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Strategic initiatives to improve the  
Saudi economy

## Executive summary

The Saudi economy is going through a period of strong recovery stemming from the revival of the oil market, which is due to a number of factors over which Saudi Arabia has no control. In view of Saudi's continuous dependence on oil as a source of income, the fluctuations witnessed in the oil market would inevitably affect the performance of the Saudi economy.

Also the opening up of the economy, plus its membership in the WTO, have compelled Saudi Arabia to keep up with the competition locally and internationally, something that would not allow for any further delay of steps, to put the Saudi economy on its right path toward continuous and sustainable high growth.

This strategy is built initially on a clear vision, which stems from the Kingdoms standing as a leader in the Islamic world, and aims at turning it into a vital regional center – in the fields of commerce, finance, and knowledge – and a main world supplier of energy and value added products.

To achieve this vision, we must concentrate on the more important aspects of the Saudi economy, elements that would bring greater returns. These elements are:

- Developing human resources
- Increasing the effectiveness and efficiency of the government apparatus
- Diversifying the economy
- Establishing a society built on knowledge

Factors which would help in realizing this vision include:

The Kingdom's unique geographical location, its Islamic status, its political stability, the abundance of revenue, the maturity of the private sector, and the huge amounts of energy and mineral reserves. On the other hand there are a number of weakness factors, especially the weakness of its educational and

vocational systems that do not match market need, the slowness of the privatization process, the outdated government regulatory and legal systems, the fluctuation of the oil price, non-existence of incentives for creativity and development, and wide spread bureaucracy.

The following strategy presents a number of steps that have to be taken and implemented in earnest, within the context of the following four elements:

### **Developing human resources:**

This would require the following:

**First:** Setting up a higher committee for women's affairs linked directly to the King and that strives to reap the potential benefit of this vital element of production in society, to activate its role in all sectors, and to look for all possible means to achieve this goal without contravening Islamic morals.

**Second:** To expand, in a large manner, the amount of scholarships provided for studying abroad so that they reach at least (25000) a year.

**Third:** Privatizing the Higher education and Training sectors, and restricting the role of the state to financing and organizing.

**Fourth:** Opening the door for recruiting skilled labor, and linking that to a system of qualifications and increasing tariffs.

### **Increasing the effectiveness and efficiency of the government apparatus**

First: Directing all main government institutions (ministries and agencies) toward converting the vision of King Abdullah to a mandatory mission that has to be translated into clear executable goals and within a fixed time framework.

Second: Generalizing the practice of decentralization in all government apparatuses. This concept can be emphasized by taking appropriate administrative decisions that reorganize these apparatuses, while also emphasizing on proper mechanisms for accountability.

Third: Producing legislation that organizes a framework of activities for non-governmental organizations. This must include supporting the civil - non-government – society, including those organizations that encourage participation in public affairs via discussion, assistance and monitoring both public and public sectors.

### **Diversifying sources of income:**

**First:** focusing more effort on exploring natural gas in all regions of the country, and developing a policy that stands on clarity and fair distribution, in order to reap the maximum benefit from this important source of income so that more industrial projects can be built that depend on it, and that increase its value.

**Second:** Setting up an independent ministry or commission for external trade, in order to follow up the privileges and obligations incurred by the Kingdom after joining the WTO, to form negotiating teams that follow up various trade agreements that the Kingdom is a partner to, and finally to achieve the expected benefit from cooperation in international trade.

**Third:** Establishing a financial fund to guarantee the stability of public revenue, by depositing into it a part of the annual budget surplus. The fund should have an independent administration within a framework of complete transparency.

**Fourth:** A specific time schedule and plan of execution to implement the privatization strategy, and to abide by it rigorously.

## **Building an “information highway”**

**First:** Establishing a “higher” commission, linked to the Custodian of the two Holy mosques, specifically responsible for knowledge (information). Its duties would be to formulate the concept, and to provide the legal and regulatory framework for a serious launching of the “highway”.

**Second:** Setting up model areas of information (knowledge) in (Shumaisi) in Makkah, and (Okaz) in Taif, to be a nucleuse for other cities of knowledge in other areas of the kingdom. These two cities stem from the vision of the Custodian of the two Holy mosques to attract different intellectuals, specifically Islamic intellectuals, who yearn to be near the two holy mosques.

**Third:** The state must provide infrastructure, including land and general amenities, which are essential for launching (Shumaisi) and (Okaz).

**Fourth:** Establishing a partnership between the state and the private sector, in order to set up various “knowledge” industries in these cities.

## Introduction

The Saudi economy is entering an important stage, marked by huge increases in oil revenue, and as such has achieved high economic growth during the last three years. During this period a surplus was recorded for the budget, the kingdom was accepted as a full member in the WTO, and the state implemented many economic reforms which have enhanced the performance of the economy.

All of these positive developments compel us to reconsider the nature of the course the Saudi economy, and whether it can sustain this positive state for a lengthy period. We must also review the means and sectors which would achieve the acceleration of these reforms so that the economy can be put on the right path of achieving high and sustainable growth, resistant to fluctuations in the price of oil the primary source of the enormous income of the Kingdom.

Although the Kingdom enjoys many factors of strength such as: its Islamic status, a huge base of natural resources (such as oil gas and metal), a society with a young average age, and its strategic geographical location. These merits and others have not been utilized properly, and the performance of the Saudi economy is still reflecting, in one way or another, the performance of oil in international markets. The kingdom has not being able yet to diversify its income through real development in the non-oil sectors; big increases in the value added to oil, gas and mineral products; or by better investment in the relatively superior inherent economic merits the kingdom enjoys.

In view of the engagement of the Saudi economy in globalized world economy, the main challenge facing it now is essentially how to convert the economy into one that can stand up to future competition, and how its exports can withstand the competition of international markets. Considering this, the economy can not continue on its classical path, depending on government spending to mobilize it, especially in view of the inherent

anomalies of its structures, including: the gap between educational output and the needs of the labor market, the increase in the numbers of the unemployed, and the increasing effects of bureaucracy on government performance. This, besides the near total absence of plans to keep up with new trends in knowledge and information technology, adopted by various countries as a means for achieving economic and social growth.

## **The vision**

To work on substantiating the Kingdom's Islamic status and its geographic location, so as to make it a main regional center in the fields of trade, finance, and knowledge, as well as being a main supplier of high value added energy.

This vision is guided by a set of principals and Islamic morals which aim to enhance the quality of the individual's life, encourage him toward invention and creativity, and support efforts to attain optimum utilization of all available human and economic resources - in view of world competition – within a framework of openness, transparency and accountability.



## Points of strength

Saudi Arabia has many aspects of strength that give a big potential boost to the economy, and can help it to achieve higher averages of constant growth, if utilized properly. These aspects can be summarized in the following:

### **First: The Kingdom's unique status:**

This comes from the fact that it has the two Holy mosques on its land, its strategic location in that it is near to various world markets, and that many of the main merchant marine lines pass through its territorial waters. With proper utilization of these, the kingdom can attract eminent scientific minds and Islamic expertise specifically, then make use of this uniqueness in making the kingdom a center for many sectors of activity including trade, finance and knowledge. The speeding up of the "common Arab market" can only lead to increasing the size of commodity and service markets that the kingdom is looking to expand into.

### **Second: King Adullah's view of reform:**

The clear vision that King Abdullah has for reform, and his insistence on going forward with implementing them, represent a main impetus for all efforts geared toward bolstering this reformist approach. The aspects of strength mentioned above, can be reinforced by the following:

- 1- Putting into place different governmental programs of reform, derived from the vision of King Abdullah.
- 2- Identifying, from this clear vision, specific aims and strategies which are pursuable and can be followed up.

### **Third: abundance of natural resources:**

There are abundant natural resources found in the kingdom including oil, gas and minerals. The kingdom holds a quarter of all proven oil reserves as well as the fifth largest gas reserves, plus numerous mineral deposits.

These riches can be used for the benefit of the country through measured policies that strengthen the connection between them and different economic sectors, besides developing those industries that depend on the oil, gas and minerals as basic materials. Also the developing of new generations of end products of petrochemicals and refinery oil products, in order to increase their added value and to strengthen the relative advantage of the country in this field.

Expansion in the establishment of new infra-structure – including the railroad network and the rules and laws regulating them – will help in utilizing these natural resources to their fullest potential.

### **Fourth: Financial ability:**

This financial strength is initially a result of the increase in the oil price, and the increase in the production of oil by the kingdom since more than two years, which in turn have resulted in the recording of budget surpluses that bolster various development programs, if utilized properly. In this context the following policies would be helpful:

- \* Working to curb public spending, while at the same time giving priority to spending on productive capital, and speeding up programs for eliminating public debt.
- \* Working to fix the state's financial system through transparency, generalizing the practice of accountability, and simplifying government procedure.

\* Working to decrease the size of the government apparatus, while increasing productivity but without affecting the main duties of the state.

### **Fifth: A mature private sector:**

Having a strong private sector is an essential advantage that takes off the shoulders of the government, certain duties that it has been performing until now, specifically carrying out numerous forms of economic activity. The supporting of the private sector would undoubtedly drive the economy forward, and this can be achieved through:

1- Substantiating the relative advantages the kingdom enjoys in this field. In the same time expanding in the building of infrastructure - including the railroad network and the rules and laws regulating them, which will help in maximizing the benefits reaped from this sector.

2- Accelerating the execution of the privatization strategy approved by the government, and setting out clear goals and time schedules that have to be followed rigorously

3- Emphasizing the concept of productivity and flexibility in the dealings of government officials, akin to how private sector works, in order to strengthen the relationship between the two so as to develop a complementary rather than a competitive relationship. Also, to allow the private sector to take part in making economic decisions.

4- Specifying the nature of the relationship between the public and private sectors, and conviction that the state must gradually relinquish the economic activities that the private sector can fulfill, but retaining the role of preparing a suitable environment for investment and providing public services at a level that achieves prosperity for the Saudi citizen.

### **Sixth: The relatively young average age of the society**

The below (21 years) category, represents more than (50%) of the Saudi society. If this generation receives the proper training and encouragement, it would produce a positive effect and would be a mainstay of the Saudi economy.

### **Seventh: A strong will to change the society:**

Globalization and the opening up of world economy, represent a chance for societies to adopt those experiments that have proven successful elsewhere, in order to achieve prosperity for its citizens and a better standard of living, without infringing on its traditional morals. The will for change can be substantiated by the following:

- 1- Giving greater opportunity for Saudis to express themselves freely.
- 2- Developing skills for managing change productively, and to allow the setting up of more civil institutions, due to the fact that these institutions are the ones that prepare for change and carry out a monitoring role in societies elsewhere.

### **Eighth: Stability of political system and unity between people and leadership:**

The political stability that the kingdom is experiencing is an important factor for achieving the reforms needed, in that they lend support to these reforms. This can be strengthened by the following:

- 1-Developing a system of public councils, forums, or open platforms, at all levels of government.
- 2- Achieving more transparency in financial and political institutions of the state.

### **Ninth: Strong and deep-rooted Islamic values of the society:**

In this line of effort, emphasis must be put on strengthening Islamic practices, whether moral or social, so it may become the main former of customs of the Saudi society.

### **Tenth: Highly qualified individuals:**

The kingdom is rich in highly skilled professionals in different fields; however it has not been able to utilize them properly. The following is needed if this were to be corrected:

- 1- Put the right person in the right job.
- 2-Develop mechanisms, notable for their transparency and objectivity, for all processes that select employees and appoint them to leadership and non-leadership positions.

All these points of strength may be utilized, and activated, within a backdrop of clear political will and unprecedented widespread public support. These points of strength are indispensable for the success and implementation of this vision. It also goes without saying that having a clear program of execution that enjoys acceptance and approval of the leadership, would provide the impetus needed for realizing this vision.

## Points of weakness

There are numerous points of weakness that the Saudi economy suffers from; these can be summarized as follows:

### **First: An obvious lack of know-how or those with talent and qualifications:**

This weakness can be dealt with through:

a- Strengthening the role of the public sector, and pushing it towards expansion in training and education, both locally and externally. The private sector must also expand in a big way in training, and has to take the initiative in this area.

b- Upgrading the systems of education, training, research and development; this in turn provides for a proper environment that allows for excellence and encourages talent, while concentrating on the quality of educational and training output.

### **Second: The legal system and its role in obstructing investment:**

This is a major weakness that leads to the non-optimal utilization of available investment opportunities. This can be dealt with in the following way:

a- Applying comprehensive reforms to the legal and judicial systems in the kingdom that would guarantee rights and justice for all, and would accelerate the trial process itself.

b- Bolstering the Saudi Arabian General Investment Authority so that it continues to remove obstacles that obstruct investment, including the judicial system.

### **Third: Regulations versus the needs of the labor market:**

In this context it is necessary to do the following:

- a- Finalizing reforms pertaining to the Saudi labor market, including work on developing the labor law.
- b- Restructuring the Saudization strategy, so that there can be optimum usage of skilled workers, but without the insistence that they should be Saudi.

### **Fourth: The slowness of privatization programs:**

It is noticed that although a long period of time has elapsed since adopting the privatization strategy in the kingdom, the progress towards implementing it is still marred by “unnecessary” slowness, caution, and bureaucracy. It is thus important to give extreme priority to accelerating this program through:

- a- Establishing an independent commission to speed up privatization.
- b- Setting out specific and ambitious goals and time periods to carry out privatization, with total compliance to these goals and periods.

### **Fifth: Fluctuation in the oil market:**

Fluctuation in world oil markets have led to fluctuation in government revenue, which in turn has led to variations in government spending that have affected various development projects. If there is not a gradual decrease in the dependence on oil as the main source of income, then alternatively the following might help to overcome this weakness:

- a- Continuing to adopt a sensible policy, which aims to achieve stability in the oil market.

b- Working to establish a fund for protecting against the fluctuations in oil revenue.

**Sixth: The educational output is not at par with the needs of the labor market:**

The discrepancy between what school syllabi content and the standard of teaching, has led to the production of graduates that do not fulfill the needs of the labor market. This anomaly can be gauged from the high percentage of unemployment, which is expected to increase, and at the same time the high “nominal” increases in growth that reached (22%) in 2005. This high growth rate has not led to an obvious substitution of foreign labor by Saudi personnel in the market. And this reality undoubtedly points strongly toward the weakness of the educational and vocational systems, and to the unsuitability of the school syllabi as well as the school system that prepares graduates.

This failure highlights the most important priority that needs to be addressed, namely the educational policy, through taking steps and procedures that would upgrade and reform education. This requires a review of the system and the syllabi in a way that would meet employment needs and develop skills that would allow for better communication with others, and for better dealing with information technology.

**Seventh: The weakness of training programs and products:**

Training at the moment depends on the state essentially. It also does not fulfill the needs of the market. As such, continuing to depend on the state as an incubator for training is not very fruitful. As mentioned before private training centers can fill this role, while setting up a partnership between the state and the private sector and. Worth mentioning also is regulating licenses for different professions, expanding the Human Resource Fund, expanding in scholarship programs for education and training,



and finally restricting the role of the state to that of legislation, organizing, and monitoring.

### **Eighth: Understanding the role of the government:**

Discussion is still very much going on – and at various governmental levels – regarding the nature of the role of the government in the economy, and the activities it can perform in this sector; whether it should include venturing into more production projects – even on a partnership basis only – or should it restrict itself to legislation and public services.

In this context, a clear vision should be laid out for the role of the government and should be clarified to various sectors of the state and also to certain sections of the society.

### **Ninth: Widespread bureaucracy:**

The suffering of the governmental apparatus from bureaucracy is obvious, and can be gauged through the futile routine that characterizes it as well as the over inflated number jobs the apparatus provides. Also the over complication of its procedures and the extreme slowness in executing different decisions, something that entails a weakness of government performance and leads to its lagging behind current developmental needs.

Regarding this situation, an emphasis should be put on the culture of accountability of performance, and on widespread decentralization.

### **Tenth: The outdated civil service system, and its detachment from reality:**

In this context, regular review and reform must be applied to the civil system, especially regarding the appointment of employees, incentives given to them, the training provided for

them, the developing of their skills, and finally the termination of their services.

**Eleventh: An outdated model for running leading government institutions:**

A comprehensive review must be performed, of the working procedures of the council of ministers and the mechanisms attached to it. Also a review of the best means for the council to manage and monitor various ministries with effectiveness and efficiency.

**Twelfth: Weak management of reform initiatives:**

Here the need for increasing the effectiveness and the efficiency of reform management should be highlighted. It should be built on the principle of managing via specific goals, with the clear setting out of responsibilities and within a definite time scale to implement these projects.

## **Opportunities available to the kingdom**

There are numerous opportunities available to help in a big way to achieve the goals of economic growth and diversification needed, but if utilized efficiently.

### **First: Haj and Umrah**

This element can be dealt with as follows:

a- Upgrading the necessary infrastructure for transport including airports, railroads, the public transport system plus others, and especially in Makkah and Madinah.

b- Building local centers for information and culture, which would benefit from the diversity of cultures found during Haj and Umrah seasons.

### **Second: Services sector:**

The importance of this sector comes from the fact that it holds many potential opportunities, as well as being a promising sector for new jobs for young Saudis in the near future. Subsequently, the following must be done:

a- Performing necessary reforms to those regulations that govern this sector, especially the finance and tourism sectors.

b- Developing those services which are related to the energy sector.

### **Third: New Economic Cities:**

These five cities, with plans for them being drafted, represent an essential opportunity for curbing migration to the main urban areas. They will be built with a lot of flexibility that takes into account the relative advantages of each location.

#### **Fourth: The increasing globalization of world economy:**

Here is an opportunity to achieve the openness required for the Saudi economy, especially in view of the kingdom's membership of the TWO. In this regard, it is very essential to establish strong economic alliances with Asian countries, including: India, China, South Korea and others. And to accelerate the signing of agreements of free trade zones, or any other agreements that would achieve economic integration with various other countries, especially Arab and Muslim countries.

#### **Fifth: A wealth of experience in the private sector:**

If the wealth of experience the private sector has gained over the years were to be harnessed – by allowing it to manage leading positions in the state, it would enhance government performance, direct the economy towards independent thinking, and subsequently allow for optimum exploitation of economic resources.

## **Threats that face the kingdom**

There are some threats that face the kingdom, threats that may affect economic performance. These can be summarized in the following:

### **First: A war in the region or the nuclear threat:**

This possible threat may be dealt with by intensifying diplomatic and political activities in order to ameliorate the tension in the region. The kingdom must also plan to diversify its exits for exporting oil and other materials, and to enter into regional and international alliances built on common interests that guarantee regional and national security.

### **Second: Terrorism:**

In this field, it is absolutely necessary to analyze, study, and diagnose all causes that lead to terrorism. And to encourage cultural tolerance, multiplicity of views, and equality of all citizens irrespective of their location or sect.

### **Third: The deterioration of oil prices:**

This is a possibility in the future, especially if the factors causing political instability in the gulf or the rest of the world were to subside. It is thus very important to continue to curb government spending and adopt a conservative policy in estimating oil prices in future budgets, and not to relax steps that are indispensable for economic reform.

### **Fourth: Membership of the WTO:**

As much as the membership of the kingdom in the WTO represents an achievement, it represents at the same time a big challenge if the kingdom were to maintain its current interests, face economic competition both locally and internationally, and

activate its role in multi-lateral talks in the context of the WTO. It is important, in view of this, for the kingdom to complete legislation and regulations pertaining to this membership, and to set up an independent (ministry) for external trade.

At the same time it is also important to support local industry so that it can face up to the next stage of competition.

#### **Fifth: The increase in unemployment levels:**

In view of the Saudi society being relatively young at age, the problem of unemployment is expected to grow fast in the coming phase, something which places an ever increasing responsibility on the state if it were to succeed in finding jobs (in the government) for increasing numbers of youth, (youth whom in fact it does not need). This is likely to aggravate the phenomenon of “disguised” unemployment which the government sector is suffering from at present. To face up to this, the following may be adopted:

1- Find new employment opportunities in sectors and projects where there is a need for huge numbers of workers.

2- Restructuring Saudization plans so they become more effective, and at the same time finding more opportunities for Saudi employment. This should be carried out without jeopardizing the productivity of the Saudi economy.

3- Speeding up necessary reforms for the educational and vocational sectors so that there is a balance between the number of those entering the market and the actual needs of the market.

#### **Sixth: Illegal immigrants:**

It is essential to solve and correct the situation of these over-stayers, especially those of them who deserve Saudi citizenship,

and to give Saudi citizenship to those individuals who are an asset to the kingdom.

**Seventh: Not being able to accommodate new technologies:**

In this context it is necessary to initiate steps to close this gap and at all levels, something which could be achieved to a large extent by putting emphasis on knowledge.

## Initiatives for specific sectors

These initiatives target sectors of extreme importance, and will start with steps that produce quick results but within the framework of the national economic vision. These initiatives will move on four axes

**First:** Developing human resources

**Second:** Increasing the efficiency of government

**Third:** diversifying sources of income

**Fourth:** Building an “information highway”.



**The first axis:**

### **Building human resources**

Human resources are regarded the main production element and the main driving engine of an economy, as such the main goal for developing this axis would be to create an appropriate environment to build a Saudi work force that has ability and a high production efficiency.

#### **The vision**

This vision foresees the following:

Developing a work force that is characterized by its efficiency, skill and enthusiasm. A force that would participate in driving the Saudi national product and achieve the competitiveness needed for the economy to thrive on the world stage.

#### **Strategic goals**

To achieve this vision for developing human resources, there is a need to specify certain practical and workable aims, as follows:

**First:** To establish specialized technical institutions in the field of Technical and Applied knowledge which would attract leading scientists from all over the world, by utilizing the specific advantage the kingdom enjoys in having the holy sites on its land.

**Second:** Finding a proper framework for providing training on all levels, locally and abroad, by utilizing the available resources such as the Human Resources Development Fund (HRDF) and

the Military Technical Training Program (MTTP). Tax exemption incentives can also be utilized.

**Third:** Setting up a secured network of participation on the public and private levels (both locally and internationally) that provides (recommendations for) an educational curriculum that is based on worthiness, and forms an educational system of high quality.

**Fourth:** Improving local opportunities that allow for the utilizing of the latent talent in the women work force, something which will have a desired effect on economic and social growth.

**Fifth:** Establishing a leading national program that targets the pre-school period until the third grade, managed by women employees.

**Sixth:** Providing an environment that is conducive to attracting educators of high level.

**Seventh:** Promoting a national program for ethics based on model Islamic skills and morals.

## Initiatives for quick results

The most important initiatives that can be adopted in the field of human resources, which are expected to have positive, huge and quick results, can be summarized in the following:

**First:** Setting up a higher commission for women's affairs linked directly to the Custodian of the two Holy Mosques, that works to extract the desired benefits from this productive element of the society that is deactivated to a large extent, and to try and activate its role in society at different economic levels; also to study different means for achieving this goal without contravening Islamic morals.

**Second:** to expand, in a large way, the external scholarship program, whether for training or education, so that it reaches a final goal of no less than (25 thousand) students a year.

In this context, it is of extreme importance to adopt training programs for the public and private sectors, at various international companies, so as to attain the skills required from its original source. These programs may be financed via the Human Resources Development Fund with participation from the private sector, or via the program for economic balance (reciprocation) that will witness a big boost in the coming future.

**Third:** Working to privatize higher education as much as possible, and restricting the role of the state to that of the organizer, essentially. Also to gradually relinquish the responsibility for training programs to the private sector, this is important in view of the first hand experience this sector has with the skills needed, however with emphasis on continuous government support.

**Fourth:** Opening the door to the recruiting of foreign skills and talents, and linking this to a system of qualifications and increasing tariffs.

## **The second axis:**

### **Increasing the efficiency of government**

The existence of a government apparatus that enjoys high efficiency is very essential to achieve the economic and social development the kingdom needs. This apparatus is the tool by which numerous legislations and regulations are implemented, it also steers the Saudi economy and helps it to avoid what ever curtails its development.

### **The vision**

To provide an organizational framework for the public sector, typical and comprehensive; that implements policies aimed at directing, developing, and encouraging developmental progress. It should be built on a strong foundation, capable of surviving and looking after the interest of the citizen, but within the bounds of justice and family values.

### **The strategic aims**

To achieve this vision through increasing the efficiency and effectiveness of government apparatus, the following goals must be achieved:

**First:** Adopting policies that are able to translate reform into workable steps.

**Second:** Setting up an organizational framework, more efficient and non-centralized, and that enjoys more authority.

**Third:** Developing and substantiating the culture of accountability and transparency, at different governmental levels, and to restrict the control of these governmental institutions on economic decisions.

**Fourth:** Managing financial resources more efficiently in order to achieve optimal benefit, especially from productive sectors, while limiting expenditure on consumer sectors.

**Fifth:** Supporting social institutions and developing them, including the civil institutions that tend to bolster effective participation in public affairs and the taking of decisions.

## **Initiatives for quick results**

**First:** Requiring all main government agencies (ministries and commissions) to convert King Abdullah's vision into a mandatory mission, translated by them into clear and workable goals, and in accordance with a strict time table.

**Second:** Generalizing the practice of de-centralization to all government apparatuses:

This concept can be emphasized in the administrative decision making process – both centrally and locally – through re-organizing government agencies, while putting into place specific mechanisms for accountability in accordance with the authorizations granted for achieving de-centralization. This organizing duty can be delegated to the “Higher Commission for Organizing Administration” and to the Council of Ministers, while the joint committee for the Shura council, the Institute for Public Administration, the Shura Council, and the private sector, may follow up the implementation of the organizing itself.

**Third:** Issuing legislation that defines the activities of non-governmental organizations:

It is of extreme importance that the legislation contains support for those social institutions and civil institutions that encourage participation in public affairs through consultations, assistance, and monitoring of public sector performance, specifically from the perspective of general interest and the prosperity of the citizen.

## **The third axis:**

### **Diversifying national income**

This axis aims to develop the sectors of the economy in a balanced manner that leads to steady growth, and to the creation of new jobs, plus increasing the added value of available natural resources. This is an unavoidable step, in view of the necessity of achieving diversification of the economy in order to decrease the huge dependency on oil.

### **The vision**

The following is expected to be done:

To achieve optimum utilization of the relative advantages and the economic and social capabilities the kingdom has under its disposal, which would consequently develop an economy characterized by its flexibility and ability to adapt and create, so as to allow for competing internationally and decrease the dependency on oil.

### **The strategic goals**

The following points represent these goals:

- 1- For the kingdom to become the capital of energy in the world (including traditional energy as well as alternative forms such as solar energy, wind harnessed energy, etc...).
- 2- To become the axis of transport for the region, by optimal utilization of its seaports, its sea, its land mass, and its airspace (in an aim to move 250 million people annually).
- 3- To attain a lofty position of leadership in knowledge based industry, including life sciences and ICT.
- 4- Establishing an Islamic center for applied technology and financial products.
- 5- Concentrating on Haj and Umrah seasons in an effort to expand the kingdom's tourism capabilities.

6- For the mineral riches (besides oil) that the kingdom has, to become one of the main sources of income within a time span of two decades.



## Initiatives for quick results

There are numerous initiatives that may be adopted for assisting in diversifying sources of income; these may be summarized in the following:

**First:** focusing more effort on exploring natural gas in all regions of the country, and developing a policy that stands on clarity and fair distribution, in order to reap the maximum benefit from this important source of income so that more industrial projects can be built that depend on it, and that increase its value.

**Second:** Setting up an independent ministry or commission for external trade, in order to follow up the privileges and obligations incurred by the Kingdom after joining the WTO, to form negotiating teams that follow up various trade agreements that the Kingdom is a partner to, and finally to achieve the required benefit from cooperation in international trade.

**Third:** Establishing a financial fund to guarantee the stability of public revenue, by depositing into it part of the annual budget surplus. The fund should have an independent administration within a framework of complete transparency.

**Fourth:** A specific time schedule and plan of execution should be set out to implement the privatization strategy, and to abide by it rigorously. The plan should be dynamic and run by an independent and strong leadership that enjoys the necessary authorization.

## **The fourth axis:**

### **Building the “information highway”**

The importance of this axis comes from the fact that it is the least developed in the kingdom, in spite of its absolute importance. And although there is scattered effort to develop this highway of information (knowledge), there is a dire need to start a pilot program. The two cities of knowledge, (Shumaisi) in Makkah and (Okaz) in Taif, would be the nucleuse for this axis. The two could provide a distinguished environment for knowledge and technology, taking into account the willingness of many intellectuals to be in the proximity of the two Holy Mosques.

### **The vision**

This vision foresees the following:

To turn the kingdom into a distinguished society of knowledge which benefits from the relative advantages the kingdom enjoys, including its Islamic status.

**First:** Optimal utilization of the relative advantages the kingdom enjoys including oil, minerals, and the two Holy Mosques.

**Second:** Providing an appropriate environment that makes use of local, Arab, and international skill and talent; and is capable of creating job opportunities.

**Third:** Domesticating technology plus adopting - and encouraging - national initiatives in the field of knowledge, including small and medium sized initiatives.

**Fourth:** Setting up a program for social evolution, that works to highlight the importance, the role, and requirements of information based industries, also to identify investment opportunities that come with knowledge based industries.

**Fifth:** Working to direct the leading scientific and technology institutions in the kingdom, toward serving the production and service sectors.

## **Initiatives for quick results**

**First:** Establishing a higher commission, linked to the Custodian of the two Holy Mosques, specifically responsible for knowledge (information). Its duties would be to formulate the concept, and to provide the legal and regulatory framework for a serious launching of the “highway”.

**Second:** Setting up model areas of information (knowledge) in (Shumaisi) in Makkah, and (Okaz) in Taif, to be a nucleuse for other cities of knowledge in other areas of the kingdom. These two cities stem from the vision of the Custodian of the two Holy mosques to attract different intellectuals, specifically Islamic intellectuals, who yearn to be close to the two holy mosques.

**Third:** The state must provide infrastructure, including land and general amenities, which are essential for launching (Shumaisi) and (Okaz).

**Fourth:** Establishing a partnership between the state and the private sector, in order to set up various “information” industries in these cities.

## Conclusion

It is obvious that if the Saudi economy continues on its traditional path without any fundamental adjustments that allows it to keep up with world economies, then it will become more prone to being affected by the fluctuations of international markets, which in turn might lead to modest growth averages that participate in aggravating the kingdom's economic woes, including: unemployment, national debt, and weak competitiveness in all fields.

As long as there is limited utilization of the strengths of the kingdom – especially its Islamic status; its huge oil, gas, and mineral reserves; its relatively young society; a mature private sector; and others, then the Saudi economy will not be able to stand up to challenges. Only through the concentration on four axes – namely developing human resources, increasing government efficiency, diversifying income, and building a society of knowledge that can lead the economic development the kingdom needs – can we push the economy towards achieving steady and sustainable growth rates that absorb the ever increasing number of Saudis entering the market.

This strategy contains a set of quick fix initiatives that the state may adopt within the framework of these four axes. In the field of developing human resources, there is call for a big expansion of educational, training, and scholarship programs. At the same time restricting the role of the government to execution, plus setting up a higher commission for taking care of women's affairs and looking into means for utilizing this productive element of the society. On the other hand, in the field of upgrading government performance, there is emphasis on the de-centralization of government apparatuses and converting the vision of King Abdullah to a tangible and workable program, plus regulating and expanding the activities of non-governmental organizations that emphasize monitoring of government performance and assist in decision making.

On the front of diversifying income, it is recommended to accelerate privatization; expand in the area of exploring for gas; adopt a clear policy regarding industries that depend on oil, gas and minerals as basic materials; set up an independent agency charged with managing external trade and negotiating on behalf of the kingdom in this sector; and finally perform a complete review of all regulations that aim to attract foreign and local investment. On the front of knowledge, it is recommended to develop a model project that serves the vision of king Abdullah, and establishes cities of knowledge at (Shumaisi) and (Okaz) as a nucleuse for developing an information (knowledge) highway in the kingdom, sets up a higher commission that oversees it, establishes a legal and administrative framework for it, and builds the necessary infrastructure that will attract foreign investment to these cities.

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