on a mechanical projection of the past trends. It was derived after considering several alternative policy options and scenarios. In the end it was decided that the goal of doubling the real per capita income meets several important criteria. First, according to the econometric models at the Ministry of Economy and

Planning, it is a feasible rate of growth—it is challenging yet achievable. The Kingdom has achieved even higher per capita GDP growth in the past. Thus, this target is an attempt to reclaim the glorious history. In fact, this target is the minimum level that the strategy aims to achieve and, God willing, Kingdom will do even better than this. Second, it is a target that is easy to understand, communicate and thus it has a motivating effect.

Given the expected population growth rate, the required average annual growth in the GDP to achieve the indicated rise in GDP per capita is 6.6 percent during the strategy period. This rate is expected to rise from 4.6 percent during the first quarter of the strategy to 8.7 percent during the last quarter.

Pattern of Expenditure During LTS 2025

The achievement and diversification of the economic base require boosting public and private investments so as to make such investments the main source of economic growth throughout the period of the strategy. As indicated in Table 2 investment expenditure is expected to grow at an average annual rate of 9.3 percent during the period of the strategy (constant prices of 1999), compared with only 5.3 percent for consumption expenditure. Accordingly, the share of investment expenditure in the GDP is expected to grow from 20.5 percent to 33.9 percent compared to a reduction in the share of consumption expenditures from 69.6 percent to 55.1 percent, Figure 3.

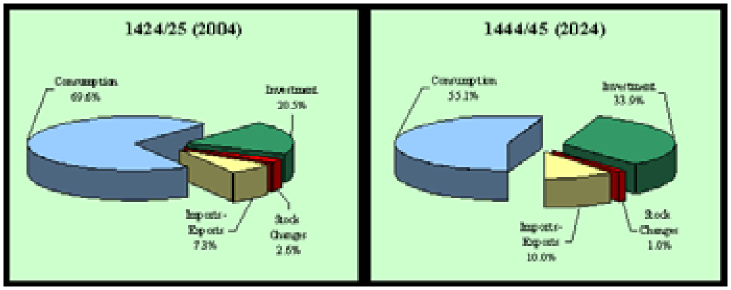
It is noteworthy that growth in investment expenditure will mostly come from the growth of private investments at an annual rate of 10.3 percent for the period of the strategy, While the average annual growth rate of public investment will be about 4.0 percent. Accordingly, the contribution of private investment to GDP will increase from 15.4 percent to 30.7 percent during the period, while the contribution of public investment will decrease from 3 percent to 1.8 percent.

Table 2: Gross Domestic Product by Expenditure Items
(Constant 1999 Prices)

Items	SR Billion					Average annual % growth rate 2005-2024
	2004	2009	2014	2019	2024	
Consumption	**497.39**	**585.78**	**734.53**	**989.38**	**1400.21**	**5.3**
• Public	200.04	231.9	281.06	348.53	466.41	4.3
• Private	297.35	353.88	453.47	640.85	933.80	6.0
Investment	**146.61**	**243.93**	**332.76**	**475.44**	**863.29**	**9.3**
• Public	21.18	24.77	30.51	37.59	46.31	4.0
• Private	110.27	181.24	283.54	412.99	780.93	10.3
Agriculture	**3.82**	**7.06**	**7.8**	**7.8**	**7.79**	**3.6**
Industry	**56.42**	**90.96**	**128.73**	**219.05**	**342.58**	**9.4**
Services	**50.03**	**83.22**	**147.01**	**186.14**	**430.56**	**11.4**
• Oil Sector	15.16	37.92	18.71	24.86	36.05	4.4
Changes in stocks	**18.69**	**22.72**	**23.88**	**25.10**	**26.38**	**1.7**
Exports	**252.34**	**293.02**	**415.91**	**574.50**	**802.49**	**6.0**
• Oil & Gas	181.04	192.67	229.99	260.22	294.41	2.5
• Others	52.22	73.48	148.37	261.61	430.69	11.1
• Services	19.09	26.77	37.55	52.67	77.39	7.3
Imports (-)	**200.14**	**250.27**	**318.03**	**389.68**	**549.83**	**5.2**
GDP	**714.9**	**895.17**	**1189.05**	**1674.74**	**2542.54**	**6.6**

* Approximate data.

Figure 3: Structure of GDP Expenditure During LTS 2025
(Constant 1999 Prices)



The targeted investment flow during the period of the strategy will contribute effectively to increasing total exports at an average annual growth rate of 6.0 percent to represent about 31.6 percent of GDP by the end of 2024 as compared to 35.3 percent at the end of 2004. This will allow an increase in imports for providing the tools and equipment and all other needs for expanding the productivity base.

The higher income levels of the population will enhance the demand for imported goods and services. Imports are expected to grow at an average annual rate of 5.2 percent to reach 21.6 percent of GDP by the end of the strategy period, compared to 27.9 percent at the end of 2004. This reflects the continuous improvement of the balance of payments until the end of 2024.

The decrease in the share of both imports and exports to GDP in 2024 compared to 2004 is attributed to the expected growth in GDP during the strategy period at a rate that exceeds the growth rate of exports and imports.

Table 3 explains the expected impact of economic diversification on the structure of exports which will shift considerably to "other exports" such as exports of manufacturing industries, petrochemicals, oil refining, mining and other non-oil exports. Share of these kinds of exports will increase from 20.7 percent at the end of 2004 to about 53.7 percent by the end of 2024.

The share of oil and gas exports in the structure of exports will decrease from 71.7 percent to 36.7 percent between 2004 and 2024, as "other exports" are expected to grow at an average annual rate of 11.1 percent during the strategy period compared to 2.5 percent for oil and gas. Exports of services are expected to grow at an average annual rate of 7.3 percent during the strategy period, and their share in exports will increase from 7.6 percent in 2004 to about 9.6 percent at the end of the strategy period.

Table 3: Exports Structure at the Beginning and End of the LTS 2025
(Constant 1999 Prices)

	2004		2024	
	Value (SR Billion)	%	Value (SR Billion)	%
Oil and Gas Exports	181.04	71.7	294.41	36.7
Others Exports*	52.22	20.7	430.69	53.7
Services Exports	19.09	7.6	77.39	9.6
Total Exports	252.35	100	802.49	100

* Including, petrochemicals, oil refining, mining and other manufacturing industries – agriculture.

These trends will assist to a great extent in enhancing dependency on non-oil revenues in financing the development process. The gap between imports and non oil exports is expected to narrow from SR 128.8 billion at the end of 2004 to about SR 41.8 billion by the end of 2024.

The achievement of the previously mentioned growth rates and the targeted structure of exports in 2024 reflects the challenges of development and promotion of the competitiveness of the national economy at a time in which its linkages with the international economic system increase.

Trend in Sectoral Shares

The sectoral distribution shown in Table 4 reflects the expected role of the non-oil sectors in realizing the objectives of the strategy as regards the diversification of the economic base and the achievement of sustainable development, given that the realization of these objectives hinges upon the quality of growth rather than its volume i.e. on the structural development of the economy towards enhancing the role of non-oil and services sectors that possess competitive advantages.
Accordingly, the strategy aims at developing the productive non-oil sectors at an average annual rate of 7.1 percent during the next two decades, as their share in the GDP will increase from 24.9 percent in 2004 to 27.4 in 2024.

Table 4: Sectoral Shares in GDP during LTS 2025
(Constant 1999 Prices)

	SR Billion					Average annual growth rate during the strategy period (%)
	2004	2009	2014	2019	2024	
Non-oil Productive Sectors	178.25	234.22	322.25	445.15	696.02	7.1
Agriculture and Forestry	38.01	44.4	50.32	56.51	62.81	2.5
Industry**	140.24	189.82	271.93	388.64	633.21	7.8
Services Sector***	195.91	258.49	409.02	652.04	1066.16	8.8
Private Sector****	374.16	492.71	731.27	1097.19	1762.18	8.1
Public Sector	135.06	162.89	180.91	224.34	300.22	4.1
Oil Sector	196.7	225.05	262.49	335.60	455.28	4.3
Import duties	8.98	14.52	14.38	17.61	24.86	5.2
GDP	714.9	895.17	1189.05	1674.74	2542.54	6.6

* Approximate ratio.
** Including petrochemicals, oil refining, and other industries, building and construction, electricity, and mining.
*** Including trade, transport, banking services, insurance, real estate and community services, excluding banking services charges.
**** Excluding banking services charges.

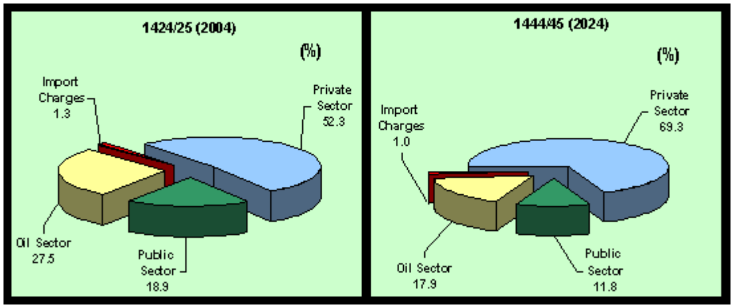
In harmony with the objectives of diversifying the economic base and utilizing the comparative advantage of the national economy in acquiring new competitive advantages, the industrial sector is expected to play a vital role in achieving an average annual growth rate of 7.8 percent during the strategy period. Its share in GDP is expected to increase from 19.6 percent to 24.9 percent between 2004 and 2024, which will contribute to diversifying the economic base.

The services sector, is expected to be the leading sector in the process of economic diversification during the strategy period due to international advancements in communications and information technology which will be applied in the service sector in the Kingdom. This role will be of more importance with the increasing attention to upgrading the innovative skills of scientific cadres in the Kingdom as well as enhancing the tourist sector and utilizing the geographic position of the Kingdom in providing services that enhance international trade and capital flows through international markets. The LTS expects that the services sector will achieve an average annual growth rate of 8.8 percent and increase its share of GDP in a gradual and continuous manner from 27.4 percent at the beginning of the strategy period to about 41.9 percent by the end of its period in 2024.

The oil sector, is expected to grow at an average annual growth rate of 4.3 percent during the period of the strategy, while its share in the GDP is expected to decrease from 27.5 percent to 17.9 percent. The non-oil sector will represent 82.1 percent of the GDP by the end of the strategy, i.e. growing from about 72.5 percent at the beginning of the strategy as shown in Figure 3. This reflects the increasing role of the private sector in GDP which will grow from 52.3 percent in 2004 to about 69.3 percent in 2024. This represents an average annual growth rate of 8.1 percent at constant prices of (1999) compared with the targeted annual growth rate of 4.1 percent for the public sector.

Figure 4: Sectoral Structure of Gross Domestic Product During LTS 2025

(Constant 199 Prices)



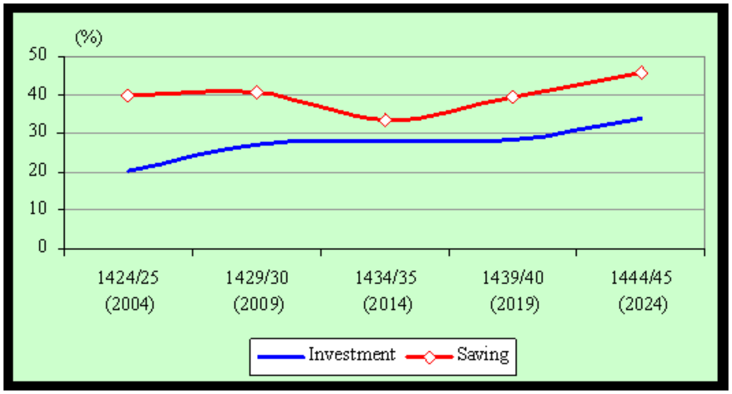
Savings and Investment Balance

Investment for the implementation of the Long Term Strategy requires approximately SR 8321 billion at constant prices of 1999 to be mobilized from public and private savings. With the implementing of savings incentives during the period as well as increasing public sector savings, it would be possible to provide the required investments financing. Table 5 highlights the increase in the ratio of saving to GDP at constant prices from 39.8 percent at the beginning of the strategy to about 45.6 percent by its end, compared to the increase of the total investment ratio from 20.5 percent to 33.9 percent during the period. Hence, a surplus in the balance of saving and investment of 11.6 percent of the GDP is expected to be realized in 2024 compared to a surplus of 19.3 percent in 2004, Figure 5. Therefore, these savings could be used for investment in expansion of the absorptive capacity of the national economy and improvement of the investment environment in the Kingdom.

Table 5: Real Resources Balance (% of GDP) During LTS 2025

	2004	2009	2014	2019	2024
Saving	**39.83**	**40.82**	**33.29**	**39.22**	**45.58**
- Private	26.14	33.3	28.08	32.33	37.15
- Public	13.69	7.52	5.21	6.89	8.43
Investment	**20.51**	**27.25**	**27.99**	**28.39**	**33.95**
Balance	**19.32**	**13.57**	**5.30**	**10.83**	**11.63**

Figure 5: Ratio of Investment and Saving to the GDP
(Constant 1999 Prices)



Manpower and Employment

The labor force volume has been identified through the rate of national labor participation and the estimated volume of population at working age. The participation rate is anticipated to increase from 36.9 percent in 2004 to 56.3 percent in 2024. In line with the policy of reducing the volume of foreign labor, reducing unemployment, it is expected that steps aimed at increasing the supply of national labor will go on. The increase of the total labor supply requires raising the contribution of women in the labor force by providing more job opportunities. The contribution of women to the national labor force is expected to grow from 10.3 percent to 30.0 percent during the period of the strategy. This trend which is based on women participation will reduce the foreign labor force by an average annual rate of 2.0 percent during the strategy period as well as provide the opportunities for achieving the Saudization policy as set in the strategy and gradually lower the rate of Saudi unemployment rates, Table 6.

Total manpower is expected to grow at an average annual rate of 2.8 percent, during the term of the strategy, from 8.55 million workers, in 2004 to about 15 million workers in 2024 and the national workforce will jump from 3.5 to 11.8 million workers at an average annual rate of 6.2 percent during the same period. The foreign workforce will decrease from about 4.7 to 3.2 million workers at an average annual rate 2 percent during that period, Table 6. These estimates depend on the assumed increase in national workforce participation from about 36.9 percent to 56.3 percent during the same period, where the labor force participation will increase from around 63.8 percent to 80.0 percent for males and from 10.3 percent to 30 percent for females.

Table 6: Indicators of Manpower and Employment

Indicators	(000s)					Average Annual Growth Rate - (2004-2024)
	2004	2009	2014	2019	2024	
Total manpower*	**8549.74**	**9360.21**	**11128.66**	**12813.54**	**15004.94**	**2.8**
Total Saudi Manpower *	3804.19	4885.96	6757.04	8984.45	11850.18	5.9
Total Labor*	**8281.84**	**9221.30**	**11028.6**	**12763.54**	**15004.94**	**3.0**
Foreign labor*	4745.55	4474.25	4371.62	3829.09	3154.76	-2.0
National labor*	3536.29	4747.05	6657.04	8934.45	11850.18	6.2
Saudi unemployment*	**267.90**	**138.91**	**100**	**50**	**0**	**--**
Total participation rate of Saudi labor (%)	36.9	39.2	45.3	50.4	56.3	--
Manpower Participation rate of Saudi males (%)	63.8	64.5	70.0	75.0	80.0	--
Manpower participation rate of Saudi females (%)	10.27	14.16	19.52	26.90	30.0	--
Ratio of Saudi unemployment (%)	**7.04**	**2.84**	**1.48**	**0.56**	**0.0**	**--**
Indicator of Saudization (%) **	**42.7**	**51.5**	**60.4**	**70.00**	**79.0**	**--**

* Thousand workers.

** Overall labor force = Total labor force – Volume of unemployment.

The labor force estimations are also based on the potential demand by various economic sectors according to the long term target for achieving full employment by the year 2024. This means that more job opportunities shall be provided for the national work force, especially in the services sector whose estimated share is about 37.9 percent of the total manpower by the end of the strategy period. The industry sector is expected to absorb 44.3 percent of the total national manpower.

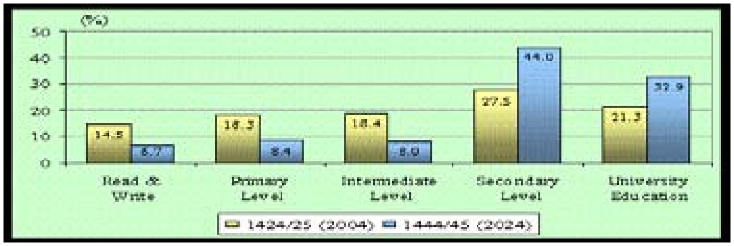
As regards the distribution of national labor force by level of educational attainment, both the nature and scope of the targeted economic development require high degrees of skill and specialization. Accordingly, it is expected that the volume university graduates will grow at an average annual rate of 8.4 percent. This rate is the highest among labor force educated categories and hence their share in total labor force will increase from 27.5 percent to 44.0 percent during the period, Table 7. In contrast the work force of intermediate schools graduates will decrease and the preliminary stage graduates and those without qualifications will experience slight growth during the period. It is noteworthy that the shares of the last three groups will decrease during that period, as the economic activities require high skilled and well qualified labor.

Table 7: Saudi Workforce by level of education

Description	Saudi Workforces (000)					Average Annual Growth Rate - (2004-2024)
	2004	2009	2014	2019	2024	
Total Saudi Manpower	**3804.19**	**4885.96**	**6757.04**	**8984.45**	**11850.18**	**5.9**
- Without qualifications	551.61	547.23	628.4	700.79	793.96	1.8
- Preliminary level	696.17	684.03	783.82	880.48	995.42	1.8
- Intermediate level	699.97	1035.82	1283.84	1338.68	948.01	1.5
- Secondary level	1046.15	1114.00	1891.97	3135.57	5214.08	8.4
- University level	810.29	1504.88	2169.01	2928.93	3898.71	8.2

Figure 6: Development of the National Workforce Structure

(by the level of education)



2.1.2 Increase in the Saudi Quality of Life Index

When a society moves towards living conditions and life style generally regarded as better by its citizens, it is considered to have improved its quality of life. There is no universally valid index that can be applied to all countries. The quality of life is a country-specific concept. Accordingly, the Saudi Quality of Life Index was derived after examining international best practice and customizing it to suite our requirement and concerns in the Kingdom.

The Saudi Quality of Life Index (SQLI) is a composite index based on the indices of the following eleven areas:

1. Income and Distribution
2. Working Life
3. Transport & Communications
4. Health
5. Education
6. Housing
7. Environment
8. Family Life
9. Public Safety
10. Leisure
11. Public Services

A total of 40 indicators were selected to represent the eleven areas. The indicators selected for each area were based on their importance, how best they reflect the particular area and the availability of data on a time series basis. All the indicators were assigned a positive or a negative sign. The indicators with positive signs (e.g., life expectancy, literacy rate) imply that an increase in the numerical value denote improving conditions while those with a negative sign (e.g., infant mortality rate, unemployment rate) denote the reverse. The correction of the trend direction was carried out on the indicators with negative signs so that all upward trends show an improvement in well being, while downward trends indicate the reverse. This was necessary to have a common reading of the trend directions of the various indices, including the Composite Index.

The computation of the SQLI 2002 covers the period 1990-2002 and the year 1994 is treated as the base year. To enable the units in the indices to be comparable, it was necessary to standardize the data by using the track record achieved by each indicator. The standard deviation method was used to standardize each indicator so that it is amenable to aggregation for the derivation of the composite index.

The current value of SQLI is 102.12 and the target for 2025 is a minimum value of 119.61. The details of the raw data and the methodologies are available on the ministry's website (www.planning.gov.sa).

3. The second pillar: Policies to achieve vision 2025

It is has been said that the best way of predicting the future is to invent it. Whereas, the previous section described Kingdom's Vision for 2025, this section will now outline policies and actions required to achieve that Vision. Taken together, these policies constitute the second pillar of the long-term strategy.

The following three step process was adopted to arrive at a core set of 80 policies that are considered essential for achieving Vision 2025.

i. **Identification of key challenges facing Saudi economy:** To understand the main challenges facing Kingdom, the strategy starts by undertaking a rigorous analysis of the strengths, weaknesses, opportunities and threats facing the Saudi economy. This is referred to as the SWOT analysis.

ii. **Analysis of options and policy recommendations**: Once the main challenges have been identified, the strategy goes on to propose a set of policies to overcome these challenges.

iii. **Prioritization of policies:** The hallmark of any strategy is its ability to be selective and prioritize issues. The Saudi economy, like most modern economies, is complex and intertwined with contemporary global economic trends. To policy makers, every issue is of great interest. Yet, dealing with all issues simultaneously could lead to dilution of focus and diminution of strategic clarity. Thus, the long-term strategy proposes a framework for prioritization of policies.

In what follows, each step is discussed in greater details.

3.1 Identification of key challenges facing Saudi Economy

Any strategic analysis must take a realistic stock of the resources available and the constraints that need to be overcome to achieve the Vision. Thus this section summarizes the strengths, weakness, opportunities and threats confronting Saudi economy in its march towards Vision 2025.

3.1.1 Strengths of the Saudi Economy

Kingdom's optimism and hope for achieving the Vision is based on the many strengths of its economy. Kingdom proposes to consolidate and build on the solid foundations of its economic strength. The list of strong points is indeed very long and thus only the key strengths of the economy are highlighted below:

a. Excellent record of economic success

Few countries in the history of mankind have achieved so much in terms of economic development while maintaining social cohesion and traditions. Though an ancient society and culture, Saudi Arabia is a young nation in terms of planned economic development. Yet what it has achieved in the fields of health, education, and welfare of citizens is considered staggering by fair minded-observers. The growth curves in many of these areas are steeper than almost any other country during the three decades of planned development from 1970 onwards. These achievements have been listed in details in a publication entitled, ***Achievement of Development Plans: Facts and Figures (21st Issue)***. This document and all the related figures are available on the internet. (www.planning.gov.sa).

b. Right priorities

By and large economic growth had the right priorities during the seven development plans. These priorities included emphasis on the human development sectors of education, health, family welfare and infrastructure development.

c. World-class infrastructure

Existence of world-class infrastructure is a major element of competitive advantage for the Saudi economy. Not only was the growth of infrastructure staggering, the quality of the infrastructure is also second to none. The story on this front is described in greater details elsewhere in this document but it is worth noting it again here in the context of the long-term strategy. As an example, the length of the paved roads increased from 8 thousand km in 1970 to 46.9 thousand km in 2001. The number of operating telephone lines increased from 29.4 thousand lines in 1970 to 3.2 million lines in 2001, at an annual rate of 14.6 percent. The mobile phone service was introduced in the Kingdom in 1995 with about 160 thousand lines and today it has reached a level of 2.5 million lines.

d. Good execution of key projects

Whenever Kingdom has set its sights high, it has achieved them. In fact, the Kingdom has successfully implemented several ambitious mega projects of immense national importance. The story of the creation of industrial cities of Jubail and Yanbu is the stuff of legends. These cities were built from scratch in record time. These are not small industrial estates. For example, Jubail industrial city covers an area of 1030 square km and has a capacity to produce 442 thousand cubic meters of desalinated water. The length of the main water network is 860 km. It has an equally extensive electricity and wastewater networks.

Similarly, SABIC and Saudi ARAMCO are inspiring stories of project planning and execution. However, these are just a few examples to illustrate the point. The list of similar achievements is indeed very long and is available in detail on the Ministry of Economy and Planning website. Thus, we believe Saudi Arabia has the skills and experience to undertake the execution and implementation of complex projects.

e. Vast Oil and Gas Resources

When outsiders think of Saudi Arabia they think of oil and gas before anything else. This reputation is of course well-deserved. The proven extractable crude oil reserves in fields managed by Saudi ARAMCO and other companies are estimated to be 262.7 billion barrels. These reserves constitute about a quarter of world's total reserves and make Saudi Arabia the country with the largest reserves in the world. Kingdom is ranked fourth largest in terms of its gas reserves of 228 trillion standard cubic feet. The details of this aspect of Kingdom's economic strength are well known and, hence, suffice it to say, that Kingdom makes judicious use of these God-given resources, it will continue to have assured supply of energy for the foreseeable future.

f. Deep rooted and strong cultural and religious traditions

Saudi Arabia is the birthplace of Islam and part of an ancient civilization. The Islamic and Arab traditions are revered and nurtured by Saudi citizens with great pride and satisfaction. Citizen's common heritage and belief in Islam has provided a strong bond among Saudi citizens. It has created a peaceful and respectful society. The deep-seated love for traditions and culture has prospered along with the economic development of the society. This stability is a source of strength for achieving Kingdom's Vision.

g. The Two Holy Mosques

Kingdom is blessed with the Islam's two most holy mosques at Makkah and Madinah. They have not only made Kingdom a center of affection for the entire Muslim Ummah, but also provide a sense of mission and pride to the Saudi citizens. Millions of pilgrims visit the Two Holy Mosques every year and the Kingdom has given highest possible priority to the maintenance and expansion of facilities at these mosques. This has enabled the number of visiting pilgrims to grow dramatically. Yet the potential for growth is even more inspiring. The orderly execution of the enormous logistical challenges involves with Hajj is also a great source of pride for Kingdom's officials. It gives nation confidence that Saudi society can undertake any challenge once it puts its heart and soul in it.

h. Political Stability

The political and social stability in the Kingdom has been a key success factor for its economic development. This is all the more remarkable considering the tremendous socio-economic changes the Kingdom has gone through in recent decades. The stable political environment has allowed the nation to focus its entire attention on the task economic development.

i. Long tradition of private trading and business

Saudi Arabia has been a key post on the ancient trading routes. Cities such as Jeddah have been center of international trade for centuries. The private enterprise and business culture comes naturally to us. Kingdom's private sector is among the most developed and sophisticated in the Middle East.

j. Substantial funds available for investment by Saudis

Saudis have substantial funds available for investing. Thus, far, they have invested substantial amounts abroad. But if appropriate opportunities are provided, these funds could be brought back. Similarly, Saudi banks are flush with liquidity. These are funds waiting for opportunities. This availability of capital for investment is a major source of strength for the economy in its drive towards Vision 2025.

k. Superb location—bridge between east and west

The location of Kingdom is another key source of competitive advantage. Kingdom is literally a bridge between east and west. This is dramatically illustrated by the fact that it has one of the highest density of international traffic over its skies. All transcontinental flights in both directions pass over Kingdom. With the completion of the railway line connecting Jeddah and Dammam (land-bridge), we can expect even greater trade over Saudi soil.

l. Size of the market—population plus purchasing power

Saudi Arabia has a huge market. This derives from the combination of a large and growing population and high per capita purchasing power. This market provides all the advantages of economies of scale and predictability.

m. Geographical diversity

Saudi Arabia is blessed with excellent coast lines in the east and west, mountains, deserts, and fertile agricultural lands. This diversity is also a source of strength for economic development. It is a potential source for tourism and industry.

n. Young and healthy population

The population of Saudi Arabia is very young. 60 percent of the people are below the age of 18. This young population has high levels of energy and openness to change. They are computer savvy and aware of contemporary global trends.

3.1.2 Challenges facing the Saudi economy

Any informed and objective observer our economy will quickly agree that the Kingdom is blessed with many strengths. However, these strengths can not automatically guarantee achievement of Vision 2025. There are some challenges that confront Saudi economy and overcoming them will be the key to our success in achieving the Vision 2025.

The list of challenges facing the Saudi economy is not short. However, to be effective in responding and making a difference, we have to be selective in our approach. There is a wide consensus among informed observers that the following challenges are the most important ones to be overcome for achieving Vision 2025:

a. Employment generation

b. Poverty reduction

c. Improvement in Quality of Life

d. Achievement of sustainable development by:

   i. Diversification of the economy

   ii. Rationalization of water usage

   iii. Promotion of balanced regional development

   iv. Improving management of public finances

e. Improvement in implementation and execution of public policies

Other challenges do exist and should not be ignored. Yet the above mentioned challenges represent the essential challenges that need to be dealt with to have a good chance of achieving Vision 2025. That is, responding to them is a necessary, though not sufficient, condition for achieving Vision 2025. These challenges share two common characteristics—they are very important for achieving Vision 2025 and they are amenable to public policy. However, before looking at their causes, consequences and remedies in greater details in the next section, it useful to briefly describe them individually.

a. Challenge of Employment generation

The Saudi population is growing at the rate of 2.9 percent and around 50 percent of our population is below 16 years old. The total population of Saudi Arabia is expected to be 36 (??) million in 2025 compared to the current population of 23.3 million. To satisfy the rising expectations, Kingdom needs to provide not only a large number of productive jobs that make economic sense, but also more and better hospitals, schools, houses, roads and other infrastructure facilities.

The magnitude of this challenge becomes even more obvious when we contemplate the need for providing greater opportunities to the growing pool of our talented and capable women. Table 8 shows the trend in Saudi unemployment for the past four years. When compared to developed countries, the numbers suggest that this is an issue that deserves a priority.

Table 8: Trend in Saudi Unemployment

		2000	2001	2002
Saudi Arabia	Male	6.54	6.82	7.6
	Female	17.64	17.32	21.7
	Total	**8.15**	**8.34**	**9.66**
Major Advanced Economies[2]		**5.9**	**5.9**	**6.4**
European Union		**8.2**	**7.4**	**7.7**

While everyone agrees that unemployment is emerging as a key challenge in the Kingdom, it is a recent phenomenon and is as yet not fully understood. A few years back, in fact, there was no official estimation of the unemployment phenomenon. Partly, because it was not considered a major issue. Today, the Central Department of Statistics (CDS) produces annual statistics and the issue is debated widely in the media. While experts agree that unemployment is a major issue, there is less agreement on the magnitude of the problem. Some even argue that our statistics do not adequately capture the full extent of the problem.

Experience shows that widespread unemployment can be a major source of social and economic disruption. Thus, responding to it has to be a very high priority. The generation of jobs is likely to affect many other aspects of the strategy, such as poverty and some aspects of quality of life.

b. Challenge of Poverty reduction

On November 20, 2002, HRH Crown Prince Abdullah, Deputy Premier, Commander of the National Guard and Chairman of the Supreme Economic Council, declared a war on poverty in the Kingdom. His visit to poor citizens' homes in Riyadh highlighted an aspect of Saudi development which no amount of statistics could have captured. In one swift move, dealing with poverty has become a high priority for Kingdom's development strategy. A country cannot enjoy prosperity till all its citizens are taken care of. This is not only consistent with our great Islamic traditions, but taking care of the needy is indeed a way of life for people in the Kingdom. Thus, the war on poverty strikes a chord with all Saudis and the Kingdom is determined to win this war.

c. Improvement in quality of life

The ultimate goal of all economic activity is to improve quality of life. However, there is neither a universally valid definition of quality of life, nor an automatic connection between increases in GDP (measure of economic activity) and quality of life. "Quality of life" is a country-specific and time-specific concept. In other words, each country has its own notion of what constitutes good quality of life. This notion also changes over time as the society evolves.

For Saudi Arabia, the quality of life index was defined in an earlier section of this chapter. This multi-dimensional index is neither expected to be perfect nor a static concept. It was derived after consultations and discussion with a wide cross section of Saudi citizens in public and private sectors and was also influenced by examples from other countries. Thus, it is a reasonable starting point. At the core of this concept lies the desire to improve both the quantity and quality of public services in the areas such as education, health, housing, and communications.

As mentioned earlier, Kingdom can be proud of what it has already achieved in terms of the quantity of public services. Statistics show the impressive growth of services in most sectors. Yet, there is a widespread perception in the Kingdom that there is considerable scope to improve the quality of services. This then is the key challenge.

d. Challenge of Promoting Sustainable Development

Sustainable development is economic development that endures over the long run. It is development that meets the need of the present without compromising the ability of the future generations to meet their own needs. In other words, it is not enough to eradicate unemployment and poverty in the short run only to have them re-emerge in the long run. Kingdom must achieve prosperity for all generations—present and future ones. Kingdom must not appear to be achieving its Vision 2025 by ignoring factors that can some day disrupt its march towards Vision 2025.

The following four challenges have to be met to ensure sustainable development of the Saudi economy:

i. Diversification of the economy
ii. Rationalization of water usage
iii. Promotion of balanced regional development
iv. Improving management of public finances

i. Diversification of the economy

Diversification of the economy has been key a policy objective ever since the inception of planning in the Kingdom more than thirty years ago. The First Development Plan explicitly enunciated the following general objective of: "Diversifying the national income sources and reducing dependence on oil through enhancing contribution of other producing sectors in GDP."

There are several benefits of having a diversified economy—most important of which is that it provides for greater economic stability as less reliance is placed on few areas of economic activity that may be subject to business cycles and/or exogenous shocks. It reduces risk and uncertainty because not all areas of economic activity or markets are likely to be adversely affected at the same time. Economic diversification also leads to greater market flexibility for labor and other factors of production, and inter-and intra-industry linkages and trade. This contributes to a more dynamic and adaptable economy that is more likely to withstand economic and financial crisis.

However, as in the case of several other resource rich countries, the Kingdom of Saudi Arabia confronts difficult challenges in fostering diversification of its economy. Rich natural resource endowments do not necessarily bring about economic growth. The research findings indicate, there is in fact an inverse relationship between the average annual growth in per capita GDP and natural resource exports as a share of GDP. Other oil rich economies such as Nigeria and Venezuela have had for example, negative rates of per capita income growth between 1965-97. This pattern is not only restricted to oil but also to countries dependent on commodities such as coffee, cocoa, fish, forestry, and various mineral products. A variety of reasons are attributed by experts to explain the inverse relationship between the growth in per capita income and the relative importance of natural resources in an economy. First, the over valuation or appreciation of the currency skews the composition of exports away from more manufactured or value added exports. These latter types of exports generally tend to have greater linkages in the economy. Second, natural resource rich economies are often prone towards rent-seeking behavior by producers who seek (and are granted) various privileges and subsidies, and/or protection from competitive pressures by tariff and non-tariff barriers. In addition, the government and the people may be imbued with a false sense of economic security, and as a consequence may not invest in developing other capabilities such as in education, labor and managerial skills, R&D technology, and the like.

Our wise leadership has been aware of these pitfalls of heavy reliance on one single product and thus successive development plans have emphasized the need for greater diversification of the economy.

ii. Rationalization of water usage

The Kingdom of Saudi Arabia is widely recognized for its impressive achievements in the field of water. Today 97% of our population has access to clean drinking water. This is one of the best rates in the world. We have also shown to the world our ability to have a highly successful agriculture. We managed to achieve total food security in less than a generation.

Rapid population growth along with expansion of irrigated farming, urbanization, increased economic activities and improvement of the standard of living have brought about a substantial increase in demand for water. Unfortunately, this rapid growth in the demand has come at a high price in terms of burden on Kingdom's limited water resources. If the present trends continue, Kingdom's growth and development could be derailed as a result of permanent damage to our precious non-renewable water resources.

The Kingdom does not have any reliable surface water. Thus, it has to depend on groundwater, desalination and reclamation of wastewater to meet its water needs. Examination of trends in the demand and supply for water, makes the urgency of the situation clear.

Kingdom has to think of water resource as being similar to its oil and gas resources. Both are non-renewable and there is a finite amount available for use. Unlike oil and gas, the stock of non-renewable water is small compared to the domestic demand.

The last survey conducted by reputable experts using the then state-of-the-art techniques revealed a total stock of 500,000 MCM (Million Cubic Meters) of water. Today, it is estimated to be around 200,000 MCM. This 60% decrease in the stock of non-renewable water occurred in less than 30 years (from 1979-2003). Considering this rate of depletion, water may be the biggest risk to Kingdom's Vision 2025. It is often argued that Kingdom has more stocks than estimated. However, unless the results of a rigorous study are available,[3] it is prudent to be conservative and take measures to mitigate this obvious risk to Vision 2025.

iii. Challenge of Promoting Balanced Regional Development

The 11th Basic Strategic principle of the 7th Development Plan calls for "Achieving balanced development in all regions of the Kingdom and enhancing their contribution towards overall development…" In fact, balanced regional development has been a strategic objective of development planning ever since the launch of the First Development Plan in 1969.

The importance of this issue was further reinforced by the adoption of the National Spatial Strategy by the Council of Ministers on August 28, 2000 (Decree No. 127). This strategy pointed to the widening gap between growing and lagging regions. It attributes some of this imbalance to the fast pace of migration from rural areas and polarization of urban population in a few large cities.

There is a general agreement with the serious concern expressed in the National Spatial Strategy about the viability of the existing urban system and regional distribution of the projected increase in population. Imbalance in regional development poses a serious hurdle to the achievement of the proposed Vision 2025. Kingdom might be able to double its per capita income but its quality of life index is likely to suffer. Thus, regional imbalances are not sustainable.

It is worth pondering over a few key issues to grasp the seriousness of thi challenge. First, urban population tends to cluster in few urban centers, namely Riyadh, Dammam metropolitan area, Jeddah, Medinah, Makkah and Taif. Unless the current trend in concentration of urban population in the largest cities is rectified, these cities may suffer from deterioration in their environment, in the form of congestion, pollution, high unemployment and urban sprawl

Second, there is an apparent rise in the disparity gap – between rural regions on one hand and cities on the other – in terms of the adequacy of infrastructure needed to support actual and future needs. Continuation of the past trends of concentrating services and economic activities in primary cities will result in marginalizing rural areas and secondary cities

Similarly, Industrial development continues to locate within few cities, mainly the largest ones.

iv. Improving management of public finances

The massive development of Saudi economy was made possible by a judicious use of oil revenues for development of physical and human infrastructure. However, Kingdom's desire to quickly make Saudi Arabia a modern economy has stretched its financial resources.

Following challenges resulting from Kingdom's stretched financial resources have the potential to make its developmental efforts unsustainable over the long run and consequently derail its journey towards Vision 2025.

a. Recurrent deficits and increasing size of Kingdom's national debt
b. Wide fluctuations in the revenues and expenditures as result of oil prices
c. Low rate of savings to compensate for the depreciation of capital.

The long-term strategy attaches high priority to dealing with each of these important issues. However, before proceeding further, it is important to fully understand the nature of the challenge posed by these factors.

➤ Challenge of Budgetary Deficits

The European Union has laid down the following guidelines for its members:

- The budget deficit should not exceed 3 percent of the GDP, and
- The government debt may not exceed 60 percent of the GDP.

The Saudi economy has incurred a deficit greater than 3% for most of the years in the past decade. In fact, since 1983, we have had surplus only in one year (2000). Though official numbers are not available, cumulative debt is estimated to be equal to 100 % of the GDP.

➤ Challenge of Wide Fluctuations in Revenues and Expenditures

Kingdom faces a daunting fiscal policy challenge posed by wide fluctuations in oil revenues and consequent fluctuations in expenditures. It makes it very difficult to plan on a predictable basis. Also, these fluctuations have often forced Ministry of Finance to curtail planned projects to deal with these fluctuations. This has tended to erode the confidence of government agencies in plan process. Sudden increases in revenues have not been helpful either. To undertake projects, a lot of thinking and planning has to precede. Thus, sudden availability of surplus funds often leads to wasteful uses.

➤ Challenge of Increasing the Savings Rate

An economy is sustainable if it saves more than the depreciation on its man-made and natural capital. An assessment of sustainable development based on the World Development Indicators of the World Bank suggests that the current situation is not characterized by healthy degree of sustainability.[4]

The World Development Indicators of the World Bank on "understanding savings" cover results for 153 nations. Such results have been published since 1999. The sustainability of economic development of a nation is endangered if the sustainability indicator is negative. Some of the highest negative sustainability indicators are reported for oil producing countries.

Adjusted net savings as percent of national income are low in:

Nigeria	– 26.9 %
Kuwait	– 22.7 %
Saudi Arabia	– 19.1 %
Russian Federation	– 9.8 %
Iran	– 5.6 %
Venezuela	– 4.4 %

The sustainability indicator is high in the following selected countries:

Norway	+ 21.6 %
Malaysia	+ 18.5 %
Japan	+ 14.2 %
France	+ 14.1%

The European Union as a highly developed area reaches an average of + 11.8 %, whereas the indicator for the United States is +9.2 %. Several important other oil producing countries like the United Kingdom (+7.4 %), Mexico (+ 5.9 %) and Indonesia (+4.0 %) generate positive sustainability indicators. In the United Kingdom, the rapid decline of natural resources (oil and gas) in the North Sea combined with a relatively low savings rate endangers a sustainable development of the nation.

The annual oil production of Saudi Arabia is presently in the range of 1 percent of its proven petroleum reserves. Therefore a much lower depreciation of the natural capital could be envisaged than presented in the World Bank series, depending on how the mid- to distant future is discounted. However, a more conservative assessment will still reveal that the sustainability indicator for Saudi Arabia at present is hardly positive.

The massive build-up of the physical capital stock for government services during the Second and Third Plan period has led to a rapid increase of replacement requirements in the following years. The current level of gross investment is not even enough to cover the capital consumption.

v. Improvement in implementation and execution of policies and programs

There is a broad consensus among informed observers that there is a wide implementation gap. In fact, many believe that effective implementation and follow-up is Kingdom's biggest challenge. If the decisions taken by higher authorities are implemented effectively, Kingdom would have no problem achieving Vision 2025. It is possible to give many examples of this implementation gap, but suffice it to point to the slow pace of privatization and reform of the industrial estates.

The problem of implementation afflicts all levels of the government. Many project and programs for which money has been approved are delayed. There are frequent cost and time over-runs. Improving the capacity of the government to implement policies and programs has been called the mother of reforms. If this capacity is underdeveloped, then the implementation of all other reforms is likely to be adversely affected. Thus, improving the government's capacity for effective implementation of its policies and programs is a central focus of the proposed long-term strategy.

The first wave of economic growth in the Kingdom was based on a strategy of promoting development of the country's infrastructure through publicly-funded projects. Kingdom was recognized for its achievements and expertise in executing and managing large projects.

In this new phase of development, Kingdom's new challenge is to manage execution of policies and programs that promote competitive advantage with the same efficiency as it managed large projects. Thus, Kingdom's challenge is to develop experience in managing policies as effectively as it managed projects in the past. Given Kingdom's past record of executing important projects, there is every reason to be optimistic about meeting this challenge. Yet, it is worth noting that the skills required for executing and implementing policies are not necessarily the same as those required for managing infrastructure projects. Policies and programs by their very nature are not as concrete and tangible as projects. They do not have clearly defined milestones and are harder to monitor. Thus, this challenge should not be underestimated.

3.1.3 Opportunities available to the Saudi economy

In addition to the inherent strengths of the Saudi economy, some opportunities have also presented themselves. Success happens when opportunities meet preparedness. That is, for these opportunities to translate into results, Kingdom has to be prepared and do its part. Otherwise, Kingdom may not be able to make full use of the potential benefits offered by these opportunities. Thus the proposed long-term strategy seeks to ensure that full use of these evolving opportunities is made in responding to the challenges facing Saudi economy.

a. Saudi private sector is looking for investment opportunities in KSA

Since the unfortunate and tragic events of September 11, 2001, there has been a major change in world psychology. Perceptions and world view of peoples in different countries have undergone dramatic transformation. Change in the relative preference of Saudi investors is one such outcome of these developments. Many Saudi investors are looking at domestic investment opportunities in the Kingdom with greater interest. This represents a massive potential investment in any conceivable project. The Saudi investors are as sophisticated and informed as any in the world. They can bring not only money but modern management and know-how to these projects.

b. Saudi private sector has matured and is capable of taking the lead in the development process.

As mentioned earlier, private business and trading have thrived in the Kingdom from ancient times. In fact, Saudi culture and society have placed great emphasis on self reliance and entrepreneurship. Thus, it is not surprising that the role of private sector has always been emphasized in all development plans starting with the first one in 1969. However, the 6th Development Plan was an important milestone for the role of private sector in the Saudi economy. It announced the government's strategic policy of not allowing government to undertake any activity that could be performed by the private sector. Instead of following the public sector, the Saudi private sector is today capable of leading the change and economic development.

Today, we have some of the world's best private enterprises in the Kingdom. For example, five Saudi companies listed in the latest Financial Times' list of the 500 largest corporations in the world. It is the same number of companies as listed for Russia, and a higher number than for several OECD member countries. One corporation from the United Arab Emirates is also listed, but none from any other Arab country. The five Saudi companies are: the Saudi Electricity Corporation (SEC); the Saudi Telecommunications Corporation (STC); the Saudi Basic Industries Corporation (SABIC); and two Saudi banks: the Saudi American Bank (SAMBA) and Al-Rajhi Bank. The first three still are majority-owned by the Government, but are expected to float more of their shares to the public in the future.

The Saudi private sector's share in GDP stood at 51 percent in 2001. It also provided 86 percent of the jobs in 2001.

c. Key institutions and regulations already in place

The pace of institutional and regulatory reform has accelerated considerably in the recent past. The creation of the Supreme Economic Council has acted as a catalyst for further important reforms. Some examples of notable reforms are:

i. Creation of regulatory bodies for communication, electricity, and industrial estates and technology zones.

ii. Creation of focal points for the promotion of tourism (Supreme Commission for Tourism), Investment (SAGIA), human resource development (Human Resource Development Fund), minerals development (Supreme Council for Petroleum and Mineral Affairs).

iii. Laws relating to foreign investment, capital markets, telecommunication, privatization, and real estate.

International experience has shown that for systematic development of private enterprise, it is important to clarify the regulatory framework. The above-mentioned institutional reforms have set the stage for the next big spurt in the growth of the private sector. However, these institutions represent an opportunity and not a guarantee for reforms.

d. Global recovery will fuel the demand for oil in medium term and provide a good platform for take-off

Given that the Saudi economy is still oil-driven, the price of oil is an important consideration in the timing for any development strategy. The long run is always harder to predict, particularly in the volatile oil sector. Any geo-political development can make a dramatic impact. However, it appears that in the short to medium term, the oil markets are likely to favor the Kingdom. The entire world is coming out of a prolonged global downturn and it is reasonable to assume that demand for oil will be strong. The increase in supply of oil will dampen the price but is unlikely to engender a collapse or a serious decline in oil prices. This, then, augurs well for launching the long-term strategy. The national focus can be maintained on the tough task of implementing the proposed long-term strategy.

e. Emerging technologies can revolutionize traditional public systems

New technologies in a wide variety of fields provide opportunities to leap frog ahead of traditional systems in education, health, public services, and public management. Many countries are using these rapid developments in ICT (Information & Communication Technologies) to re-engineer and re-invent their traditional systems. Malaysia perhaps represents one of the most successful cases of leveraging ICT to leapfrog and be at par with developed nations. In addition to E-Government initiatives like electronic procurement, project monitoring and electronic delivery of services, Malaysians have launched highly innovative e-health and smart school initiatives. Thus, these are not experimental technologies or projects. They are the backbone of Malaysia's success in achieving its goal of becoming a developed generation (Malaysian Vision 2020). The Kingdom should seize this opportunity and gain the much needed competitive advantage.

f. Consensus in the Kingdom on the need for reform

There is a widespread agreement on the need for reform. Everybody agrees on the need for reform, the debate is only on the speed and specific content of reform initiative. Thus, the long-term strategy is treading on highly fertile soil. Any seeds for reform will prosper and take roots quickly. It is an historic opportunity that should be leveraged to realize Kingdom's Vision 2025.

3.1.4 Possible threats to Saudi economy

In designing a strategy, it is also important to be aware of potential developments that may distract from the central path to the Vision. Fortunately, most of these trends and developments can be mitigated if anticipated and internalized in the design of the strategy. Kingdom needs to keep a close watch on the following factors:

a. Growing expectations as a result of information and communications revolution

The information revolution in the Kingdom is at its height. With the onset of twin catalysts—internet and cell phones, the information exposure from satellite TV has reached new levels. It is fair to say that the computer-savvy youth are as aware of the world around them as any of their contemporaries in the world. Naturally, it is reasonable to assume that they have similar aspirations and expectations about life-styles and careers. If this trend is harnessed thoughtfully, it can be a force for good. The strategy will have to adjust not only its contents but also its speed to respond to this information revolution.

b. Rapid change in the neighboring countries

While changes in the distant part of the world can make interesting case studies, changes in the neighborhood have a profound affect on both the psychic and material welfare of a country. Investors looking for opportunities are more likely to compare neighbors before making their location decision. Similarly, Saudi businesses are likely to make their decision to migrate or stay based on the relative investment climate in neighboring countries.

It is a fact Kingdom's neighbors in the GCC are changing at a tremendous pace and the success of their reforms can not be attributed to their small size alone. A deeper analysis of the decision making and implementation record will reveal that the lessons of their experience are very relevant and pertinent for the Kingdom.

c. Increasing global competition

Increased global competition is a major factor to consider in any strategic analysis of a nation. With the Kingdom joining the GCC customs union and the impending WTO accession, the challenge posed by global competition is likely to increase at an accelerating pace. The pace of this trend cannot be controlled by any one individual country. Thus, the strategy has to take the existence of global competition as given and devise ways to thrive in a competitive environment.

Once Kingdom joins WTO, its trade regime will have to become more transparent and trade barriers will need to be dismantled gradually. The stability of rules and regulations coupled with the ongoing investment law reform process will greatly enhance the environment for attracting domestic and foreign investments and expanding joint ventures. However, the private sector in general and SMEs in particular will face a number of challenges through increased openness and competition.

In general the previous restrictions on international investment and trade e.g. restrictive business visa sponsorship, inability of foreigners to own land, mandatory joint ventures and restrictive import licensing will need to be reviewed. This will imply increased competition from overseas products but also increased interest in investing in the local market.

3.2 Identification of options and policy recommendations

After identifying the key challenges, the Long-Term Strategy 2025 examines all possible ways to tackle these challenges. It reviews the causes behind these challenges and potential remedies available to the Kingdom to surmount these challenges. As can anticipated, the list of actions required is indeed very long to permit senior policy-makers to focus on implementation as well as effective monitoring and follow-up. Thus, LTS 2025 narrow downs the policies and programs to a manageable number. In designing responses to the strategic challenges, LTS 2025 gives priority to policies that seem to solve multiple problems simultaneously. Education is a prime example of this category. It not only improves quality of life, it is a key driver of growth and job creation. It also can be instrumental in reducing poverty and regional imbalances.

LTS 2025 undertakes a further prioritization of the recommended solutions to sharpen the focus of the strategy. It prioritizes recommendations along the following three dimensions:

(1) Level of Priority:

LTS 2025 classifies recommendations for action on the basis of their impact on the objective. It uses three categories for this purpose: HIGH, MEDIUM and LOW. The basic message is that it is not worth worrying about the low priority recommendation at the cost of the high priority recommendations.

(ii) Degree of Influence

Governments do not have the same degree of influence on all areas of public policy. In some areas all actions are within the scope of their powers (and jurisdiction). In others, governments can only play a facilitating role as a catalyst. LTS 2025 again use a three way classification here: HIGH, MEDIUM and LOW. High implies those areas of public policy which are fully within the control of the government. Medium and low imply lesser degree of influence.

(iii) Sequencing

Sequencing of policies is as important as the policy itself. For example, it is advisable to allow competition and privatization only after implementing a transparent and effective regulatory framework. Also, it is advisable not to attempt everything at the same time. This again requires sequencing of various actions and programs to get the best results in the shortest possible time.

Figure 7: Conceptual framework for strategy formulation

When these three dimensions are put together, the result is a matrix shown in Figure 7. This matrix is three-dimensional and thus the total number of cells is 27 (= 3

		Priority Level			
		HIGH	MEDIUM	LOW	
Degree of Influence	HIGH	Core Policies 1	10	19	SHORT TERM
		2	11	20	MEDIUM TERM
		3	12	21	LONG TERM
	MEDIUM	4	13	22	SHORT TERM
		5	14	23	MEDIUM TERM
		6	15	24	LONG TERM
	LOW	7	16	25	SHORT TERM
		8	17	26	MEDIUM TERM
		9	18	27	LONG TERM

x 3 x 3). Each cell in the matrix has three attributes. For example, Cell # 1 represents high priority, high degree of influence and need to implement it in the short term. In most cases, the classification is a matter of judgment on the part of experts and policymakers. It is not written in stone. Rather, it is indicative of the collective experience as understood by experts at the time of creating the strategy. This matrix is essentially a signaling device for those charged with implementing the strategy. All recommendations resulting from the analysis of potential solutions were classified using this matrix.

The analysis of causes and consequences reveals that more than 250 policies are required to meet the strategic challenges facing the Kingdom. However, a closer look reveals that there is a smaller set of critical polices that would fundamentally determine the success of the proposed long-term strategy. Therefore, in Table 9 we list the key policies that form the core of the strategy. This is not to suggest that other policies are not important. All policies that have been included in LTS 2025, by definition, are important. These policies have been selected on the basis of their importance in achieving Vision 2025.

To select these core policies another round of prioritization was undertaken. It was decided that only around 5 key policies from each of the 15 distinct areas of action would be selected for this set. Thus a total of 80 policies were short-listed as core strategic policies. As shown in Figure 7, most of these policies tend to be in the upper left hand corner of the prioritization matrix. These policies have a higher priority, can be influenced by government and are required to be implemented before proceeding further.

Table 9 uses a color coded scheme to show the impact policies in these 15 areas have on various strategic challenges. Red color shows strong impact and linkages, Blue and Green show successively lesser impact. Thus, the first policy listed under SME development is shown to have a strong impact on jobs creation, poverty alleviation, and hence also quality of life.

Policies that seem to have positive impact on greatest number of objectives are considered to have a relatively higher priority among this set of 80 policies. This second round prioritization will be useful in follow-up and monitoring of the implementation of the LTS 2025.

Table 9: Core set of 80 strategic policies

			STRATEGIC CHALLENGES				
			Jobs	Poverty	Quality of Life	Sustainability	Implementation
Challenge of Job Creation	**SME Development**	Introduce credit scoring technologies to interested banks					
		Create a dedicated National Authority for SMEs					
		Review and reform legal framework and incentives for SMEs					
		Establish SME loan guarantee fund					
		Introduce alternative mortgage structures					
	Tourism Development	Build institutional capacity of the SCT in key areas of responsibility					
		Form and activate private sector tourism trade associations					
		Secure adequate, stable long-term funding of public sector tourism organizations					
		Increase provision of tourism education and training facilities and programmes					
		Increasing the awareness level and accuracy of information bout domestic holiday options to Saudi residents					

			STRATEGIC CHALLENGES				
			Jobs	Poverty	Quality of Life	Sustainability	Implementation
Challenge of Job Creation	**Oil & Gas Development**	Aggressively expand production by issuing numerous mid-sized tenders					
		Strongly increase our refining capacity (50% of national oil production refined at home, 25% abroad)					
		Consider privatization of Aramco and divestiture of parts of it in the long run					
		Integrate petrochemical downstream into refining,					
		Negotiate international frameworks of trade and investment cooperation					
	FDI Promotion	Create an independent commercial court					
		Improve business visa system: Develop multi-entry and multi-exit visas					
		Improve data availability for business					
		Give SAGIA adequate licensing authority Remove multiplicity of licensing Let SAGIA play a lead role in this process					
		Sharply reduce examination of tax returns by introducing tax self-assessment Reduce the length of the tax appeals process					

			STRATEGIC CHALLENGES				
			Jobs	**Poverty**	**Quality of Life**	**Sustainability**	**Implementation**
		Improve customs procedures and efficiency					
Challenge of Job Creation	**Labor Market Reforms**	Improve information collection and processing regarding labor market—make use of internet technology					
		Introduce greater flexibility in hiring and firing of Saudi workers					
		Introduce minimum wage selectively in the future					
		Fix aggregate Saudiization targets with greater flexibility for sector wide differences.					
		Introduce Saudiization quota trading system					

			STRATEGIC CHALLENGES				
			Jobs	**Poverty**	**Quality of Life**	**Sustainability**	**Implementation**
Challenge of Poverty Reduction		Decide on a measure of poverty immediately					
		Determine the magnitude of the problem urgently					
		Design rapid response programs for the most vulnerable of the poor					
		Incorporate poverty reduction measures in all government funded investment projects.					
Challenge of Enhancing Quality of Life	**Education Reform**	Undertake a comprehensive review of the current regulations to determine which can be relaxed or abolished					
		Streamline the current land zoning requirements to facilitate the establishment of private schools					
		Publish information on the annual performance of public and private schools					
		Commission and conduct an in-depth review of current education spending within the education sector					
		Develop of a list of activities that require Government approval prior to opening and ongoing delivery of education services					

			STRATEGIC CHALLENGES				
			Jobs	**Poverty**	**Quality of Life**	**Sustainability**	**Implementation**
Challenge of Enhancing Quality of Life	**Health Reform**	Create a single health policy-making body for all public programs;					
		Develop a national health information system which includes development of standardized coding and reporting systems					
		Create an effective private health insurance regulatory structure					
		Have access and quality monitoring systems					
		Have effective MIS systems in facilities					
Challenge of Sustainable Development	**Diversification: Services sector**	Conduct studies sounding out Saudi Arabia's comparative advantage in services, in order to identify our specific "niche"					
		Establish joint information centers related to services activities that are needed in Saudi Arabia,					
		Collect systematic and detailed data on trade in services in the Saudi balance of payments and on services activities efficiency					
		Liberalize all service activities, inviting FDI and competition					
		Create an independent, overarching competition agency					

			STRATEGIC CHALLENGES				
			Jobs	Poverty	Quality of Life	Sustainability	Implementation
Challenge of Sustainable Development	**Diversification: Exports Promotion**	*Export Quality Improvement Program* (ISO 9000 and similar quality programs					
		Export Competitiveness Program (product and process deficiencies)					
		Group Promotional Activities (trade fairs etc., also ICT-based activities)					
		Create three-level institutional framework					
		Implement recurrent evaluation mechanisms					
Challenge of Sustainable Development	**Prudent Water Management**	Issue a clear statement of water policy					
		Revive benchmarking of water utilities					
		Implement Results-oriented conservation drive					
		Increase PSP in water and wastewater sector (including dams)					
		Tariff reform					
		Update estimates of total water resources					

			STRATEGIC CHALLENGES				
			Jobs	Poverty	Quality of Life	Sustainability	Implementation
Challenge of Sustainable Development	**Balanced Regional Development**	Define the most viable directions for the future growth of cities along with the land use patterns and the road network.					
		Coordinating among concerned agencies the identification of projects to be implemented and public funds needed.					
		MOMRA and MEP to jointly publish the Regional Development Index					
		MEP and MOF to ensure that allocation of projects by respective government agencies is made to correct regional imbalances as reflected in the RDI.					
		Formulation of the regional development strategies in accordance with the guidelines of the National Spatial Strategy.					
	Sustainable Government Finances	Introduce performance and program based					
		Introduce E-procurement in government					
		Introduce a state-of-the art, Financial Management Information System in government					
		Gradually Increase user fees for infrastructure and utilities					
		Create a Stabilization Fund					
		Speed up privatisation process					
		Introduce VAT					

			STRATEGIC CHALLENGES				
			Jobs	**Poverty**	**Quality of Life**	**Sustainability**	**Implementation**
Challenge of Effective Implementation	**Improving Project Implementation**	The MEP should immediately improve the Information System for Project Implementation. This can be done by reviewing and updating the the recommendations of various studies. In particular, serious thought should be given to adopting a system simialar to the one in Malaysia					
		Guideline for procurement should be consisten with international best practice					
		The MEP should set up a Quality Assurance Group					
Challenge of Effective Implementation	**Improving Policy Implementation**	Each public policy should be accomapnied by measurable and verifiable success indicators					
		Each policy should specify who will undertake measurement at what intervals					
		Each polcy should specify who will be held accountable for implementation.					
		A report on all policies should be prepared annually					
		Report progress against pre-determined success indicators					

			STRATEGIC CHALLENGES				
			Jobs	Poverty	Quality of Life	Sustainability	Implementation
Challenge of Effective Implementation	Improving Administrative Efficiency	• Introduce Implementation Agreements between SEC and government agencies					
		• Make ISO 9000 Certification mandatory for all government agencies					
		• Require each department to prepare and display Client Charters					
		• Award Quality marks to superior government departments					
		• Implement E-government					

4. The third pillar: Impementation and follow-up

The entire effort put in developing this strategy will be wasted if it is not implemented and followed-up effectively. During the process developing the strategy, it became clear that most of the ideas that have been identified for overcoming the five strategic challenges have already been suggested at one time or the other in the past. There were, naturally, some differences of opinion among the large number of people consulted on the list of issues to be included and their relative priorities. However, without exception, everyone in the Kingdom who has thought about these issues agrees that Kingdom's record in converting good ideas into results and actions has been rather uneven. Therefore, LTS 2025 seeks to redress the imbalance between generation of ideas and implementation of ideas.

4.1 Impementation mechanisms

Three specific mechanisms are proposed to ensure that the proposed strategy is implemented effectively.

- First, it is proposed that there will be "*Implementation Agreements*" between the Supreme Economic Council and all government agencies. These agreements will ensure that ideas relevant to their agency are operationalized and implemented.
- Second, it is proposed that the current "Operational Plans" be converted into "Strategic Plans."
- Finally, to ensure that these implementation agreements and strategic plans are supporting the proposed long-term strategy for the Kingdom,

each agency will be required to have its own long-term strategy consistent with Vision 2025.

In what follows, we discuss each proposal is discussed in greater details.

4.1.1 Implementation Agreements for government agencies

The concept of an implementation agreement is straightforward. It is, in effect, a performance agreement between a principal and an agent. It is proposed that each government agency will enter into an "implementation agreement" with the Supreme Economic Council acting on behalf of the entire Saudi government. In this agreement, each agency will specify the goals and objectives that they wish to achieve during the fiscal year. They will also specify any specific assistance they need from the government during the relevant period to achieve their objectives. These implementation agreements will include performance indicators and target levels expected from the concerned agency.

It is proposed that each agency will assign a weight of at least 50% to targets that address the five strategic areas in this strategy. These five areas are:

i. Employment generation
ii. Poverty reduction
iii. Improvement in quality of life
iv. Achievement of sustainable development
v. Improvement in implementation and execution of public policies

Government agencies will be able to assign 50% of the weight to other strategic goals relevant to their agency. Table 10 gives an illustration of the relative priorities in designing the contents of these implementation agreements. Against each strategic goal, government agencies will be asked to provide specific policies, programs, projects and activities. In this section, we do not want to go into all the details of designing them. However, it is proposed that these implementation agreements will be designed based on the relevant international experience and best practice. The MEP will act as the secretariat for technical work on this instrument.

The performance of each government agency will be measured against the targets for the various commitments made in the implementation agreements. It is proposed that these results will be published as part of the annual progress report on the implementation of the strategy.

These agreements will be phased out once the Ministry of Finance has transformed its budgeting system into a performance-based budgeting system. It is proposed that at some point (after 2010), all agencies will be preparing a performance agreement as part of their normal budgetary exercise.

Table 10: Illustrative example of contents of implementation agreements

RELATIVE PRIORITIES	STRATEGIC GOALS	Government Agency A	Government Agency B	Government Agency C
50 %	**Employment generation**	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	Poverty reduction	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	Improvement in quality of life	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	Achievement of sustainable development	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	Improvement in implementation and execution of public policies	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
50 %	**Other goals of the government agency**	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
	$\sum =$ **Other goals of the government agency**	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3	Action 1 Action 2 Action 3
		Implementation Agreement Content	**Implementation agreement content**	**Implementation agreement content**

4.1.2 Transform operational plans into strategic plans

Before the start of the five year development plans, each agency is required to produce an operational plan. This document is supposed to operationalize the policies and programs proposed in the plan document. Currently, these documents are focused on short-term goals of the government agencies. With the adoption of the long-term strategy, it will be essential to include strategic concerns in the operational plans. Thus, it is proposed to rename these modified documents as "strategic plans." They have to insure that the short term goals are consistent with the strategic long-term objectives of the nation and the agency. Figure 8 depicts the proposed additions.

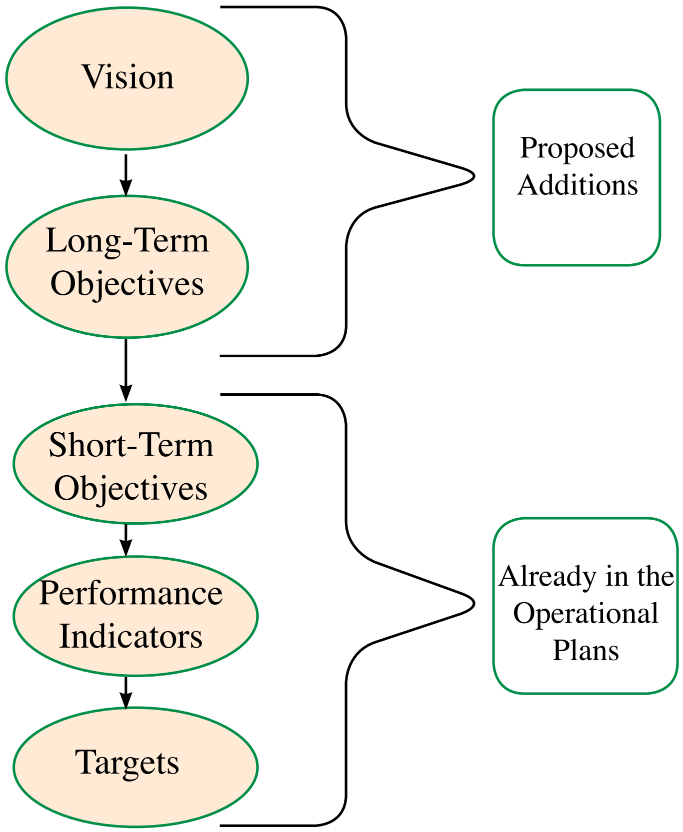


Figure 8 : Proposed Modifications to Operational Plans

To achieve Vision 2025, the entire planning system will have to work in a coor

dinated and consistent fashion.

4.1.3 Long-term strategy for government agencies

The culture of looking forward and planning to change the future according to one's vision will have to become part of the culture of doing business in government agencies. Before embarking on the national long-term strategy, MEP conducted a survey and found that only a handful of agencies had actually drafted a long-term strategy. Some were in the process of doing so. A review of the existing drafts suggests that MEP will have to play an important role in sharing international best practice in producing these strategies and conduct training programs to ensure that all agencies have a shared understanding of the purpose and methodology of drafting strategies.

4.2 The follow-up and monitoring system

It is said that what gets measured gets done. Thus, follow-up and monitoring are an essential part of designing a strategy. An effective monitoring and evaluation (M&E) system creates desirable incentives for converting ideas into action. Without effective follow-up, the proposed long-term strategy is likely to become yet another exercise in only generating good ideas.

Towards this end of results-orientation, the Long-Term Strategy 2025 proposes following measures:

First, LTS 2025 creates several indices to measure success in key strategic areas. For example, new measures and indices are proposed to measure degree of diversification of the economy and degree of balanced regional development.

Second, strategy proposes that clear targets and success indicators be used for measuring progress of individual five year plan.

Third, it is proposed that an annual follow-up report on progress in the implementation of the strategy will be prepared by MEP and presented to the cabinet. After Cabinet approval, it will be made public.

The report will be divided into two broad parts. The first part will consist of a report on the two main non-negotiable objectives of the Vision 2025. The report will present the achievement with respect to real per capita GDP and the Saudi Quality of Life Index. The second part of the report will present the value of the Strategy Implementation Index at the end of that particular year.

4.2.1 Strategy Implementation Index

The proposed Strategy Implementation Index (SII) will measure the progress made in implementing the 80 key strategic policies mentioned in an earlier section of this chapter. Figure 9 shows a hypothetical example of how this index would look like after we have tracked it for a few years. The numbers used are illustrative and have been used only to explain the concept of SII.

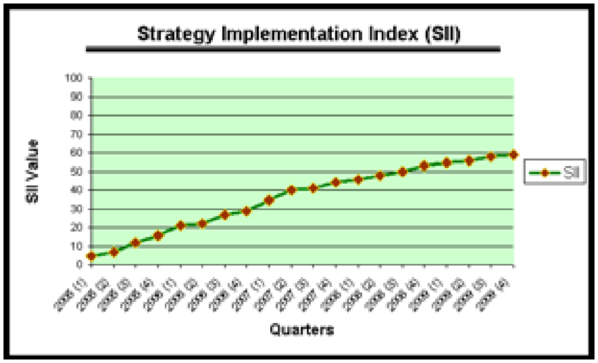


Figure 9: Trend in Strategy Implementation Index (Hypothetical Example)

The purpose of developing and using an index of this kind are to:

- have a common understanding about the progress made in implementing strategic policies;
- motivate all concerned to focus their attention on the implementation efforts;
- make it easier for higher authorities to monitor and follow-up implementation of strategic policies.

The Strategy Implementation Index (SII) is calculated in two broad steps. First, a Policy Implementation Index (PII) is calculated for each of the 80 strategic policies and then all PIIs are combined to give SII for a particular year.

4.2.2 Sequencing of policy implementation

A strategy is different from a detailed strategic plan. The purpose of this document was to present a strategy and not a detailed strategic plan. For each of the proposed policies, concerned government agencies will have to present a detailed implementation plan.

Yet at a broad strategic level, some issues are worth highlighting:

1. We believe that for the strategy to be successful, the value of SII for the core set of 80 policies should be 80% by 2015.

2. LTS 2025 suggests creation of apex institutions for three areas: SME Authority, Exports Promotion Agency, and Competitiveness Council. These institutions have to be in place by 2007 for them to have a meaningful impact.

3. The key message from discussions and analysis in various sector is as follows: if the government implementation machinery is not improved other reforms can not be implemented. In other words, improvement in administrative efficiency of government departments has to be given highest priority. It is rightly regarded as the mother of all reforms. The entire agenda for improving administrative efficiency should be implemented by 2010.

4.2.3 Institutional arrangements for follow-up and monitoring of LTS 2025

The key to the success of this strategy will depend on the effectiveness of the follow-up. In fact, many of the policies in the core group of 80 are already in existence. The issue is not about coming up with a new policy statement, rather it is about energizing the implementation process.

The task of following-up and monitoring the implementation would require a partnership between SEC and MEP. Both bring unique strengths to the partnership. SEC has the nodal role in designing and approving important national policies. MEP has the technical expertise and the data to calculate the SII and produce the technical reports.

5. In Conclusion

If vision is the art of **seeing** the invisible, then strategy is the art of **creating** the invisible. Strategy is not about extrapolating, it is also not about predicting using mechanical models, and it is, in fact, about inventing the future according to the agreed Vision.

To achieve the vision, Kingdom will have to take actions. Strategy is to vision what prose is to poetry. Strategy translates the poetic visions into understandable and actionable policies. Ultimately, a strategy should be judged by actions and not words. That is why, implementation, accountability for results and effective follow-up mechanisms are an integral part of this strategy. As mentioned earlier, LTS 2025 is like a three-legged stool. Vision, Policies and follow-up mechanisms represent these three legs. Like the stool, the strategy will not be useful if one of the three legs is missing or shorter than the others.

[1] The strategy objectives and forecasts will be reviewed and updated at the beginning of each development plan.
[2] United States, Japan, Germany, France, Italy, United Kingdom and Canada.
[3] The newly formed Ministry of Water and Electricity is conducting this study.
[4] The World Bank: 2003 World Development Indicators, Washington D.C. 2003.