

CHAPTER 16

PLAN MANAGEMENT AND IMPLEMENTATION

16. PLAN MANAGEMENT AND IMPLEMENTATION

This chapter describes the process of planning in the Kingdom, the planning focus of the Fifth Plan, and outlines the basic approach and the main tasks involved in managing the implementation of the Plan.

16.1 THE PLANNING SYSTEM

The distinctive feature of the Saudi planning system is its philosophy of achieving economic and social development within the framework of a free market economy based on Islamic values and concepts.

The planning system serves four basic functions:

- To provide a long term conceptual vision to guide development;
- To provide an organizational framework for coordinating the development efforts of the private sector and the government to guide and initiate structural change;
- To direct government resources towards achieving the long term development objectives for the economy and towards ensuring the availability of essential public services;
- To strengthen the on-going management of the economy through periodic reviews and by preparing for emerging conditions which could seriously affect the development process.

The key elements of the planning system include:

- The national development strategy, which outlines the long-term objectives and strategic principles for development.
- The Five-Year Development Plans, which are prepared in accordance with the national development strategy, and are composed of:
 - the **Plan Document**, which outlines the objectives, policies and development targets at national and sector levels for the Plan period;

- the detailed **Operation Plans** for each public sector agency, which set out the objectives and policies, demand analysis and issues, development programs and targets, resource allocation, and implementation schedule for the agency;
- **Emirate Reports**, which describe the existing socio-economic conditions and identify future development needs.
- For the private sector, the Plan outlines the regulatory and economic framework for its operations, and provides information on the likely course of economic development, and government policies that will affect potential business opportunities.
- The management of Plan implementation, which includes the preparation of annual follow-up reports for the Council of Ministers, and the continuous process of monitoring, evaluating and assessing the Plan's performance in light of the emerging circumstances, all of which are vital elements for the effective management of national development.

While all government agencies are involved in the planning process, the key role is assigned to the Ministry of Planning, which is responsible for preparing, coordinating, and evaluating the implementation of the Development Plans. The individual government agencies are responsible for preparing and submitting to the Ministry of Planning their five-year Operation Plans and for ensuring the implementation of their Plans according to the planned schedule.

16.2 PLANNING FOCUS IN THE FIFTH PLAN

The Fifth Development Plan marks the beginning of a new phase of development that follows the achievements of the past:

- the process of economic diversification and of restructuring have been initiated and are well under way;
- the physical infrastructure has been largely completed;
- high living standards and a healthy quality of life have been largely secured;
- most of the institutional framework for development is in place;
- the foundations have been laid for a strong private sector, which is now ready to absorb more of the tasks previously handled by government agencies.

In response to these circumstances, the focus of planning has shifted towards placing a higher priority on the role of the private sector; on the policy and institutional innovations essential to economic diversification; on maintaining flexibility in government expenditures within the boundaries of approved program structures; and on improving efficiency in the utilization of available resources. In this new planning stage, the pattern of growth will be less influenced by the size and distribution of government expenditures; rather, it is the extent and direction of private sector investment that will increasingly influence the shape of the economy.

16.2.1 Strengthening the Private Sector's Role in the Economy

The willingness of the private sector to assume a leading role in economic development will significantly influence the achievement of the Fifth Plan's objectives. Therefore, the government has committed itself to creating a positive environment to facilitate the development of a stronger and more diversified private sector, by establishing a wide range of policies, incentives and new institutional mechanisms in support of the private sector. Ensuring the timely implementation of these economic, regulatory and institutional measures is an important goal of the Fifth Plan.

16.2.2 Program-Based Approach and Indicative Planning

Program-based planning was emphasized in the Fourth Plan to provide a functional framework for defining the expenditure structure of development agency activities and services into homogeneous groupings. This approach required agencies to adhere to the financial allocations by program, while simultaneously increasing their flexibility in the management of spending within individual programs. It shifted the focus of planning from projects to programs, from the detailed implementation of individual projects to responsibility for managing expenditure priorities and structure, within a sectoral rather than an agency context.

The continuation of this program-based approach is an important element of the Fifth Plan's planning methodology. The program structure and expenditure allocations of individual agencies represent an important benchmark for monitoring the implementation of the Fifth Plan.

For the private sector, the Fifth Plan has introduced a new emphasis on indicative planning that involves:

- clarification by the government of the main directions of development within each sector;

- identification of the volume and structural composition of the total investment needed to achieve the development objectives and the private sector's share of this investment;
- the creation of a positive environment for investment through stable government expenditure focusing on key sectors of the economy, institutional changes to facilitate the expansion of medium and long-term capital financing, and trade policies that will support the expansion of exports;
- the identification of opportunities and the stimulation of investment that will both generate good returns for the private sector and contribute directly to the achievement of the Fifth Plan's growth and diversification objectives.

16.2.3 Flexibility in Planning and Implementation

The implementation of past plans, particularly the Fourth Plan, has been affected by events in the international arena. Although such problems are likely to be encountered in the future also, and specific policies have been built into the Fifth Plan to dampen the effects of international economic fluctuations, the degree of change in these external factors cannot be predicted and the resultant uncertainty cannot be fully eliminated, thus emphasizing the continuing need for planning. The Fifth Plan, therefore, incorporates contingency planning through a comprehensive Mid-Term Review by the Ministry of Planning, as part of its Plan management and implementation monitoring activities.

16.3 MANAGEMENT OF PLAN IMPLEMENTATION

Managing the implementation of the Plan is an integral part of the planning system, without which the Plan's objectives cannot be effectively achieved. An increasingly important part of this task is the coordination between the Plan and the budgeting process. Furthermore, compared with earlier plans, the Fifth Plan places added emphasis on policy innovations, institutional development and flexibility in the allocation of resources, thus necessitating a more comprehensive and dynamic approach to managing its implementation.

While the Plan's implementation is the task of all government agencies and of the private sector, the management of this task and the coordination of development activities is the responsibility of the Ministry of Planning. In performing this role the Ministry of Planning will adopt a multi-faceted approach.

16.3.1 Ministry of Planning's Role

The Ministry of Planning's approach to managing the implementation of the Fifth Plan will include a number of important activities. These are described below, along with the appropriate roles of various public sector agencies.

Follow-Up and Evaluation

The follow-up function is concerned mainly with assessing the progress of Plan implementation, in terms of its intended impacts, the effects of unpredicted external influences, as well as the delays and deviations from the Plan which might occur. It consists of a series of continuous, interrelated and responsive activities, the key elements of which are:

- ensuring that development programs and policies effectively achieve and are consistent with the strategic objectives of the Plan;
- evaluating -- through analytical studies and field visits -- the effectiveness of policies and relevant programs in achieving their objectives, and providing alternative policy options, when needed;
- assessing efficiency in the allocation of resources, thereby improving the Ministry's effective input to expenditure decisions and promoting the achievement of strategic objectives;
- expanding and upgrading the available information for decision makers to minimize deviations from the Plan and to identify the obstacles or constraints to implementation.

To initiate this follow-up process within the first three months of the Fifth Plan period, the Ministry of Planning will prepare a 'follow-up agenda' or work program, in cooperation with other concerned agencies. This agenda will outline the policies, programs and institutional measures of all ministries or agencies that have intra-sectoral and/or inter-sectoral linkages and whose timely implementation is critical for achieving the Plan's objectives. It will also provide the Ministry of Planning's broad framework for monitoring and coordinating the efforts of agencies responsible for implementing items on the agenda, and for assessing the impact and effectiveness of these efforts. The expertise and capabilities of the Ministry of Planning in the fields of policy and program review, analysis and evaluation will be further strengthened to carry out these tasks.

Coordination between the Plan and the Annual Budget

An important feature of Plan implementation has always been the coordination between the Plan and the annual budget, albeit through somewhat limited participation by the Ministry

of Planning in the budget formulation process. During the Fifth Plan period, this coordination will be rendered more effective, thereby ensuring that annual government expenditures conform to the program structure and Plan priorities of each agency, and budget allocations conform to the Plan targets in terms of the optimal balance between recurrent and investment expenditures, and between public and private sector investment.

Periodic Plan Reviews

To safeguard against unexpected fluctuations in the economic environment and to ensure that the thrust of the development strategy is maintained, the Ministry of Planning will:

- monitor and review progress in resolving the key issues presented in the Plan, and identify critical issues that may emerge as a result of changing conditions;
- closely monitor new developments in the international economic environment and assess their impact on the Plan; periodically review the economic and social impacts of the development programs, as part of the Ministry's contingency planning activities, and if necessary, prepare appropriate revisions to the Plan; present the findings of these reviews in an 'Annual Report';
- prepare a comprehensive mid-term review of the Fifth Plan's implementation efforts before the end of the third year, thereby ensuring the Plan's greatest possible relevance under the prevailing conditions.

In conducting these reviews, the Ministry of Planning will cooperate closely and share its findings with other concerned agencies, thereby facilitating their planning, budgeting, and follow-up activities.

Private Sector-Government Consultation

In view of the special emphasis on the role and functions of the private sector in the economy, the achievement of the Fifth Plan's objectives will require greater coordination between the government and the private sector, and improved dissemination of timely, reliable information and analysis on the performance of specific sectors and the economy in general. Several mechanisms for business-government consultations already exist and these will be further expanded during the Fifth Plan period. In addition, consideration will be given to establishing a Private Sector Department that will provide a forum for consultation between the government and the private sector and generate feedback on the effectiveness of development programs. The Department will sponsor research on private sector issues which cut across ministry and agency functions, and initiate actions within the government sphere to facilitate the development of the private sector.

The Department is expected to conduct some studies and analyses necessary for achieving its objectives. Furthermore, this Department will function as the focal point for developing and disseminating relevant information on strategic issues affecting the private sector and its activities.

Long-Term Perspectives

In managing the Plan's implementation, the Ministry of Planning will establish 20 year development perspectives for the key social and economic sectors, identifying their development needs, and thereby facilitating longer term strategic planning and policy formulation. In fulfilling these functions, the Ministry of Planning will act as a focal point within the government, whereby these strategic perspectives will be coordinated more closely with the Plan follow-up and budgeting activities of the development agencies.

16.3.2 Data Base and Information System

To strengthen the management of Plan implementation activities, the Ministry of Planning will develop and expand its data bases, management information systems and capabilities in the fields of policy analysis and program review. Furthermore, it will actively encourage other relevant agencies to improve the quality and scope of socio-economic and demographic data necessary for effective planning. Similarly, the development agencies themselves will strengthen their data bases and management information systems to meet the needs of decision makers within these agencies, as well as to provide the Ministry of Planning with the information and analysis needed to monitor and evaluate the implementation of the Plan.

16.3.3 Private Sector and Plan Implementation

The achievement of the Fifth Plan growth targets and the direction of future development will depend, to a large extent, on the growth of private sector investment in new production capacities. For its part, the government is committed to creating a positive environment through a wide range of policies and incentives, and will use its financial and information resources in support of private sector expansion in priority areas. Furthermore, the government will establish institutional mechanisms to enhance the private sector's participation in the government's planning process.

It is widely acknowledged that the private sector now has an increasingly important role to play in national development. In this regard, the government's commitment to economic and social development within the framework of a free market economy, combined with its numerous incentives to the private sector, make Saudi Arabia indeed an attractive investment location where entrepreneurs can prosper.

16.3.4 Feedback for Further Planning

The Fifth Plan forms a part of the continuous process of long term planning in the Kingdom of Saudi Arabia. While this plan is being implemented, work will start on the formulation of strategies for the next stage of development. The preparation of socio-economic perspectives and the formulation of long term development policies (15-20 years) will require significant efforts and on-going cooperation between government agencies and the private sector at all levels. Furthermore, the feedback and exchange of ideas among these agencies will greatly boost and facilitate the long term planning activities. The Ministry of Planning will have a major responsibility in formulating the framework and perspectives of the long-term development process, and for establishing solutions which are compatible with these perspectives. The Ministry will carry out these tasks through its units entrusted with the management of the plan, the evaluation of national and international economic conditions, and the on-going follow-up of the implementation process, in terms of projects, policies and key issues in both public and private sectors.

**COMPLIMENTARY COPY ALL RIGHTS RESERVED
TO THE MINISTRY OF PLANNING
KINGDOM OF SAUDI ARABIA**

Ministry of Planning Press

