III. THE ECONOMY AND SOCIETY OF TOMORROW

III. The Economy and Society of Tomorrow

The national goals to be pursued within the second Development Plan have already been outlined in the first chapter. Details of the sectoral plans for achieving these objectives, and of necessary management and implementation improvements needed, lie ahead in Chapters IV through VIII. The purpose of this chapter is to present the strategies to be adopted in attaining the plan objectives, to assess the manpower implications of the plan, to forecast the expected growth of the economy, and to set out the highlights of the sectoral plans.

A. DEVELOPMENT STRATEGY

The development strategy consists of three key elements:

1. Diversification of the economic base through emphasis on increasing agricultural and industrial production.
2. Rapid development of the Kingdom's manpower resources.
3. Development of the economic regions of the country by
   - ☆ wide distribution of productive investment based on the distinctive physical and human resources of each region, and
   - ☆ social programs applied in accordance with need,

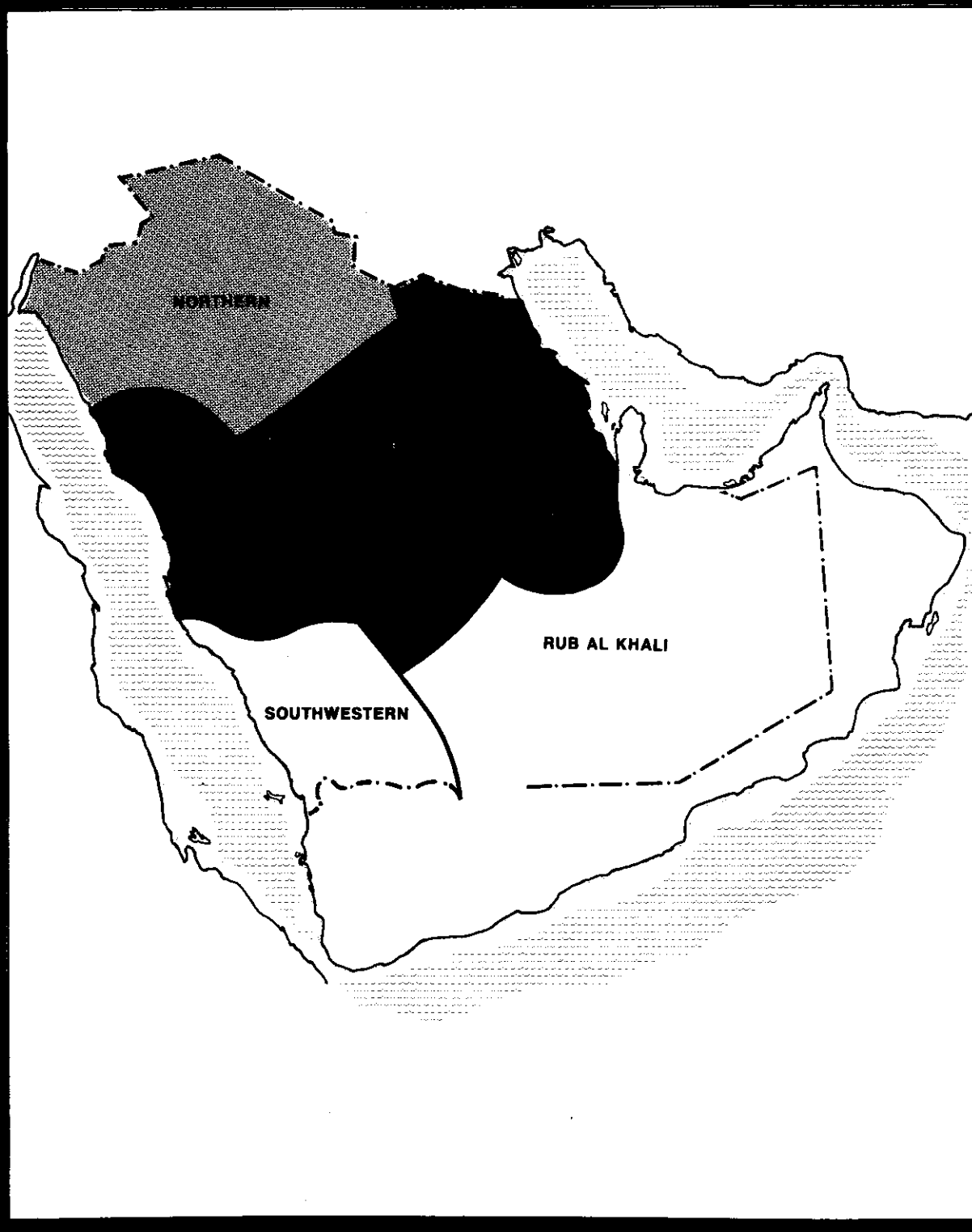
   thereby extending the benefits of national development to all sectors of the population without removing the incentives to individual effort and achievement.

The first strategy element will lay the foundations of economic self-sufficiency in the future as a precautionary measure against the gradual depletion of oil, when revenues and foreign exchange from oil may decline. Thus, large investments are to be made in industrial ventures based on natural gas and mineral resources; individual and joint investments in other industries will be encouraged with special incentives, credit, and the provision of infrastructure and support services; and agricultural production will be stimulated through government research extension activities, credit and input subsidies, and expansion of productive land.

Rapid development of manpower resources is essential for all aspects of the Kingdom's progress. Features of this development include increasing the number of both Saudis and non-Saudis in the labor force, raising the productivity of the labor force by education and training, and creating a productive work environment; and shifting manpower out of the agricultural sector into other sectors with expanding opportunities for employment at higher levels of productivity and income.

The development of regional economic resources and the provision of social services in accordance with need are intended to distribute the wealth, at present generated by the Kingdom's oil, to all sectors of the population. Regional strategy, based on socio-economic studies of the regions of the Kingdom (See Figure III-1), will include the following.

- ☆ Central Region: Continued development of Riyadh as the administrative capital of the Kingdom; the development of industry not requiring large quantities of water; and large-scale agricultural projects in rural areas.


NORTHERN
RUB AL KHALI
SOUTHWESTERN

- ☆ Eastern Region: Major development of hydrocarbon-based industry; and agricultural development in areas of high potential.
- ☆ Western Region: Pipeline transfer of hydrocarbons for the formation of a second industrial growth pole; continued development of the commercial, pilgrimage, and tourist activities of the main cities; and agricultural development in rural areas.
- ☆ Southwestern Region: Agricultural development; domestic tourism in the highlands; industry as feasible; and minerals development.
- ☆ Northern Region: Agricultural development; minerals development; and industry as feasible.

Real incomes of families will be increased throughout the country emphasizing:

- ☆ the expansion and upgrading of educational and health services,
- ☆ the widening and strengthening of social transfer programs including old age pensions and child allowances,
- ☆ implementation of a comprehensive housing program,
- ☆ expansion and improvement of the municipalities system.

The plans for productive-sector development and those for social development are mutually reinforcing; programs directly concerned with increasing real family incomes and social welfare will reinforce programs for improving industrial and agricultural productivity by expanding domestic markets and contributing to the development of a better-educated and more highly-skilled labor force. Similarly, programs for developing industry and agriculture will reinforce programs for increasing family incomes and social welfare by providing better paid employment opportunities for more people.

The above strategies will be reinforced by programs for development in other sectors. The Plan provides for nation-wide development of the telecommunications and transportation networks; extension of electrification within a national system; development of national water resources to meet urban, industrial, and agricultural demands; and continued development of the commercial infrastructure of the Kingdom to accommodate the growing volume of business activity that will be generated by the expanding economy.

The economic and social development of a nation require the strenuous efforts of both the government and the people. Despite the Kingdom's unusual financial situation, this is no less true in Saudi Arabia than in other countries. Saudi Arabia's development problems may be different from those of other countries; they will be no less easy to overcome. Accordingly, the following basic tenets underlie the successful outcome of the Kingdom's development strategy for the period 1395-1400 and beyond.

- ☆ Careful management of hydrocarbon resources in order to maximize the domestic, social, and economic benefits to the Kingdom over the long term, while at the same time meeting the Kingdom's need to finance industrial and social development.

- ☆ Acceptance of the addition to the foreign labor force in Saudi Arabia needed to assist in implementing the construction and other programs planned for the next five years.
- ☆ Continuing internal migration from rural areas to locations of urban and industrial employment.
- ☆ A major role in development for private enterprise, especially in the progress of the productive sectors. The Government will do its utmost to stimulate and assist private-sector activity.
- ☆ Elimination of constraints that may arise as a result of the unprecedented rate of planned expansion of economic activity, and rescheduling of programs and projects in accordance with national priorities where it is not possible to eliminate these constraints in the short run.
- ☆ Improvement in the speed and effectiveness of the Government's planning, decision-making, and implementation processes. Many existing procedures must be reformed, and public institutions created or the present ones modified in a number of areas.
- ☆ Prudent utilization of international cooperation programs, whereby the Kingdom can acquire access to technical know-how, skilled labor, and management expertise.
- ☆ Sound monetary and fiscal policies, whereby domestic inflation is minimized and the Kingdom's growing financial reserves are soundly managed in relation to future national development and with due concern for the stability of the international monetary system.

B. GROWTH OF THE LABOR FORCE

The projected increase of the Saudi labor force over the period 1395-1400 will be about 232,000, or an annual rate of 3.4 percent. The non-Saudi segment of the labor force must grow more rapidly than the Saudi portion to fulfill the manpower demands of the Development Plan. The number of foreign workers will reach 812,600 by 1400, a net increase of 498,600 over the plan period.

To meet plan requirements the labor force is therefore projected to grow over the 1395-1400 period, as follows:

	Number (thousands)		*Annual Growth Rate (percent)*
	1395	*1400*	*1395-1400*
Saudi men	1,259	1,470.0	3.1
Non-Saudi men	306	767.6	20.2
Subtotal	1,565	2,237.6	7.4
Saudi women	27	48.0	12.2
Non-Saudi women	8	45.0	41.2
Subtotal	35	93.0	21.6
Subtotal Saudi	1,286	1,518.0	3.4
Subtotal Non-Saudi	314	812.6	21.0
Total	1,600	2,330.6	7.8

Migration of the Saudi and non-Saudi worker is a phenomenon affecting the social framework of each region. During the past five years, the Western, Central, and Eastern regions have experienced net in-migration while the Southern and Northern regions had a net out-migration. This pattern is expected to continue into the second plan period, with slightly increased rates of out-migration from the Southern region.

Migration patterns show an acceleration of the drift toward the cities of both the rural and nomadic peoples. The urban growth poles of Jiddah and Dammam/al-Khobar, as well as Riyadh, will continue their high rates of growth. In the urban areas the labor force will increase at the bottom levels of the occupational skill pyramid. If widespread under-employment and unemployment are to be avoided, mechanisms for utilizing the new city dwellers must be developed.

Employment Structure by Economic Activity

The economic activity structure of the labor force and changes due to the development requirements are depicted in Figure III-2. Employment will have to grow from about 1.5 million to 2.3 million during the plan period. The construction and services sectors are growing the fastest, at 13.5 and 12.7 percent annually. The agricultural sector will decline at about 1.5 percent annually.

A comparison of employment increases and growth rates during the first Plan and those projected for the second Plan is shown in Table III-1. Employment increased by 418,300 during the period 1390-1395 and is projected to grow by 808,500 in the second plan period. This projection will result in an increase in the annual growth of employment from 6.6 percent to 8.9 percent during the second Plan.

Private-sector employment is estimated to increase by 624,600 at a rate of 7.9 percent annually, while public-sector employment must grow by 183,900 over the next five years in order to fulfill the Development Plan's manpower requirements. Public sector employment (excluding the military) will have to grow at a rate of 15.9 percent annually compared with 8.4 percent during the first Plan. Table III-2 compares the estimated present employment numbers and distribution by economic activity and the projections for 1400.

According to the planned programs described later, the manpower requirements of the Government (excluding Defense) in the second Development Plan are projected as follows:

	Planned Programs	*Other Programs*	*Total Non-Defense*
In 1394-95			
Budgeted	154,119	50,584	204,703
Less vacancies	22,267	13,636	35,903
Employment	131,852	36,948	168,800
In 1399-1400			
Budgeted (planned)	302,488	50,180	352,668
Net requirement	170,636	13,232	183,868

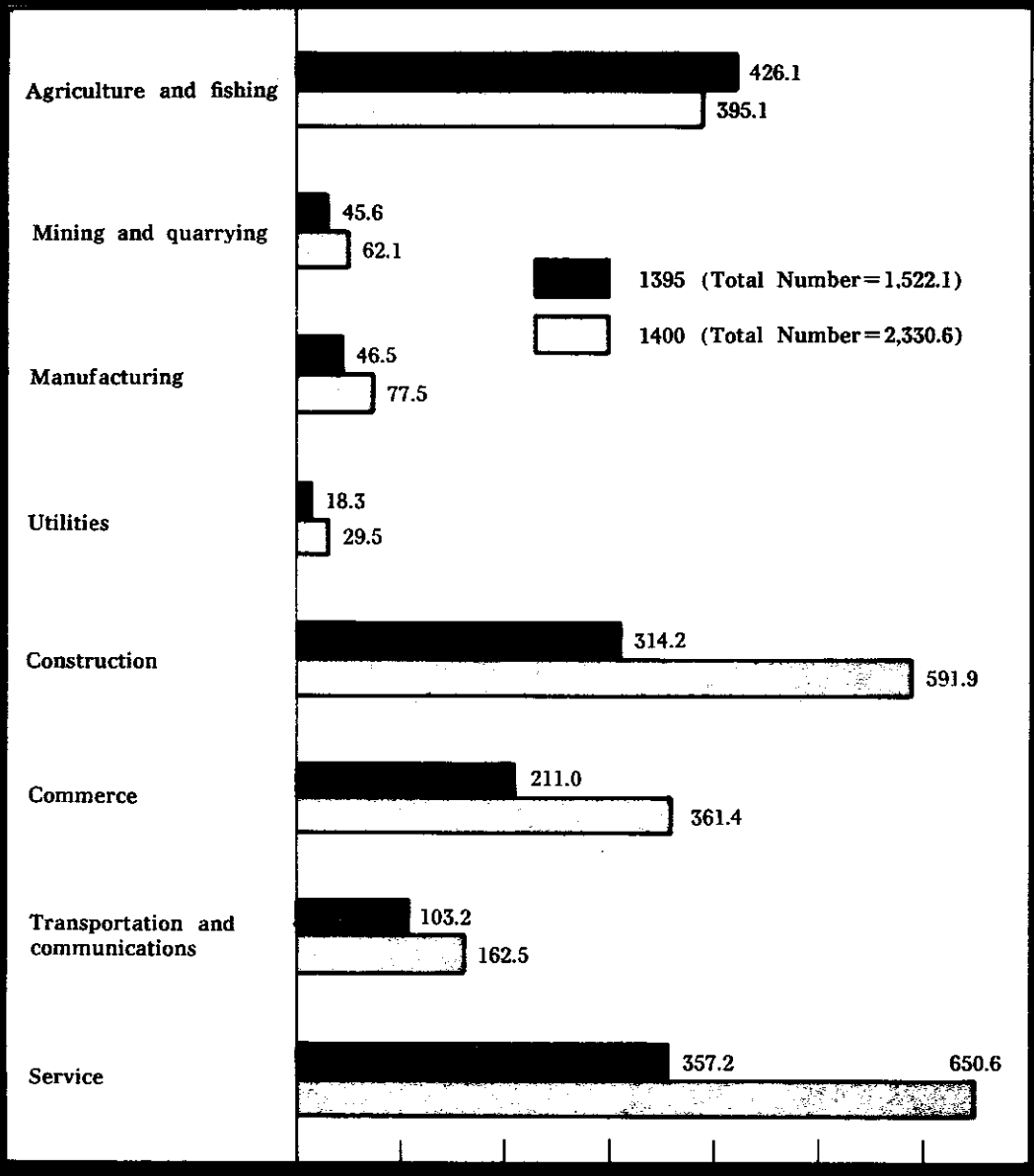

Agriculture and fishing
426.1
395.1
Mining and quarrying
45.6
62.1
1395 (Total Number=1,522.1)
1400 (Total Number=2,330.6)
Manufacturing
46.5
77.5
Utilities
18.3
29.5
Construction
314.2
591.9
Commerce
211.0
361.4
Transportation and communications
103.2
162.5
Service
357.2
650.6

Table III-1
AVERAGE ANNUAL GROWTH RATES AND EMPLOYMENT INCREASES
BY ECONOMIC ACTIVITY, 1390–95 AND 1395–1400

Activity	Growth Rate (percent)		Employment Increase (Thousands)	
	First Plan	Second Plan	First Plan	Second Plan
Agriculture, fishing				
Settled, fishing	(0.1)	(1.0)	(0.7)	(14.8)
Nomadic	(3.0)	(3.0)	(19.0)	(16.2)
	(3.0)	(1.5)	(19.7)	(31.0)
Mining and quarrying				
Crude petroleum, natural gas	9.9	3.1	7.2	3.2
Other	14.0	8.5	12.7	13.3
	12.1	6.4	19.9	16.5
Manufacturing				
Petroleum refining	8.5	1.8	0.7	0.2
Other	5.0	11.1	9.7	30.8
	5.2	10.7	10.4	31.0
Utilities	8.5	10.0	6.1	31.7
Construction	17.3	13.5	172.7	277.7
Commerce				
Trade, restaurants, hotels	10.9	11.7	77.4	141.3
Finance, insurance, real estate, business services	4.0	8.0	3.4	9.1
	10.1	11.4	80.8	150.4
Transportation, communications, storage	10.7	9.5	41.1	59.3
Community, social and personal services	6.5	9.6	50.9	109.5
Subtotal private sector	6.4	7.9	362.2	624.6
Public administration*	7.0	11.1	24.4	76.9
Education	10.2	14.1	24.0	79.7
Health	9.5	20.5	7.7	27.3
Subtotal public sector	8.4	15.9	56.1	183.9
Total	6.6	8.9	418.3	808.5

* Includes civilian Defense employees.

Table III-2
EMPLOYMENT IN 1395 AND LABOR DEMAND IN 1400
BY ECONOMIC ACTIVITY

Activity	Thousands: Employment 1395	Thousands: Labor Demand 1400	Percent Change 1395–1400	Percent Distribution: 1395	Percent Distribution: 1400
Agriculture, fishing					
Settled, fishing	311.2	296.4	(4.8)	20.5	12.7
Nomadic	114.9	98.7	(14.1)	7.5	4.2
	426.1	395.1	(7.3)	28.0	16.9
Mining and quarrying					
Crude petroleum, natural gas	19.2	22.4	16.7	1.3	1.0
Other	26.4	39.7	50.4	1.7	1.7
	45.6	62.1	36.2	3.0	2.7
Manufacturing					
Petroleum refining	2.1	2.3	9.5	0.1	0.1
Other	44.4	75.2	69.4	2.9	3.2
	46.5	77.5	66.7	3.0	3.3
Utilities	18.3	29.5	61.2	1.2	1.3
Construction	314.2	591.9	88.4	20.6	25.4
Commerce					
Trade, restaurants, hotels	191.7	333.0	73.7	12.6	14.3
Finance, insurance, real estate, business services	19.3	28.4	47.2	1.3	1.2
	211.0	361.4	71.3	13.9	15.5
Transportation, communications, storage	103.2	162.5	57.5	6.8	7.0
Community, social and personal services	188.4	297.9	58.1	12.4	12.8
Subtotal private sector	1,353.3	1,977.9	46.2	88.9	84.9
Public Administration*	85.2	162.1	90.3	5.6	7.0
Education	62.5	142.2	127.5	4.1	6.1
Health	21.1	48.4	129.4	1.4	2.1
Subtotal public sector	168.8	352.7	108.9	11.1	15.1
Total	1,522.1	2,330.6	53.1	100.0	100.0

* Includes civilian defense employees.

Employment Structure by Occupational Group

The occupational structure of the labor force in 1395 and the projected changes in 1400 are shown in Figure III-3. The number of professional and technical workers needed to meet the Plan's requirement must grow from about 79,100 to more than 191,100 by 1400. All occupational groups except farmers and fishermen will grow by more than 7 percent annually.

Employment increases in the two plan periods are compared in Table III-3. The largest increase is in the group of production workers, transport equipment operators and laborers — 392,400 in the second plan period compared with only 273,400 in the first plan. However, the highest growth rate (19.3 percent) is in the professional and technical workers, owing to the great build-up in developmental projects over the next five years.

Employment distribution by occupational group is estimated in Table III-4. Labor demand in 1400 is estimated to reach about 2.3 million with all occupational groups gaining a larger share of the total labor force except farmers and fishermen, who will drop from 27.2 percent to 16.3 percent during the second Plan.

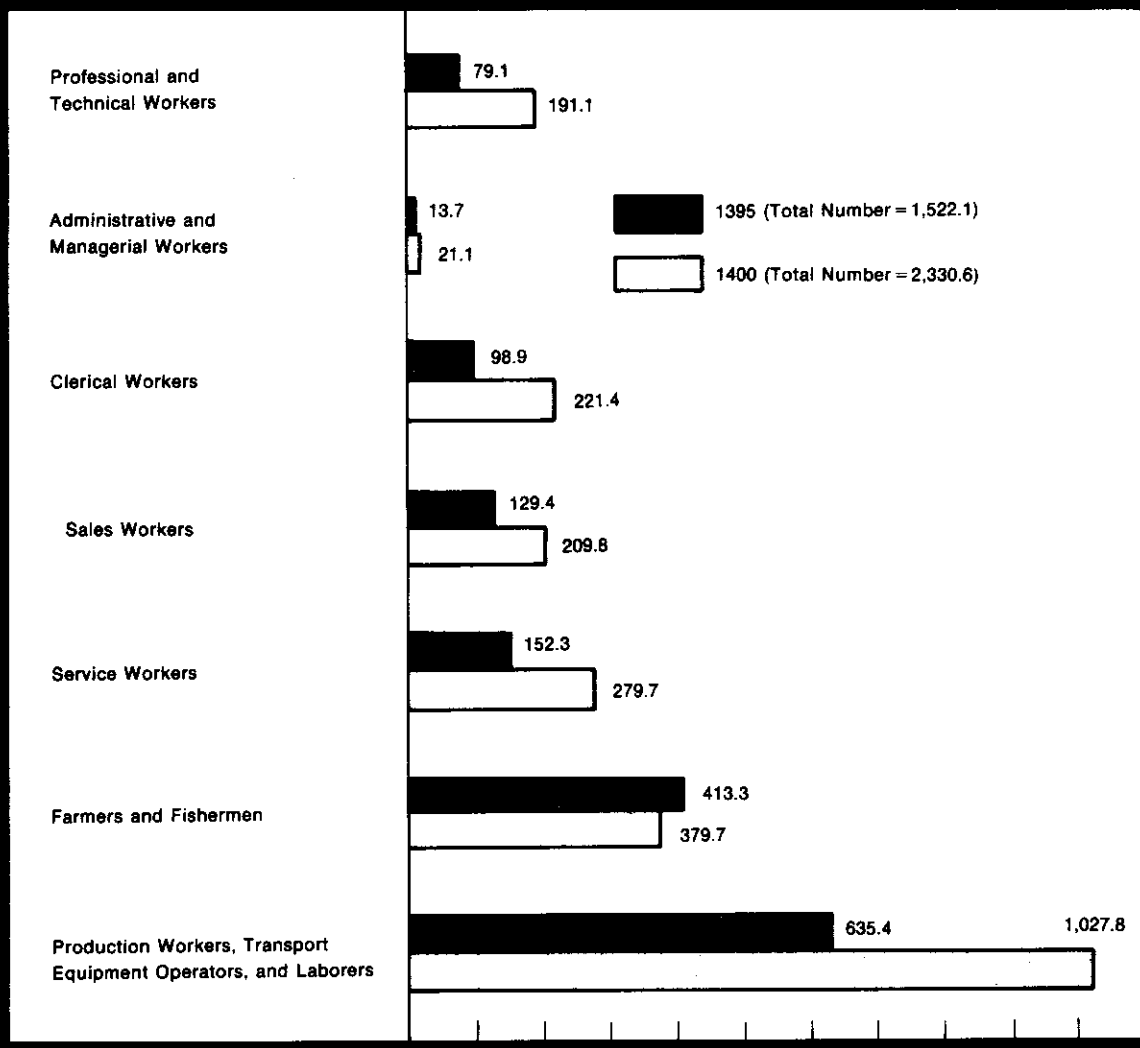

Professional and Technical Workers
79.1
191.1
Administrative and Managerial Workers
13.7
21.1
1395 (Total Number = 1,522.1)
1400 (Total Number = 2,330.6)
Clerical Workers
98.9
221.4
Sales Workers
129.4
209.8
Service Workers
152.3
279.7
Farmers and Fishermen
413.3
379.7
Production Workers, Transport Equipment Operators, and Laborers
635.4
1,027.8

Table III-3
EMPLOYMENT INCREASES AND AVERAGE ANNUAL GROWTH RATES
BY OCCUPATIONAL GROUP, 1390–95 AND 1395–1400

	First Plan		*Second Plan*	
Group	*Employment increase (thousands)*	*Growth rate (percent)*	*Employment increase (thousands)*	*Growth rate (percent)*
Professional and technical	29.3	9.7	112.0	19.3
Administrative and managerial	4.9	9.3	7.4	9.0
Clerical	38.2	10.2	122.5	7.5
Sales	41.1	7.9	80.4	10.1
Service	53.0	8.9	127.4	12.9
Farmers and fishermen	(21.6)	(1.0)	(33.6)	(1.7)
Production*	273.4	11.9	392.4	10.1
Total	418.3	6.6	808.5	8.9

* This category of workers includes transport equipment operators, and laborers.

Table III-4
EMPLOYMENT IN 1395 AND LABOR DEMAND IN 1400 BY OCCUPATIONAL GROUP

	1395		*1400*		*Percent Change 1395–1400*
Group	*Employment (thousands)*	*Percent Distribution*	*Labor Demand (thousands)*	*Percent Distribution*	
Professional and technical	79.1	5.2	191.1	8.2	141.6
Administrative and managerial	13.7	0.9	21.1	0.9	54.0
Clerical	98.9	6.5	221.4	9.5	123.9
Sales	129.4	8.5	209.8	9.0	62.1
Service	152.3	10.0	279.7	12.0	83.7
Farmers and fishermen	413.3	27.2	379.7	16.3	(8.1)
Production*	635.4	41.7	1,027.8	44.1	61.8
Total	1,522.1	100.0	2,330.6	100.0	53.1

* This category of workers includes transport equipment operators, and laborers.

C. GROWTH OF THE ECONOMY

The projected growth of the economy in real terms (value added in constant prices) over the period of the Plan is shown in Table III-5. The individual sectoral projections have been made in the light of an assessment of the highest overall rates of growth sustainable over the next five years, taking into account the absorptive capacity of the economy as a whole.

The average annual rates of growth for the different economic sectors for the first plan and the second plan are shown in Figure III-4. These growth rates are converted into increases in value added under the first plan and projected for the second plan in Table III-6. The latter provides a more useful comparison of the magnitude of the targets set for the second plan than the figure of comparative growth rates as it measures the real growth in product in absolute terms projected for each sector. Figure III-5 combines the sectoral information into the major source of origin–oil, private non-oil, and government.

As can be seen, the increase in output of the combined private non-oil sectors projected for the second Plan is almost twice as large as that estimated to have been achieved during the first plan -SR14,297 million versus SR 7,214 million. The increase projected for a number of the individual sectors is over twice as large– manufacturing (excluding refining), utilities, trade, transportation and communications, business services, and community services. The construction sector – the largest non-oil sector – more than doubled during the first plan; it is expected to more than double again, an increase of 370 percent in just 10 years.

In addition to projecting real growth in value added, inflation rates have been estimated for each of the sectors to show their magnitude in 1399-1400 in projected prices of that year. The margin for error in these projections is, of course, far larger than that already present in the constant price projections. However, the projections indicate the general magnitude and relationships of the numbers expected to appear in future national accounts. Table III-7 compares the sectoral valued-added projections for 1399-1400 (in 1399-1400 prices) with those estimated for 1394-95 (in 1394-95 prices).

Table III–5
GROSS DOMESTIC PRODUCT: 1394–95 AND 1399–1400 IN CONSTANT 1394–95 PRICES
(SR Millions)

	estimated 1394–95	*Average Annual Growth Rate*	*Projected 1399–1400*
Private			
Agriculture	1,409.0	4.0	1,714.3
Crude petroleum and natural gas	121,232.0	10.0*	195,199.5
Other mining and quarrying	175.3	15.0	352.6
Petroleum refining	7,494.7	5.0*	9,565.5
Other manufacturing	901.8	14.0	1,736.3
Electricity, gas, water, and sanitary services	333.3	15.0	670.4
Construction	4,362.0	15.0	8,773.7
Wholesale and retail trade, restaurants, and hotels	2,580.0	15.0	5,189.4
Transport, communications, and storage	3,637.8	15.0	7,317.1
Ownership of dwellings	1,636.7	6.0	2,190.2
Finance, insurance, real estate, and other business services	895.2	15.0	1,800.6
Community, social, and personal services	522.4	14.0	1,005.8
Less imputed bank service charge	(63.0)	–	(63.0)
Total private	145,117.2	10.2	235,452.4
Government			
Public Administration	1,291.4	10.0	2,079.8
Education	1,026.8	13.8	1,960.0
Health	256.5	15.0	515.9
Subtotal	2,574.7	12.1	4,555.7
Defense	1,025.4	15.0	2,062.5
Total government	3,600.1	12.9	6,618.2
GROSS DOMESTIC PRODUCT (excluding import duties)	148,717.3	10.2	242,070.6
Import duties	82.7	15.0	166.3
GDP (at market prices)	148,800.0	10.2	242,236.9
Summary			
Private sector			
Oil	128,726.7	9.7	204,765.0
Non-oil	16,390.5	13.4	30,687.4
Government sector	3,600.1	12.9	6,618.2
Total Non-oil	19,990.6	13.3	37,305.6

* These rates are notional only (to fill in the GDP picture), since oil production policies are not part of the Development Plan but are determined by the Supreme Advisory Council for Petroleum and Minerals.

Source: Central Planning Organization.

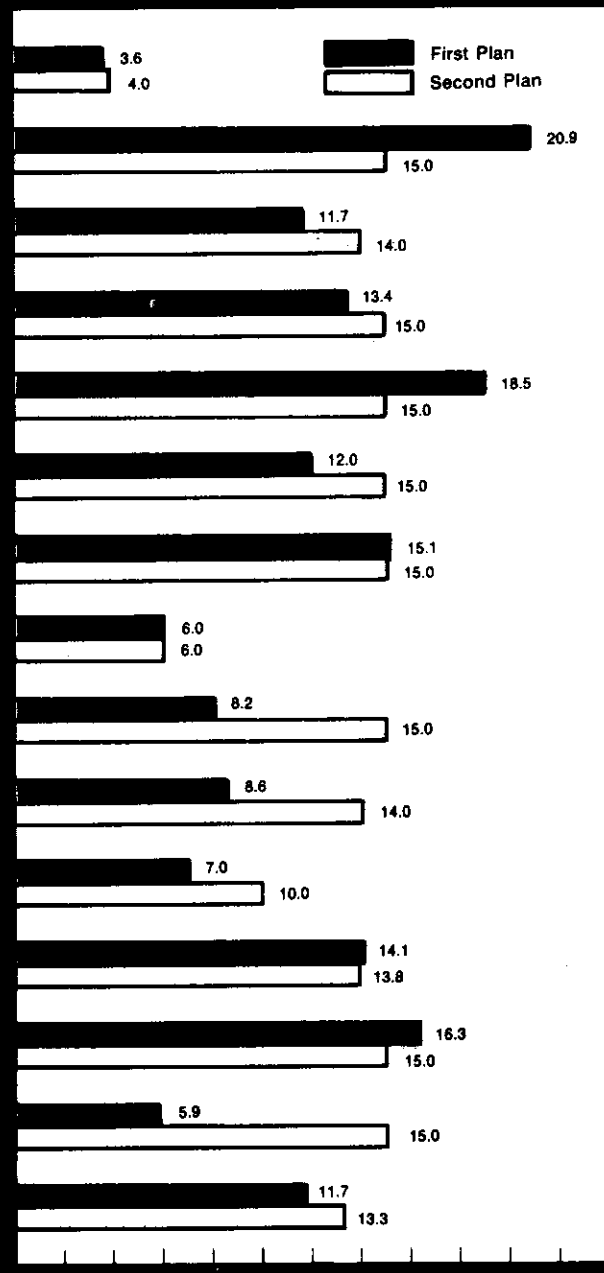

First Plan
Second Plan
3.6
4.0
20.9
15.0
11.7
14.0
13.4
15.0
18.5
15.0
12.0
15.0
15.1
15.0
6.0
6.0
8.2
15.0
8.6
14.0
7.0
10.0
14.1
13.8
16.3
15.0
5.9
15.0
11.7
13.3

Table III–6
INCREASE IN GROSS DOMESTIC PRODUCT FIRST PLAN VS. SECOND PLAN
(SR Millions in constant 1394–95 prices)

	1389 –90	*1394 –95*	*1399–1400*	*Increase during First Plan*	*Increase during Second Plan*
Private					
Agriculture	1,181.0	1,409.0	1,714.3	228.0	305.3
Crude petroleum and natural gas	52,197.7	121,232.0	195,199.5	69,034.3	73,967.5
Other mining and quarrying	67.7	175.3	352.6	107.6	177.3
Petroleum refining	6,118.8	7,494.7	9,565.5	1,375.9	2,070.8
Other manufacturing	517.5	901.8	1,736.3	384.3	834.5
Electricity, gas, water, and sanitary services	177.5	333.3	670.4	155.8	337.1
Construction	1,867.8	4,362.0	8,773.7	2,494.2	4,411.7
Wholesale and retail trade, restaurants, and hotels	1,460.8	2,580.0	5,189.4	1,119.2	2,609.4
Transport, communications, and storage	1,801.5	3,637.8	7,317.1	1,836.3	3,679.3
Ownership of dwellings	1,222.9	1,636.7	2,190.2	413.8	553.5
Finance, insurance, real estate, and other business services	603.0	895.2	1,800.6	292.2	905.4
Community, social, and personal services	345.5	522.4	1,005.8	176.9	483.4
Less imputed bank service charge	(69.0)	(63.0)	(63.0)	6.0	—
Total private	67,492.7	145,117.2	235,452.4	77,624.5	90,335.2
Government					
Public Administration	920.9	1,291.4	2,079.8	370.5	788.4
Education	529.7	1,026.8	1,960.0	497.1	933.2
Health	120.6	256.5	515.9	135.9	259.4
Subtotal	1,571.2	2,574.7	4,555.7	1,003.5	1,981.0
Defense	769.3	1,025.4	2,062.5	256.1	1,037.1
Total government	2,340.5	3,600.1	6,618.2	1,259.6	3,018.1
GROSS DOMESTIC PRODUCT (excluding import duties)	69,833.2	148,717.3	242,070.6	78,884.1	93,353.3
Summary					
Private sector					
Oil	58,316.5	128,726.7	204,765.0	70,410.2	76,038.3
Non-oil	9,176.2	16,390.5	30,687.4	7,214.3	14,296.9
Government sector	2,340.5	3,600.1	6,618.2	1,259.6	3,018.1
Total non-oil	11,516.7	19,990.6	37,305.6	8,473.9	17,315.0

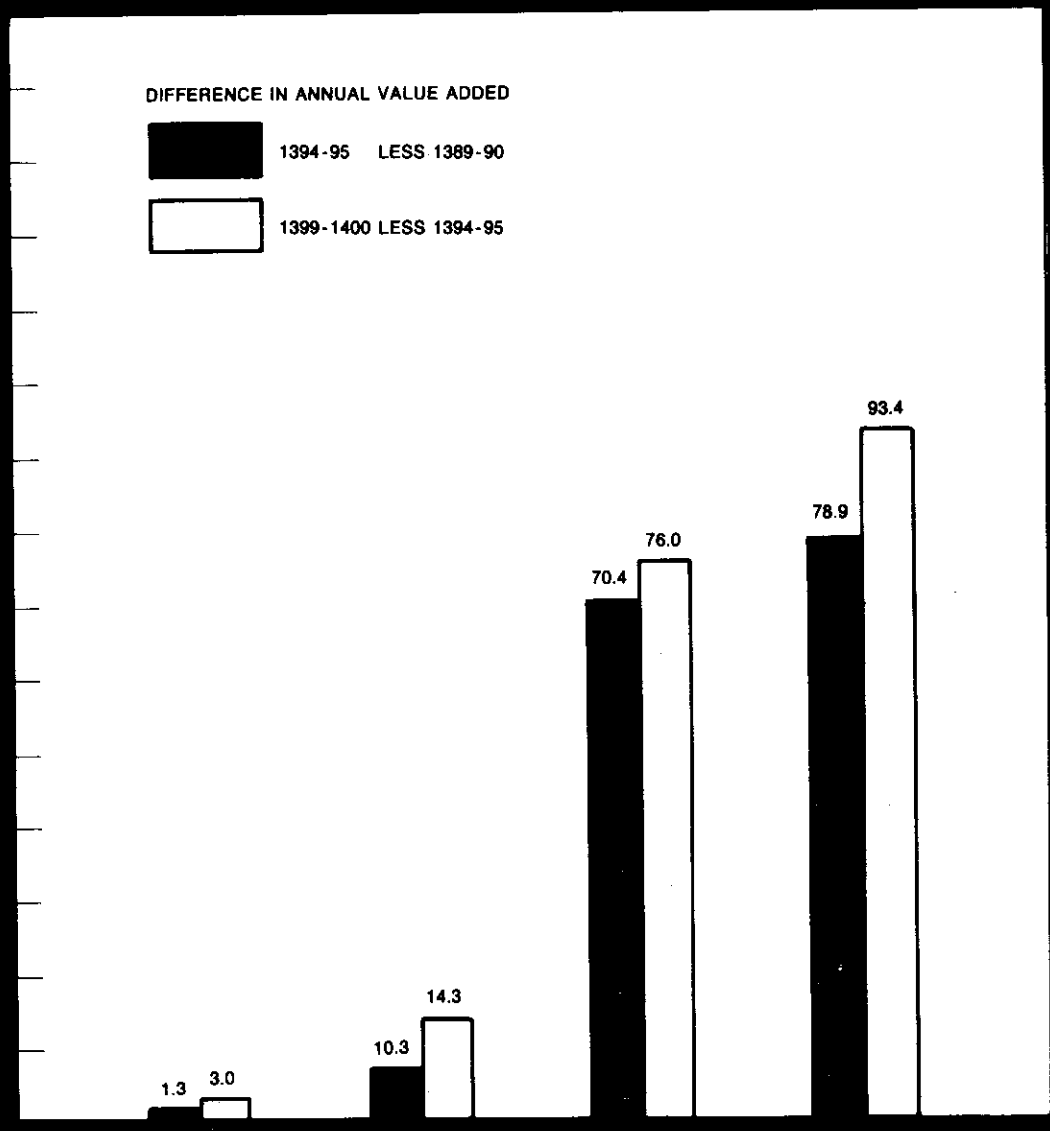

DIFFERENCE IN ANNUAL VALUE ADDED
1394-95 LESS 1389-90
1399-1400 LESS 1394-95
1.3
3.0
10.3
14.3
70.4
76.0
78.9
93.4

Table III–7
GROSS DOMESTIC PRODUCT IN CURRENT PRICES
1394–95 AND 1399–1400
(SR Millions)

	1394–95	*1399–1400*
Private		
Agriculture	1,409.0	2,188.0
Crude petroleum and natural gas	121,232.0	249,133.1
Other mining and quarrying	175.3	567.9
Petroleum refining	7,494.7	12,208.4
Other manufacturing	901.8	2,492.6
Electricity, gas, water, and sanitary services	333.3	670.4
Construction	4,362.0	15,810.2
Wholesale and retail trade, restaurants, and hotels	2,580.0	7,449.9
Transport, communications, and storage	3,637.8	10,504.4
Ownership of dwellings	1,636.7	3,527.3
Finance, insurance, real estate, and business services	895.2	2,899.9
Community, social, and personal services	522.4	1,443.9
Less imputed bank service charges	(63.0)	(101.5)
Total private	145,117.2	308,794.5
Government		
Public Administration	1,291.4	2,985.8
Education	1,026.8	2,813.8
Health	256.5	830.9
Subtotal	2,574.7	6,630.5
Defense	1,025.4	2,960.9
Total government	3,600.1	9,591.4
GROSS DOMESTIC PRODUCT (excluding import duties)	148,717.3	318,385.9
Import duties	82.7	238.7
GDP (at market prices)	148,800.0	318,624.6
Summary		
Private sector		
Oil	128,726.7	261,341.5
Non-oil	16,390.5	47,453.0
Government sector	3,600.1	9,591.4
Total Non-oil	19,990.6	57,044.4

As can be seen from all the immediately preceding tables, crude oil production and refining will continue to dominate the economy over the next five years. This dominance is, however, expected to show a relative decline during that period under the impact of more rapid growth throughout the balance of the economy. The table below compares the anticipated results of the second Plan with the situation estimated to obtain at the end of the first plan (current prices):

	GDP (SR millions)		*RelativeShares (percent)*	
	1394-95	1399-1400	1394-95	1399-1400
Oil	128,726.7	261,341.5	86.6	82.1
Private non-oil	16,390.5	47,453.0	11.0	14.9
Government	3,600.1	9,591.4	2.4	3.0
Total	148,717.3	318,385.9	100.0	100.0

In the previous chapter it was observed that neither constant prices nor current prices correctly measures changes in the real national income of Saudi Arabia because most of the domestic product — oil — is exported. The technique employed to provide a more valid measurement is to adjust constant price national income by a terms-of-trade effect. To do this for the future necessitates projecting the future value of exports including price changes in exports (primarily oil), price changes in imports, and growth in national income (GNP) in constant prices.

Historically, GDP has averaged about one-third larger than GNP, primarily because of the repatriation of oil company profits. Although Government ownership of 100 percent of the oil fields will eliminate this differential, development of new industries that are partly owned by foreigners would result again in repatriation of profits. Also, the number of foreign workers is expected to increase substantially and will lead to increases in factor income payments to abroad. On the other hand, Saudi earnings on foreign investments are increasing at a very rapid rate. Given all these considerations, in 1980 GNP could be larger than GDP by some SR 15,000 million.

As to the terms-of-trade effect, some relative deterioration with respect to the massive gains in 1393-94 and 1394-95 is to be expected. However, this is a matter of speculating how successful OPEC will be in raising prices to match any continued inflation in import prices, or in sustaining existing price levels.

GDP (in 1394-95 constant prices) has been projected at SR 242,070.6 million for 1399-1400. Real national income (GNP) could, therefore, be as large as SR 282,000 million in 1394-95 prices—GDP plus SR 15,000 million = GNP, plus terms-of-trade effect of SR 25,000 million

The Structure of the Economy

The above projections do not indicate any near-term change in the basic structure of the Kingdom's economy. The importance of oil is over-riding and will continue into the foreseeable future. Domestically-based, energy-intensive industries will further enhance oil's role in the economy.The long-term objective of diversification of the sources of national income and reduced dependence on oil is, therefore, somewhat paradoxical, because oil revenues are the means through which the Government finances the Kingdom's economic and social development programs—the principal means to diversification.

Thus, the speed with which diversification can be pursued is dependent on the extent and rapidity the Government achieves in exploiting its oil resources. The more successful the exploitation, the larger oil's share of GDP. The important criterion to use in assessing the economy's diversification efforts over the next several years is not oil's share of GDP, but whether or not consistent real growth is taking place in the other sectors.

As shown in the data presented earlier, the private sectors projected to achieve the highest growth rates are mining and quarrying, construction, utilities, transportation and communications, trade, and business services. The growth rates for manufacturing (excluding refining) and community services are almost as high. Because of their rapid growth, these sectors are, in general, also projected to experience relatively high rates of inflation.

The projections in Table III-8 suggest that the most significant changes resulting from the combination of these factors, as measured by sectoral contributions to GDP, are the increasing dominance of construction--one third of total value added in private non-oil activities — and the declining relative importance of agriculture.

Table III-8
RELATIVE SHARES OF SECTORS IN
PRIVATE, NON-OIL GROSS DOMESTIC PRODUCT
(Percentages Based on Current Prices)

Sectors	*1394–95*	*1399–1400*
Agriculture	8.6	4.6
Other mining and quarrying	1.1	1.2
Other manufacturing	5.5	5.3
Electricity, gas, water, and sanitary services	2.0	1.4
Construction	26.6	33.3
Wholesale and retail trade, restaurants, and hotels	15.7	15.7
Transport, communications, and storage	22.2	22.1
Ownership of dwellings	10.0	7.4
Finance, insurance, real estate, and other business services	5.5	6.1
Community, social, and personal services	3.2	3.1
Less imputed bank service charge	(0.4)	(0.2)
Total	100.0	100.0

In the realm of government, health and education will continue to grow at very high rates with the planned extension of these vital services throughout the Kingdom. Also, in keeping with the needs of stability in the Middle East, the Kingdom will rapidly expand its defense programs.

Foreign Trade and Balance of Payments

Oil will continue to provide export earnings more than ample to cover extremely rapid rates of increase in all the payments' categories. On the basis of the current posted price of US$ 10.46 per barrel, [a] an annual (solar year) export level of 3,000 million barrels (8.22 million barrels per day) would yield receipts of US $ 31,380 million or SR 108,889 million (SR 3.47 = US$ 1).

While comparatively minor at present, foreign exchange earnings from foreign investments should continue to increase at a very rapid rate. Given estimated reserves at the end of 1394-95 of SR 100,000 million and the fact that a large percent of these are held in a highly liquid form, any additional accumulations can be committed to less-liquid but higher-yielding forms of investment.

On the payments side, imports of goods and services will rise very rapidly. The major limiting factor on the rise in commodity imports over the next few years is the capacity of the Kingdom's ports and transportation systems. The Development Plan includes many programs for expanding both. If the implementation of these programs goes smoothly, an annual rate of increase in imports of goods and services of about 30 percent could possibly be sustained; however, this is an upper boundary and its probability of attainment is low. An average annual rate of increase of 30 percent would mean that imports of goods and services in 1399-1400 would reach SR 69,104 million compared with SR 18,612 estimated for 1394-95. [b] While this would mean almost doubling the value of imports every two years, payments for imports would still fall far short of export earnings during the plan period.

The largest payments item in 1973 was investment income payments — SR 12,350 million. Participation in Aramco oil production and reduction in oil companies' profits have greatly reduced the importance of this item in 1975. Though repatriation of profits is expected to grow throughout the second plan period from the very low level in 1975, it will not reach the 1973 level.

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a This assumes that the price actually realized is the same as the posted price.

b GNP estimates are in Hijra years whereas balance of payments estimates are in Gregorian years.

Repatriation of earnings of foreign workers in the Kingdom will continue to grow very rapidly, as will Government expenditures abroad and payments for travel and personal transportation. If these items all tripled during the second Plan and commodity imports reach SR 35,000 million in 1399-1400, total payments would still be below that projected for oil exports and other earnings of foreign exchange in that year.

Capital Formation

The requirements for fixed capital embodied in the Development Plan are formidable. For the planned major construction projects alone, investment requirements are estimated to exceed SR 258,000 million, in constant 1394-95 prices. If an additional 20 percent is added to cover the costs of miscellaneous projects, the total investment requirements for the plan period come to over SR 300,000 million in 1394-95 riyals.

As already noted in Chapter II, capital formation is estimated to total SR 12,773 million in the current year, 1394-95. Applying an average annual compound rate of growth of 15 percent to this base yields the following estimate of fixed capital formation (SR millions in constant 1394-95 prices):

1395-96	*1396-97*	*1397-98*	*1398-99*	*1399-1400*	*Period Total*
14,689	16,892	19,426	22,340	25,691	99,038

Even if an annual rate of growth of 25 percent could be sustained, the cumulative total would be only slightly above SR 130,000 million for the period 1395-1400.

It should not be inferred from these numbers that satisfying the capital investments requirements of the Plan is essentially a financial problem. It is not; the Kingdom's financial resources are more than ample to handle whatever programs are deemed feasible and economically rational. The problem is one of physically obtaining, moving and managing the utilization of the natural, manufactured, and human resources required to maximize their potential.

Therefore, a major part of the Kingdom's management effort will have to be devoted to securing the equipment, materiel, and people required to expand the basic transportation (e.g., ports) and support (e.g., housing) infrastructure so as to facilitate and improve the capacity for the movement of goods and people needed to complete the other aspects of the construction program—schools, hospitals, electricity systems, communications, desalination projects, industrial plants, etc.

Similarly, the requirements for capital investment will necessitate devoting more of the Kingdom's planning effort to establishing priorities for the utilization of equipment, goods, and people to ensure an orderly progression of activities. The Central Planning Organization will establish a program to monitor continuously all construction activities throughout the Kingdom so that project and program schedules can be quickly adjusted in the light of actual developments.

D. FISCAL AND MONETARY MANAGEMENT

Government revenues are estimated to total about SR 100,000 million in 1394-95, with oil accounting for about 96 percent of the total. Even if oil revenues stay at their present level during the second plan period, there will still be a significant increase in total revenues. This growth will come from increased earnings on foreign investments and from taxes on the many foreign firms and foreign personnel employed to assist in executing the Development Plan. Revenues from these sources are estimated to total roughly SR 40,000 million during the plan period.

The Kingdom's oil reserves — currently estimated at about 137,000 million barrels (including Saudi Arabia's share of the neutral zone) — are ample to sustain any foreseeable level of production required, either for revenues to finance the plan, or to meet the needs of the extensive hydrocarbon-based industrial complexes planned for the next decade. Nevertheless, economic planning for the optimum utilization of these depletable resources is essential to ensure that the long-run objective of economic diversification and reduced dependence on oil can be achieved.

To achieve this fundamental objective, fiscal management will concentrate on implementing the following policies:

- ☆ Make available the necessary finance for the Development Plan, both in sufficient amounts and at the right time.
- ☆ Maintain an open and stable economy, curb inflation as far as is feasible, and prevent the use of the riyal as a speculative currency in international markets.
- ☆ Spread economic prosperity as widely as possible among the Kingdom's citizens.
- ☆ Realize the highest possible returns for both productive capital and financial capital in the long run, to the benefit of both present and future generations.
- ☆ Through specialized agencies, support productive concerns in the private sector to help private enterprise use resources more efficiently and increase production.
- ☆ Develop the banking system to enable it to meet the expansion in demand for banking services.
- ☆ Fulfill the Kingdom's international obligations and promote international cooperation and monetary stability.

Total appropriations required for the Plan are estimated in 1394-95 prices as follows (SR millions):

Economic Resource Development	92,135.0
Human Resource Development	80,123.9
Social Development	33,212.8
Physical Infrastructure Development	112,944.6
Subtotal	318,416.3
Administration	38,179.2
Defense	78,156.5
External Assistance, Emergency Funds, Food Subsidies and General Reserve	63,478.2
Subtotal	179,813.9
Total	498,230.2

It is anticipated that actual expenditures, for a variety of reasons, will fall short of appropriations. The development plans of individual ministries and agencies are not beyond accomplishment but, in combination, they present a formidable task. Bottlenecks and other problems must be expected from time to time and the achievement of many targets may require extra time.

To maintain an open and stable economy, it is essential to keep the riyal strong and fully convertible. Over the plan period, the anticipated rapid expansion in private sector activity and accelerating growth of government expenditures will greatly increase the demand for foreign exchange. However, prudent management of the reserves currently on hand and of anticipated future surpluses will enable the Government to meet all foreseeable needs and to enjoy a reserve balance adequate enough to meet unexpected contingencies.

The Government is actutely aware of the potential inflation spiral that could be stimulated by the amount of spending required to implement its Development Plan. The measures discussed in Chapter II will be augmented to hold prices in line to the extent feasible and compatible with a free market economy and stability.

Subsidies of essential consumer goods will be continued and expanded as needed. The Government will also subsidize agricultural and industrial inputs, in kind or in cash, where warranted to hold costs in line.

The Government is also committed to distributing prosperity among all its citizens. A massive increase in transfer payments (for example, social security, child allowances, pensions) will ease the pressure of rising prices on lower-income families. In addition, opportunities for work will be created in depressed areas.

The highest possible returns will be realized:

- ☆ On productive capital by investing in industrial and agricultural production in accordance with the programs and projects set out in the Development Plan.
- ☆ On financial capital, by management of financial reserves in accordance with a

balanced assessment of the relative rates of return, security, and liquidity of different forms of investment.

In addition to its programs for direct encouragement of private-sector activities — that is, the development of the physical and commercial infrastructure, including the building of industrial estates — the Government plays an important role in channelling financial resources into private productive enterprises. This includes providing loans from special funds, providing equity capital and, when the enterprise proves successful, selling its shares to individuals, and encouraging the creation of investment consortia — joining banks, Saudi investors, and foreign capital.

The Government will ensure that the money supply continues to expand at a rate commensurate with the increase in general economic activity and that the banking system continues to develop. Banking services, including the speeding-up of clearing-house operations, will be expanded and improved. Branches will be opened in selected rural areas now lacking banking facilities. Increased Saudi participation in ownership and management of the Kingdom's banks will contribute to closer control of the Kingdom's financial resources, and training programs for all types of banking skills will be greatly expanded, including specialized training abroad.

The Government will continue to contribute to the development of other nations by participation in international lending institutions, grant and aid programs, and direct project investments. The Government will also continue its broad policies of international cooperation in economic and financial matters.

E. HIGHLIGHTS OF THE PLAN

The outstanding developments planned for the period 1395-1400 are summarized below in the order of the more detailed discussions in the subsequent chapters.

1. Economic Resource Development

Programs for development of *water* during the Plan provide for increasing water supplies to inland cities from underground sources, including major well drilling to supply Riyadh with an additional 120,000 cubic meters of water per day by 1398. Desalination will be the main source developed for the east and west coast urban centers and industrial complexes; here the projected increase in water production will amount to about 209,000 cubic meters per day on the Red Sea and 380,000 on the Arabian Gulf coast, although not all the planned capacity will be in production by 1400. All the larger desalination plants will be the dual-purpose type producing electricity as well as water.

For the longer term, an extensive program of studies is planned for the development and conservation of the Kingdom's water resources. These will provide the basis for formulating a National Water Plan and a National Water Code by the end of the third year of the Plan and National Water Standards by the end of the following year.

Agriculture is by far the largest user of water in Saudi Arabia. Because of the scarcity of this resource, major expansion of the area of land that can be brought under irrigation will depend largely on the outcome of planned studies relating to development of water resources and their availability for agricultural use. The target for expansion of irrigated farm land is 50,000 hectares, in addition to the present area of about 121,000 hectares.

Much of this new land will be in regional projects developed under field directorates of the Ministry of Agriculture and Water, but including special social and economic programs to improve the well-being of rural people and to modernize farming methods. The regional projects and existing agriculture and stock-raising will be supported by coordinated research programs and extension services designed to increase domestic production of priority cereals (wheat, barley, and sorghum), livestock, vegetables, and fruit.

Agricultural credit provided by the Saudi Arabian Agricultural Bank is to be greatly expanded over the plan period. The Bank will offer a total of SR 528 million in credit for agricultural production and a further SR 140 million for the marketing and processing of agricultural products. It will continue to act as the fiscal agent for subsidies on selected agricultural inputs.

In the management of *petroleum* resources, as with water and land, the Government's five-year plan should be considered as an early stage in very long-term development. Thus many of the programs planned by the Ministry of Petroleum and Mineral Resources for 1395–1400 are basic studies which will include techno-economic analyses of world trends in petroleum production and trade, the roles of petroleum as energy and as raw material, and international conservation of hydrocarbon resources. Other studies will increase knowledge of the Kingdom's own hydrocarbon resources: seismic exploration will be extended to all areas, including the Rub' al-Khali; field studies will be made of reserves, production potentials, and production improvements; and a special investigation of pipeline, treatment, and storage installations will precede improvement and expansion of these utilities. Sophisticated computer technology will be used in many of the studies.

The development of the *minerals* sector in the next five years is planned largely to increase the commercial potential of the Kingdom's metallic and non-metallic resources. In the continuing geological mapping program, maps will be compiled to assist comprehension of regional geology. While the emphasis will remain on the Precambrian Shield, mineral exploration will be extended to other areas and will gain increasing importance relative to basic geological studies. Two of the special studies planned relate to uranium prospects and to the availability of water for a minerals industry. The Mining Code and other regulations and incentives will be reviewed in the light of international practices to encourage private enterprise in exploration work.

The integrated *electricity* system that is planned will add 3,300 megawatts of generating capacity and 3,500 kilometers of transmission line to the present non-integrated system and will serve 1.6 million more people. Much of the new generating capacity will be in dual-purpose desalination plants. Implementation of an integrated system requires development of operating standards, interconnections that will reduce the present number of power stations, the orderly integration of demand centers, and a full-scale technical planning and program-management function. The latter will carry out many studies in preparation for the establishment of a national body to develop, regulate, and administer the integrated electricity system.

Manufacturing is a point of concentration of the Development Plan as a whole, for the Kingdom can reduce its dependence on sales of crude oil only by expanding and diversifying its manufacturing activities.

In the oil-producing Eastern Region, when feasibility studies are complete, major plants will be constructed for gas gathering and treatment, production of petrochemicals, refining of products for export, fertilizer production, and manufacture of steel and aluminum products. The total investment in these projects during the Plan is estimated at SR 39,840 million. In the Western Region, with crude oil and NGL piped from the east, an export refinery and a petrochemical complex will account for a further investment of SR 10,850 million.

Planned expansion of other manufacturing includes increasing cement production

capacity from 1.15 million tons annually to 10 million tons, construction of three large integrated grain-silos, flour milling, and feed-milling complexes, and a wide variety of other activities including food processing, construction materials and products, automobile assembly and parts production, and the manufacture of fabrics, carpets, and other consumer and health products.

Planning studies will be completed for a major industrial estate at Jubail to accommodate hydrocarbon-based industries and several estates elsewhere will be expanded or created for other industries.

To encourage full participation of the private sector in economic diversification, the Government is continuing to develop special incentives, investment funds, and other enhancements while rationalizing its regulatory systems.

The *construction* sector will be tested to the limit by demands from the many productive activities described above and the social plans summarized later. An array of programs has been planned to expand the domestic industry, increase the in-flow of construction manpower and materials, and coordinate demand for construction on the basis of national priorities. Immediate steps are being taken to simplify tendering, licensing, and other procedures while a comprehensive review of all relevant regulations is undertaken. Experience in other countries with new design approaches, use of manufactured components, and time- and labor-saving equipment and methods will be applied whenever appropriate.

The plan for *commerce* is designed to facilitate economic diversification and growth. Under way is a major reorganization of the Ministry of Commerce and Industry which will expedite the expansion of commerce through increased knowledge of its sub-sectors and development of infrastructure in its support. The importing, transportation, and storage of materials are also subject to review and improvement. The Saudi Arabian Monetary Agency, the Ministry of Finance, and representatives of private business will be concerned in several studies designed to ensure that all financial, insurance, and other commercial services will be adequate to meet the greatly increased demand for them in the plan period.

2. Human Resource Development

A potential major constraint to the country's development is the limit on its manpower in terms of both numbers and skills, in both the government and private sector. A special manpower training organization will be set up to assure efficient implementation of specific recruitment and training programs. Further, a manpower planning department within the Central Planning Organization will coordinate overall development and utilization of the Saudi and non-Saudi segments of the labor force.

The primary source of *training* for government administration, including industrial management and financing, is the Institute of Public Administration. Its programs will reach over 3,300 in-service trainees and 1,100 pre-service trainees in 1400, about double the present

annual number of participants. The Government's vocational training system will be expanded even more dramatically, with a target annual output at all levels of skill of about 27,000 in 1400 (including industrial induction and on-the-job training programs), compared with about 4,000 at the beginning of the Plan. A widening variety of specialized training will be provided within other government agencies.

The *labor affairs* program of the Ministry of Labor and Social Affairs — covering labor law, employment and other services, and information on job categories, wages, and benefits — will expand to 9 new branch offices in addition to its present 25. Procedures will be made more efficient, including the processing of foreign work permits.

The impressive development of *education* in the Kingdom during the first plan period can be measured mainly in quantitative terms as expansion of the school system reduced the backlog of demands for education. The stage is now set to achieve universal elementary education for boys and for as many girls as can be reached through the girls' school system. The enrollment of boys in general elementary schools is forecast at 677,500 in 1400 compared with 401,300 at the end of the first plan. The enrollment of girls will be 353,400 compared with 214,600.

A program of continued expansion at the post-elementary level will assure opportunities for all students to continue their education through the secondary level. Planned enrollments in general post-elementary education will increase from 99,300 at the end of the first plan to 179,200 in 1400 for boys and from 46,200 to 100,700 for girls. Planned developments for general higher education will cover all qualified secondary-school graduates. At this level, the number of students enrolled is forecast at 31,900 in 1400, compared with 11,900 at the beginning of the plan.

To meet the needs of adults for continuing education, evening classes will be expanded from an enrollment of 8,200 in 1395 to 19,300 in 1400. Enrollment in adult literacy classes will be increased from 55,500 to 126,100 for men and from 28,900 to 393,800 for women over the plan period.

Preparations are also under way for the modification of the structure of education so that it can effectively serve the future needs of the Kingdom. New curricula, additional subjects and courses, new programs, and modern evaluation systems are all incorporated in the plans of the education agencies.

In furtherance of scholarship and intellectual enrichment, the Government's support of *cultural affairs* will include expansion of the national public libraries, establishment of a national museum system, increases in archeological activities, and development of the King Abdul Aziz Research and Cultural Institute.

Public *information services* will disseminate entertainment, education, and news to all parts of the Kingdom via high quality medium-wave radio transmissions. Television coverage will be extended to 90 percent of the population, and a second channel as well as color TV will be introduced.

3. Social Development

While emphasizing individual responsibility for the well-being of the family and society generally, the Government plans major extensions of its many health services, social systems of transfer payments and insurance, special services for youth and for Bedouin nomads, and strengthening its judicial system.

The Government aims to provide comprehensive preventive and curative *health services* in all regions of the Kingdom. During the Plan the Ministry of Health will add 11,500 beds in established or new hospitals, the number of dispensaries will be nearly doubled from the present 215, and many other types of facilities will be established or expanded. About 5,300 technical assistants will be graduated during the Plan and the number of health institutes and nursing schools will be doubled. Emergency health services are offered by the Saudi Red Crescent Society which aims to double the numbers of its ambulances and first-aid centers. Special emphasis will be laid on the Hajj areas; new clinics will be opened there and a mobile hospital will be procured primarily for the pilgrims' use.

A new program of social security benefits is being introduced, including old-age pensions and death, housing, and child allowances.

Social Affairs programs include social welfare, rehabilitation, cooperatives, and community development. 24 additional welfare institutions are planned, among them a home for handicapped children and 5 new probation homes. The number of rehabilitation centers will grow from one in Riyadh to sixteen located across the country. Generous subsidies will encourage cooperative developments; 90 new cooperatives are planned. The present number of community development centers will be doubled and the number and scope of their projects expanded considerably. A major program of social research will be undertaken through the ad-Dir'iyah center and its community development center training programs will be expanded.

The General Organization for *Social Insurance* will play an important role in providing insurance coverage of the increasing numbers in the work force. During the second plan period, the Annuities and Occupational Hazards programs of the Social Insurance law will be extended to cover at least 250,000 employees.

The greatly expanded *youth welfare* programs planned for the forthcoming five-year period reflect the Government's belief in the importance of developing tomorrow's citizens and leaders. The primary objective is to contribute to the raising of youth in a manner that balances the moral, mental, physical, psychological and social aspects of their lives and, at the same time, organize the energies and creative capabilities of youth so that they will contribute positively to the Kingdom's socio-economic development.

Youth programs are planned for cultural, athletic, and social activities. In addition a number of public service and work camp projects will be held. Major emphasis will be put on the development of youth leaders and the provision of equipment and facilities.

The development and well-being of the *nomadic Bedouin* will receive major attention during the second Development Plan. Programs will be developed on an economic, rather

than a welfare basis; and will be adapted to the special needs and situation of the Bedouin. They will cover agriculture, health, education, and social affairs.

In order to guide and coordinate the work of agencies directly responsible for implementing Bedouin programs, the Government will establish a special unit in the Ministry of Interior exclusively concerned with all aspects of Bedouin development policy and programs.

The *judicial system* will be strengthened to enable it to process promptly in accord with the Sharia the growing number of disputes associated with increasing prosperity and economic activity.

4. Physical Infrastructure Development

The physical infrastructure must be developed if the economic and social objectives of the Plan are to be attained. While the major task during the first development plan was to provide the basic physical means, much more emphasis will now be laid on improving efficiency and quality of service.

The targets for the *roads* sector are to link all major population concentrations and to provide alternatives for the most-travelled routes. More than 13,000 kilometers of paved roads and 10,000 kilometers of rural roads will be constructed and the maintenance program will be expanded.

The Kingdom's *ports* handled almost 3 million tons of general cargo in 1392-93. By 1400, over 13 million tons are expected to be imported annually. To cope with this vast increase, 20 new berths will be constructed at Jiddah, and 16 at Dammam. The introduction of further mechanization will increase the handling capacity of existing berths.

The improvement program of the Kingdom's *airports* will continue and the whole airways system will be provided with the highest quality navigation and control equipment to ensure safe aviation.

SAUDIA's image as a major international airline will be further increased by the introduction of the wide-bodied L-1011 jets in 1395. The route network may be enlarged to include North America, the Far East, and more destinations in Europe and Africa.

The long-term function of the railroad in the transport system is under study and major decisions will be made when its role has been defined. Certainly, operations will be improved and, where feasible, rail and road transport will be integrated.

The targets established for *telecommunications* are high, but must be met if the telecommunications industry is to meet the demands for service that are implied by the overall social and economic goals of the Plan, and establish a basis for meeting a projected continuing growth in demand over the longer term.

Achievement of these goals requires: an upgrading of the local telephone network to provide at least 20 telephones per 100 residents in the larger cities and approximately 5 telephones per 100 in the smaller communities, requiring installation of 670,000 telephone

lines of which 490,000 lines will be in service; completion of the intra-Kingdom and international telecommunications network; expansion and improvement of record traffic and special services; development of an organization that will provide an efficient operational frame-work for the Kingdom's telecommunication industry; and a new approach to training, including promotion of Saudi management control and development of Saudi nationals in appropriate working capacities.

The *Postal Service* plans to provide all parts of the Kingdom with prompt service of unquestionable reliability. This will be accomplished by expanding the network of postal service centers, buildings and exchange offices, and streamlining organization and administration.

Major programs include expansion of mail distribution to houses and commercial establishments, purchase of 38 mobile post offices, introduction of an express mail system, and construction of new facilities to include three major postal centers, 20 main exchange offices, and a number of branch, and smaller exchanges.

The major objectives for *municipal development* are to make cities, towns and villages healthier, more comfortable, more enjoyable and less costly places in which to live, work and travel and, at the same time, to improve their efficiency as locations for trade, industry and services.

In pursuit of these objectives, the Government is nearly doubling the number of communities with municipality status, and upgrading the level and range of municipal services and facilities throughout the Kingdom. New programs include the provision, in selected communities, of public transportation services, cultural centers, guest houses, and refrigeration plants. All major towns will have master plans by 1398.

The planned municipal expenditure requires major changes in the administration and organization of the Department of Municipal Affairs. Among the major changes will be a new four-category classification of municipalities — with each category having clearly-defined organizational and administrative functions — and an increased degree of autonomy for the individual municipalities.

The Government's primary aim for *housing* is to ensure that every houshold in the Kingdom has a decent, safe and sanitary dwelling. Because of technical constraints, it will be some years after 1400 before this goal is achieved. Nevertheless, targets set for housing construction during the second Plan will go a long way to improving the housing situation. The Plan calls for the private sector to construct, with the assistance of the Real Estate Development Fund, 122,100 units and for the public sector to construct 52,500 units for low-income families and to develop 44,300 fully serviced building lots to be allocated to low-income households for the orderly self-help construction of housing. A further 51,000 temporary housing units will be constructed for the labor required to implement major development projects.

A new Housing Organization, incorporating the present General Housing Department and linked to the Real Estate Development Fund, will be created to implement the housing program.

To enhance the devotional nature of *the Hajj* and to improve safety, a series of major measures will be undertaken in the Hajj areas. These will include an improved transportation system; programs to improve the quantity and quality of pilgrims' accommodation, especially in Mina; continued improvement of health services; and the conservation and development of the Holy Cities as communities.

5. Plan Management and Implementation

The total cost of the Plan is SR 498,000 million in 1394-95 prices, or about nine times the size of the first development plan. Its implementation will require a large increase in foreign workers (about 500,000) and a rapid expansion of construction capacity. Various measures are proposed to improve the capacity of the public and private sectors to implement the programs and projects in their respective areas of activity.