NATIONAL ECONOMY UNDER THE NINTH DEVELOPMENT PLAN

4.1 INTRODUCTION

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

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

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

4.2 ENVIRONMENT OF PLAN PREPARATION

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

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

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

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

The Ninth Development Plan was formulated in the light of these global economic conditions, and within the framework of the future vision of the Saudi economy up to 2024. Objectives, policies and programmes of the Plan reflect the determination of the Kingdom to continue pursuing development and to achieve the aspirations of its citizens for a better life and a higher standard of living. The will of the Kingdom has been strengthened by the financial surpluses achieved due to high oil prices. Thus, in determining the objectives and the policy packages and programmes designed to achieve them, the Plan balanced the Kingdom's development ambition with the realities of the global economy, its future trends, and their possible repercussions on the national economy. The Plan aims at raising living standards and improving the quality of life, development of the structure of the national economy, diversification of its productive base, and enhancing its competitiveness; in addition to creating an environment conducive to progress towards a knowledge-based economy and balanced development. The Plan comprises policies and programmes designed to mobilize the requisite economic resources, with particular emphasis on mechanisms for increasing efficiency and effectiveness of activities, as well as of the production and service sectors.

4.3 MAJOR OBJECTIVES OF THE PLAN

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

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

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

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

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

(%)

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

(1) At constant 1999 prices, ratios and rates are rounded to the nearest decimal points.
(2) Crude oil, natural gas
(3) By the end of the Plan
(4) Average annual growth of consumer prices
(5) Limited to the Saudi labour force as a percentage of total by the end of the Eighth and Ninth Plans

Source: Ministry of Economy and Planning.

4.4 AGGREGATE SUPPLY

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

4.4.1 Major Growth Rates

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

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

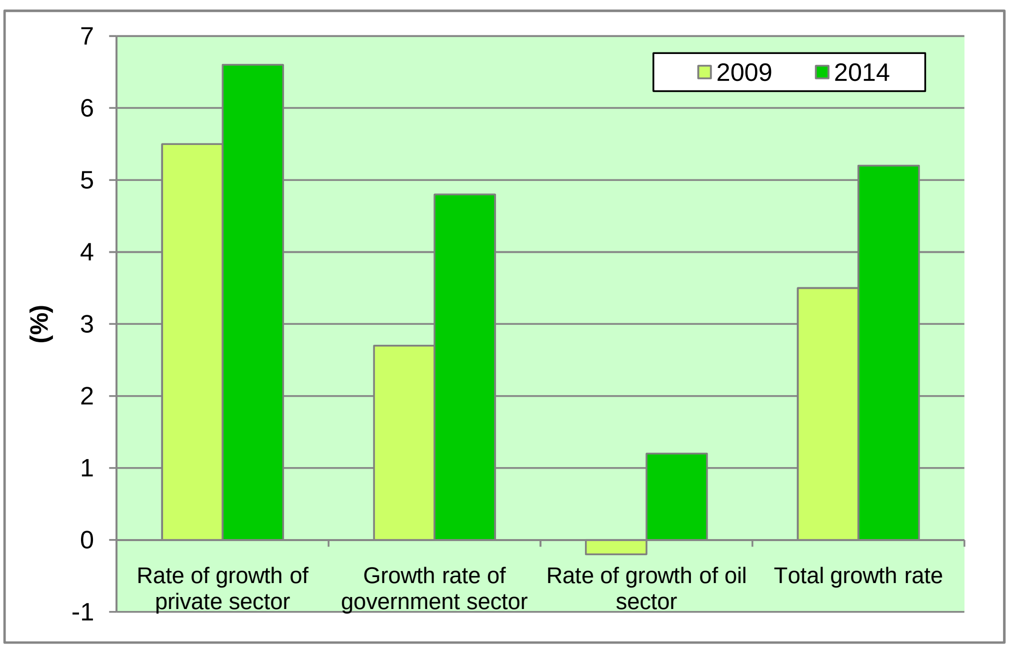
The Plan envisages the GDP of the private sector growing at an average annual rate of about 6.6%, compared with 5.5% under the Eighth Plan, which will lead to an increase of its contribution to GDP from about 57.4% by the end of the Eighth Plan in 2009 to about 61.5% by the end of the Ninth Plan in 2014.

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

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

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

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



Source: Ministry of Economy and Planning.

4.4. 2 Sectoral Growth and Economic Structure

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

- ***oil and non-oil sectors***

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

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

Table 4.2
GDP by Activity, at Constant 1999 prices

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

(*) Excluding net import duties, after deduction of bank service charges.
(**) Import duties less bank service charges.
(***) Growth rates and percentages are rounded to the nearest decimal point.
Source: Ministry of Economy and Planning.

❑ *Agriculture, forestry and fisheries*

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

❑ *Mining and Quarrying*

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

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

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

❑ *Manufacturing*

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

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

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

- ***Electricity, gas and water***

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

- ***Construction***

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

❑ *Trade, restaurants and hotels*

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

❑ *Transport and communications*

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

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

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

❑ *Community, social and personal services*

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

- ***Government services***

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

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

- ***Crude oil and natural gas***

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

4.4.3 Imports

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

4.5 AGGREGATE DEMAND

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

Table 4.3
Components of Aggregate Demand
Ninth Development Plan

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

(*) At constant 1999 prices.

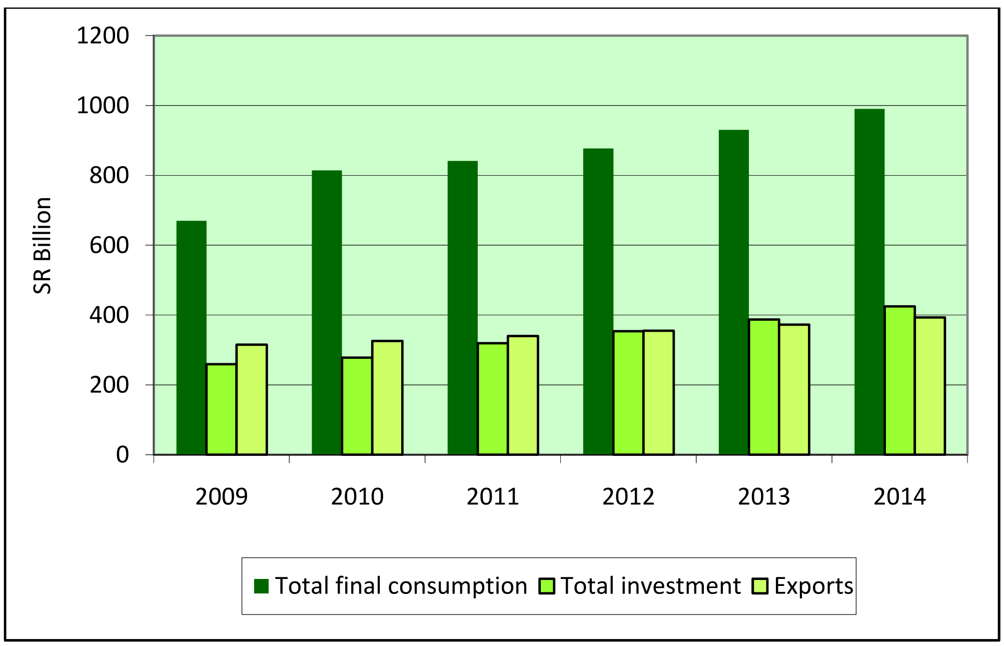
(**) Growth rates and percentages are rounded to the nearest decimal point.

Source: Ministry of Economy and Planning.

4.5.1 Consumption

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

Figure 4.2
Main Components of Aggregate Demand
Ninth Development Plan



Source: Ministry of Economy and Planning.

❑ ***Private Consumption***

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

- ❑ ***Government Consumption***

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

4.5.2 Investment

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

- ❑ ***Private investment***

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

- ❑ ***Government investment***

In an effort to diversify the economic base and enhance capacity in provision of public health, education and social services, the Plan aims to implement a number of vital projects, in addition to meeting the replacement and maintenance requirements of existing projects. Government investment in fixed assets is expected to increase at an average annual rate of 5.2%, with its value rising from about SR55.4 billion in 2009 to about SR71.4 billion in 2014. However, despite the expected growth in government investment, its share of total expected investments under the Plan will decrease to about 16.8% in 2014, compared with about 21.4% by the end of the Eighth Plan, to constitute in 2014 about 6.5% of GDP in real terms.

- ***Oil sector investment***

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

4.5.3 Change in Inventories

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

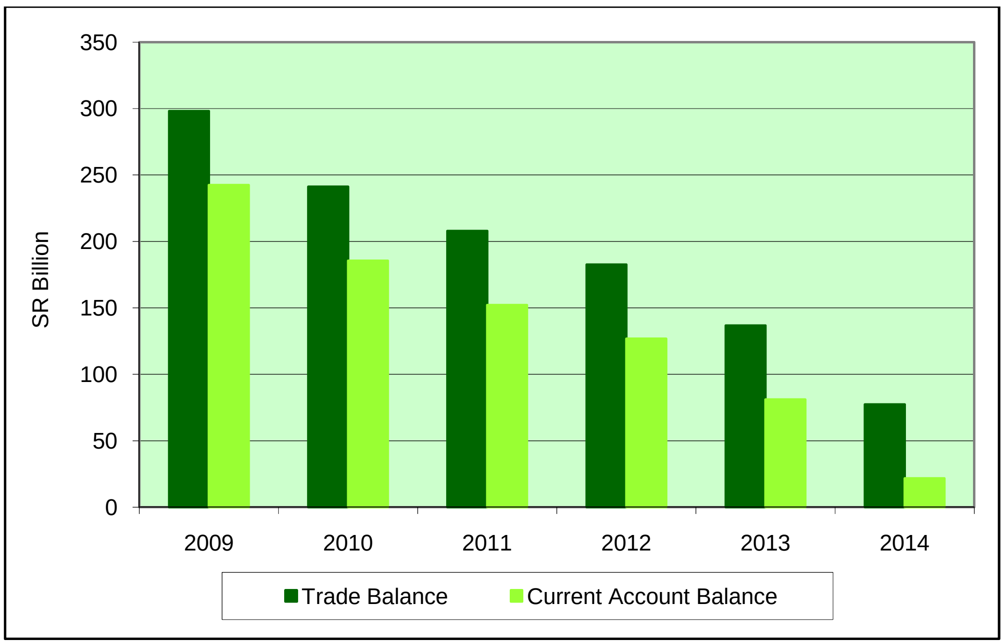
4.5.4 Exports

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

4.6 BALANCE OF PAYMENTS

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

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



Source: Ministry of Economy and Planning.

4.7 FINANCIAL REQUIREMENTS OF DEVELOPMENT SECTORS

Achieving the objectives and growth rates referred to in this chapter requires appropriating sufficient funds for the various sectors. Table 4.4 shows the financial requirements of these sectors under the Ninth Development Plan, compared with appropriations under the Eighth Development Plan. The total amount needed to finance major development projects is envisaged to be about SR1444.6 billion in the next five years, compared with SR863.9 billion under the Eighth Development Plan; an increase of 67.2%. This increase illustrates determination of the Kingdom to continue economic and social development, and improve the standard of living of citizens and their quality of life, even under inauspicious global economic conditions.

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

Table 4.4
Financial Requirements of Development Sectors
Ninth Development Plan

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

Source: Ministry of economy and planning.

- **Human resources development:** the Ninth Development Plan aims to expend about SR731.5 billion on human resources development, including education, science and technology, and training. Thus, the amounts allocated to this sector in the Ninth Plan exceed those allocated under the Eighth Development Plan by 52.4%, and account for about 50.6% of total allocations for development sectors, which reflects the exceptional importance attached to human resources development programmes.

- **Social Development and Health:** The financial requirements for this sector in the Ninth Development Plan are estimated to be about SR273.9 billion, i.e. 19% of the total amounts allotted for all development sectors; an increase over comparable expenditure under the Eighth Development Plan by 75.7%. This allocation is consistent with the increased demand for services due to population growth and the target improvement in the standards of living and quality of life of citizens. Private sector participation in meeting healthcare needs is expected to increase.

- **Economic Resources Development:** The Plan aims to expend about SR227.6 billion on the development of economic resources, including agriculture, water, electricity, oil, gas, minerals, industry and general economic services. These amounts constitute 15.7% of the total allocation approved in the Plan for all development sectors, and exceed comparable allocations under the Eighth Development Plan by 115.1%, reflecting increased efforts to develop economic resources, improve the efficiency of their utilization, and maximize their economic and social returns.

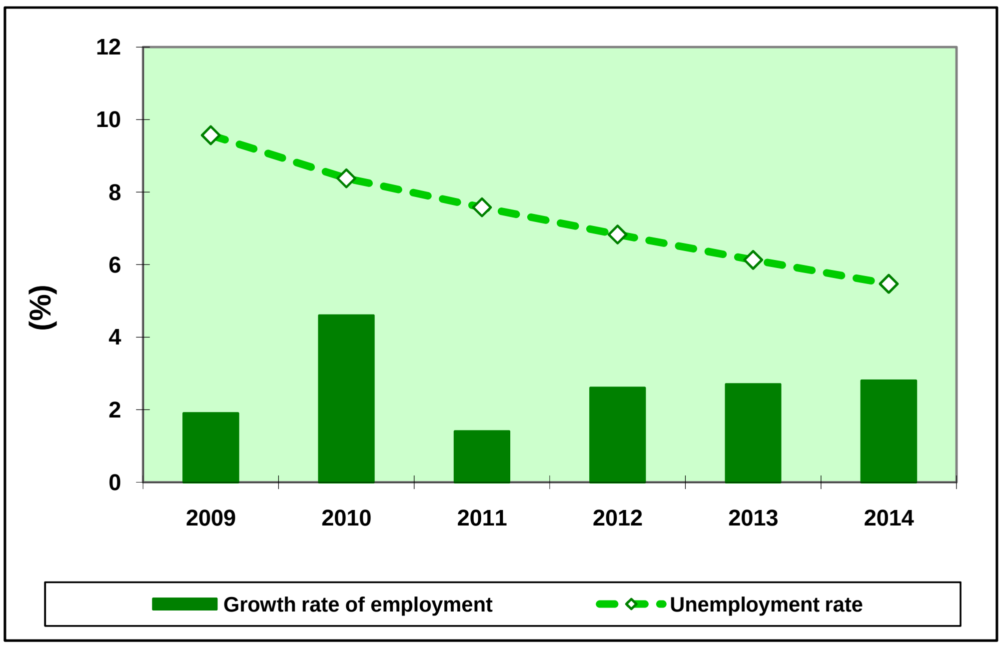
- **Transport and communications:** The financial requirements for the development of the transport and communications sector under the Ninth Development Plan are estimated at SR111.1 billion, i.e. 7.7% of the total expenditure allocated for all development sectors. This allocation represents an increase of 96.6% over the comparable allocation under the Eighth Development Plan. The allotted resources will be invested in developing new projects, and in maintaining and expanding existing projects to increase their deployment in the various regions of the Kingdom, as well as in improving the quality of services to keep pace with accelerated economic and technical developments.

- **Municipal and housing services:** the Ninth Development Plan envisages expending about SR100.5 billion on the development of municipal services and housing. This represents about 7% of total allocations for all development sectors, and an increase of about 53% over amounts allotted under the Eighth development Plan. This increase reflects the central importance of municipal services and housing in the development of the regions and in improving living conditions.

4.8 EMPLOYMENT AND UNEMPLOYMENT

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

Figure 4.4
Employment and Unemployment Growth Rates
Ninth Development Plan



Source: Ministry of Economy and Planning.

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

4.9 LOW-INCOME GROUPS AND REGIONAL DEVELOPMENT

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

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

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

4.10 PRODUCTIVITY AND COMPETITIVENESS

In view of local and global developments and challenges, especially the challenge of competition and raising efficiency and production capacities, the Ninth Development Plan gives priority to consolidating government efforts aimed at expanding and developing training and skill–building programmes; improving management and organization techniques; expanding utilization of information and communications technology (ICT) in all sectors; encouraging research, development and innovation; as well as at effectively helping private-sector establishments to develop their technological research and development capabilities, through providing the necessary infrastructure and support facilities. Moreover, given the importance of increasing productivity in improving competitiveness of national products in domestic and international markets, the Plan strives to increase productivity of all factors of production and achieve optimum utilization of resources.

4.11 INSTITUTIONAL AND ADMINISTRATIVE DEVELOPMENT

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

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

4.12 KNOWLEDGE ECONOMY

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

4.13 ECONOMIC POLICIES

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

4.13.1 Fiscal Policy

Through compensating for market failures and ensuring economic balance in order to achieve target income and employment levels, fiscal policy is one of the most important tools for managing and developing economic activity. Given the current global financial crisis and ensuing developments, the Ninth Development Plan adopts an expansionary fiscal policy, based on expanding public expenditure and using it as a main tool for stimulating economic activity, through expanding production capacities and stimulating aggregate supply of goods and services by investment expenditure, and stimulating aggregate demand for goods and services by public expenditure as a whole. The adopted fiscal policy will seek linking budget programmes and allocations to the objectives and priorities of the Plan, and will continue to increase the capital of specialized lending institutions in line with the growing demand for loans by citizens and the private sector.

4.13.2 Monetary Policy

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

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

4.13.3 Investment Policy

Expansion of both public and private investment is one of the most important mechanisms for dealing with current global developments, as well as for achieving the development goals of the Kingdom. Hence, the Plan seeks to promote an investment climate conducive to attracting both Saudi and foreign private investors. Moreover, government investment expenditure would increase to ensure satisfying the growing needs for expanding and developing the economic (physical), social, and environmental infrastructure, in response to population growth and demands for improving the quality of public services, as well as to motivate economic and investment activity. The Plan will consolidate complementarity of government and private investment.

4.13.4 Foreign Trade Policy

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