

CHAPTER 3

MAIN OBJECTIVES AND THEMES OF THE FIFTH PLAN

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The Fifth Development Plan represents an important phase in the continuing economic and social development of Saudi Arabia. As the achievements of the first four plans amply testify, the physical and institutional foundations of a modern economy have been established, a wide range of social services has been provided throughout the Kingdom, and the basis for a diversified, productive economy has been established in industry, agriculture, mining and financial services.

The challenge now is to further broaden the development of the economy and society as a whole, and in particular to sustain and accelerate the recovery which began in the last years of the Fourth Plan. To provide its people with meaningful and productive employment and to use its resources effectively, the Kingdom will continue to make progress towards establishing a diversified competitive economy in which the private sector, by investing its extensive financial resources, pursues an ever widening range of opportunities, and in which the government asserts its role in guiding the national economy.

3.1 OBJECTIVES OF THE FIFTH DEVELOPMENT PLAN

Although the Fifth Plan reaffirms the broad objectives established in the Fourth Plan, they are to be achieved with a substantially different set of development policy initiatives, in response to the special conditions that have evolved in recent years and the constraints that prevail on the national economy.

The objectives of the Fifth Development Plan (1410-1415 A.H.), as established by the Council of Ministers, are:

1. To safeguard Islamic values by duly observing, disseminating, and confirming Allah's Sharia (God's Divine Law).
2. To defend the Faith and the Nation, and to uphold the security and social stability of the Kingdom.
3. To form a productive national work force by encouraging citizens to avail themselves of the benefits from the infrastructure and institutions provided for them by the State -- ensuring their livelihood and rewarding them on the basis of their work.

4. To develop human resources, thus ensuring a constant supply of manpower, upgrading its quality and improving its efficiency to meet the requirements of the national economy.
5. To raise cultural and information standards to keep pace with the Kingdom's development.
6. To reduce dependence on the production and export of crude oil as the main source of national income.
7. To continue with real structural changes in the Kingdom's economy so as to establish a diversified economic base -- with due emphasis on industry and agriculture.
8. To develop mineral resources and to encourage discovery and utilization thereof.
9. To concentrate on qualitative development of already-established utilities and facilities by improving their level of performance.
10. To complete the infrastructural projects necessary to achieve overall development.
11. To further encourage private sector participation in socioeconomic development.
12. To achieve balanced growth throughout all regions of the Kingdom.
13. To achieve economic and social integration among the Gulf Cooperation Council (GCC) countries.

3.2 CENTRAL THEMES OF THE FIFTH PLAN

The planning system in Saudi Arabia has been designed to stimulate integrated national development along three broad dimensions: the **economic**, which includes infrastructural investment as well as growth in industry, agriculture, mining and services; the **social**, which includes the fostering of a high quality cultural, social and physical environment, as well as the provision of education, health and welfare services; and the **institutional**, which covers the respective roles of the government and the private sector in development, as well as the framework of various policies and regulations supporting the desired development process. While each Five Year Plan has incorporated all these dimensions of development, the emphasis of each plan has varied according to the prevailing circumstances, stage of development and future growth prospects.

The Fifth Plan is initiated at a time when the physical infrastructure has been largely completed and the process of economic diversification and of restructuring are well under way. High living standards and a healthy quality of life have been largely secured, while most of the institutional framework for development has been established and the private sector is now ready to absorb more of the tasks which have previously been handled by central government agencies. The circumstances prevailing at the start of the Fifth Plan period indicate that the economy has successfully come through a difficult phase of constraints and contraction, and while gradual positive growth has resumed, a clear forward direction and resurgence of growth has yet to be fully established.

In the past, the momentum for economic growth and development has been provided predominantly by strongly expanding government expenditures, but this method of stimulating economic activity will not be revived in the Fifth Plan. Instead, the Fifth Plan will affirm a new phase of development in which the institutional dimension will be emphasized and where progress will be achieved as much through private sector initiative, (stimulated by government policy actions), as through government expenditures. This new phase of development marks the predominance of planning methods which were initiated in the Third Plan and strengthened in the Fourth Plan, rather than a completely new departure, and thus maintains the continuity of evolving processes in national development. An increasingly diversified and more mature economy, such as that of Saudi Arabia, need not be so dependent on nor responsive to government expenditure. Therefore, the main challenge of the Fifth Plan will be to use institutional and policy initiatives to induce structural shifts in the economy through the encouragement of private investment that is consistent with the strategic priorities. Meeting this challenge requires the careful specification of macroeconomic and sectoral policies to create a positive environment for private sector investment and growth. Such policies are now just as important as the definition of government expenditure and executive actions.

Within this context, the objectives of the Fifth Plan will be achieved by focusing on ten main strategic themes which will provide consistency to all components of the national economy:

- **Stabilization of the Economy through Steady Growth of Government Expenditure**
Fluctuating oil prices over the last decade, their impact on government revenues, and the structural changes and contraction in economic activity that took place during the Fourth Plan period, together have influenced the private sector's confidence in the national economy. As a result, the Fifth Plan places special emphasis on stabilizing the economy, through maintaining a modest but steady growth in government expenditure, thereby avoiding the possible volatility associated with fluctuations in oil revenues. At the same time, this approach will be consistent with a progressive reduction in the budget and balance of payments deficits.

- **Institutional Development**

A second main theme will be the strengthening of private and public institutions, and the delegation of many development functions to specialized private and public sector agencies. This will, in turn, involve a change in the relationships between the government and the private sector. This theme has already been initiated during the Fourth Plan, and efforts will be intensified during the Fifth Plan period to establish more supporting institutions and organizations.

- **Extension of the Private Sector's Role**

In close association with the theme of institutional development, the private sector will be broadened and strengthened as the cornerstone of economic diversification. Greater emphasis will be placed on new policies to encourage private sector development, including closer collaboration between the public and private sectors, and a broader range of incentives and opportunities for the creation of new private sector enterprises to take over more services previously supplied by the government. The extent to which the private sector will commit its financial resources to investment in the domestic economy is the overriding issue of the Fifth Plan and beyond. In the past, the bulk of private sector economic activity has been in direct or indirect response to government expenditure. The need now is for a substantial increase in autonomous investment from the private sector, to take advantage of the new opportunities offered by the domestic, GCC and broader export markets. Thus, in addition to enhancing the general business environment by fostering stable economic conditions, the Fifth Plan emphasizes government policy measures intended to encourage private investment, through an appropriate combination of regulatory and institutional initiatives, information dissemination, financial and other incentives.

- **Intensification of Structural Change Through Growth**

The economic conditions of the Fourth Plan period confirm the need to reduce the economy's dependence on the oil sector. This has been an objective since the First Plan, and considerable progress has been made towards the original goal of a diversified economy. It is important that this progress be accelerated in the Fifth Plan period, through more assertive policy actions. The leading growth sectors are targeted to be manufacturing, financial and business services, agriculture, minerals and the large-scale competitive construction sector. In addition to further advances in petrochemicals and related downstream products, a much wider range of manufacturing enterprises will be encouraged. Efforts will be made to increase the production of import-substituting goods, to increase linkages between already established industries, and to stimulate the expansion of export-oriented industries. The financial sector will also be a high priority sector, because of its inherent growth potential and its importance in facilitating the operation of a modern and efficient economy. Agriculture will continue to expand, although at a slower rate than in recent years.

The mineral resources of the Kingdom are extensive, and although scarcely developed so far, offer great potential for long term growth. The construction industry has developed considerable resources, experience and expertise to meet competitive international standards during the last fifteen years, and is now in a position to export its skills.

- **Improving Quality, Efficiency and Competitiveness**

The Fifth Plan will renew the Fourth Plan's emphasis on improving efficiency in the government sector, without diminishing the quality of public services provided by the government. Similarly, greater competitiveness will be encouraged throughout the economy, in terms of quality, price and service. In addition to efforts aimed at increasing productivity, rationalizing subsidies, optimizing the utilization of existing facilities, and promoting the quality of service provided to the public, efficiency and competitiveness will also be enhanced through institutional development and market forces. New institutional initiatives to improve the efficient utilization of economic and human resources, in both the government and the private sectors, are an important element of the Fifth Plan.

- **Intensified Utilization and Development of Saudi Human Resources**

Impressive progress has been made in developing Saudi labor skills and increasing the participation of Saudis in responsible and productive roles in both the government and the private sectors. The Fifth Plan places high priority on the further broadening and deepening of those skills that are compatible with the technology base of the Saudi economy, and on reducing the number of unskilled Saudis who enter the labor market without completing their educational programs. As the focus of economic development shifts increasingly to the private sector, the need to further develop Saudi labor and management skills required in the private sector becomes more critical. Furthermore, as technical and managerial capabilities continue to advance throughout the world, the demands on Saudi skill levels in those sectors that hope to compete internationally, will also increase. In this regard, policies to improve the efficient utilization of Saudi and foreign workers will be strengthened, while the education, training, and manpower planning efforts necessary to increase the participation of Saudi nationals and to provide attractive career opportunities in all sectors of the economy, will be accelerated. Particular attention will be given to increasing the participation of women in the work force, in accordance with the Sharia and cultural traditions, taking advantage of the opportunities offered by modern technology.

- **Maintaining the Welfare and Quality of Life of Saudi Society**

A high level of education, training, health, municipal and social services has been established to serve the cultural, spiritual, and material needs of the people. Although additional efforts are required to ensure that these services are adequately available in all regions, the majority of the government services system is in place. The Fifth

Plan aims at a further improvement in the quality and distribution of these services, as well as guaranteeing their continuing provision to the rapidly growing population. At the same time, the public will be encouraged to understand the costs of government services and to share in these costs where appropriate. The Fifth Plan also emphasizes continuing social and cultural development, the prevention of social problems and disruptions to community life, and the preservation of a healthy natural environment, as essential elements for citizens' rewarding and fulfilling participation in Saudi society.

- **Achieving Balanced Regional Development**

Achieving regional balance in economic development and the availability of government services has been a consistent objective throughout the development planning process. The major centers of economic production in the Kingdom are more widely dispersed than in most countries. However, levels of economic activity and prosperity still lag behind the average in some rural areas, while government services and infrastructure are more thoroughly developed in the principal population centers. It is accepted that all Saudis, regardless of where they live, should have reasonable access to all essential government services and greater efforts are required, within financial constraints, to distribute economic progress more evenly throughout the Kingdom. Institutional measures will be undertaken to give more consideration to regional issues and to encourage private sector participation in regional development.

- **Acceleration of Science and Technology Development**

The Fifth Plan will place a new emphasis on the development of science and technology. The universities and the King Abdul Aziz City for Science and Technology (KACST) have established a basic scientific research infrastructure, and the transfer of technology has been recently enhanced by the Offset Program. This extensive long term industrial investment program by Saudi and foreign joint venture companies is designed to link together many individual projects utilizing the high technology of the foreign partner. The Offset Program thus makes an important contribution to economic diversification and to the development of an indigenous technological capability, through the cumulative transfer of technology and the synergy generated by linking together individual projects. The Fifth Plan will commence a systematic program to upgrade and promote the science and technology capabilities needed to support long term economic growth in an increasingly technology-intensive world.

- **Strengthening and Expanding International Linkages**

As the world's leading oil exporter and a major importer of goods from all over the world, the Kingdom has always been closely linked to the international economy. In addition, Saudi Arabia has deep and close ties with other Arab countries and the Islamic world in general. These international linkages deepened over the Fourth Plan

period, as Saudi petrochemicals and refined oil products emerged as two major areas for international joint-venture enterprises with the Kingdom. In addition, other economic sectors succeeded in opening up new international export markets and increasing international cooperation, particularly with GCC countries. Thus, the Kingdom's international trading relations have expanded to become a significant element influencing the national economy and Saudi society. As a result, a major theme of the Fifth Plan is to establish appropriate institutional arrangements to ensure national economic competitiveness, thereby enhancing the Kingdom's contribution to global economic cooperation and its wider trading links with the world economy.

