

## **CHAPTER 11**

### **SERVICES SECTORS**



## **11. SERVICES SECTORS**

This chapter examines the issues, policies and the government support programs in commercial services, tourism, standards and specifications and statistical services, in addition to the main constraints in these fields and the methods of addressing them during the Fifth Plan period.

### **11.1 COMMERCIAL SERVICES**

#### **11.1.1 Role and Development Objectives**

The commercial services sector plays an essential role in the Saudi economy and is composed of trade, hotels, restaurants and storage activities, in addition to business services. Such activities are dominated by the private sector, which is represented by the Chambers of Commerce and Industry and the Council of Chambers of Commerce and Industry, while the role of the government is restricted to directing and regulating these activities so as to maintain fair trade practices and to protect consumer interests.

The Ministry of Commerce is responsible for the direction and development of the domestic trade and the non-oil foreign trade activities. It pays particular attention to raising the performance efficiency of the commercial sector and enhancing the private sector's role in the development process, in addition to overcoming the constraints that hinder the private sector's growth. Furthermore, the Ministry is responsible for monitoring both the prices and quality of commodities supplied in the local market through laboratory tests and analysis in its quality control laboratories. At the same time, the Ministry regulates the activities of hotels and restaurants and ensures the orderly expansion of business services.

The objectives of the commercial services sector are:

- to develop and regulate this sector according to the needs of the national economy in order to achieve maximum efficiency at minimum costs;
- to increase the involvement of the private sector in activities currently undertaken by the government;
- to continue the enforcement of quality control measures for commodities supplied in the domestic market in order to protect the consumer and eradicate commercial fraud;

- to develop Saudi manpower and improve productivity levels according to the requirements of the sector;
- to promote the development of business services and professions as a necessary support system for high standards of efficiency and competitiveness in the producing sectors.

### **11.1.2 Achievements and Key Issues**

In spite of the minor economic recession during the Fourth Plan period, the commercial services sector continued its role in stimulating economic and social development. The sector's contribution to GDP amounted to SR 27.4 billion in current prices in 1409/1410, accounting for 12.5 percent of non-oil GDP (wholesale/retail trade, hotels and restaurants only). Employment in the sector rose from 689,000 in 1404/05 to 898,000 by the end of the Fourth Plan.

The number of companies and establishments registered by the Ministry of Commerce reached 316,280 in 1409, an increase of 18 percent since 1405, while the number of trade marks registered rose to 19,783.

In 1409, the total number of hotels in the Kingdom reached 259, of which 19 are 4 or 5 star hotels with room capacity of 4800 rooms, while the total capacity of all hotels amounted to 22,953 rooms in the same year.

The Fourth Plan period also witnessed stability in the supply of basic foods at prices commensurate with the needs of consumers and their incomes. Self sufficiency in a number of basic foodstuffs has also been achieved and the production of some other commodities increased to meet a substantial share of the Kingdom's needs. Government advertising and price control of some commodities played a major role in protecting the consumer from fluctuations in world food prices.

The Ministry of Commerce cooperated with the Chambers of Commerce and Industry in establishing various training programs and conducting studies on marketing, advertising and investment opportunities in the Kingdom. A number of Saudi exhibitions were organized in different countries, and the Ministry of Commerce has also licensed a number of national and foreign exhibitions in different cities within the Kingdom, in addition to promoting participation in many international exhibitions and fairs.

#### **Key Issues**

Notwithstanding the achievements of the commercial services sector and its expected growth, a set of key issues has emerged which should be tackled and resolved by the concerned agencies during the Fifth Plan period:

### **Low Productivity Levels and the Increase in Non-Saudi Manpower**

The commercial services sector suffers from relatively low levels of productivity, in addition to a continuous increase in the number of non-Saudi workers. Accordingly, appropriate actions should be taken to train Saudi manpower, particularly through on-the-job training with special emphasis on advanced technology. The reasons for the low productivity levels and the instability of Saudi employment must be studied. In addition, the private sector must be encouraged to play a more positive role in the Saudiization process.

### **Insufficient Business and Professional Services**

Although almost all business services and professions are represented in the Kingdom, in some cases these services need to be expanded and their quality improved in order to support the growth of industrial, agricultural and financial companies.

### **Commercial Regulation**

Some of the prevailing commercial regulations do not fully meet the dynamic requirements of the commercial services sector in a modern economy. In addition, their enforcement needs to be improved, particularly in areas such as Zakat and income regulations, disputes settlement regulations, patent right regulations, import regulations and impoundment regulations.

During the Fifth Plan period, the Ministry will make efforts to review the legal, social and economic framework of these regulations, so that they can be developed in a way that gives the private sector greater flexibility in performing its developmental role.

### **11.1.3 Role of the Government and the Private Sector**

In conformity with the strategic principles of the Fifth Plan, the private sector will be involved in many activities currently undertaken by the government. This will lead to an active role of the private sector in the activities of the commercial services sector, while the government's role will be restricted to regulatory and supervisory functions.

It will also be important to acquaint the public with the potential investment opportunities in this sector. This will require the establishment of joint stock companies as large scale economic units in order to make available the necessary capital and liquidity for investment. The Ministry of Commerce should take appropriate actions to encourage the creation of such companies, in cooperation with the Chambers of Commerce and Industry, particularly in the fields of: export of non-oil products, management and operation of storage facilities and cold stores, and national exhibitions.

The Ministry will also continue to develop regulations pertaining to marketing, advertising, trade marks and consumer protection. In general, the regulatory relationship between the

government and the private sector should be streamlined in order to achieve cooperation and integration between them with regard to the development of the commercial services sector.

#### **11.1.4 Sectoral Policies and Main Programs**

In order to attain the sector's development objectives, the following policies will be adopted during the Fifth Plan:

- Review existing regulations and procedures, and develop new ones to facilitate and improve commercial activities of the private sector.
- Strengthen the existing relations between the Ministry of Commerce, the Chambers of Commerce and Industry, and the Council of Chambers of Commerce and Industry, and increase private sector participation in trade services activities.
- Provide the private sector in general, and potential entrepreneurs in particular, with relevant statistical information about trade and commercial activities in order to facilitate investment decisions.
- Support measures which will assist in promoting non-oil exports.
- Develop foreign trade relations and promote economic integration between GCC countries, through coordination between concerned government agencies and the private sector.
- Provide local markets with all essential commodities, and ensure that consumers obtain products of good quality in sufficient quantity and at reasonable prices.

#### **Main Programs**

These policies will be implemented through the following programs:

##### **Development and Support Services**

This program aims to develop and promote the activities and procedures of the Ministry of Commerce and its branches, in addition to improving productivity through the use of computers and adjustments in commercial regulations, the preparation of directories and statistics, the conduct of studies according to the sector's needs, and participation in conferences and international exhibitions.

In this respect, a number of studies will be conducted covering marketing and investment opportunities as well as the possibility of creating free trade zones in some seaports. A comprehensive study will also be carried out--in cooperation with the Council of Chambers of Commerce and Industry--concerning the promotion of Saudi exports in foreign markets.

### **Supply and Quality Control**

This program aims to assess the Kingdom's basic commodity requirements, and to ensure that local markets are supplied with commodities of high quality. New sections should be established in the quality control laboratories for testing of radiation, textiles, electrical equipment, building materials, chemicals, and medicines, in addition to which new laboratories will be established. Furthermore, price monitoring policies and commercial fraud procedures will be reviewed, and the private sector will be encouraged to establish storage facilities and cold stores on land provided by the Ministry of Commerce and in collaboration with concerned agencies.

### **Finance and Business Services**

This program aims to develop financial and business services through: conducting a study to identify the demand for business services, participation in organizing and developing consultancy services and practices in the Kingdom, as well as encouraging cooperation between consultancy offices and the universities. Consideration will be given to the establishment of a center for domestic and international commercial information for the use of consultancy practices, and to the organization of insurance activities and the enumeration of insurance companies in the Kingdom.

#### **11.1.5 Growth During the Fifth Plan Period**

The commercial services sector is expected to grow at an average annual rate of 3 percent during the Fifth Plan period, and its contribution to non-oil GDP is targeted at 11.4 percent by the end of the Fifth Plan period.

Commercial regulations and procedures will be developed through the issuance of four new commercial regulations and the preparation of four standardized commercial regulations for the GCC countries. With regard to quality control laboratories, 16 new sections will be created for testing products in existing laboratories, and 5 new laboratories will be opened.

#### **11.1.6 Financial Allocation: Ministry of Commerce**

The financial allocation for the Ministry of Commerce during the Fifth Plan period is shown in Table 11.1.

**TABLE 11.1**

**Fifth Plan Financial Allocation: Ministry of Commerce  
(SR million)**

Agency	Salaries and Supplies	Operation and Maintenance	Projects	Total
Ministry of Commerce	504.0	25.0	201.0	730.0

## **11.2 TOURISM SERVICES**

### **11.2.1 Role and Development Objectives**

Tourism is a fast growing and important service industry in many countries, where it is regarded as a major source of income. In Saudi Arabia, domestic tourism activities have the additional feature of coming within the range of services that are provided by the government for the well-being of citizens, such as healthcare, social and education services. Apart from its economic and social contribution, tourism development in the Kingdom is also regarded as an appropriate way of preserving local customs, traditions and values against possible adverse influences that might conflict with Islamic principles.

The Kingdom is rich in folklore and is well endowed with natural, cultural, and environmental characteristics, in addition to advanced support services such as air transport, railroads, buses, modern roads and car services. The development of recent years has also witnessed the emergence of high quality public services such as public parks, hotels and restaurants, as well as exhibition centers, museums and mountain resorts. Together, the combination of all these natural, social and economic assets provides the potential for a substantial expansion of tourism within the Kingdom, both for Saudi residents and for citizens of the GCC countries.

During the Fifth Plan period, tourism facilities will be gradually expanded, on the sea-coasts and in the mountain areas, so that citizens will be able to enjoy their vacations and holidays in these areas at affordable prices. The development objectives for the tourism sector can be summarized as follows:

- To encourage the development of tourist and recreation areas in a balanced manner that safeguards natural resources and the Kingdom's cultural heritage;



- To encourage greater selectivity in the choice of tourism projects and to ensure that they conform to national development objectives;
- To enhance the quality of life for Saudi citizens.

### **11.2.2 Achievements and Key Issues**

Tourism services have been steadily developed during the Fourth Plan period in well defined and planned stages. The number of hotels in the Kingdom increased substantially by the end of the Fourth Plan, all providing high quality services. A wide range of motels and furnished rental units and campgrounds have also been established. High standards of food and service are maintained in restaurants and recreational facilities. In many localities Tourism Development Committees have been formed, whose responsibility is the planning and implementation of tourism projects.

A wide range of services and facilities has been established by the end of the Fourth Plan (see Figure 11.1), and the Kingdom is now capable of hosting international and regional conferences, conventions, and sporting events. Residents and tourists alike can enjoy many leisure activities, whether in the open space of the desert or at seaside resorts on the Red Sea and Arabian Gulf, where sea picnic boats are widely available. There are also the mountain areas such as Jibal Al Sarawat and verdant mountains and valleys along the ancient frankincense route from Taif to Baha and Abha. Furthermore, there are the ancient monuments and historical sites at Madain Saleh, Al-Ukhudud, Qariat Al-Fau, Al-Dara'iyah, in addition to the historical Hijaz railway, museums and traditional suqs with cultural artifacts and handicrafts. In addition to these areas of historical and geographical interest, there are also the attractions of modern development, such as the industrial cities of Jubail and Yanbu and the solar energy research cities in Al-Oyainah and Al-Jubailah.

#### **Key Issues**

Notwithstanding the development achievements in the tourism sector and in anticipation of its expected growth during the Fifth Plan period, a number of key issues have arisen which must be addressed and resolved:

#### **Tourism and Regulations**

At present, there is no administrative and executive authority responsible for planning, licensing, regulating, and monitoring the tourism, recreation and amusement services being developed by the private sector. The feasibility of establishing a National Tourism Board, with both enforcement authority for all tourism services being provided and full responsibility for promoting the development of tourism at the national level, must be evaluated. The first steps in this regard are to identify the sector's manpower requirements, to make better use of existing resources, and to select the most appropriate recreation activities for further development.

### **Manpower and Training**

The tourism services sector is currently characterized by a small share of Saudi manpower in total employment. However, through proper training and incentives new opportunities can be provided to Saudi nationals. In this regard, the government, in cooperation with the private sector and GOTEVT, will investigate the feasibility of establishing an Institute for Tourism and Hotel and Restaurant Management, with responsibility for the preparation and training of qualified national manpower.

### **11.2.3 Role of the Government and the Private Sector**

The government will continue to support and develop tourism services in line with the growing national demand for these services, and to encourage private sector investments in this field. It will provide development loans to facilitate the expansion of tourism facilities according to actual needs, and will provide the physical infrastructure and land use regulations in tourism areas. Furthermore, it will continue to provide regulations of prices and the level of services in these facilities. At the same time, it will increase the number of public parks and campgrounds, together with their ancillary services.

### **11.2.4 Policies and Main Programs**

The policies of the tourism sector include the following:

- Determine the appropriate level of development for tourism services and achieve a balanced growth rate which ensures the adjustment of surrounding communities to the impacts of this expansion;
- Coordinate and regulate tourism and recreation facilities;
- Encourage the expansion of diverse tourism facilities in the designated Tourism Development Areas, and provide recreational services in these areas;
- Facilitate private sector involvement in the development of tourism;
- Develop regulations and procedures with respect to the quality of services and prices, while recognizing the needs of private companies for adequate profit margins;
- Support the formation of local tourism committees;
- Study the feasibility of establishing an Institute for Tourism and Hotel and Restaurant Management and establish programs to train Saudi nationals in the tourism field.





### **Main Programs**

After identifying the objectives and policies pertaining to the development and regulation of the tourism services sector, appropriate programs will be implemented to achieve these objectives, with coordination between the government and the private sector.

#### **11.2.5 Growth Targets During the Fifth Plan**

Hotels are expected to achieve a growth rate commensurate with rising demand. With the growth in tourist numbers, there will be greater competition between hotels in the provision of additional recreational services and programs to attract customers, particularly as these hotels must also compete with other types of accommodation, such as motels, rest houses, youth hostels and campgrounds. At the beginning of the Fifth Plan, 20 rest houses of 3-star category will be completed. More recreational resort facilities will be established at Half Moon Bay on the Arabian Gulf and on the Red Sea coast at Jeddah, with the addition of 565 new residential units. Large tourism projects will be completed in Abha and on the Red Sea near Al-Qunfudah. Furthermore, the municipalities in the Tourism Development Areas will also establish recreational projects in these areas.

#### **11.2.6 Financial Allocations**

Because there is no agency specifically responsible for the tourism sector, no financial allocation is included for the tourism sector in the Fifth Plan. As a result, agencies expected to be involved in tourism activities will be responsible for selecting appropriate tourism programs and for allocating the necessary funds for such activities. Furthermore, the costs of the infrastructure and tourism development loans have not been specified, while the costs of the Institute for Tourism and Hotel and Restaurant Management are included in the training sector (GOTEVT).

### **11.3 STANDARDS AND SPECIFICATIONS**

#### **11.3.1 Role and Development Objectives**

Economic growth does not represent the sole objective of development. By its nature, development is also associated with complicated linkages between society and its institutional requirements.

The establishment of a national system of standards and specifications is very important for both consumers and producers. With growing emphasis on economic diversification and the expansion of Saudi exports, it is necessary that the Kingdom have an adequate system of standards and specifications to be used as a technical instrument for controlling the quality of products at local and international market levels.

is obligatory, SASO is not responsible for their direct enforcement. Accordingly, cooperation should be improved between the relevant government agencies, so that appropriate measures can be found for strict compliance with the approved standards.

- The operation of the 'quality marks' and 'conformity certificates' system has greatly increased the work load of SASO technicians -- a matter which has adversely affected the preparation and approval of draft specifications. It is important that sufficient numbers of qualified technical personnel be made available so that SASO can perform its functions effectively.
- The full testing and implementation of consulting procedures for standard and specification schemes has led to delays in their final approval. Such procedures must be simplified -- particularly with regard to items which do not require changing -- since many of them are not especially important to local environmental and social conditions.

### **11.3.3 The Role of the Government and the Private Sector**

SASO has close links with private sector industries through the preparation of their specifications as well as through the provision of necessary technical consultation in the field of quality control. SASO is also responsible for checking the specifications of locally produced and imported goods and their conformity with Saudi standards.

SASO supports the 'quality marks' and 'conformity certificates' system with regard to imported goods, through the authorization of some private laboratories in the Kingdom and abroad to issue such marks and certificates on behalf of SASO. Such actions serve to protect Saudi importers and consumers, and also high quality local products from unfair competition from imported products which do not conform to the required specifications.

### **11.3.4 Policies and Main Programs**

The objectives of SASO conform to the Fifth Plan strategy to improve the standards of government services, facilities and products provided to citizens, and to standardize technical specifications in the projects implemented by the government.

The following policies will be implemented by SASO during the Fifth Plan:

- Preparation of standards and specifications commensurate with conditions in the Kingdom and in those areas of importance to trade and industry;

- Training of manpower through training courses and specialized study abroad in the field of standards and specifications, with particular emphasis on Saudiization, which is expected to reach 78 percent of SASO's total employment by the year 1414/1415.

### 11.3.6 Financial Allocation: Standards and Specifications

Table 11.2 shows SASO's financial allocations during the Fifth Plan period:

**TABLE 11.2**

**Fifth Plan Financial Allocation: SASO  
(SR million)**

Agency	Salaries and Supplies	Operation and Maintenance	Projects	Total
SASO	182.0	32.0	110.0	324.0

## 11.4 STATISTICAL SERVICES

### 11.4.1 Role and Development Objectives

Over the past two decades, the economic and social systems, sub-systems and institutions of Saudi Arabia have attained a high degree of complexity and differentiation, so that the widespread availability of timely and accurate statistical information has become an indispensable tool for rational decision making in both public and private sectors.

Individuals and institutions in need of statistical information can refer to two types of sources:

- private sector establishments conducting empirical data surveys; and
- government statistical services.

The economic development role of both private and government producers of statistical information is indirect and supportive. They provide necessary information as a basis for decision making, planning, research and administration in an increasingly complex and uncertain environment.

There are a number of government ministries and agencies that compile and disseminate statistics in their respective fields of responsibility, such as the Ministries of Health, Education, Agriculture and Water, Industry and Electricity, and others. However, the principal institution endowed with the mandate to collect, process and disseminate statistical information on relevant socio-economic fields and topics is the Central Department of Statistics (CDS) under the authority of the Ministry of Finance and National Economy.

#### **11.4.2 Achievements and Key Issues**

During the Fourth Plan, the CDS aimed to consolidate its system of data collection and statistical reporting. Its main achievements comprise the following statistical series, serving a number of crucial analytical and planning purposes: the execution of two Labor Force Surveys in 1406 and 1407, a Consumer Expenditure Survey in 1405/06, and a series of annual Establishment Surveys covering most of the Kingdom's non-agriculture/non-government economic sectors; the annual presentation of the National Accounts statistics and foreign trade statistics; the improvement and extension of the system of price statistics; the annual provision of the pilgrimage statistics; the collection of secondary statistics relating to education, health, social services and other fields, and their annual presentation in the Statistical Yearbook. In various fields, particularly in foreign trade and price statistics, quality levels have been attained that compare favorably with the standards of developed countries.

##### **Key Issues**

A number of unresolved issues remain, however. Their solution depends very much on the Population Census planned to be conducted in 1411 and the completion of the Establishment Census during the Fifth Plan. These issues can be divided into five categories:

- **Gaps in Information Coverage:** A number of fields and topics with urgent information requirements are not yet covered.
- **Quality of Information:** There is much scope for quality improvements in various statistical fields.
- **Discontinuity of Data Collection:** Data collection activities tend to take place on an irregular basis, thus creating information gaps on economic and social trends that are important for policy analysis and formulation.
- **Timeliness of Data:** In some statistical fields there is a need to reduce the time that elapses between the completion of the data collection and the availability of the information to users.



- **Access to Information:** The dissemination of statistical information should be expanded and access made more widely available to the private sector and other concerned agencies.

These unresolved issues can be attributed to a number of constraints facing the official system which must be addressed by appropriate policy measures and programs.

#### **11.4.3 Role of the Government and the Private Sector**

The statistical information sector as a whole is composed of both specialized private establishments and government institutions. This institutional arrangement is in line with international practice. However, although the private sector benefits indirectly through the provision of some statistical services not provided by the government system, there is no competitive relationship between the two. The CDS may employ the services of the private sector to undertake some statistical surveys. There is, therefore, no need to create new institutions or to abolish existing ones.

#### **11.4.4 Policies and Main Programs**

Issues and constraints in the field of official statistics are to be addressed by four sets of policy measures:

- The material and personnel situation of the government statistical system must be improved in order to provide a basis for the qualitative progress aimed at.
- Internal measures will be taken to improve efficiency, e.g, by assessing organizational structures, decision flows and management practices.
- The costs and benefits of allowing private sector access to official information that is necessary for sound decision making, will be reassessed.
- A regular dialogue between the users and producers of official statistics must be established.

##### **Main Programs**

Based on these policies the following programs will be implemented during the Fifth Plan period:

- **Continuation and Expansion of Information Services:** Based on the proposed user-producer dialogue and meaningful international comparisons, the Fifth Plan period

will mark the beginning of an expanded statistical program to meet the growing demands of the Saudi economy and society. The most prominent project within this program is the completion of the Population Census planned for 1411.

- **Qualitative Improvements:** The quality of statistical information has four main aspects -- accuracy, continuity, timeliness and relevance. An increase in the provision of funds will certainly support improvements in quality. Other improvements must be achieved through organizational and management measures to counter certain deficiencies in operating procedures and decision flows within individual organizational units.
- **Manpower Development:** This program is closely linked to the previous ones. It provides for an expansion in staff, particularly at the professional and technical levels. More importantly, however, it includes an integrated training program for Saudi staff, composed of counterpart cooperation, on-the-job training and formal training courses, both in-house and in training institutes.

#### 11.4.5 Growth Targets During Fifth Plan

During the Fifth Plan period, important achievements should occur in addressing the aforementioned problems. The Census of Population, to be carried out in 1411, will not only close important information gaps, e.g. the regional distribution of the population and labor force, but it will also provide a new sampling framework for the Kingdom's multipurpose household survey, thus ensuring marked quality improvements of all statistics based on household samples. Similarly, the Establishment Census to be conducted after the Population Census will establish a new base for the entire system of economic statistics, and add substantially to the quality and reliability of the data.

#### 11.4.6 Financial Allocation: Statistical Services

Table 11.3 shows the financial allocation of the Central Department of Statistics (CDS) during the Fifth Plan period.

TABLE 11.3

**Fifth Plan Financial Allocation: CDS  
(SR million)**

Agency	Salaries and Supplies	Operation and Maintenance	Projects	Total
CDS	861.0	5.0	—	866.0