

CHAPTER 5

ROLE OF THE PRIVATE SECTOR

5. ROLE OF THE PRIVATE SECTOR

Private sector expansion is one of the three central themes of the Sixth Development Plan. Its significance stems from the substantial role the private sector is expected to play in the realization of the Kingdom's overall development objectives. This chapter discusses the historical background and recent development of the Saudi private sector, its future growth potential, some of the key issues facing the private sector, available investment opportunities, its role in the achievement of the Sixth Plan objectives, pertinent government initiatives and policies, as well as the role of financial institutions and markets.

5.1 DEVELOPMENT PROCESS AND PRIVATE SECTOR EVOLUTION

The nature and scope of economic activity by the Saudi private sector and the development of its institutions have been closely linked to the Kingdom's overall development path since the adoption of the First Development Plan. Unlike the situation in some other countries, the Saudi private sector's progress has never faced ideological constraints, as the government has consistently affirmed, both by its stated policies in the development plan documents and by its actions, its commitment to principles based on :

- i) the Islamic Sharia and traditions that foster freedom for individuals to engage in economic activity of their own choice ;
- ii) the philosophy of the market economy, with free access for all individuals and groups, as stated in development plans and guaranteed by the state.

The Saudi private sector has a long history stretching back to early Islamic times, when its main institutional features were determined largely by its trading tradition. From a modern economic perspective, however, it was during the implementation of the First Development Plan when the private sector began to expand the scope of its activities beyond its previous concentration on trade into some modest forms of production activity, such as the manufacture of plastics and the generation of electricity.

During the Second and Third Development Plans, the increase in government expenditure -- which was of historic proportions -- began to shape more forcefully the modern emerging private sector, as it successfully implemented a wide range of industrial, agricultural, health care, transport and operations and maintenance projects, thus verifying the complementary links between the public and private sectors, and confounding any false assumption about a possible contradiction between the two sectors.

With the fluctuation of the Kingdom's oil revenues during the Fourth and Fifth Plans, moreover, the private sector's ability to adapt to external and internal changes became clear. Encouraging signs of a more mature and autonomous private sector began to appear, whose reliance on government expenditure had been reduced.

At the beginning of the Sixth Plan, several factors indicating continuity of the private sector's steady growth are evident, thus providing grounds for optimism that the private sector will undertake an increasingly important role and will become a major driving force for growth in the Saudi economy in the near future. Some of these factors are :

- (1) the growth in private investor confidence following the end of the Gulf War which confirmed the region's economic image and potential and improved the general investment climate ;
- (2) the government's determination to continue its policies of supporting and stimulating private sector investment, thus further enhancing investment opportunities ;
- (3) the accumulation of private sector liquidity and savings and the expanding role of the financial institutions and markets in channeling this liquidity into fixed investment ;
- (4) the emergence of ample investment opportunities in the producing and service sectors.

5.2 PRESENT CONDITIONS OF THE PRIVATE SECTOR

5.2.1 SIZE AND MAJOR COMPONENTS OF THE PRIVATE SECTOR

The concept of the private sector is normally based on the criteria of private ownership of establishments which engage in various industrial, agricultural and commercial activities with the aim of realizing profits. The scope of the Kingdom's private sector can be extended to include those economic establishments of mixed public and private ownership which operate as joint stock companies according to the disciplines of the market. Such companies would include :

- SABIC
- Saudi Ceramic Company
- Cement companies : Saudi, Yamama, Qassim, Yanbu, Southern region and Eastern region.
- Some commercial banks : Riyadh Bank, Saudi Investment Bank, Saudi Cairo Bank, Saudi American Bank
- SAPTCO, Sea Transport Company
- Some agricultural companies : NADEC, Tabuk Agricultural Co., Al-Jouf Agricultural Co.

The private sector's ownership in these companies ranges from 30 percent in the case of SABIC to 99 percent of the Saudi Cement Company. The electricity generation companies represent a special case amongst these companies, where the private sector's ownership ranges between 1 percent of

the Southern Region Electricity Company and 66 percent of the Tabuk Electricity Company. As special cases, these companies should be studied separately and in light of the social objectives specified by the government.

Three major categories of economic unit comprise the Saudi private sector :

- Commercial, industrial and service establishments registered in the Commercial Register, of which there were more than 391,000 by the end of 1413/14; these establishments include 7,642 companies which have a different legal status, of which 98 are joint stock companies ;
- Retail outlets and small service facilities and workshops licensed by the municipalities, of which there were about 134,000 units in 1413; this group represents the smallest economic units in the private sector ;
- Agricultural holdings and related production units, which currently employ around 377,000 farmers and agricultural workers, including a substantial number of small farmers.

Within each of these groups there are small, medium and large units, in terms of the number of workers, capital invested, production volumes and annual sales. Available data are not sufficient to determine the relative economic importance of each size category. However, the following indicators are useful in this respect :

- The number of establishments covered by the social insurance system and employing ten workers or more reached about 17,000 in 1413. This accounts for only 5 percent of the number of establishments registered in the Commercial Register, so that the vast majority (95 percent) are small establishments employing less than ten workers.
- Statistics from the Ministry of Industry and Electricity indicate that there were 2,260 licensed and operating factories in 1414. Small-scale industries, with capital of less than SR 10 million, account for about 65 percent of this number, while medium-scale industries with investment of between SR 10 million and SR 100 million account for 24 percent. Thus, large-scale industries with investments of over SR 100 million account for 11 percent of the total number of operating factories.

5.2.2 GROWING SIGNIFICANCE OF THE PRIVATE SECTOR IN THE NATIONAL ECONOMY

Table 5.1 shows the trend in the number of establishments registered in the Commercial Register between 1399 and 1414 and their regional distribution throughout the Kingdom.

Table 5.1

Registered Private Companies and Establishments

Regions	1399	1405	1410	1414
Central	34,963	56,471	76,989	130,761
Eastern	10,182	27,430	38,952	58,595
Northern	9,492	18,541	25,101	36,935
Western	20,271	62,417	88,600	135,972
Southern	3,862	12,620	18,995	29,304
Total	78,770	177,479	248,637	391,567

It is noteworthy that the number of establishments increased about five-fold in 15 years, reflecting the substantial increase in the private sector's importance in the national economy, which can also be measured by the following indicators:

- *Number of companies* : The number of operating companies increased from 1473 companies with total capital of SR 7.0 billion in 1396 to 7,643 companies with total capital of SR 108.7 billion in 1414 (Table 5.2).
- *Gross Domestic Product (GDP)* : Over the past twenty years since 1395/96, the private sector's GDP contribution has risen from 21 percent to about 45 percent (Figure 5.1). The private sector currently accounts for about 72 percent of the Kingdom's non-oil GDP.
- *Investment in Fixed Capital* : The private sector's share of fixed capital formation rose from 34 percent in 1395/96 to 67 percent in 1414/1415. Preliminary projections indicate that the private sector's total fixed investments during the Fifth Plan period amounted to about SR 200 billion.
- *Employment* : Employment in the private sector rose from about 1.4 million in 1390/91 to more than 6 million by the end of the Fifth Plan, an increase of more than 4.6 million. The private sector now employs more than 88 percent of the Kingdom's 6.9 million workers.

Table 5.2
Major Indicators of Private Sector Development

	1395/96	1414/15
Number of Operating Companies	1,473 [★]	7,643 ^{★★}
Invested Capital (SR billion)	7.0 [★]	108.7 ^{★★}
Contribution to GDP (%)	21.0	45.0
Contribution to Fixed Capital Formation (%)	34.0	67.0
Employment in the Private Sector (million)	1.7	6.0

★ in 1396

★★ in 1414

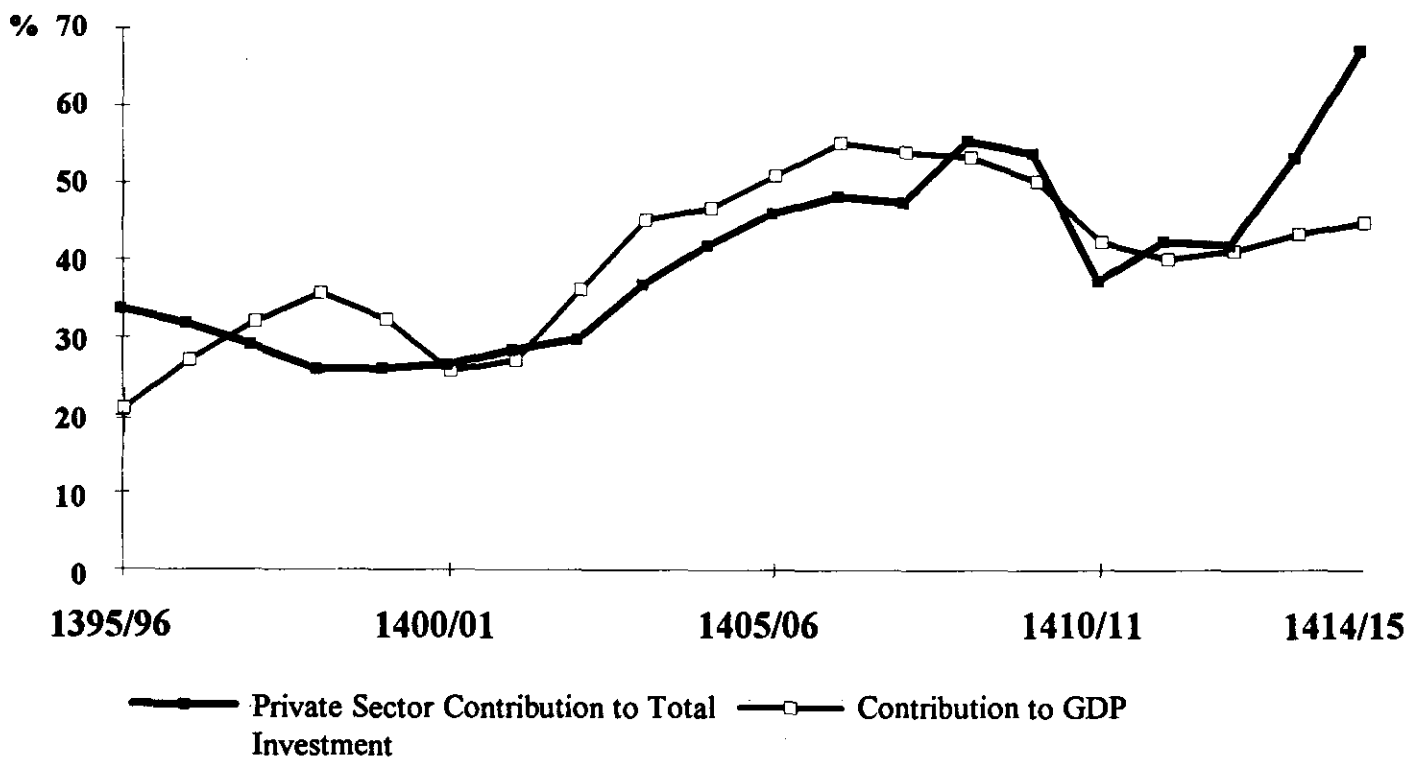
5.3 PRIVATE SECTOR ACHIEVEMENTS AND GROWTH POTENTIAL

5.3.1 ACHIEVEMENTS DURING FIFTH PLAN PERIOD

Over the Fifth Plan period, and particularly after the Gulf War, the private sector consolidated its role as an active and key factor in the economic growth process. By this time, private investment has gained a momentum covering most sectors of the national economy, and has exceeded earlier expectations. Some quantitative indicators of private sector activity during the Fifth Plan period are:

- Private investment rose from SR 28 billion in the first year of the Plan (1410/11) to more than SR 46 billion in the last year of the plan, at an average annual growth rate of 13 percent.
- More than 100,000 new private establishments have been registered in the Commercial Register.
- The number of new private companies registered reached 1,534.
- 17 new stock companies, with capital of around SR 6 billion, have been established, thus bringing the total number of stock companies to 98, with capital of about SR 53.9 billion.

Figure 5.1
Private Sector Contribution to GDP and Investment
(percentage share in current prices)



Undoubtedly, the high government expenditure during the first two years of the Fifth Plan helped in the realization of these achievements. However, the vital factor contributing to the momentum of private sector growth in subsequent years has been the implementation of the Fifth Plan's supporting policies and incentives. These policies have been based on the principles of providing opportunities for and avoiding crowding out of the private sector.

5.3.2 PRIVATE SECTOR STRENGTHS

The Kingdom's large private sector establishments, particularly the stock companies, occupy an important position in the national economy because of their strengths in the following areas:

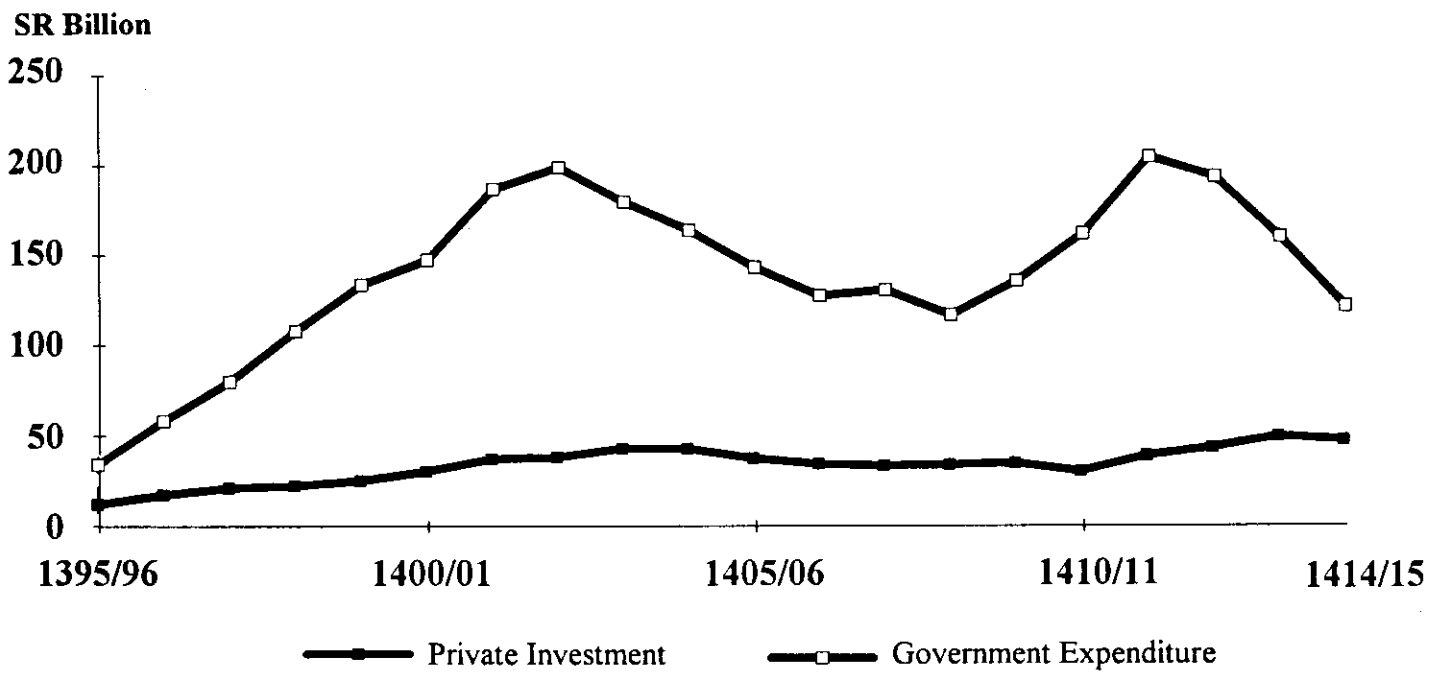
- enormous financial resources available for investment ;
- high levels of production and operational efficiency ;
- the use of advanced production technologies ;
- the use of modern management techniques in production and marketing activities ;
- accumulated experience of trading in international markets and dealing with foreign companies.

The growing strengths of the private sector are also evident in the emergence of a new type of industrial development companies that have been formed in recent years to provide venture capital for large investment projects in the manufacturing sector, such as the National Industrialization Company, established in 1405. Among these companies are : the Saudi Advanced Industry Corporation, the Arab-ian Industrial Development Company, the Saudi Company for Industrial Development, Al Baha Company for Investment and Development, Al-Hasa Development Company and Al-Madinah Company for Industrial Investment. Work is under way on the establishment of other development companies in the various regions of the Kingdom.

The significance of these new development companies lies in their readiness to invest as partners in large and medium-scale production projects, thereby sharing and reducing the associated long term investment risks, while performing a role in such projects previously played by the government.

Confidence in the private sector's future growth outlook is also based on evidence of a decline in the private sector's former reliance on government expenditure. In this regard, Figure 5.2 shows that private investment continued to grow steadily despite the considerable decline in government expenditure in 1405/06, 1413/14 and 1414/15.

Figure 5.2
Government Expenditure and Private Investment
(at current prices)



5.4 KEY ISSUES

The formulation of an effective strategy for increasing the role of the private sector depends on the accurate diagnoses of influencing factors, whether positive or negative, so that necessary measures can be taken to control the consequences. Despite its growing strengths, the private sector continues to face some key structural issues which must be addressed if the strategy for expanding the private sector's role is to succeed. These are described below.

5.4.1 SMALL-SCALE ENTERPRISES

Although the vast majority of private enterprises are small, these small businesses account for a large proportion of total employment. From the outset of the planning process, the government recognized the important role of small enterprises in achieving the development objectives to diversify the national economy, to create job opportunities, to mobilize small savings and channel them into investment, and to promote regional development throughout the Kingdom. However, small enterprises are affected by the following constraints :

- limited access to finance, as most small enterprises are unable to satisfy the lending criteria of the commercial banks and the loan repayment guarantees required by the government's specialized credit institutions ; as a result, many sound investment initiatives are unable to proceed ;
- the system of incentives in its present structure, which does not allow small enterprises (capitalized at less than SR 1 million) to enjoy such privileges as customs or tax exemptions, or obtaining land at nominal prices and fuel at support prices ;
- low levels of management and production efficiency, the lack of advanced production technology and marketing techniques, and a shortage of marketing, technical and competitor information.

5.4.2 INVESTMENT BEHAVIOR

Notwithstanding the positive trend in private investment in recent years, most private sector companies (both large and small) continue to seek too rapid a return on their investments. As a result, private investment is often characterized by extreme risk aversion and a preference for investment in financial rather than fixed assets. At the beginning of 1415, for example, 14 stock companies had invested around SR 10 billion in financial assets. At the same time, most private investment has shown an excessive concentration on imitation of existing activities at the expense of new innovative development opportunities with correspondingly longer and more uncertain investment returns. Investment of this kind has often resulted in excess capacity and a waste of resources.

5.4.3 LIMITATION OF THE KINGDOM'S FINANCIAL MARKET

Although the Saudi financial market expanded strongly during the Fifth Plan, it still lags behind developments in the real economy owing to its recent origins. As a result, the financial market continues to face some difficulties, such as :

- the limited scope of the financial market, which deals only in stocks and has not yet extended its activities to include bonds (private or government) ;
- its restricted organizational and administrative capacity to provide services commensurate with the needs of the expanding private sector ;
- the small size of the stock market with only 89 listed Saudi companies and with share dealings limited to Saudi companies and Saudi citizens, apart from exceptional cases where GCC citizens are allowed to purchase specific amounts of such shares ;
- the weak linkage between the commercial banks (as the main collector of savings in the form of various types of deposit) and the financial market, because of the lack of suitable investment channels and diversified savings instruments that can attract various groups of savers.

5.5 OPPORTUNITIES AVAILABLE FOR THE PRIVATE SECTOR

Substantial investment is needed to ensure the steady growth and prosperity of the national economy. The achievement of the Sixth Plan's objectives depends on the full participation of the private sector in mobilizing its resources to finance such investment. In Chapter 4 of this document, Tables 4.6 and 4.7 show the estimated volume of national investment which must be financed from all sources during the Sixth Plan, while various private investment opportunities at sector level are discussed in the relevant sector chapters.

In recent years, government agencies and the Chambers of Commerce and Industry have made great efforts to explore and promote investment opportunities by providing the private sector with the findings of preliminary feasibility studies. At present, there are at least 252 investment opportunities in 13 different production fields which have already been studied and publicized by government agencies and the Chambers of Commerce and Industry.

The Sixth Plan anticipates an expansion of private investment in a range of activities currently undertaken by the government. During its preparation, many comprehensive studies were conducted about possible scenarios for cooperation between the public and private sectors, with a view to enhancing the private sector's role in the development process. In this respect, the following cooperation options have been identified as investment opportunities for the private sector :

FIRST : FINANCING AND IMPLEMENTING NEW PROJECTS OF THE SIXTH PLAN

The operation plans of a number of government agencies include many new projects that can be both financed and implemented by the private sector in the Sixth Plan period in a number of ways :

- (1) Construction and operation of new public projects for a certain period -- agreed in advance with the concerned agency -- for the private sector company to recover its costs and achieve a reasonable profit margin, before transferring ownership of the project to the government agency ; such projects include power generation, communications, and public parks and gardens.
- (2) Constructing public facilities and leasing them to government agencies prior to their eventual transfer of ownership, so that the private sector receives rental income for a sufficient period to recover its costs and then transfers ownership to the government; the best examples for such projects are the construction of schools, primary health care centers and other government buildings.
- (3) Building and operating public facilities which will be owned permanently by the private sector. There are increasing opportunities for the private sector to provide some specialized services, such as the expansion of private schools, the establishment of private universities and municipal facilities, and the establishment of health insurance companies whereby individuals' health insurance contributions would decrease the cost of providing health services through the government budget. Such options also include the implementation of 16 new projects for PETROMIN in the fields of precious metals, mining, oil and marble, representing a total investment of SR 3.5 billion.

SECOND : EXISTING GOVERNMENT FACILITIES

For quite some time, the government has contracted the private sector to operate and maintain a range of public facilities, such as hospitals, roads, municipal facilities and government buildings. During the Sixth Plan period, the government will continue to develop this approach and expand its coverage to more government facilities such as desalination plants, sea ports, airports and others. The possibility of privatizing selected government-owned commercial activities at the appropriate time, such as telecommunications and SAUDIA, will be considered -- provided that such privatizations will be of real benefit to the national economy.

THIRD : GOVERNMENT COMPANIES

Very few companies are wholly government-owned, with ARAMCO and the Cooperative Insurance Company being the most important ones. Most other public sector enterprises have some degree of private ownership. The government's privatization program will be implemented through one or more of the following alternatives :

- increasing the capital of both government-owned companies and joint public/private sector companies and offering the newly issued shares for public subscription ;
- offering some shares of government-owned companies for sale in the financial market on a gradual basis and in a manner that would not adversely affect the stability of this market ;
- selling the entire government share of these companies to privately owned venture capital companies listed on the local stock market.

At the same time, however, the advantages and disadvantages of each of these alternatives will be examined closely in the context of selecting the most appropriate time for initiating the privatization program. Accordingly, the best alternative will be selected, so that the final outcome of the privatization program will result in upgrading the economic efficiency of those companies to be privatized and thus benefiting the national economy.

5.6 ROLE OF THE PRIVATE SECTOR IN ACHIEVING THE SIXTH PLAN OBJECTIVES

The enhancement of the private sector's role in the development process represents the basic pillar of the Sixth Development Plan and reflects the unique features of the present stage of development, which differ from those of earlier plans. The Saudi economy is facing great challenges and the private sector is called upon to cooperate with the government in facing these challenges by effectively contributing to the achievement of the following development objectives :

1. to raise the overall level of efficiency in the economy by making more efficient use of scarce resources and improving productivity ;
2. to replace non-Saudi manpower by Saudis and create new job opportunities for citizens ;
3. to diversify the economic base and reduce the dependence on hydrocarbon resources by entering into new fields of investment directed towards domestic and world markets ;
4. to reduce the financial burden of government through participation in financing development projects ;
5. to raise labor productivity by participating effectively in upgrading technical and administrative skills through training.

Within the framework of the Sixth Plan's macroeconomic projections for the period 1415/16-1419/20, the government is looking forward to the private sector's full participation in the achievement of the following quantitative targets :

- the private sector is expected to account for 57 percent of total fixed capital formation ;

- it is expected to contribute from its own resources 45 percent of the total investment required during the Plan period, as shown in Table 4.7 in Chapter 4 ;
- it is expected to achieve a real average annual growth in value added of 4.3 percent ;
- the private sector's share in non-oil GDP is expected to rise from 72 percent at the beginning of the Sixth Plan to 76 percent by the end of the period ;
- the private sector is expected to increase the employment of Saudi nationals by 466,000 employees, through the replacement of 284,000 non-Saudis by Saudis and the creation of 182,000 new jobs.

5.7 GOVERNMENT POLICIES AND INITIATIVES

In accordance with the Council of Ministers decree No. 142 of 19/11/1413, in which the General Objectives and Strategic Principles of the Sixth Development Plan were approved and the priorities identified, the government will implement the following integrated group of policies and measures in support of private sector development.

5.7.1 DEEPENING DIALOGUE WITH THE PRIVATE SECTOR

The government will continue the policy of extending and deepening its dialogue with the private sector, thereby strengthening the growing cooperation and coordination between the government and the private sector. This will be accomplished through open meetings and the organization of scientific and other seminars, and through the various channels which already exist between government agencies and private sector organizations and institutions. In the course of the Sixth Development Plan, an appropriate institutional mechanism will be developed to give practical effect to the indicative planning methodology approved in the previous plan. Thus, periodic meetings will be organized between private sector representatives and relevant government agencies at the sector level, so that a joint working program can be formulated to evaluate new developments in each sector and to address the constraints which might be affecting the implementation of the Sixth Development Plan.

5.7.2 PRIVATIZATION

In the light of the Sixth Development Plan's objectives, the successful implementation of the government's privatization policy will be guided by consideration of all social and economic conditions prevailing in the Kingdom. In its first stage, privatization policy will concentrate on the following four themes :

- i) *Financing* : mobilizing private funds for investment in new and ongoing public sector projects which experience financing difficulties due to budgetary constraints ;

- ii) *Privatizing Management* : granting the private sector more opportunities to manage and operate public sector projects ;
- iii) *Divestment* : the gradual sale to the private sector of government shares in joint stock companies, following in-depth studies of each individual case, so that the social and economic costs and benefits can be properly evaluated and timing can be determined when appropriate conditions prevail ;
- iv) *Deregulation* : the promotion of a positive climate for private investment through extending and increasing the effectiveness of the market mechanism.

In general, privatization is not considered to be an objective in itself, but rather an instrument for realizing economic efficiency. Thus, the government's privatization policy will be based on the following principles :

- the final outcome of the privatization process should benefit both public and private sectors ;
- the timing of each privatization measure will be carefully chosen to ensure that conditions are favorable to a successful outcome.

5.7.3 CONTINUING INCENTIVES AND INFRASTRUCTURE SUPPORT

One of the main features of government policy to support the private sector has been the government's concern to provide a wide range of physical infrastructure, such as transport services, telecommunications, power plants and industrial cities, comparable in quality to the prevailing standards in many industrial countries. During the Sixth Development Plan, the government will take practical steps to meet the growing demand for basic infrastructure, in addition to maintaining the existing facilities.

The Sixth Development Plan will also see the continuation of other forms of government support to the private sector, such as customs and tax exemptions, support for national industries, the provision of soft loans by the specialized credit institutions (including the continuation of loan programs for hotels, hospitals, agricultural activity and local press institutions), in addition to the provision of subsidies to the agriculture and transport sectors.

5.7.4 SUPPORTING SMALL ENTERPRISES

The various government agencies will continue to coordinate with the Chambers of Commerce and Industry in implementing small business support programs and measures in the following areas :

- the identification of small-scale investment opportunities ;.

- broadening the access to finance for small enterprises by expanding the activities of the Saudi Credit Bank ;
- expanding the existing incentives system to include small businesses ;
- preparing and implementing specialized training programs for small business within the scope of services provided by the Chambers of Commerce and Industry ;
- encouraging the development of new organizational structures to promote cooperation between small-scale enterprises.

5.7.5 FOREIGN INVESTMENT PROMOTION

Since the early stages of development planning, the government realized the importance of foreign investment for the transfer of technology and modern management techniques and for the development of the private sector's own capabilities. In this respect the Offset Programs and the Foreign Capital Investment Law are the main tools of government policy to encourage the formation of joint ventures. The Government will continue to develop ways of attracting foreign investment into the Kingdom through the following measures :

- signing more foreign investment protection guarantees and agreements with the industrial countries ;
- continuing to facilitate the institutional and administrative procedures for licensing foreign projects in the Kingdom ;
- expanding the scope of the Offset Program to include large civilian projects.

5.8 ROLE OF THE FINANCIAL INSTITUTIONS AND MARKETS IN PRIVATE SECTOR DEVELOPMENT

Financial institutions and markets play an important role in national economic development by providing the essential links between savings and investment. In this respect, the financial sector in the Kingdom will assume its vital function in mobilizing financial resources for private investment in various production and services projects and in the effective implementation of the proposed privatization programs to ensure the desired results. Appropriate measures to support, improve and expand the financial institutions and markets will be adopted during the Sixth Plan period.

5.8.1 ROLE OF THE SPECIALIZED CREDIT INSTITUTIONS

The provision of long-term credit on easy terms is one of the main instruments of support to the private sector and its contribution to national economic diversification. This policy of financial support has been implemented through the five specialized credit institutions : the Saudi Arabian

as shown in Table 5.3.

Table 5.3

Loans by the Specialized Credit Institutions during the Sixth Development Plan

	SR million
Saudi Agricultural Bank	3,500
Saudi Industrial Development Fund	5,300
Saudi Real Estate Development Fund	12,984
Saudi Credit Bank	1,534
Other Credit Programs [★]	783
Total Loans	24,101

★ Includes loans of large agricultural projects, hospitals and hotels

During the Sixth Development Plan, a study will be conducted to develop the financial structures of the specialized credit institutions in line with changing financial market conditions and rapid developments at international and regional levels.

5.8.2 COMMERCIAL BANKS

The commercial banking sector witnessed high rates of growth during the Fifth Development Plan period, as reflected in the following indicators :

- the total number of branches of the 12 commercial banks throughout the Kingdom had reached 1,160 by the end of 1413/14 ;
- total bank deposits increased from SR 143.7 billion in the first year of the Fifth Plan (1410/11) to about SR 184 billion by the end of the first quarter of the last year of the plan (1414/15) ;

- total share capital increased from SR 17.4 billion in 1410/11 to about SR 33 billion at the beginning of 1414/15 ; thus, the ratio of share capital to deposits rose from 12 percent in 1410/11 to 18 percent at the beginning of 1414/15, which is fairly high by international standards ;
- total foreign assets fell from SR 123.5 billion in 1410/11 to SR 99.9 billion at the beginning of 1414/15 ;
- loans to the private sector increased from SR 65.3 billion in 1410/11 to SR 108.6 billion in the first quarter of 1414/15.

These indicators show the strong financial position of the commercial banks at the beginning of the Sixth Development Plan. This will enable the banks to increase their contribution to the implementation of the Plan's objectives through the development of financial instruments to meet the needs of both depositors and borrowers and through the expansion of long-term loans to finance investment in large development projects.

5.8.3 CAPITAL MARKET

The capital market is an important mechanism for mobilizing national resources and savings, and although of relatively recent origin, it grew substantially in the Fifth Plan period in terms of the volume and value of shares traded. As stated earlier, however, some constraints are impeding the capital market's effectiveness in mobilizing and directing savings towards investment channels, and have reduced the market's ability to absorb and trade government equity shares in some of the public sector enterprises proposed for privatization. Within the framework of the Sixth Plan strategy for the development of the private sector, the capital market will be developed through the following main policies :

- regulations will be reviewed and further developed ;
- buying and selling procedures will be simplified ;
- market efficiency will be increased and investor decision-making assisted through the establishment of independent sources for the collection, analysis and dissemination of data about the performance of individual joint-stock companies ;
- the possibility of trading new financial instruments (such as bonds) in addition to shares will be studied ;
- the possibility of allowing foreigners to deal in the capital market under specific rules will also be studied.

