TWENTY SIX

AGRICULTURE

26. AGRICULTURE

26.1 INTRODUCTION

The agricultural sector plays a major role in economic and social development, through its contribution to food security, economic diversification, creation of job opportunities, and enhancement of balanced regional development. Thanks to continued government support, agriculture achieved notable progress over the successive development plans.

This chapter reviews the current conditions of the agricultural sector, discusses the achievements made under the Seventh Development Plan, and points out the issues and challenges that will be addressed under the Eighth Development Plan. Demand for agricultural products, the future vision, objectives, policies and targets set by the Eighth Development Plan for the sector are also discussed.

26.2 CURRENT CONDITIONS

26.2.1 Developments

Under the Seventh Development Plan, the agricultural sector grew at an average annual rate of 2.0%, with value added increasing at constant 1999 prices from SR34.44 billion in 1999 to SR38.01 billion in 2004. Over the same period, the average contribution of the sector to GDP amounted to 5.5% at constant 1999 prices and agricultural investment amounted to about SR18.8 billion, which attests to the relative importance of the sector and its ability to attract investment.

26.2.2 Crop Areas, Livestock and Production

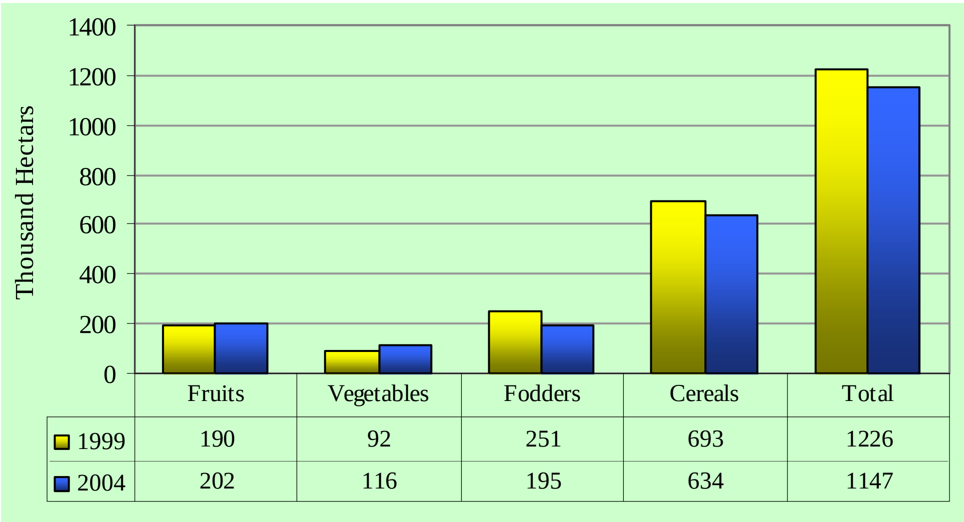
In line with the strategy of rationalizing cultivation of water-intensive crops, such as cereals and fodder, in favor of highly water-efficient crops, such as fruits and vegetables, total crop area decreased by about 6.4% under the Seventh Development Plan. Total fodder cultivated area decreased by 22.3% and cereal cultivated area by 8.5%, while vegetable cultivated area increased by 26.1% to constitute 10.1% of the total cultivated area, compared to 7.5% at the beginning of the Plan. Fruit cultivated area also increased by 6.3%, of which more than 70% under date palms, to constitute 17.6% of total crop area, compared to 15.5% at the beginning of the Plan (Table 26.1 and Figure 26.1).

Table 26.1
Crop Areas
Seventh Development Plan

Type of Crop	1999		2004		Change During Plan Period (%)
	Area (000 hectares)	share (%)	Area (000 hectares)	share (%)	
Cereals	693	56.5	634	55.3	–8.5
Fodder	251	20.5	195	17.0	–22.3
Vegetables	92	7.5	116	10.1	26.1
Fruits	190	15.5	202	17.6	6.3
Total:	**1,226**	**100.0**	**1,147**	**100.0**	**–6.4**

Source: Ministry of Agriculture.

Figure 26.1
Crop Areas
Seventh Development Plan



Council of Ministers Resolution 264 of 2003 reduced the purchase price of locally produced wheat from SR1.5 to SR1.0 per kg, as from the 2005 season, and allowed agricultural companies to supply 300,000–600,000 tons of wheat per year to the Grain Silos and Flour Mills Organization. In addition, a Royal Directive suspended agricultural land distribution for a period of five years from 2003, and the Ministry of Water and Electricity has been entrusted with the responsibility of reviewing water policies in the context of the National Water Plan. For these reasons, production of cereals and green fodder is not expected to expand, with future efforts focusing on maximizing benefits from the comparative advantages of the various regions to achieve optimum cropping patterns.

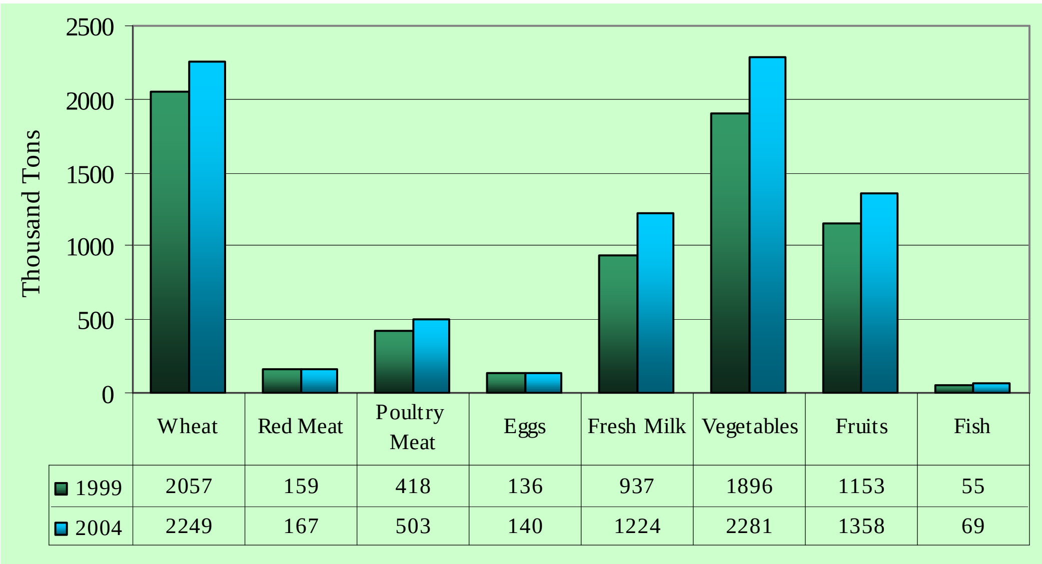
Major agricultural products grew at an average annual rate of 0.6–5.5% under the Seventh Plan, with rates of growth indicating expansion of production of capital-intensive products; mainly poultry, fish, fruits, vegetables and fresh milk, which is in conformity with the climatic conditions and scarcity of water resources (Table 26.2 and Figure 26.2).

Table 26.2
Production of Selected Agricultural Products
Seventh Development Plan

Product	1999 (000 tons)	2004 (000 tons)	Annual Average Growth Rate (%)
Wheat	2,057	2,249	1.8
Red Meat	159	167	1.0
Poultry Meat	418	503	3.8
Eggs	136	140	0.6
Fresh Milk	937	1,224	5.5
Vegetables	1,896	2,281	3.8
Fruits	1,153	1,358	3.3
Fish	55	69	4.6

Source: Ministry of Agriculture.

Figure 26.2
Production of Selected Agricultural Products
Seventh Development Plan



In livestock production, the number of cows increased during the Seventh Development Plan by 18.2%, mostly using modern farming methods, while sheep and goats decreased in number slightly by 1.4% and 5.4%, respectively. The number of camels also increased slightly, by 1.6%, and poultry population increased by 32.3% (Table 26.3). These data indicate that growth trends have been consistent with the objective of enhancing livestock production capacities.

Table 26.3
Livestock and Poultry Numbers (Thousand Heads)
Seventh Development Plan*

	1999			2004			Change During the Plan Period (%)
	Traditional Sector	Modern Sector	Total	Traditional Sector	Modern Sector	Total	
Camels	255	–	255	259	–	259	١.٦
Cows	131	149	280	139	192	331	١٨.٢
Sheep	6,760	794	7,554	6,495	955	7,450	–١.٤
Goats	2,368	–	2,368	2,241	–	2,241	–5.4
Poultry	485	342,700	343,185	511	453,580	454,091	٣٢.٣

* Excluding animals in nomadic areas and outside farms.

Source: Ministry of Agriculture.

By the end of the Plan, rates of sufficiency in food products indicated, an excess supply of fresh dairy products and eggs, self sufficiency in wheat, while sufficiency rates in poultry meat, vegetables and fruits were 64%, 82.1% and 60.6%, respectively. However, the level of sufficiency in red meat and fish decreased (Table 26.4 and Figure 26.3).

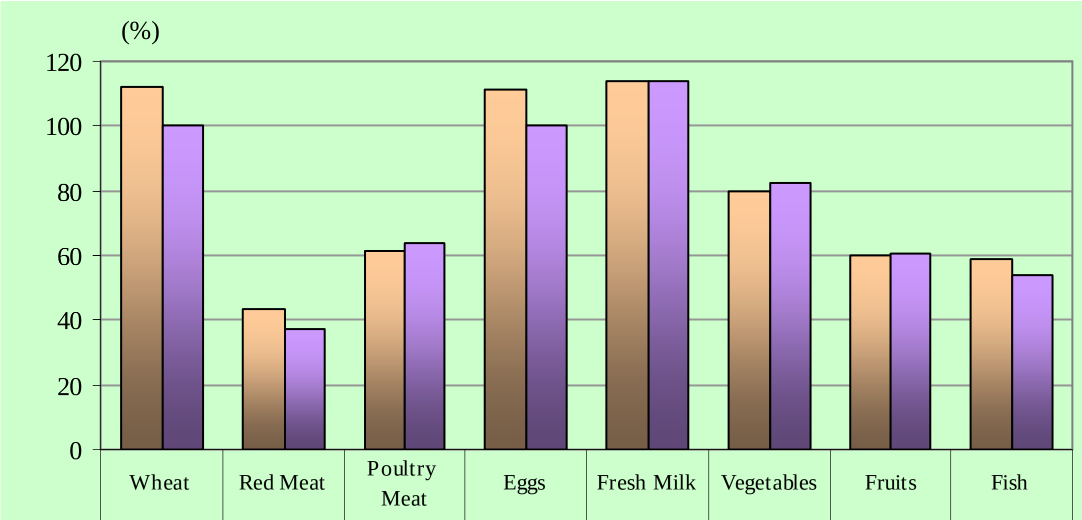
Table 26.4
Ratios of Self-Sufficiency in Food Products
Seventh Development Plan

Product	Level of Sufficiency (%)		Increase/ Decrease
	1999	2004	
Wheat	112.2	100.0	–12.2
Red Meat	43.0	37.0	–6.0
Poultry Meat	61.3	64.0	2.7
Eggs	111.5	100.4	–11.1
Fresh Milk	113.9	114.1	0.2
Vegetables	80.0	82.1	2.1
Fruits	59.7	60.6	0.9
Fish	58.5	54.1	–4.4

Note: 100 = full self-sufficiency achieved.

Source: Ministry of Agriculture.

Figure 26.3
Ratios of Self-Sufficiency in Food Products
Seventh Development Plan



	Wheat	Red Meat	Poultry Meat	Eggs	Fresh Milk	Vegetables	Fruits	Fish
1999	112.2	43.0	61.3	111.5	113.9	80.0	59.7	58.5
2004	100.0	37.0	64.0	100.4	114.1	82.1	60.6	54.1

During the period of the Seventh Development Plan, the Grain Silos and Flour Mills Organization continued to provide the flour needs of the country using locally produced wheat, in addition to maintaining a strategic wheat stock and processing animal feed.

26.2.3 Agricultural Loans and Subsidies

Support to the agricultural sector in the form of soft loans and subsidies continued under the Seventh Development Plan. The total amount of loans provided by the Saudi Arabian Agricultural Bank amounted to about SR1.16 billion annually, almost twice the amount provided during the Sixth Plan, with medium-term loans constituting 89.4%. The Bank also provided subsidies to producers at an average annual amount of SR229 million.

In addition, some crops were purchased at an official support price, including wheat at SR1.5/kg. Support was also provided to imported barley and poultry feed at SR150/ton and SR160/ton, respectively, while support to date palm seedlings amounted to SR50/seedling. Also, about 21,000 tons of some types of dates were purchased annually by the government at SR3/kg.

26.2.4 Institutional and Organizational Development

To ensure adequate supervision of agricultural development, changes of the organizational structure of the Ministry of Agriculture were introduced; the most important of which was detaching the Deputy Ministry for Water Affairs to form the Ministry of Water (currently Ministry of Water and Electricity) by Council of Ministers Resolution 125 of 16/7/2001. In addition, departments dealing with animal production were reorganized and attached to the recently established Deputy Ministry for Animal Resources.

The Ministry of Agriculture provides its services via 25 directorates, including 117 branches spread throughout the country. In addition, agricultural research centers and plant and animal quarantines at air, sea and land entry points have contributed positively to the provision of services as well as to implementing agricultural development plans in all regions.

In the context of the privatization strategy approved by the Supreme Economic Council, and in response to Council of Ministers resolution 219 of 11/11/2002, a preliminary study of privatization of the Grain Silos and Flour Mills Organization has been prepared. Moreover, in accordance with Council of Ministers Resolution 215 of 15/3/1999, appropriate sites are being leased to the private sector in forested and uncultivated lands and in national parks to provide vital tourism and recreation services. In addition, agreement with the private sector has been concluded to operate certain animal quarantines.

26.2.5 Budget Allocations

Total budget allocations for developing the agricultural sector (Ministry of Agriculture and the Grain Silos and Flour Mills Organization) amounted under the Seventh Plan to SR6,828 million, which are equivalent to 95.6% of the proposed allocations.

26.3 ISSUES AND CHALLENGES

Positive performance of the agricultural sector under the Seventh Development Plan notwithstanding, a number of issues and challenges need to be addressed under the Eighth Development Plan; the most prominent of which are the following.

26.3.1 Crop Economic Efficiency

Studies have shown that the return on the use of water in agriculture is generally much lower than the return on its use for municipal or industrial purposes, with the return in the municipal sector estimated to be 50% more and in the industrial sector to be almost fivefold. Nevertheless, some few agricultural activities, such as vegetable production in greenhouses, yield as high a return on water inputs as industrial activities. Table 26.5 shows that estimated returns on water use per thousand cubic meters amount to SR610, SR2,050 and SR1,466 for wheat, vegetables and dates, respectively.

Table 26.5
Estimated Water Intensity and Relative Returns for Some Major Crops

Crop	Rate of Water consumption (m^3 /ha/year)	Average Productivity (tons/ha)	Producer prices (SR/ton)	Returns on water (SR per 1000 m^3 of water)
Wheat	8000	4.88	1000	610
Vegetables (tomatoes, onions, potatoes)	15000	20.5	1500	2050
Dates	26000	6.25	6100	1466

Source: Ministry of Agriculture.

With increased openness to competitive world markets, economic production costs, calculated with taking the opportunity costs of the use of water into account, would be higher. Moreover, given requirements of globalization and international agreements, high levels of self-sufficiency would no longer be a strategic objective. Hence, it is essential to review agricultural policies regularly, particularly price support (subsidy) policies, in addition to encouraging the use of advanced technology to enhance efficiency of resource utilization and the production of high value-added crops.

26.3.2 Efficiency of Irrigation Systems

Significant progress has been achieved in the use of modern, highly efficient irrigation systems, which currently cover about 67% of the irrigated area. The remaining third, which is the conventional agricultural land, continues to be irrigated by inefficient traditional methods.

Information about the reasons that limit adoption of modern irrigation systems by farmers is lacking. Hence, it is important to conduct research into the efficiency levels of the irrigation methods in use, in order to provide irrigation water according to the actual needs of individual crops; thereby improving efficiency levels. It is also necessary to collect information about traditional methods of irrigation, with the aim of rehabilitating them, while enhancing awareness of small farmers of the importance of irrigation water, and helping them make use of government support for modern irrigation systems, as per Council of Ministers Resolution 217 of 2004 on restructuring agricultural subsidies.

26.3.3 Utilization of Reclaimed Wastewater for Agricultural Purposes

Use of reclaimed waste water in agriculture has not received sufficient attention, despite the proven benefits of such use; the most important of which are: preventing direct pollution of sea coasts, water courses, canals and other surface water sources, water conservation, and providing farmers with a reliable water supply. Moreover, use of treated waste water will free large amounts of fresh ground water for other uses (see the chapter on water).

26.3.4 Supply of and Demand for Fish Products

Despite government support for fishing and fish farming, fish production is still limited. The increase in total production under the Seventh Development Plan was only 14,000 tons, from about 55,000 tons to about 69,000 tons. The latter amount represented only 54.1% of the total domestic demand of 127,500 tons. The reasons for this situation include inefficient fishing in territorial waters due to the use of traditional boats and equipment, limited boat and net capacities, and high production costs.

Addressing this issue requires providing finance and incentives to investments in fish farming and processing, in addition to providing assistance to fishermen, particularly small ones, through programs for productivity improvement, use of advanced fishing techniques, preservation and transportation of fish products, and construction of harbors. Moreover, agreements concluded with neighboring countries need to provide for utilization of available fish resources.

26.3.5 Production and Marketing Efficiency of Dates

Given the appropriate climatic conditions and the wealth of experience accumulated by farmers, dates are a strategic crop. According to Ministry of Agriculture statistics, the number of palm trees was estimated at about 21 million in 2003, with an annual production of about 884,000 tons. Thus, the Kingdom ranks third among date producing countries. However, there are problems of low productivity and marketing inefficiency. Even though dates are included in the Kingdom's foreign aid programs, exports were only 8.8% of total world exports, or 4.1% of total domestic production. Export prices for Saudi dates are low comparatively and there are also great disparities in the local prices of various types of dates. To address these issues, Royal Decree 7/B/18070 of 27/5/2004 ordered establishing an advanced date center by the Saudi Council of the Chambers of Commerce and Industry, in collaboration with the Ministry of Agriculture, to support production and marketing of dates. Moreover, the role of the Dates Producers Association in marketing, processing and exportation should be enhanced; plans for addressing production, marketing and processing problems should be formulated; loans and other forms of support to small producers should be offered; and R&D efforts to address outstanding issues and to improve productivity should be intensified.

26.4 DEMAND FOR MAIN AGRICULTURAL PRODUCTS

Based on the expected population growth rate during the period of the Eighth Development Plan, as well as other determinants of consumption, demand for the main agricultural products is expected to grow at an average annual rate of 2.5% (Table 26.6).

Table 26.6
Demand Projections for Main Agricultural Products
Eighth Development Plan

(Thousand tons)

Product	2004	2009
Wheat	٢٢٤٩	٢٥٣٢
Vegetables	٢٧٦٥	٣١٣٤
Fruits	٢٠٠٥	٢٢٨٠
Milk	١٠٨٨	١٢٢٥
Red Meat	٣٢٨	٣٧٣
Poultry Meat	٨٧١	٩٩٠

Eggs	١٤٤	١٦٢
Fish	١٣٣	١٥١

Source: Ministry of Economy and Planning projections.

26.5 FUTURE VISION

In the last three decades, the agricultural sector has contributed effectively to economic and social development, supported economic diversification, and provided the necessary inputs for a promising national food processing industry. Efforts will continue to enhance and sustain this role in the long run and to achieve accord between the two major national objectives of water security and food security.

Appropriate scientific and practical solutions for the problems involved in developing the agricultural sector would rest upon a vision of the future that has the following major features:

- Optimal utilization of water resources, in accordance with the results of the water resources assessment to be carried out in the context of the National Water Plan and in a manner that would lead to sustainable agricultural development.
- Optimal utilization of rain water through construction of more dams and embankments on major and minor valleys.
- Full utilization of reclaimed waste water for agricultural purposes and for developing areas close to urban centers.
- A support and extension system that contributes to the development of small and medium high-value agriculture in rural areas, as well as to supporting population settlement in these areas.
- An advanced system for research into agriculture, irrigation technology, identification of crops appropriate to the climatic conditions of the country, maximization of the productivity of the existing crops, and improvement of marketing efficiency.
- A capable, highly skilled national agricultural manpower.

26.6 DEVELOPMENT STRATEGY

26.6.1 Objectives

The main development objectives for the agricultural sector set by the

Eighth Development Plan comprise the following:

- Enhancing the contribution of the sector to diversification of the economic base.
- Improving the efficiency of utilization of natural resources to ensure sustainable agricultural development.
- Improving the economic performance of the sector to keep pace with the national, regional and international developments.
- Enhancing the investment capabilities of the sector to provide more job opportunities and to improve the standard of living.
- Protecting the environment and developing grazing ranges and forests.

26.6.2 Policies

Achieving the main objectives of the agricultural sector under the Eighth Development Plan will rely on the following policies:

- Conservation of water by identifying the types of crops and the associated water requirements, in line with the National Water Plan.
- Provision of information and conduct of research to assess the most competitive agricultural activities, and utilization of non-conventional water resources in conformity with environment protection requirements.
- Reviewing agricultural support and subsidy policies in line with emerging requirements.
- Supporting the use of advanced technology and production of high value-added crops in small farms.
- Improving efficiency of fishing and fish farming.
- Upgrading agricultural processing and marketing by supporting the establishment of cooperative societies and development programs for export promotion and attraction of foreign investments.
- Institutional and administrative development, through finalizing privatization of agricultural projects and the Grain Silos and Flour Mills Organization, and reviewing land distribution policies.
- Enhancing agricultural services by implementing intensive extension programs to improve skills of farmers, as well as developing policies and mechanisms for compensating farmers in cases of natural and

environmental disasters.

- Training of agricultural indigenous manpower.

26.6.3 Targets

The agricultural sector is expected to grow at an average annual rate of 3.2% during the period of the Eighth Development Plan. The following targets are also expected to be achieved:

- Finalizing legislation and measures to limit use of water, fertilizers and pesticides.
- Increasing utilization of reclaimed wastewater for agricultural purposes.
- Supporting establishment of agricultural marketing cooperatives.
- Establishing an advanced center to support production and marketing of dates.
- Establishing an agricultural database at the Ministry of Agriculture to provide agricultural and technical information to producers and investors.
- Conducting a study of the competitiveness of the agricultural activities in the country and how to enhance them.
- Privatizing the Ministry of Agriculture laboratories, parks and animal and plant quarantines and finalizing the study and implementation of privatization of the Grain Silos and Flour Mills Organization.
- Conducting studies of how to improve the economic efficiency of fish production.

26.7 FINANCIAL REQUIREMENTS

Total financial requirements for the agricultural sector (Ministry of Agriculture and the Grain Silos and Flour Mills Organization) under the Eighth Development Plan are estimated at SR7,456.4 million for financing development programs, agricultural research, development of manpower, and improving the standard of living of all agriculture-related population in the various regions of the Kingdom.

CHAPTER TWENTY SEVEN

INDUSTRY

27. INDUSTRY

27.1 INTRODUCTION

Industry is one of the principal factors of economic and social development, for it is the main instrument for increasing the value added of the national resources and diversification of the economic base, on the road to sustainable development. As a result, industry has enjoyed particular attention since the beginning of the development process. A supportive environment for industrial growth and development has been created by providing infrastructure and services in fourteen industrial estates spread throughout the country, in addition to the two distinguished industrial cities of Jubail and Yanbu.

Moreover, several other measures have been taken, including providing soft loans for industrial projects through a number of specialized credit institutions, exempting many of the inputs of the industrial sector from custom duties, creating an improved investment climate, and establishing international bilateral and multilateral trade relations to promote Saudi industry.

As a result of these initiatives, the industrial sector has over the last three decades realized notable achievements, with many Saudi products competing successfully in local and regional markets and making inroads into international markets.

The Eighth Development Plan aims at strengthening the competitive advantage of Saudi industries; enhancing their local, regional and international linkages; encouraging advanced high value-added industries; and expanding provision of infrastructure and services needed for industrial development in all regions of the country.

This chapter presents the current conditions of the industrial sector and the main developments under the Seventh Development Plan period. The key issues and challenges that need to be addressed, and the goals, objectives, policies and targets set by the Eighth Development Plan are also discussed.

27.2 CURRENT CONDITIONS

27.2.1 Growth of Industrial Sector

Under the Seventh Development Plan, the value added of the industrial sector grew at an average annual rate of 4.8%, which was higher than the rate of growth of GDP (3.4%) and non-oil GDP (3.9%). Thus, contribution of the industrial sector to GDP increased from 10.4% in 1999 to 11.1% in 2004, due primarily to the relatively good performance of the "Other Manufacturing Industries". These grew at an average annual rate of 5.9%; thereby raising their share of the total value added of the sector from 61.7% to 64.9%, which is a positive indication of diversification of the economic base (Table 27.1).

Table 27.1
Industrial Sector Performance Indicators
Seventh Development Plan
Constant 1999 Prices*

Indicator	Value (SR Billion)		Actual Average Annual Growth Rate (%)	Planned Average Annual Growth Rate (%)
	1999	2004		
Total sector value added	62.8	79.5	4.8	5.1
Oil refining value added	18.0	20.5	2.6	1.1
Petrochemicals value added	6.0	7.4	4.1	8.3
Other manufacturing value added	38.8	51.6	5.9	7.2
Non-oil GDP	433.2	525.3	3.9	4.0
Total GDP	603.6	714.9	3.4	3.2
Industrial Exports	18.9	52.2	22.5	8.3
Industrial Investments	22.9	20.6	–2.1	14.3
Industrial Employment (Thousands)	638.5	650.6	0.4	2.3

* Figures and Ratios are rounded to one decimal point.

Source: Ministry of Economy and Planning

Due to delays in some projects, the petrochemical industry grew over the period at an average annual rate of 4.1%, which was lower than the Seventh Development Plan target of 8.3%. As a result, its share of the total value added of the industrial sector decreased slightly from 9.6% in 1999 to about 9.3% in 2004. However, due to high rates of refining capacity utilization, rather than capacity increases, the oil refining industry grew at an average annual rate of 2.6%, which is higher than the Seventh

Development Plan target of 1.1%. Nevertheless, the share of oil-refining in the total value added of the industrial sector decreased from 28.7% in 1999 to 25.8% in 2004 (Table 27.1).

Exports of industrial products increased substantially at an average annual growth rate of 22.5%, from SR18.9 billion in 1999 to SR52.2 billion in 2004; thereby achieving the target set by the Seventh Development Plan.

27.2.2 Industry Structure and Trends

During the period of the Seventh Development Plan, 489 new factories were constructed, with total assets of about SR25 billion. Thus, the number of operating factories increased to 3,652 in 2004, with total assets of around SR256 billion (Table 27.2). Industrial activity was concentrated mainly on producing metallic products, machinery and equipment; chemicals and plastic products; building materials, chinaware, ceramics, and glass; and food and beverages; which together account for about 80.8% of the total number of factories (Figure 27.1)

The chemicals and plastic products industry secured about 62.2% of total investment in the industrial sector, followed by the building materials, chinaware, ceramics, and glass industry at 11.3%; the metallic products, machinery and equipment industry at 10.6%; and the food and beverages at 8%. (Table 27.2 and Figure 27.2).

Table 27.2
Operating Factories and Total Investment
Seventh Development Plan

Industrial Activity	1999 (Cumulative)		By end of 2004* (Cumulative)		Change During the 7th Plan Period	
	Number of factories	Total Investment (SR Million)	Number of Factories	Total Investment (SR million)	Number of Factories	Total Investment (SR Million)
Food and Beverages	504	16151	577	20454	73	4303
Textiles, Ready Made Clothing & Leather	141	3465	174	4311	33	846
Wood, wooden products & furniture.	145	2226	190	2774	45	548
Paper, printing and publishing	195	5432	226	7360	31	1928
Chemicals and Plastic Products	630	150644	795	159156	165	8512
Building Materials, Chinaware, Ceramics and Glass	545	25281	585	29043	40	3762
Base Metals	11	4074	16	4217	5	143
Metallic Products, Machinery and Equipment	893	22375	993	27174	100	4799
Other Miscellaneous Industries	78	1372	80	1312	2	–60
Transport and storage	21	213	16	185	–5	–28
Total	**3163**	**231233**	**3652**	**255986**	**489**	**24753**

* Up to the end of 2004.

Source: Ministry of Commerce and Industry.

Figure 27.1
Number of Factories by Activity
Seventh Development Plan

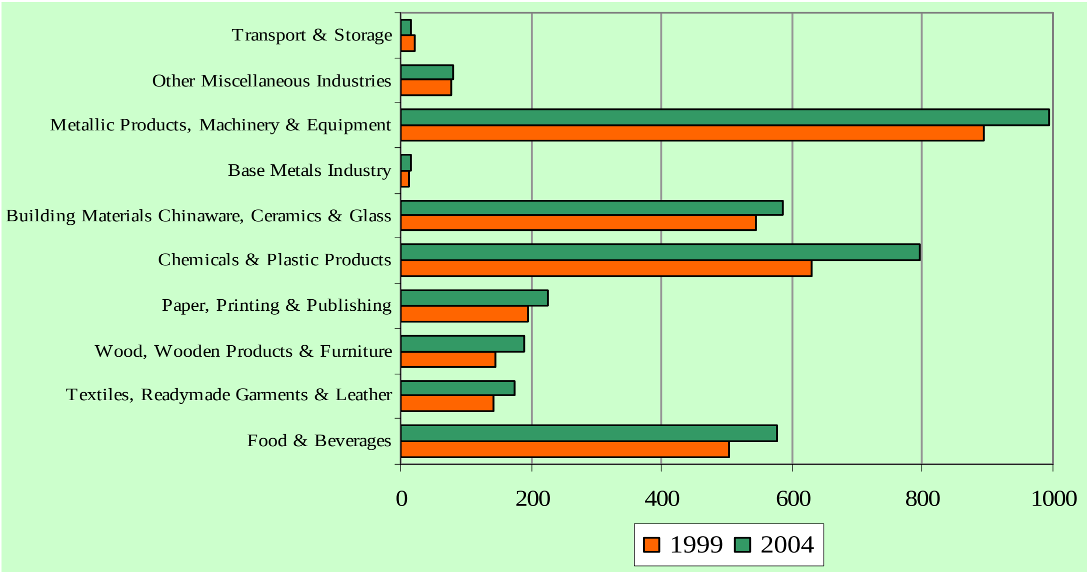
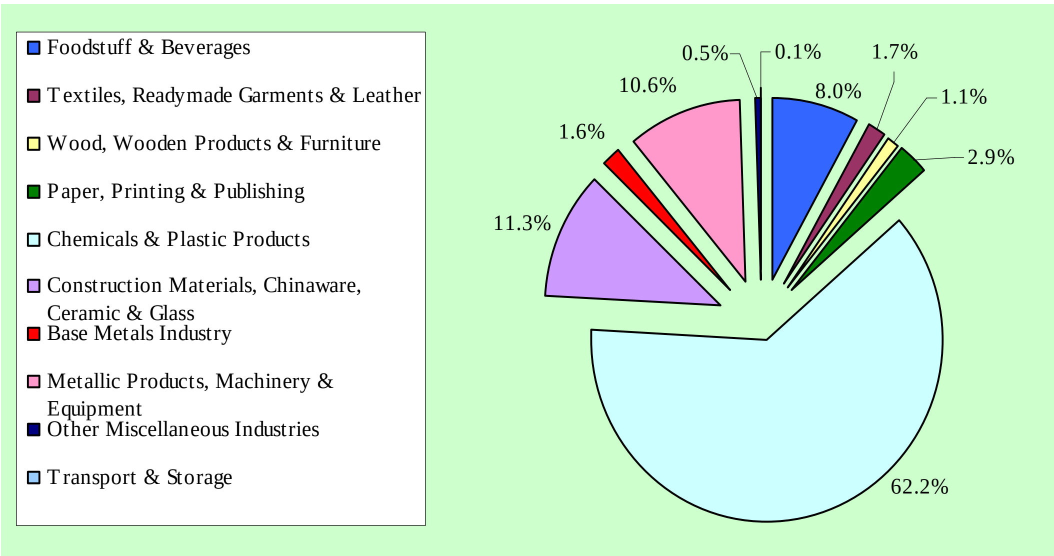


Figure 27.2
Industrial Sector
Percentage Distribution of Cumulative Investment
Seventh Development Plan*



* Figures are rounded to one decimal point.

The Saudi Industrial Development Fund (SIDF), which is the main government instrument for development of national industry, provides medium and long-term soft loans for new industrial projects and for expansion of existing projects, up to 50% of total project cost. It also provides marketing, financial and technical advice, as well as regular monitoring of performance. Notably, SIDF provides loans to both Saudi and non-Saudi industrial investors. In the period between its establishment in 1974 and the end of 2004, it granted 2622 loans, with a total value of SR45.6 billion.

27.2.3 Direct Foreign Investment in the Industrial Sector

By the end of 2004, 501 operating factories; i.e. 13.7% of the total number of operating factories, had been established by virtue of the Foreign Capital Investment Law, with investments amounting to SR132.7 billion, or 51.8% of the total investment in the industrial sector, which amounted then to about SR256 billion. These 501 factories employed a total of 73,923 workers. Table 27.3 shows that in terms of the number of factories, the metal industry (base metals industry; metals products, machinery and equipment) came first, with a 37.5% share, followed by chemical industries and plastic products at 26.9%. In terms of total investment, chemical industries and plastic products came first, an 85.2% share, followed by metal industries at 5.2%. Notably, more than half of the industrial investments are Saudi-foreign joint ventures.

Table 27.3
Operating Factories Licensed under the Foreign Investment Law in 2004

Industrial Activity	Number of Factories	Share (%)	Total Finance (SR Million)	Share (%)
Food and Beverages	44	8.8	3519	2.7
Textile, Readymade Clothing and Leather	20	4.0	553	0.4
Wood, Wooden Products and Furniture	22	4.4	496	0.4
Paper, Printing and Publishing	23	4.6	1560	1.2
Chemical and Plastics	135	26.9	113056	85.2
Building Materials, Chinaware, Ceramic and Glass	62	12.4	6221	4.7
Base Metals	1	0.2	40	0.0
Metal Products, Machinery and Equipment	187	37.3	6917	5.2
Other Miscellaneous Industries	7	1.4	327	0.2
Total	**501**	**100.0**	**132689**	**100.0**

Source: Ministry of Commerce and Industry.

The Economic Offset Program is an important channel for foreign direct investment, aimed at transfer and indigenization of the advanced technology, training of national manpower, and enhancing integration of

The Saudi industry with the world industry. As part of this program, 8 agreements have been concluded with a number of countries and international companies, leading to formation of 17 Saudi-foreign joint companies operating in various fields, including maintenance of aircraft chassis and engines, production of electronic systems and products, electricity meters, sugar refining, chemicals, vehicle batteries, heavy machinery, and development of communications and information systems software. The total capital invested in these companies exceeded SR2.8 billion.

27.2.4 Geographic Distribution of Industrial Activity

Geographic distribution of industrial activity reflects population distribution, but is also affected by a number of other factors, such as availability of natural resources, proximity to internal and external markets, disparities in level of development, and availability of infrastructure and other necessary services. Hence, industrial activity is mainly concentrated on the main development corridor extending from the east coast via the central part of the country to the west coast in the Makkah and Al Madinah regions (Table 27.4).

Table 27.4
National Productive Factories by Region
Seventh Development Plan

Region	Number of Productive Factories		Increase During the Seventh Plan Period
	1999	2004 *	
Riyadh	1094	1312	218
Makkah	861	965	104
Al Madinah	121	147	26
Qassim	134	137	3
Eastern Region	745	848	103
Assir	72	84	12
Tabuk	27	31	4
Hail	25	29	4
Northern Borders	6	8	2
Jizan	35	38	3
Najran	19	19	–
Baha	12	14	2
Jouf	12	20	8
Total	**3163**	**3652**	**489**

*.Up to end of 2004.
Source: Ministry of Commerce and Industry

27.2.5 Institutional and Organizational Development

Within the context of administrative reform and restructuring of government agencies and organizations, Royal Decree A/2 of 10/4/2003 abolished the Ministry of Industry and Electricity and transferred industrial sector affairs to the Ministry of Commerce, which was renamed to Ministry of Commerce and Industry.

In addition, the Saudi Organization for Industrial Estates and Technology Zones was established by Council of Ministers Resolution 235 of 13/11/2001. An autonomous body, this organization is entrusted with supervising the construction, management, operation, maintenance and development of industrial estates, as well as with formulating relevant regulations. Such step was taken as part of the structural reforms that are aiming at developing the industrial sector as well as meeting its need of developed industrial estates. Industrial cities and technology zones would be built, operated, and developed by the private sector, with commercial fees collected for services provided.

27.2.6 Industrial Sector Employment

Under the Seventh Development Plan, industrial sector employment grew at an average annual rate of 0.4%, from 638,500 workers in 1999 to 650,600 in 2004 (Table 27.1). Corresponding Saudi employment increased at an average annual growth rate of 3.6%, from about 82,000 in 1999 to about 98,000 in 2004. Nevertheless, the share of Saudis in total employment is still below the desired level. Hence, efforts to increase this share need to be intensified.

27.3 ISSUES AND CHALLENGES

Notwithstanding the positive achievements by the industrial sector under the Seventh Development Plan, several challenges would need to be addressed under the Eighth Development Plan; foremost among which are the following.

27.3.1 Business Environment

Continual steps were taken over the years to improve the administrative and institutional environment for creating a suitable investment and growth climate and to enhance competitiveness of the national economy. These efforts will continue, with the aim of removing constraints on business activity, and enhancing efficiency of dispute settlement mechanisms and judicial proceedings; benefiting from international experiences in this regard.

27.3.2 The Structure of Saudi Industry

The current structure of industry is characterized by dominance of basic industries, which produce petrochemicals, plastics and base metals; and medium-tech consumer goods industries, such as beverages, textiles, paper products and electric devices. In contrast, technology-intensive capital goods industries, which produce things like machinery, equipment, and electric and telecommunication apparatus, are still in infancy, notwithstanding the progress made in recent years.

Thus, the forward and backward linkages of Saudi manufacturing industry need to be enhanced, since most machinery, equipment and apparatus are currently imported. In addition, except from basic industries, there are few examples that show integration of Saudi industry with the global industries. It is also important to stimulate industrial investment, encourage integration of Saudi industry with the international value chain, and shift resources away from traditional low-productivity sectors towards high-productivity, high-value-added, advanced technology sectors.

27.3.3 Technological Capability and Comparative Advantage

Structural transformation of the Saudi industry and growth of technology-intensive advanced industries require the development of the internal technological capacities resulting from domestic R&D and complementary activities. Since technology is the main determinant of performance and productivity, competitiveness of national industries will increasingly depend on success in developing in-house R&D capabilities. However, R&D capabilities of industrial companies are still limited, with the exception of the growing capabilities of ARAMCO and SABIC.

Hence, industrial policy needs to be directed towards enhancing technological capabilities of the national industry and acquiring competitive advantages through productivity gains, in order to complement the comparative advantage accruing from abundance of natural resources and other factors of production.

27.3.4 National Employment and Indigenization of Technology

Saudization has been a strategic objective and a national priority in all development plans. However, this objective is additionally urgent in the industrial sector, where most technical labor is expatriate, while Saudi nationals mainly carry out administrative and support functions. Since technical manpower is the primary means of technology transfer, indigenization and development, and in view of instability of the expatriate labor force, development of high-tech national industry is contingent upon expediting and giving priority to the policy of Saudization of industrial technical manpower.

27.4 FUTURE VISION

The future vision envisages that the national industry will:

- Play a fundamental role in the national economy and would be a cornerstone of sustainable development, with an enhanced contribution to the GDP.
- Be dynamic, capable of self-restructuring in response to technological advances and the domestic, regional, and world economic and social development.
- Have multiple linkages and be integrated nationally and internationally.
- Play a major role in R&D activities, complementing the R&D efforts of higher education and government and have strong linkages with international R&D centers.
- Enjoy a higher level of competitiveness based primarily on experience acquired from improved productivity and efficiency.
- Have the private sector playing the major role, with the role of government being limited to ensuring competition, providing an enabling environment, supporting R&D activities, and assisting infant industries.
- Be clean, environment-friendly, contributing to the protection of the environment and conservation of natural resources.

To achieve this vision, the Eighth Plan has the following strategic goals:

27.4.1 Strengthening and Enhancing the Industrial Base

- Continuing to enhance vertical integration of the oil industry through expansion of oil refining capacities.
- Providing industrial estates with natural gas, wherever feasible.
- Increasing production capacity of the petrochemical industry and diversifying its products.
- Enhancing forward linkages of the petrochemical industries, through encouraging the manufacture of intermediate and final plastic products.
- Developing pharmaceutical industries, diversifying licensed medicines, and establishing partnerships with international pharmaceutical companies.
- Utilizing the comparative advantage of the Kingdom in energy-intensive industries by encouraging base metal industries, particularly steel industry and its products.
- Upgrading production capacity of the machinery, equipment and metal products industries and increasing and diversifying production of high-tech, high-value-added products, such as devices used as inputs in the telecommunication and information technology industry.
- Achieving import substitution of auto spare parts and tires by upgrading production capacity quantitatively and qualitatively, making use of the comparative advantage the Kingdom has in this domain.
- Encouraging investment in production of high-value-added building materials, such as tiles, ornamental ceramics, and ceramics for industrial uses, in order to meet growing demand for these products.
- Encouraging food processing and agro-industries, including baby food and canned food, and enhancing linkages between these industries and the packaging, plastics and paper industries.

27.4.2 Enhancing the Competitive Advantage

Competitive advantage of Saudi industry is influenced by a number of factors, such as level of prices and product quality resulting from technological content, and performance efficiency. Hence, when providing incentives, priority will be given to projects with a technology content, projects with direct foreign investments that contribute effectively to transfer and indigenization of advanced technology, and projects that contribute to R&D.

27.4.3 Development of Infrastructure and Provision of Support Services

- Continuing to establish industrial estates in all regions and to expand existing ones.
- Developing the national railroad network.
- Considering the possibility of establishing in the North and South integrated development centers, similar to the industrial cities of Jubail and Yanbu.
- Encouraging establishment of technology incubators and parks, as well as special exports zones.
- Developing various types of business services, such as statistical information, marketing, investment and market studies, and training services, particularly for SMEs, through cooperation between government agencies and private-sector institutions.

27.5 DEVELOPMENT STRATEGY

In order to enhance the process of comprehensive and sustainable development, the Eighth Development Plan envisages substantially increasing the role of the industrial sector in economic activity, through adoption of the following objectives and policies.

27.5.1 Objectives

The main development objectives of the industrial sector are:

- Strengthening the industrial base of the country.
- Upgrading technological efficiency, productivity and competitiveness.
- Developing the infrastructure and providing support services to industry.
- Increasing private-sector participation and supporting the SMEs.
- Supporting and encouraging industrial exports.
- Upgrading the skills of Saudi manpower in the industry sector.

27.5.2 Policies

Achieving the objectives set for the industrial sector in the Eighth Development Plan relies on implementation of the following policies:

- Expanding and further integrating high value-added manufacturing industries.
- Linking incentives and licensing policies to the technology content of industrial projects, their export objectives and measures of protection against environment pollution.
- Encouraging industries based on modern technology, advanced knowledge, and high productivity.
- Establishing technology incubators to support small industrial projects.
- Developing the national standards system, with the aim of improving the quality of Saudi industrial products and enhancing their competitiveness in world markets.
- Expanding existing industrial estates and establishing new ones.
- Reducing state ownership of industrial companies.
- Developing a specialized mechanism to meet the financial requirements of SMEs.
- Conducting more market research and providing consultation and industrial business sector development services.
- Establishing an advisory committee comprising representatives from the Ministry of Higher Education, the Ministry of Education, the Ministry of Commerce and Industry, GOTEVT and the Chambers of Commerce and Industry to ensure that outputs of training programs are consistent with industrial labor market requirements.

27.5.3 Targets

During the Eighth Development Plan, the industrial sector is expected to grow at constant 1999 prices at an average annual rate of 6.2%, with petrochemical industries growing at 7.3%, other manufacturing industries at 6.7% and the oil refining industry at 4.4% (Table 27.5).

The following targets are envisaged by the Eighth Development Plan:

- Some 670 factories would commence production, with investments of about SR15 billion; thereby raising the total number of productive factories, by the end of the Plan, to 4410 factories, with investments totaling almost SR275 billion.

- Increasing industrial employment at an average annual rate of 3.8%.
- Increasing foreign investment in the industrial sector at an average annual rate of 10%.
- Granting new industrial loans, with a value of about SR11.3 billion.

Table 27.5
Industrial Sector Indicators
Eighth Development Plan
Constant 1999 Prices *

Indicator	2003	2004	2009 (Planned)
Value Added of industry sector (SR billion)	75.7	79.5	107.2
Share of GDP (%)	11.09	11.1	12.0
Average Annual Growth Rate (AAGR) of Industry	4.8	4.8	6.2
AAGR –Non-Oil GDP (%)	3.9	3.9	5.2
AAGR of GDP (%)	3.4	3.4	4.6
Industrial Exports (SR billion)	49.5	52.2	73.5
Value Added — Oil Refining Industry (SR billion)	19.5	20.5	25.4
Value Added — Petrochemical Industry (SR billion)	7.0	7.4	10.5
Value Added — Other Manufacturing Industry (SR billion)	49.2	51.6	71.3
Share of Oil Refining in Total Industry (%)	25.8	25.8	23.7
Share of Petrochemicals in Total Industry (%)	9.2	9.3	9.8
Share of Other Manufacturing in Total Industry (%)	65.0	64.9	66.5
AAGR of Oil Refining Industry (%)	2.6	2.6	4.4
AAGR of Petrochemicals Industry (%)	4.1	4.1	7.3
AAGR of Other Manufacturing Industry (%)	5.9	5.9	6.7
Share of Industrial Employment in Total Employment (%)	7.8	7.9	8.5
AAGR of Industrial Employment (%)	0.4	0.4	3.8

* Figures are rounded to one decimal point

Source: Ministry of Economy and Planning

27.6 FINANCIAL REQUIREMENTS

The total financial requirements for the industry sector (Ministry of Commerce and Industry — Industry Division, Royal Commission of Jubail and Yanbu) in the Eighth Development Plan will be about SR13,720 million, used primarily for enhancing competitiveness of the industrial sector, providing more industrial infrastructure, upgrading the skills of Saudi manpower, and supporting small-scale and nascent industries.

CHAPTER TWENTY EIGHT

ELECTRICITY

28. ELECTRICITY SECTOR

28.1 INTRODUCTION

Restructuring of the electricity sector is proceeding steadily towards allowing entry of independent producers into the power generation market, in addition to considering opening the sector for private investment in various activities, including electricity transmission and distribution and other related services. Simultaneously, efforts to achieve the main strategic objective of the sector, which is to attain full coverage of electricity services of the whole country by the end of the Eighth Development Plan period, are continuing.

This chapter presents the current conditions of the electricity sector and the major achievements made during the Seventh Development Plan. It also deals with the key issues and challenges facing the sector and the policies and mechanisms needed to address them and to meet the growing demand for electricity. Finally, it presents the features of the continuing restructuring of the sector and its envisaged future vision.

28.2 CURRENT CONDITIONS

The increase in electricity consumption is determined primarily by economic and population growth on the one hand and development of electricity prices on the other. Per capita consumption of electricity grew at an average annual rate of 1.7% during the first four years of the Seventh Development Plan, exceeding the target of 1.2%. Reducing tariffs during the first year of the Plan and keeping them constant subsequently was a key factor of the growth of consumption (Table 28.1).

Table 28.1
Electricity Sector Indicators

	1999	2003	Average Annual Growth Rate (%)	Seventh Plan Growth Target (%)
Per Capita Consumption (KWH)	٥,٤٤٤.0	٥,٨٣٣.0	1.7	1.2
Number of Customers (000)	٣,٣٧١.٦	٤,٢٣١.٦	5.8	4.2
Number of Residential Customers (000)	٢,٧٩٢.٠	٣,٤٩٧.١	5.8	3.9
Service Coverage (%)	٧٩.١	٩٠.٠	3.3	0.9
Electricity Consumption (billion KWH)	١٠٥.٦	١٤١.٥	7.6	5.2
Peak Load (MW)	٢١,١٠١.٠	٢٦,٢٧٢.٠	5.6	5.1
Actual Generation Capacity (MW)	٢٠,٦٤٧.٠	٢٧,٠١٨.٠	7.0	5.7
Generation Capacity of Desalination Plants (MW)	٢,٦٧٥.٢	٢,٨٦٦.٠	1.7	–
Total Number of Employees	٢٨,٧٨٥.0	٢٩,١٨٩.٠	0.3	2.2
Share of Saudis (%)	٦٩.١	٧٩.٤	3.5	2.7
Average Number of Customers Per Employee (Customer)	١١٧.٠	١٤٥.٠	5.5	2.0
Average Sold Electricity Per Employee (MWH)	٣,٦٦٨.٦	٤,٨٤٧.٧	7.2	2.9

Source: Ministry of Water and Electricity

28.2.1 Service Coverage

Aided by its improved financial position, the Saudi Electricity Company, an exclusive concessionaire, has been instrumental in accelerating electrification; adding during the first four years of the Seventh Development Plan about 860,000 customers, including about 705,100 residential customers, compared to the target set by the Plan of 793,000 customers.

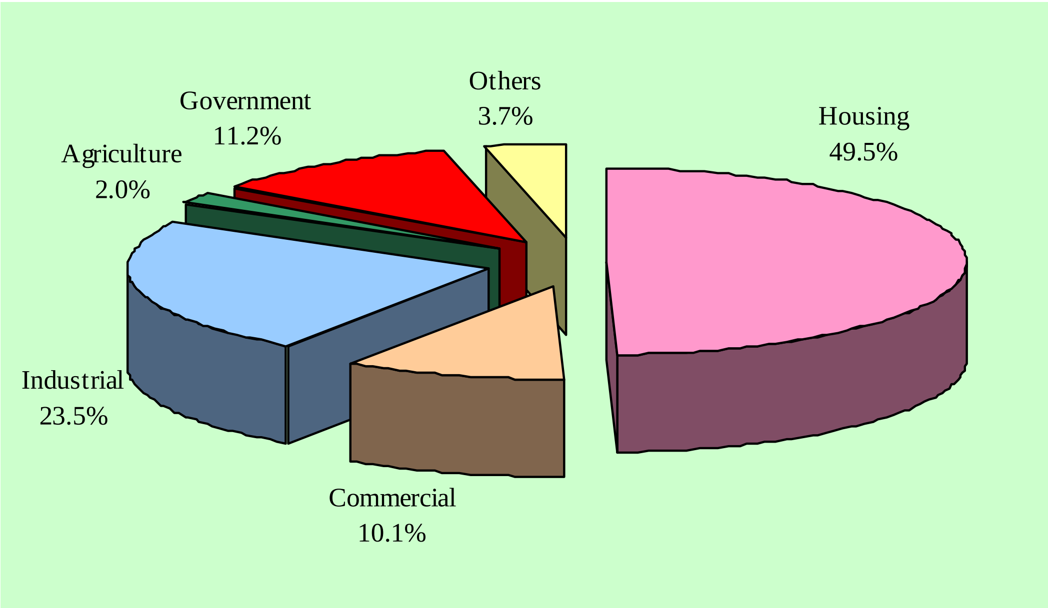
By the end of 2003, the total number of customers reached 4,231,660, or 90% of the total number of potential customers. In that year, electricity was provided to 10,059 villages and hamlets, or 90% of the total number of villages and hamlets.

28.2.2 Electricity Consumption and Loads

During the first four years of the Plan, as a result of a substantial increase in the number of customers, as well as growth in non-residential consumption, electricity consumption increased at an annual average rate of 7.6% to 141.5 billion KWH in 2003. As shown in Figure 28.1, residential consumption accounted for almost half of the total, while industrial consumption accounted for 24%, commercial consumption for 10%, and government sector consumption for 11%.

Asynchronous peak load increased at an average annual rate of 5.6%, from 21,101 MW in 1999 to 26,272 MW in 2003.

Figure 28.1
Electricity by Consumption Category, 2003



28.2.3 Generation Capacity

Generation capacity increased from 20,647 MW in 1999 to 27,018 MW in 2003, excluding available capacity from dual purpose desalination plants, which increased from 2,675.2 MW to 2,866.0 MW.

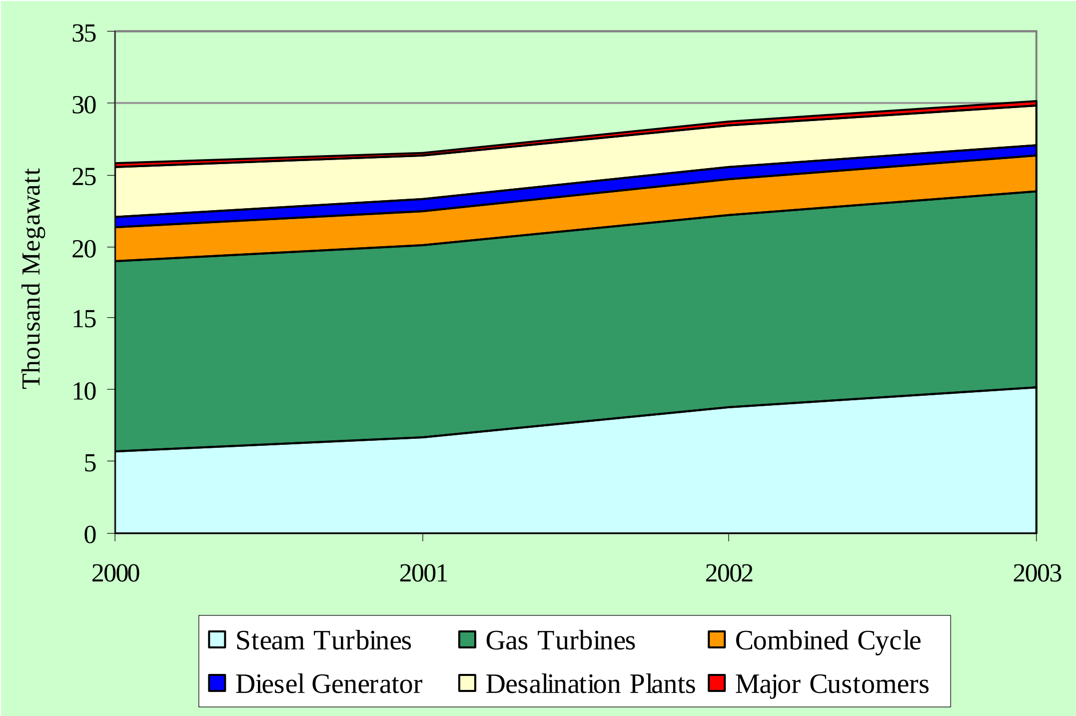
As shown in Table 28.2, generation capacity is distributed as follows: steam turbine plants; 33.8% of total capacity; combined cycle plants, 8.2%; and gas turbine plants and diesel generators, 47.8%. The high share of gas turbines and diesel generators is due to several reasons, including existence in isolated population centers of many small sub-systems that lack cooling water needed for steam and combined cycle plants, the relatively low load factor due to the seasonal nature of loads, which requires flexible, small and medium generation capacities to meet peak demand. The share of small gas and diesel plants in total generation capacity is expected to decrease with the continuous expansion of the electricity grid among and within the regions, as well as with neighboring countries. Figure 28.2 shows the trends in generation capacity from 2000 to 2003.

Table 28.2
Capacities of Domestic Generation Plants

Type of Generation Plant	2000 (MW)	2003 (MW)	Average Annual Growth Rate (%)	Share of Total Generation Capacity 2000 (%)	Share of Total Generation Capacity 2003 (%)
Steam Turbines	٥,٦٧٢	١٠,١٦٥	٢١.٥	٢٢.٠	٣٣.٨
Gas Turbines	١٣,٢٢٩	١٣,٦٨٤	١.١	٥١.٣	٤٥.٥
Combined Cycle Generators	٢,٣٨٧	٢٤٨٤	١.٣	٩.٣	٨.٢
Diesel Generators	٧٧٢	٦٨٥	– ٣.٩	٣.٠	٢.٣
Total (Saudi Electricity Company)	٢٢,٠٦٠	٢٧,٠١٨	٧.٠	٨٥.٥	٨٩.٨
Desalination Plants	٣,٤٣٦	٢,٨٦٦	– ٥.٩	١٣.٣	٩.٥
Major Customers	٢٩٤	٢٠٧	– ١١.٠	١.١	٠.٧
Total (Electricity Sector)	٢٥,٧٩٠	٣٠,٠٩١	٥.٣	١٠٠.٠	١٠٠.٠

Source: Ministry of Water and Electricity.

Figure 28.2
Development of Generation Capacity
Seventh Development Plan



28.2.4 Production of Electricity

Total produced electricity increased at an average annual growth rate of 6.6%, to 153.0 billion KWH in 2003 from 126.2 billion KWH in 2000 (Table 28.3). During this period, generation efficiency improved with the shares of the relatively more efficient steam and combined cycle plants increasing at the expense of the less efficient gas turbine and diesel plants (Figure 28.3).

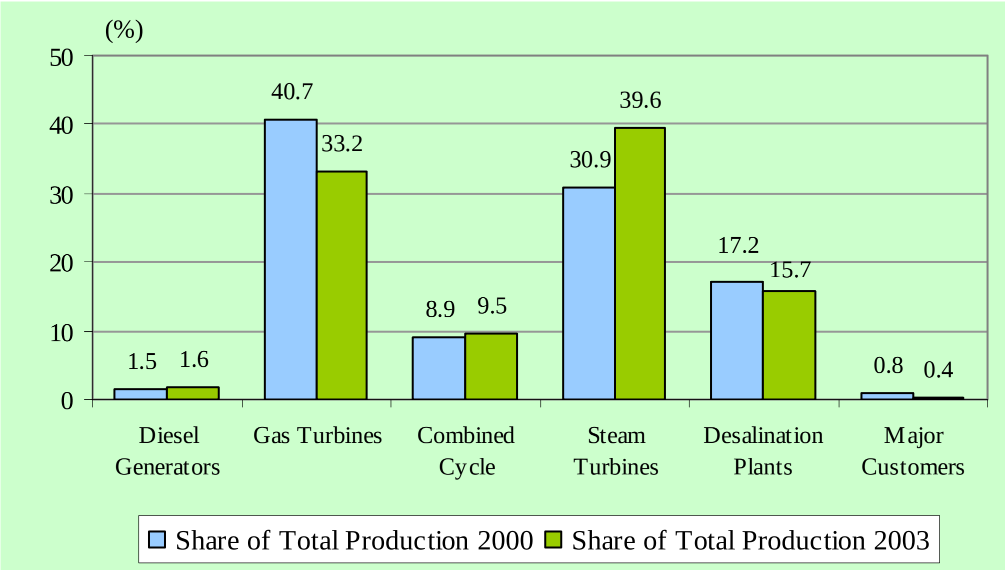
Table 28.3
Electricity Production by Source

Gw/h

Type of generation plant	2000 (GWH)	2003 (GWH)	Average Annual Growth Rate (%)	Share of Total Production	
				2000 (%)	2003 (%)
Diesel Generators	١,٨٨٢	٢,٤٢٤	٨.٨	١.٥	١.٦
Gas Turbines	٥١,٣٩٣	٥٠,٧٣٣	– ٠.٤	٤٠.٧	٣٣.٢
Combined Cycle Generators	١١,٢٦١	١٤,٥٧٠	٩.٠	٨.٩	٩.٥
Steam Turbines	٣٩,٠١٢	٦٠,٦٤٤	١٥.٨	٣٠.٩	٣٩.٦
Total (Saudi Electricity Company)	١٠٣,٥٤٨	١٢٨,٣٧١	٧.٤	٨٢.١	٨٣.٩
Desalination Plants	٢١,٦٥٢	٢٤,٠١٨	٣.٥	١٧.٢	١٥.٧
Power Imported From Major Customers	٩٩٣	٦١١	– ١٤.٩	٠.٨	٠.٤
Total Production	١٢٦,١٩٣	١٥٣,٠٠٠	٦.٦	١٠٠.٠	١٠٠.٠

Source: Ministry of Water and Electricity.

Figure 28.3
Electricity Production by Source
2000 and 2003



28.2.5 Fuel Consumption

Total consumption of fuel (crude oil, natural gas and diesel) in the electricity sector amounted to 33.3 million metric tons of oil equivalent in 2002, compared to 30.3 million tons in 2000. In line with the Seventh Development Plan strategy of reducing the use of crude oil and diesel in favor of natural gas and heavy fuel oil, the share of natural gas increased during the period from 36.9% of total fuel consumption to 50%, and the share of heavy fuel oil from 7.4% to 7.7%, while the share of crude oil decreased from 30.9% to 19.6% and the share of diesel from 24.8% to 22.7% (Figure 28.4).

28.2.6 Electricity Network

Total length of network lines increased from 256,300 km in 2000 to 305,700 km in 2003. As shown in Table 28.4, the increase comprised 3,500 km of 110–380 KV transmission lines, 21,400 km of 13.8–69 KV distribution lines and 24,600 km of LV lines (service voltage).

Figure 28.4
Shares of Fuels in Consumption in the Electricity Sector

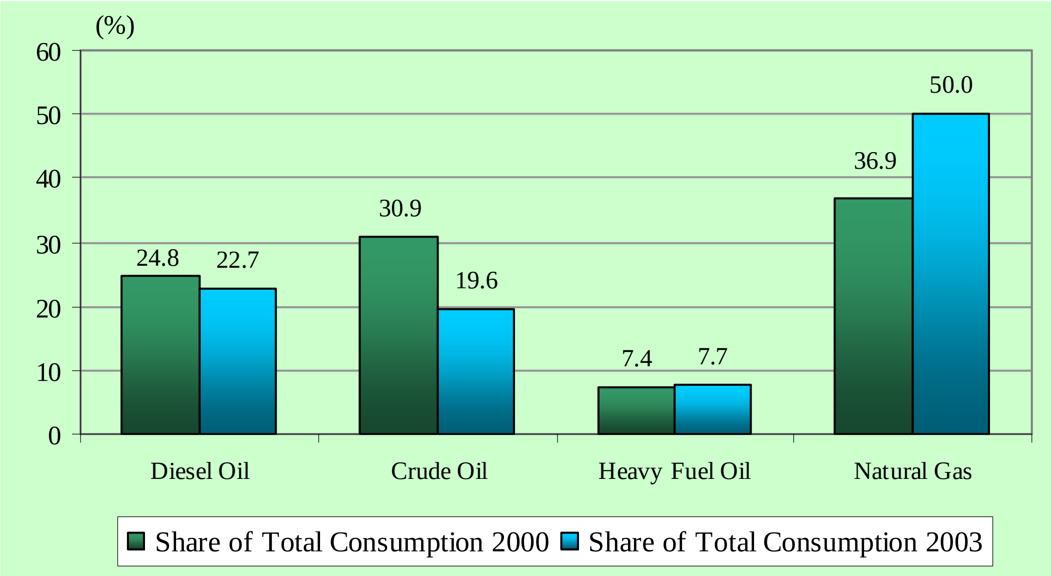

(%)
60
50
40
30
20
10
0
24.8
22.7
30.9
19.6
7.4
7.7
36.9
50.0
Diesel Oil
Crude Oil
Heavy Fuel Oil
Natural Gas
Share of Total Consumption 2000
Share of Total Consumption 2003

Table 28.4
Growth of the Electricity Network
2000–2003

(Km)

Year	Transmission Voltage	Distribution Voltage	Low Voltage	Total
2000	29,631	111,129	115,535	256,295
2001	30,335	117,780	123,123	271,238
2002	31,701	125,038	131,728	288,467
2003	33,111	132,538	140,098	305,747
Average Annual Growth Rate (%)	3.8	6.0	6.6	6.1
Additions 2001–2004	3,480	21,409	24,563	49,452

Source: Ministry of Water and Electricity.

28.2.7 Employment in Electricity Sector

During the first four years of the Seventh Development Plan, total employment in the electricity sector, excluding workers under operation, maintenance and support contracts, grew at an average annual rate of 0.3%, reaching 29,189 employees in 2003. The sector also maintained a steady pace of Saudization, with the share of Saudis in total employment standing at 79.4% in 2003, which is higher than the planned target of 75%. The Saudization trend was supported by various training programs provided by the Saudi Electricity Company.

The growth rate of employment of 0.3% was far below the growth rate of electricity consumption of 7.6%, reflecting a notable improvement in labor productivity. Average number of customers per employee increased at an annual growth rate of 5.5%, from 117 in 1999 to 145 in 2003, while average consumption per employee increased at an average annual rate of 7.9%. As a result, the average cost of service decreased from 12.05 Hallalah per KWH in 2000 to 11.40 in 2003.

28.2.8 Restructuring and Privatization

Restructuring efforts continued under the Seventh Development Plan, with the aim of privatizing the sector in line with the overarching privatization strategy. The following steps were taken:

- Establishing the Saudi Electricity Company in 1998, and incorporating all public electricity utilities within it, as an initial step towards privatization.
- Reviewing electricity tariffs in 1999 to make them in line with actual service costs, as part of a process aimed at operating the electricity sector commercially. Tariffs were adjusted by Council of Ministers Resolution 170 of 8/11/2000.
- Establishing the Electricity Service Regulatory Authority in 2001 to regulate the sector and to assure provision of reliable, high quality services at reasonable prices.
- Commencing the process leading to separation of generation from transmission from distribution (Box 28.1).

Box 28.1: The Role of the Electricity Service Regulatory Authority and its Plans for Restructuring Electricity and Desalination Industries

A. Role and Tasks:

The Electricity Service Regulatory Authority was established by Council of Ministers Resolution 236 of 12/11/2001 as a corporate body enjoying financial and administrative autonomy. The Authority is entrusted with assuring the provision of reliable, high-quality services at affordable prices. It undertakes, in the framework of the set policies and plans, the tasks of regulating the sector, proposing regulatory rules, review of costs and tariffs periodically, and enhancing competition in order to encourage private investments in electricity-sector projects. The authority has also been entrusted with the task of regulating the desalination industry and dual purpose electricity generation projects.

B. The Initial Program for Restructuring the Electricity Industry:

This program, being implemented by the Regulatory Authority, aims at decentralizing the electricity industry, making it subject to market forces, increasing the role of the private sector in it, and creating a competitive environment. The process of regulation and restructuring is expected to lead to the creation of an adequate institutional and operational framework. The major planned steps include the following:

1. Developing a proper organization framework.
2. Restructuring the facilities of electricity industry.
3. Organizing the transmission and distribution networks.
4. Establishing a proper tariff system characterized by high economic and social efficiency.
5. Creating a competitive wholesale market in electricity generation.

- Establishing in 2003 the joint-stock Water and Electricity Company for buying electric power and desalinated water produced by independent producers for sale to distribution companies and major consumers.
- Separating the Electricity Affairs Division from the Ministry of Industry and attaching it to the Ministry of Water and Electricity. This step, which was taken in the context of the administrative reform and development of government agencies, aims at improving the quality of electricity and water policies and raising the economic and social efficiency of these two utilities.

28.2.9 Role of Private Sector

The role of the private sector was enhanced considerably under the Seventh Development Plan. In addition to restructuring the electricity sector as a step towards privatization, a private company, the National Energy Company, started in 2002 building at the Jubail Industrial City, on a build-operate-own (BOO) basis, the first private steam plant for electricity generation, with a capacity of 240 MW, to be operational in 2005. Moreover, a contract was concluded in 2004 between ARAMCO and a private company to build four generating plants, on a build-own-operate basis, with a total capacity of 1074 MW, in Ras Tanura, Juaimah, Shudghum and Uthmaniah. These companies can sell surplus production to the Saudi Electricity Company.

28.3 ISSUES AND CHALLENGES

28.3.1 Full Service Coverage

Provision of a reliable, efficient electricity service at minimum cost in all regions is a strategic objective for the electricity sector. However, in view of the vast land area, which exceeds two million km^2, with 11,185 cities, villages and hamlets, and the steady growth of population at a relatively high rate, it is also a great economic and social development challenge. Accomplishing this objective is expected to be one of the most important achievements of the Eighth Development Plan.

28.3.2 National Electricity Grid

Establishing a market for electricity production and creation of a flexible, adequate environment to ensure competition in this market require a unified high-voltage national network interconnecting generation centers with main load centers. At present, the network covers the Eastern, Central and Western regions and links the Eastern region with the Central region. Completion of this network will require expanding it to cover the main load centers in the Southern and Northern regions and to link the Central region with the Western region.

28.3.3 Regional Electricity Interconnection

The Gulf interconnection network, which will be linked later with the Arab network currently under construction, is expected to be established in the next few years. Connecting the Saudi grid with neighboring and distant electricity markets, via this interconnection network, would facilitate electricity exports, which are expected to become more important in the future .

28.3.4 Restructuring and Privatization

The current restructuring process, which is aimed at achieving the targeted model of the sector, involves the following major steps:

- Merging the transmission facilities (National Grid) into a consolidated, autonomous entity.
- Allowing a suitable number of investors in electricity production to operate in a well-regulated competitive environment.
- Organizing and restructuring electricity distribution tasks to enhance the efficiency of providing electricity services on a commercial basis throughout the country.
- Increasing participation of the private sector in all aspects of the electricity service.

28.3.5 Manufacturing of Electricity Related Equipment and Devices and Indigenization of Relevant Technology

For the last two decades, manufacturing electricity transmission and distribution equipment, such as various types of cables, towers, switchboards, fuses, and low- and medium-voltage transformers, has prospered. Due to the expected growth of electricity locally and regionally, expansion of this industry, particularly for the manufacture of high-voltage and ultra high-voltage equipment and control systems, is highly compatible with the strategy of establishing a strong, advanced industrial base.

However, indigenization of advanced technology requires upgrading the capabilities and skills of the national manpower in engineering design and consulting services. It is, therefore, proposed to conduct a feasibility study of establishing, as a private company or as a private–public partnership, an engineering and consulting firm specializing in the design and engineering of electricity projects, desalination plants, and similar facilities.

28.4 FORECASTS OF THE EIGHTH DEVELOPMENT PLAN

Table 28.5 presents the Eighth Development Plan forecasts of major developments of the electricity sector. The following main objectives are expected to be achieved under the Eighth Development Plan:

- Achieving full electricity service coverage by providing service to 1,126 villages and hamlets and serving 1,163,280 new customers.
- Increasing the power generation capacity by 10,996 MW, in addition to 1,330 MW from desalination plants. Private investors will be allowed to provide the additional generation capacity by establishing new power generation plants on a build-operate-own basis.
- Increasing the rate of Saudization to 89.2% by the end of the Plan and raising labor productivity by 6.5% per year.
- Linking the electricity network of the Central region with the network of the Western region and linking the latter with the Southern region.
- Proceeding with restructuring and privatization and creating an independent company to own and operate the national transmission network.
- Linking the electricity networks of the Kingdom with the networks of the GCC countries to support exchange of electricity and load sharing.
- Studying the feasibility of exporting electricity on a commercial basis.
- Studying the feasibility of establishing an electrical engineering and

consulting firm, as a private company or a private-public partnership.

Table 28.5
Main Indicators of the Electricity Sector
Eighth Development Plan

	Actual 2003	Expected 2004	Planned 2009	Average Annual Rate of Growth (%)
Per capita Consumption (KWH/Year)	5,833	5,829	6,415	1.9
Number of Customers (thousand)	4,231.66	4,431.11	5,594.39	4.8
Number of Residential Customers (thousand)	3,497.1	3,662.8	4,629.4	4.8
Service Coverage (%)	90.0	91.7	100.0	1.8
Electricity Consumption (billion KWH)	141.5	145.5	184.4	4.9
Peak Load (MW)	26,272	28,546	38,288	6.0
Actual Generation Capacity (MW)	27,018	27,021	38,017	7.1
Generation Capacity of Desalination Plants (MW)	2,866	3,391	4,721	6.8
Total Number of Employees	29,189	28,991	26,406	–1.9
Share of Saudis (%)	79.4	80.8	89.2	2.0
Average Number of Customers Per Employee (Customer)	145	160	218	6.5
Average Sold Electricity Per Employee(MWH)	4,847.7	5,247.8	7,196.1	6.5

Source: Ministry of Water and Electricity.

28.5 FUTURE VISION

The program of developing the electricity sector towards the targeted model consists of three stages:

- ***Transitional Stage***

  It will take two years to complete this stage, which includes the organization framework, identifying licensing methods and procedures, setting service standards, studying the feasibility of separating transmission facilities from generation facilities, transforming the former into an autonomous company, operating distribution and generation facilities on a commercial basis, and establishing a framework that allows involvement of the private sector in power generation as independent producers of both water and power.

- ***Intermediate Stage***

  This stage, which will take 3–5 years, and during which the separation of transmission facilities will have been completed, covers distribution of the generation activities of the Saudi Electricity Company among a number of independent companies; thereby enhancing competition and facilitating entry of private companies into the field of generation. The stage also covers provision of an operator for the transmission system, who will also be the sole buyer of the electricity power produced and transmitted by the main network.

- ***Final Stage (Competition)***

  At this stage, which will be reached after completion of the two previous stages; i.e. more than five years, generation, transmission and distribution companies of the electricity sector will be operating normally, with electricity prices set on an economic basis to cover service costs and provide a reasonable return on investment. Moreover, industrial and other major customers will have the opportunity to choose a service supplier, in the context of an advanced wholesale competitive market based on transparent rules and regulations.

28.6 DEVELOPMENT STRATEGY

28.6.1 Objectives

The objectives set for development of the electricity sector are as follows:

- Providing electricity at an adequate technical level to all population settlements and economic facilities.
- Providing electricity at minimum economic, social and environmental costs.
- Continuing to encourage conservation of energy and rationalization of electricity consumption.

28.6.2 Policies

Achieving the main objectives set for the electricity sector is contingent upon implementation of the following policies:

- Providing electricity service at a high level of quality and reliability and achieving full service coverage.
- Allowing competition in electricity generation.

- Rationalizing electricity tariffs, with due consideration to the social dimension of pricing.
- Studying utilization of the electricity industry as one of the means for maximizing the value added of the oil resources and enhancing regional and international integration.
- Transferring, indigenizing and developing electrical technologies.

28.6.3 Targets

Full electricity service coverage is expected to be achieved under the Eighth Development Plan (Table 28.6), and about 1.16 million additional customers are expected to be served (Table 28.7). Moreover, it is expected that the national network will be completed and linked with the Gulf and Arab networks as a regional grid.

Table 28.6
Electricity Service Coverage by Region
Eighth Development Plan

Region	Percentage Coverage							Average Annual Rate of Growth (%)
	Actual 2003	Estimate 2004	2005	2006	2007	2008	2009	
Riyadh	٩٥.٩	٩٦.٦	٩٧.٣	٩٨.٠	٩٨.٦	٩٩.٣	١٠٠.٠	٠.٧
Makkah	٩٢.١	٩٣.٥	٩٤.٨	٩٦.١	٩٧.٤	٩٨.٧	١٠٠.٠	١.٤
Al Madinah	٩٧.٣	٩٧.٨	٩٨.٢	٩٨.٧	٩٩.١	٩٩.٦	١٠٠.٠	٠.٥
Qassim	٩٧.٠	٩٧.٥	٩٨.٠	٩٨.٥	٩٩.٠	٩٩.٥	١٠٠.٠	٠.٥
Eastern Region	٩٩.٣	٩٩.٤	٩٩.٦	٩٩.٧	٩٩.٩	١٠٠.٠	١٠٠.٠	٠.١
Assir	٧٦.١	٨٠.١	٨٤.١	٨٨.١	٩٢.٠	٩٦.٠	١٠٠.٠	٤.٥
Tabuk	٧٤.٢	٨٧.٥	٨٢.٨	٨٧.١	٩١.٤	٩٥.٧	١٠٠.٠	٢.٧
Hail	٧١.٩	٧٦.٦	٨١.٣	٨٦.٠	٩٠.٧	٩٥.٣	١٠٠.٠	٥.٥
Northern Borders	٧٩.٦	٨٣.٠	٨٦.٤	٨٩.٨	٩٣.٢	٩٦.٦	١٠٠.٠	٣.٨
Jizan	٦٨.٨	٧٤.٠	٧٩.٢	٨٤.٤	٨٩.٦	٩٤.٨	١٠٠.٠	٦.٢
Najran	٧٣.١	٧٧.٦	٨٢.١	٨٦.٦	٩١.٠	٩٥.٥	١٠٠.٠	٥.٢
Baha	٩٧.٥	٨٣.٩	٨٦.٣	٨٩.٩	٩٣.٢	٩٦.٦	١٠٠.٠	٣.٦
Jouf	٧٨.٥	٨٢.١	٨٥.٦	٨٩.٢	٩٢.٨	٩٦.٤	١٠٠.٠	٤.٠

Total	٩٠.٠	٩١.٧	٩٣.٤	٩٥.٠	٩٦.٧	٩٨.٣	١٠٠.٠	١.٨

Source: Ministry of Water and Electricity.

Table 28.7
Number of Electricity Customers by Region (thousand)
Eighth Development Plan

Region	Actual 2003	Estimate 2004	2005	2006	2007	2008	2009	Average Annual Rate of Growth (%)	Change During Plan
Riyadh	١,٠٧١.٩٨	١,١١٩.١٣	١,١٧٠.٠٣	١,٢٢٥.٨١	١,٢٨٢.٤٢	١,٣٤٥.٢١	١,٤٠٨.٠٠	٤.٧	٢٨٨.٨٧
Makkah	١,٢٣٣.٠٥	١,٢٩٠.٩٨	١,٣٥٣.٠٢	١,٤١٧.٩٥	١,٤٨٤.٥٦	١,٥٥٤.٩١	١,٦٢٥.٢٦	٤.٧	٣٣٤.٢٨
Al Madinah	٢٨٧.٣٦	٣٠٠.٨٦	٣١٥.٣٢	٣٣٠.٤٦	٣٤٥.٩٨	٣٦٢.٣٨	٣٧٨.٧٧	٤.٧	٧٧.٩١
Qassim	٢١٦.٩٢	٢٢٦.٤٦	٢٣٦.٧٦	٢٤٨.٠٥	٢٥٩.٥٠	٢٧٢.٢١	٢٨٤.٩٢	٤.٧	٥٨.٤٦
Eastern Region	٦٢٥.٦٨	٦٥٢.٢٤	٦٧٨.٣٩	٧٠٥.٨٦	٧٣٥.١٦	٧٦٣.٥٠	٧٩١.٨٤	٤.٠	١٣٩.٦٠
Assir	٢٤٣.٠٧	٢٥٨.٢٨	٢٧٥.٦٨	٢٩٢.٣٥	٣١١.٠٦	٣٣٠.٠٣	٣٤٩.٠١	٦.٢	٩٠.٧٣
Tabuk	١٠٧.٢٦	١١٢.٢٩	١١٧.٦٩	١٢٣.٣٤	١٢٩.١٣	١٣٥.٢٥	١٤١.٣٧	٤.٧	٢٩.٠٨
Hail	٨٣.٦٠	٨٧.٢٨	٩١.٢٥	٩٥.٦٠	١٠٠.٠٢	١٠٤.٩١	١٠٩.٨١	٤.٧	٢٢.٥٣
Northern Borders	٣٨.٢٦	٣٩.٨٩	٤١.٤٩	٤٣.١٧	٤٤.٩٦	٤٦.٦٩	٤٨.٤٢	٤.٠	٨.٥٣
Jizan	١٣٠.٢٩	١٣٨.٤٤	١٤٧.٧٦	١٥٦.٧٠	١٦٦.٧٣	١٧٦.٩٠	١٨٧.٠٧	٦.٢	٤٨.٦٣
Najran	٥٧.٤٨	٦١.٠٧	٦٥.١٩	٦٩.١٣	٧٣.٥٥	٧٨.٠٤	٨٢.٦٣	٦.٢	٢١.٥٦
Baha	٨٣.٩٧	٨٩.٢٢	٩٥.٢٣	١٠٠.٩٩	١٠٧.٤٥	١١٤.٠١	١٢٠.٥٦	٦.٢	٣١.٣٤
Jouf	٥٢.٧٤	٥٤.٩٧	٥٧.١٧	٥٩.٤٨	٦١.٩٥	٦٤.٣٤	٦٦.٧٣	٤.٠	١١.٧٦
Total	**٤,٢٣١.٦٦**	**٤,٤٣١.١١**	**٤,٦٤٤.٩٨**	**٤,٨٦٨.٨٩**	**٥,١٠٢.٤٧**	**٥,٣٤٨.٣٨**	**٥,٥٩٤.٣٩**	**٤.٨**	**١,١٦٣.٢٨**

Source: Ministry of Water and Electricity.

CHAPTER TWENTY NINE

TRANSPORT SECTOR

29. TRANSPORT SECTOR

29.1 INTRODUCTION

Being a basic element of the infrastructure needed for the socioeconomic development, the transport sector enjoyed great attention under past development plans and, hence, succeeded in linking all regions together, as well as linking the Kingdom with the other countries. The Eighth Development Plan will continue to focus on developing transport infrastructural facilities; improving operational efficiency and competitiveness of transport modes; strengthening linkages among various urban centers, cities and villages; and enhancing the role of the private sector in providing transportation services.

This chapter reviews the development of the transport sector under the Seventh Development Plan, presents the key issues and challenges that face it, estimates the expected demand for transport services, and addresses the objectives and policies set for it under the Eighth Development Plan.

29.2 CURRENT CONDITIONS

29.2.1 Road Transport

In the first four years of the Seventh Development Plan, total length of the paved road network increased by about 9.3%, from 45,300 km in 1999 to 49,500 km in 2003 (Figure 29.1). Similarly, total length of the unpaved road network increased by 10.3%, to 117,200 km (Table 29.1).

Table 29.2 shows the distribution of the road network by region. This network has contributed to linking together the various regions, linking the main urban centers and the rural areas, and facilitating transport of passengers and freight within the country and with other countries.

Table 29.1
Development of Road Network
Seventh Development Plan

(Thousand km)

Year	Paved Roads				Unpaved Roads
	Main	Secondary	Branch/Feeder	Total	
1999	15.1	8.4	21.8	45.3	106.3
2003	14.2 *	8.7	26.6	49.5	117.2
Change (%)				**9.3**	**10.3**

*   Due to reclassification of roads.

Source: Ministry of Transport

Figure 29.1
Paved Roads Network
Seventh Development Plan

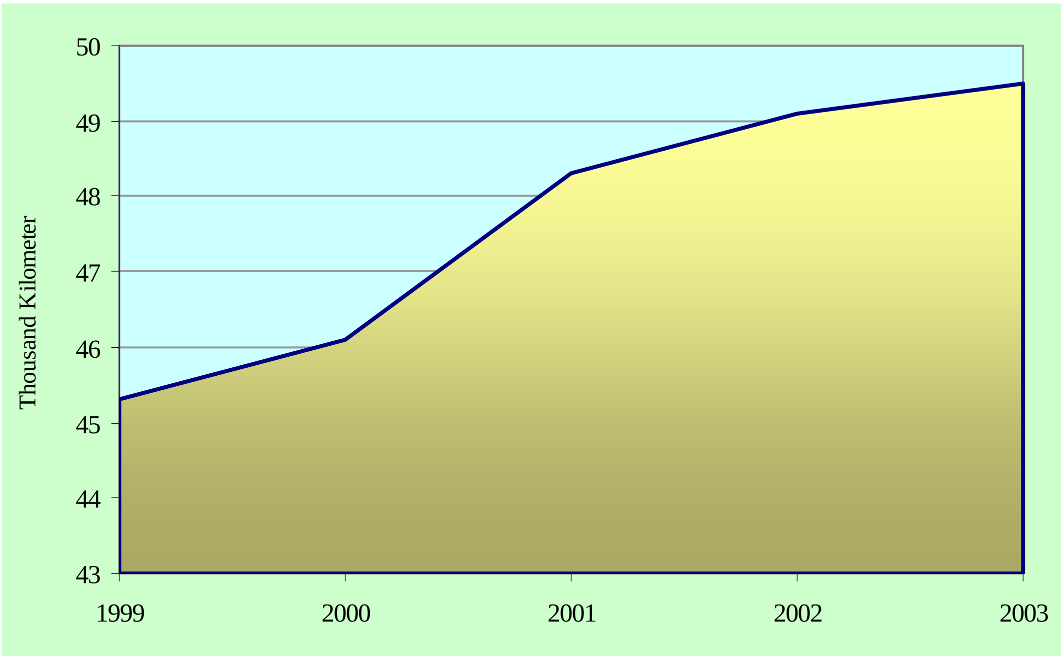


Table 29.2
Road Network by Region*
2003

(km)

Region	Type of Paved Roads				Unpaved Roads
	Total	Main	Secondary	Feeder	
Riyadh	11,040	2,247	2,113	6,680	10,214
Makkah	4,740	1,635	990	2,115	15,969
Medinah	3,250	1,032	810	1,408	15,681
Qassim	4,276	450	873	2,953	14,692
Eastern Region	5,081	2,218	1,133	1,730	3,210
Assir	3,770	905	880	1,985	20,133
Tabuk	2,062	1,405	156	501	8,525
Hail	2,631	410	372	1,849	10,710
Northern Borders	1,326	896	–	430	903
Jizan	949	205	130	614	4,207
Najran	1,478	455	525	498	2,868
Baha	1,162	119	280	763	5,772
Jouf	1,175	713	–	462	4,353
Total	**42,940**	**12,690**	**8,262**	**21,988**	**117,237**

* The Network covered by maintenance contracts only.

Source: Ministry of Transport.

Total number of vehicles grew by about 3.1% per year to about 3.84 million in 2002; of which 2.29 million were private cars, 1.45 million commercial vehicles, and the rest other types of vehicles.

Freight transport operations on roads are undertaken mainly by private companies. Severe competition has led to stability of transport prices for a relatively long time. A large number of transport companies of various sizes operate in the market. About 36% of them have 5 trucks or less and only 3% have more than 50 trucks.

The Saudi Arabian Public Transport Company (SAPTCO) is the largest provider of public transport. The company enjoys exclusive rights to operating a countrywide intercity bus service. It also provides intra-city bus services alongside a number of private companies, SAPTCO provides international passenger services (Table 29.3).

Table 29.3
Number of Passengers Transported by SAPTCO

(Million)

Service	1999	2000	2001	2002	2003
Local (intra-city)	17.00	11.33	11.00	11.20	9.71
Intercity	4.85	5.43	6.28	6.28	6.30
International	0.50	0.51	0.52	0.54	0.57

Source: Saudi Arabia Public Transport Company.

29.2.2 Rail Transport

The rail network did not change during the period of the Seventh Development Plan. The network is composed of two main lines connecting Dammam on the Eastern coast with the capital city of Riyadh; the passenger transport line (449 km) provides a direct daily service in each direction, while the freight transport line (556 km) connects the port of Dammam with the dry port of Riyadh. The latter line provides efficient freight transport services, particularly in the presence of customs clearance facilities, which facilitate handling and reduce transportation costs.

A study is under way of expansion of the rail network to include the following:

- Connecting phosphate and bauxite sites in the north with the Jubail industrial city on the eastern coast, via the Hail, Qassim and Riyadh regions, by a 1,683 km line.
- Constructing a rail line with a length of 946 km to connect the port of Dammam in the east with Jeddah port in the west.
- Linking Makkah with Al Madinah via Jeddah governorate, with a spur to Yanbu.

The private sector is expected to participate in the construction and operation of new rail lines.

Figure 29.2 and Figure 29.3 show the number of passengers and volume of freight transported by rail during the period of the Seventh Development Plan.

Figure 29.2
Number of Passengers Transported by Rail
Seventh Development Plan

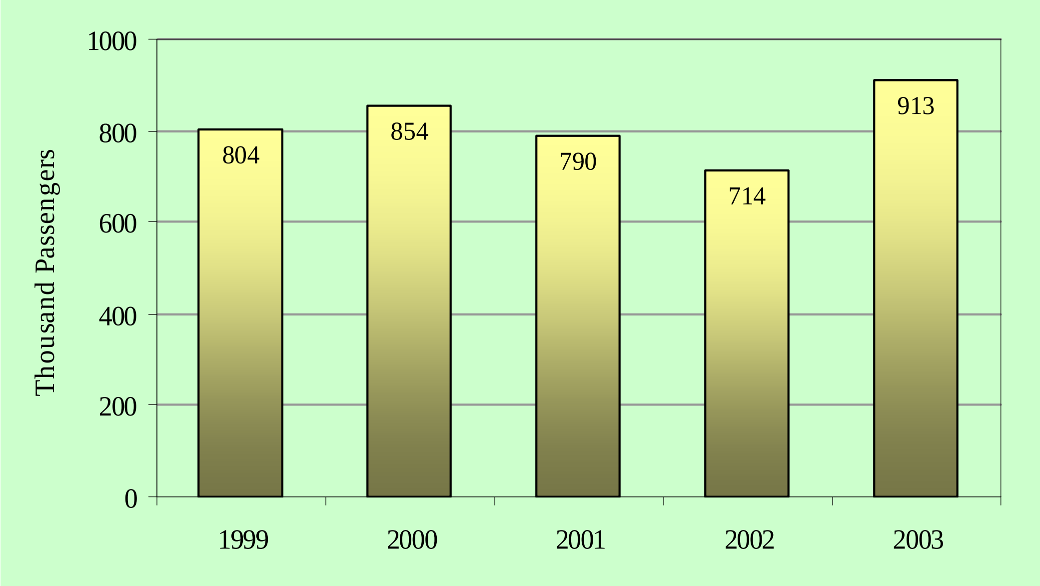
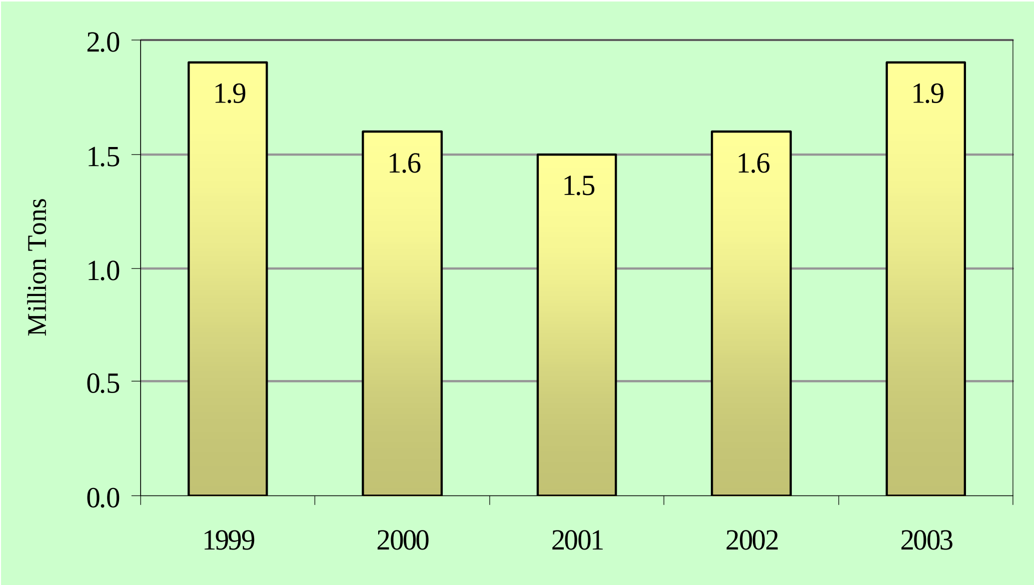


Figure 29.3
Volume of Freight Transported by Rail
Seventh Development Plan



29.2.3 Air Transport

The air transport network comprises 26 airports, including 3 international, 7 regional and 16 domestic airports; all operated and managed by the General Authority of Civil Aviation (GACA). SAUDIA and 44 other airlines serve the international airports, while the domestic airports are served only by SAUDIA.

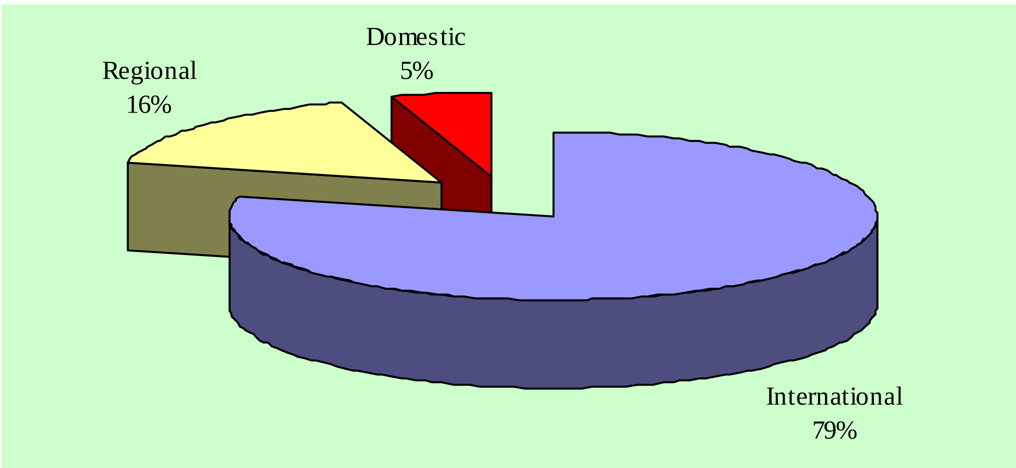
The airports handled 31.85 million passengers and 461,500 tons of air cargo in 2003 (Table 29.4). The share of the three international airports (Riyadh, Jeddah and Dammam) amounted to about 79% of the total number of passengers handled and 93% of total air cargo (Figure 29.4).

Table 29.4
Air Transport Traffic (Passengers and Cargo)

Volume	1999	2000	2001	2002	2003
Passengers (000)	28,741	29,532	29,821	31,070	31,845
(Change %)		2.75	0.97	4.2	2.49
Cargo (000 tons)	470.2	473.5	446.5	472.6	461.5
(Change %)		0.70	–5.70	5.85	–2.35

Source: General Authority of Civil Aviation.

Figure 29.4
Distribution of Passengers by
Category of Airport, 2003*



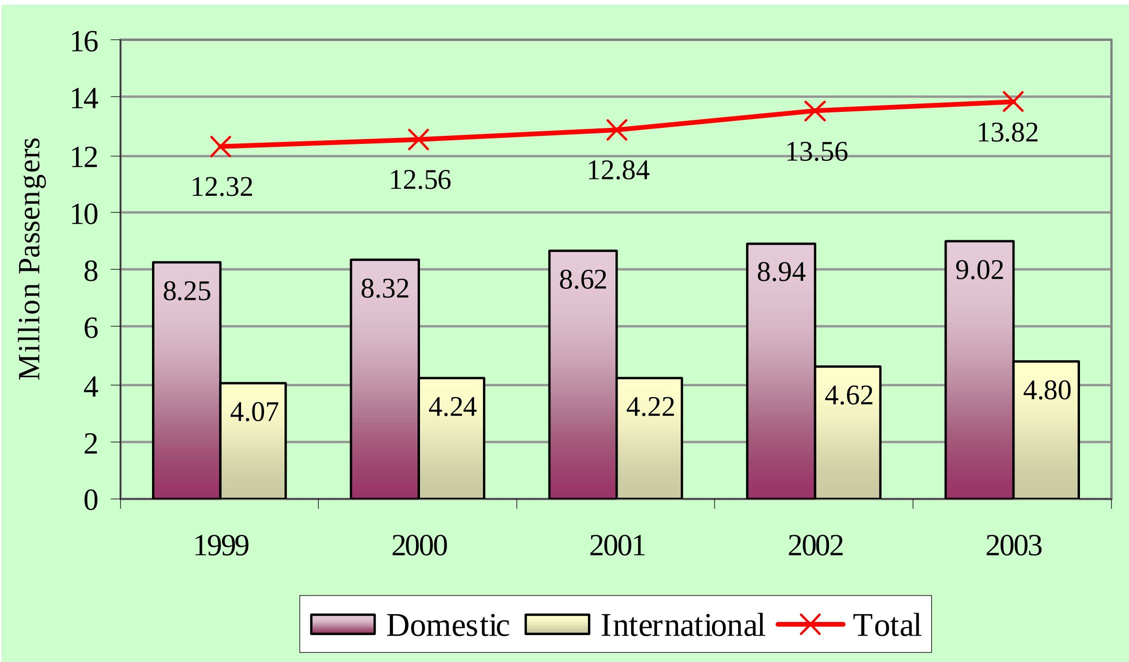
* 3 international, 7 regional and 16 domestic airports.

As part of the efforts aimed at developing airports, Prince Salman Bin Abdul Aziz Airport in Dawadmi was inaugurated under the Seventh Plan. Work also started on a project to expand and upgrade King Abdul Aziz International Airport in Jeddah to increase its passenger handling capacity to 21 million passengers per year. This airport is ranked first among Saudi international airport in terms of air traffic, with a share of 41% of the total number of passengers (31.85 million) handled at all international airports in 2003.

29.2.4 Saudi Arabian Airlines (SAUDIA)

SAUDIA operates a domestic network serving 26 airports, in addition to providing services to 57 international destinations. In 2003, SAUDIA carried 13.82 million passengers; 9.02 million on domestic flights and 4.8 million on international flights (Figure 29.5), and transported 253,000 tons of cargo on all flights.

Figure 29.5
Passengers Carried on Scheduled Flights of SAUDIA



SAUDIA has the largest fleet in the Middle East in terms of capacity and number of aircraft; in 2003, it had a fleet of 90 aircrafts; 85 for passenger transport and 5 for cargo.

In a move to introduce competition into domestic air transport, Council of Ministers Resolution 90 of 2003 adopted an "Open Sky" policy, by granting licences to private airlines to provide domestic air transport services. Rules are currently being prepared for implementation of this resolution, and preparatory work on privatization of SAUDIA is under way.

29.2.5 Seaports and Marine Transport

Excluding oil export facilities, the seaport infrastructure comprises eight main ports, with 183 berths and a total design capacity of 252 million tons per year. Five of these ports are located along the western coast, in Jeddah, Jizan, Dhuba and Yanbu (commercial and industrial), and the other three along the eastern coast in Dammam and Jubail (commercial and industrial).

The Saudi Ports Authority (SPA) is responsible for development of the Saudi ports and their management. Through leasing contracts, the private sector plays a major role in the management, operation and maintenance of ports facilities, with the Authority undertaking supervision of privatization contracts and setting the general policies and future plans for improving performance.

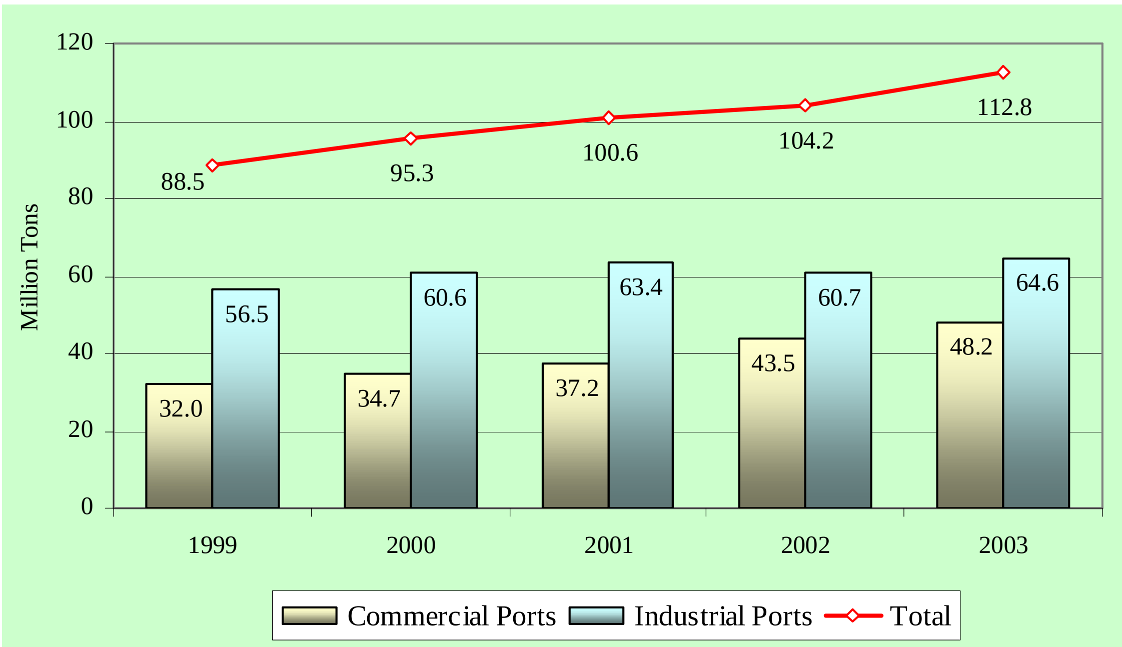
Growth in port operations under the Seventh Development Plan was notable, with the total volume of goods handled by ports increasing from 88.5 million tons in 1999 to 112.8 million tons in 2003, 57% of which via the industrial ports (Figure 29.6), and the number of containers handled increasing from about 1.4 million to about 2.4 million (Table 29.5).

Table 29.5
Cargo Handled in Saudi Ports

Year	1999	2000	2001	2002	(2003
Number of containers (Units)	1448338	1510244	1697601	1955767	2440327
Change (%)		4.3	12.4	15.2	24.8
Total Cargo (Million tons)	88.5	95.3	100.6	104.2	112.8
Change (%)		7.7	5.5	3.6	8.3

Source: Saudi Ports Authority.

Figure 29.6
Cargo handled in Commercial and Industrial Ports



By the end of 2003, 27 support contracts had been concluded with the private sector. Total investments amounted to about SR2.6 billion, with the size of investment varying from one contract to another depending on the nature of the facility privatized.

This development has contributed to improvements in port productivity, with the time needed for unloading and reloading a ship of a capacity of 5,000 tons being decreased from 3–4 days to about 30–36 hours. Such improvements have enabled the SPA to secure positive cash flows from its operations.

The sea passenger transport network comprises three main ports; namely, Jeddah Islamic Port, Dhuba Port and Yanbu Commercial Port. The total number of departures and arrivals through these ports amounted to 2.05 million passengers during 2004, with a 10.4% increase over the previous year.

29.2.6 Budget Allocations

Total budget allocations for the transport sector (Ministry of Transport, Saudi Ports Authority, Saudi Railways Organization and The General Authority of Civil Aviation) under the Seventh Plan amounted to SR 28,595.5 million; thus exceeding planned allocations by 6%.

29.2.7 Institutional and Organizational Development

Under the Seventh Development Plan, the transport sector underwent a number of organizational developments. Royal Decree A/2 of 30/4/2003 changed the name of the Ministry of Communications to the Ministry of Transport, and Council of Ministers Resolution 149 of 4/8/2003 entrusted the Ministry of Transport with comprehensive planning of land, sea and railroad transport activity and coordinating it with the air transport plan as per Article 20 of the Public Transport Act. The Resolution also appointed the Minister of Transport to the position of Chairman of Board of Directors of the Saudi ports Authority, with the President of the Authority (who occupies a premier grade assuming the Deputy Chairmanship.

Council of Ministers Resolution 13 of 8/3/2004 transformed the Presidency of Civil Aviation (PCA) into a financially and administratively autonomous corporation (Box 29.1).

Box 29.1: Main Features of Council of Ministers Resolution 13 of 8/3/2004 on Civil Aviation.

- Transforming Presidency of Civil Aviation (PCA) into a financially and administratively autonomous corporation.
- The Corporation shall operate on a commercial basis with due consideration to:
  - Progressive reliance on revenues generated by its own authorized, including commercial, activities.
  - Coordinating with the Ministry of Finance to ensure that government and other agencies that use the services of the Corporation pay due rents and financial charges. In accordance with principles of successful management of civil aviation facilities on a commercial basis, the Corporation shall collect all due revenues without favoring one any carrier over another.
  - Balancing annual total revenues of the Corporation with operational and investment expenditures. Should total annual revenues be in excess of total expenditures, then fees and air traffic charges would be reviewed to ensure competitiveness and attract more air traffic to the Kingdom.
  - All employees of the Corporation shall be subject to labor and social insurance laws, in coordination with the Ministry of Civil Service and the Ministry of Finance.
- A Board of Directors of the Corporation shall be formed, comprising representatives of competent government agencies and the private sector.
- The Corporation shall spend its revenues directly to meet its operational and investment expenditures.
- The Corporation shall develop its revenues and achieve self-financing of all operational and investment expenditures. State budget allocations will be phased out by the end of the tenth fiscal year, from the base year, at the latest.
- Revenues in excess of the Corporation's operational and investment expenditures shall be deposited in the State Treasury Account annually as from the end of the tenth fiscal year at most starting from the base year.
- Revenues in excess of operational and investment expenditures shall be transferred to the State Treasury, after keeping in reserve not more than 20% of such a surplus to meet any contingent future needs and to avoid burdening the budget of the Corporation.
- Three years after its formation, the Corporation shall report to the Ministerial Committee of Administrative Organization on progress made in operating on a commercial basis, the problems encountered, and any proposed solutions.
- The Board of Directors shall prepare the organizational chart and manual in line with the new goals of the Corporation.

29.3 ISSUES AND CHALLENGES

Notwithstanding the steady progress achieved by the transport sector, multiplicity of transportation modes and advances in means and technology, pose issues and challenges that would be addressed under the Eighth Development Plan.

29.3.1 Coordination

Due to multiplicity of transportation modes and the competitive nature of relationships among them, fashioning a comprehensive integrated strategy for the sector is a basic prerequisite for economic and social efficiency. Available capacities in most of the infrastructure, such as airports, seaports and main roads, can meet expected increases in demand in the foreseeable future. However, optimal utilization of the available resources, rationalized expansion of infrastructure, and optimal allocation of resources require a high level of coordination among activities, and coordination with the sectoral agencies whose activities are interrelated with transport activities, as well as coordination between transport strategy and other strategies.

Moreover, comprehensive planning of the transport sector and coordination of the various transport modes require a reliable, consistent database of levels of performance and detailed costs, which are the major inputs for setting tariffs and fees and designing appropriate privatization contracts.

In coordination with a number of government agencies, the Ministry of Transport is currently preparing the National Transport Strategy, which would enhance integration among various transportation modes, as well as with other economic sectors. The first phase of the formulation of this strategy has been finalized and the second phase is under way.

29.3.2 Transport and the Environment

Transport is a major source of pollution, particularly in urban centers; a situation further aggravated by the relatively high rates of ownership of private cars and rapid growth of urban centers, which cause traffic congestion inside the cities and on the major interconnecting roads.

Increasingly adverse impacts on the urban environment of rising traffic volumes should be addressed through reducing traffic congestion, increasing efficiency of public transport, reducing the level of pollutants in fuel, improving efficiency of vehicle inspections, and generally operating and developing various transport modes and facilities in an environmentally friendly way.

29.3.3 Economic Efficiency and Finance

Development of the transport sector, and all the sub-activities involved, requires involvement of the private sector in providing transport services and support operations, with the government providing adequate resources for continued development and maintenance of transport infrastructure. Hence, reviewing the structure of transport fees and charges, improving productivity and competitiveness of facilities, and enhancing self-management of facilities while improving regulation and performance control mechanisms, are all essential. Moreover, the Saudi transport network should be provided with the necessary conditions for competing successfully in the region, particularly with respect to free trade zones, transit trade, tourism and business services. It is also equally important to review fees for transport services, with the aim of narrowing the gap between government revenues generated by such fees and the funds needed for development and maintenance of transport infrastructure.

29.3.4 Traffic Safety

The increasing number of traffic accidents on the roads and the resulting fatalities and physical damage make improvement of traffic safety an urgent national issue that should be adequately addressed. Available data indicate that in 2003, there were about 261,900 traffic accidents on roads, causing over 30,000 injuries and about 4,300 fatalities.

This issue should be addressed along its main dimensions: the social, related to behavior of drivers and pedestrians; the regulatory, related to effectiveness of traffic regulations and their enforcement; the technical and technological, related to road design, conditions and equipment, as well as to vehicle conditions and use.

29.4 EXPECTED DEMAND

Projections of expected demand on the services of various modes of transport under the Eighth Development Plan, which are based on likely future economic and social developments, institutional changes, and other influential factors, indicate the following trends.

a) Road Transport

During the period of the Eighth Development Plan, the total number of private vehicles is expected to grow at an average annual rate of 2.6%, while the total number of intercity passenger trips is expected to increase by an average rate of about 3.9% per year, and the total number of passengers by about 3.7% per year (Table 29.6).

Table 29.6
Expected Passenger Transport Traffic on Roads
Eighth Development Plan

Year	Number of Private Cars (Million)	Number of Intercity Trips (Million)	Number of Intercity Bus Passengers (Million)
2002	3.35	89.9	11.5
2005	3.64	102.8	14.6
2009	4.03	119.5	16.2
Average Annual Rate of Growth (%)	**2.6**	**3.9**	**3.7**

Source: Saudi Arabian National Transportation Plan (SANTRAPLAN3), Ministry of Economy and Planning.

In the same period, the number of truck trips is expected to grow at an average annual rate of 3.5% and the volume of total freight transported at a similar rate (Table 29.7).

Table 29.7
Expected Freight Traffic on Roads
Eighth Development Plan

Year	Demand Indicator			
	Number of Heavy and Medium Trucks (Thousand)	Intercity Truck mileage (Thousand km)	Total Number of Intercity Truck Trips (Million)	Total Volume of Freight Transported (Million Tons)
2002	133.0	67.7	24.0	192.6
2005	141.8	71.6	27.0	217.2
2009	154.3	75.5	31.0	249.1
Average Annual Rate of Growth (%)	**2.1**	**1.3**	**3.5**	**3.5**

Source: Saudi Arabian National Transportation Plan, Ministry of Economy and Planning.

b) *Railway Transport*

The number of railway passengers is expected to increase at an average annual rate of 4.5% while total volume of freight transported by railway is expected to increase at an average annual rate of 2.0% during the Eighth Development Plan. With respect to container traffic, it is expected to increase at a marked rate of 6.5% per year during the same period. All these projections are based on the assumption that none of the railway expansion projects will be operational during the Eighth Development Plan period.

c) *Air Transport*

By the end of the Eighth Development Plan, the number of arrivals and departures through the airports is expected to grow to about 35 million passengers, including about 23.5 million on domestic flights. These projections do not take into account the likely impacts of allowing competition in the domestic air transport market.

d) *Marine Transport*

The forecast of the volume of sea transport traffic is based on the assumptions that improvements to ports infrastructure and handling equipment would continue, and that the relative shares of Saudi ports in external trade and passenger traffic would remain stable at the present levels. Accordingly, during the period of the Eighth Development Plan, the total volume of cargo traffic is expected to grow at an average annual rate of 4.0%, mainly due to an increase of imports and exports at average annual rates of 4.7% and 3.6%, respectively.

29.5 FUTURE VISION

The future vision for the transport sector envisages providing an integrated transport sector comprising all transport modes that would meet future needs, be characterized by safety, efficiency and technological advancement, and contribute to economic development and global competitiveness; all in a healthy, safe environment for all members of society.

Realization of this vision requires dealing with a number of local and global issues and challenges; the most important of which are the following: population and urban growth in the various regions and maintaining regional balance, safety measures and environmental impacts, requirements of national security and defence, implications of globalization and accession to the WTO, making the transport network a transport hub of the region, and making use of the strategic location of the Kingdom.

The main objectives of the long-term strategy of the transport sector are:

1) Improving efficiency and performance of the agencies providing transport services in the public and private sectors.
2) Enhancing economic and social development and facilitating transportation of people and freight throughout the country.
3) Meeting safety requirements and applying to all transport modes a set of measures designed to reduce losses resulting from traffic accidents.
4) Reducing adverse impacts on the environment and enhancing environmental awareness.
5) Providing a transport system capable of meeting the requirements of national security and defence and of dealing with disasters and emergencies.
6) Creating an integrated, multi-modal transport system to serve the pilgrims.

The final picture of the long-term future vision of the transport sector should become clear upon finalization of the National Transport Strategy.

29.6 DEVELOPMENT STRATEGY

Recognizing the vital role of transport in achieving sustainable development, the Eighth Development Plan aims at improving the efficiency of the transport sector, through adoption of the following objectives and policies.

26.6.1 Objectives

The main objectives of the transport sector in the Eighth Development Plan are the following:

- Contributing to balanced economic and social development.
- Improving efficiency and performance of the various modes of transport.
- Improving traffic safety.
- Conserving the environment and protecting it from pollution.
- Providing efficient, safe transport services for pilgrims and Umrah performers.

29.6.2 Policies

Achieving the above objectives relies on implementation of the following policies:

- Increasing private-sector participation in transport activities.
- Proceeding with improving the structure and organization of the transport sector.
- Achieving competition in domestic air transport as per Council of Ministers Resolution 90 of 17/7/2003.
- Developing the road network, with emphasis on feeder roads in the least developed regions.
- Improving standards of traffic safety.
- Continuing with application of financial, economic and social assessment criteria when evaluating infrastructural projects.
- Protecting the environment and taking environmental impacts into consideration in planning, designing and implementing transport facilities.
- Taking national security requirements into consideration in planning and designing transport facilities.
- Enhancing integration among various modes of transport and furthering coordination among transport agencies.
- Providing public transport services to the regions in need.

29.6.3 Targets

The following targets are expected to be achieved under the Eighth Development Plan:

- Finalizing privatization of SAUDIA.
- Finalizing transformation of The General Authority of Civil Aviation into a business-oriented public corporation.
- Upgrading and developing King Abdulaziz International Airport in Jeddah.
- Starting implementation of the railroad network expansion program.
- Finalizing preparation of a National Transport Strategy.
- Implementing the open-sky policy.
- Preparing and implementing National Safety Strategy.
- Establishing a road-accident database and providing access to it.
- Studying feasibility of constructing a railroad to link Jeddah, Makkah and Medinah.

29.7 FINANCIAL REQUIREMENTS

Under the Eighth Plan, the total financial requirements of the transport sector (Ministry of Transport, Saudi Ports Authority, SRO and General Authority of Civil Aviation) will be about SR35,641 million, to be used mainly to finance expansion of infrastructure, maintenance and operation of the existing facilities, development of manpower, provision of supplies and equipment, and studies and research for development and improvement of the sector.

CHAPTER THIRTY

MUNICIPAL AND RURAL AFFAIRS

30. MUNICIPAL AND RURAL AFFAIRS

30.1 INTRODUCTION

This chapter reviews the current conditions of the municipal sector and the achievements made under the Seventh Development Plan, and presents the key issues and challenges to be addressed under the Eighth Development Plan. It also discusses municipal services and the role of the private sector, and highlights the future vision, policies and targets set for the municipal sector by the Eighth Development Plan.

30.2 CURRENT CONDITIONS

30.2.1 Developments

Under the Seventh Development Plan, the municipal sector made wide-ranging achievements, with about 120,000 building permits and 428,000 store licenses granted, about 244,000 land grants in the various regions of the country made, about 1960 government and private land plans laid, about 10 million square meters of swamps refilled, about 6 million liters of pesticides sprayed, and 244 million cubic meters of waste removed. In addition, naming streets and squares in about 38 municipalities was completed and work is under way on 177 structural plans for several municipalities and village clusters in various regions of the country. Moreover, notable achievements were made vis-à-vis the Seventh Development Plan targets (Table 30.1), with these exceeded in public markets, public parks, slaughter houses and municipal buildings and about 54.8% and 80% achieved in protection against storm water and municipal streets, respectively (Figure 30.1)

Studies of spatial development priorities were carried out on eight administrative regions, and work is currently underway on studying the rest. These studies inform spatial development, and help setting priorities for public services and facilities.

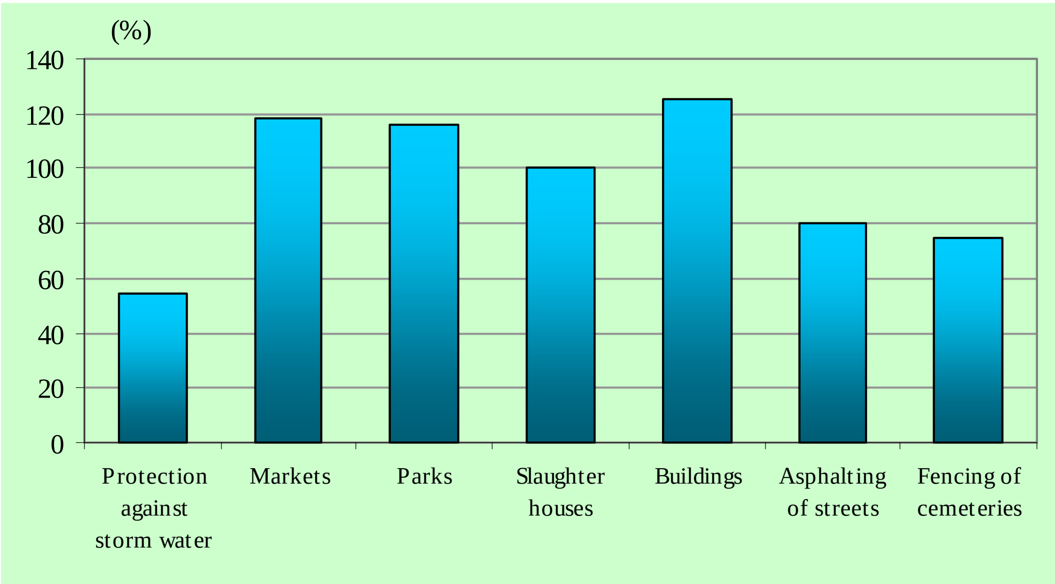
During the period of the Seventh Development Plan, Council of Ministers Resolution 42 of 22/4/2002 approved the Real-Estate Cadastral Registration Law, which aims at regulating authentication of public and private properties. The National Spatial Strategy was also approved by Council of Ministers Resolution 127 of 26/8/2000 (see Chapter 10) on Regional Development.

Table 30.1
Municipal Achievements
Seventh Development Plan

Program	Measurement unit	Actual Achievements	Seventh Plan Target	Achievement to Target (%)	Cumulative Achievement to date
Drains for protection from floods	km	95	175	54.3	1,508
Public markets	no.	71	60	118	1,556
Parks	no.	203	175	116	3,647
Slaughter houses	no.	25	25	100	240
Municipal buildings	no.	75	60	125	1,319
Street asphalting	km	10,052	12,600	80	97,456
Fencing of cemeteries	no.	255	340	75	4,292

Source: Ministry of Municipal and Rural Affairs.

Figure 30.1
Percent of Achievement to Target in Municipal Sector
Seventh Development Plan



30.2.2 Institutional and Organizational Development

As part of government restructuring, Council of Ministers Resolution 125 of 16/7/2001, which established a Ministry for Water, transferred responsibility for water and sewage services from the Ministry of Municipal and Rural Affairs (MOMRA) to the Ministry of Water and Electricity. Royal Decree A/2 of 30/4/2003 abolished the Ministry of Public Works and Housing and transferred its tasks to MOMRA and other government agencies. Council of Ministers Resolution 225 of 13/10/2003 defined the tasks transferred to MOMRA to include classification of contractors, preparation of a construction-sector database, the Mina Development Project, and the laboratories of the Deputy Ministry for Public Works.

During the Seventh Development Plan, many municipalities were upgraded to higher categories, most village clusters were upgraded to category D municipalities, and new village clusters were created (Table 30.2). As part of the efforts aimed at developing and enhancing the efficiency of municipal work by a gradual shift towards decentralization, Council of Ministers Resolution 224 of 13/10/2003 expanded, through elections, participation of citizens in management of local affairs. The Resolution also established 14 principalities (Amanat) throughout the regions, with municipalities in each region directly reporting to the Amanat and village clusters reporting to the municipalities. Royal Decree A/204 of 1/2/2004 formed the Makkah, Al Madinah and Holy Sites Development Authority to develop long-term comprehensive plans for development of Makkah, Al Madinah and the holy sites (Table 30.2)

In the context of persistent efforts to develop e-Government, an electronic network and a website have been implemented at MOMRA's headquarters. Work is underway on electronically linking the headquarters with the municipalities throughout the country, with the first phase of this project covering 23 municipalities.

Table 30.2
Principalities (Amanat), Municipalities and Village Clusters by Region
2004

Region	No. of Amanat	No. of Municipalities and their Categories				No. of Village Clusters and their Categories			Total Municipal Agencies
		A	B	C	D	B	C	D	
Riyadh	1	1	8	15	11	0	0	1	37
Makkah	2	1	1	6	4	0	0	2	16
Al Madinah	1	1	2	2	3	1	1	0	11
Qassim	1	1	3	4	7	1	1	0	18
Eastern Region	1	2	3	2	4	0	0	3	15
Assir	1	1	4	5	6	1	0	1	19
Tabuk	1	0	1	4	1	0	0	1	8
Hail	1	0	0	2	8	0	0	2	13
Northern Borders	1	0	0	2	1	0	0	1	5
Jizan	1	0	2	3	7	0	0	2	15
Najran	1	0	0	1	3	0	0	1	6
Baha	1	0	1	2	3	0	1	0	8
Jouf	1	0	1	2	1	0	0	1	6
Total	**14**	**7**	**26**	**50**	**59**	**3**	**3**	**15**	**177**

Source: Ministry of Municipal and Rural Affairs.

30.2.3 Privatization

The facilities, activities and services to be privatized as per Council of Ministers Resolution 219 of 11/11/2002 include the following:

- Building, operation and maintenance of slaughter houses, public markets and parks.
- Transport services.
- Collection of municipal revenues.
- Cleaning and waste disposal services.

Under the Seventh Development Plan, private-sector participation was confined to time-limited services and minor operation and maintenance contracts, such as street cleaning, waste collection and operation of public parks, slaughter houses and car parking lots. Nevertheless, this provided the private sector with further administrative and technical experience in these fields.

MOMRA is currently developing privatization mechanisms, including preparation of a municipal services privatization manual offering guidelines to municipalities on preparation and implementation of privatization programs and selection of appropriate activities to be privatized. Steps have already been taken to assign to the private sector such activities as inventory and collection of municipal revenues, transport operations and cleaning.

30.2.4 Budget Allocations

Under the Seventh Development Plan, total budget allocations to the municipal sector (MOMRA) amounted to SR38.3 billion, which amount to 96.9% of total planned allocations.

30.3 ISSUES AND CHALLENGES

Notwithstanding the notable development of municipal services under the Seventh Development Plan, continuing economic and social changes pose challenges and issues that would need to be addressed in the coming period; foremost among which are the following.

30.3.1 Meeting Growing Demand for Municipal Services

As a result of population growth, expansion of cities, and economic development, demand for municipal services, infrastructure and facilities increases exponentially, particularly in urban centers. Meeting the growing demand requires capacity building, as well as speeding up implementation of adequate alternatives for funding various programs, such as: expanding private-sector participation in provision of services; requiring builders of residential and commercial complexes to establish facilities and services to approved specifications and standards; and increasing municipal revenues through strict control of collection processes and continuous evaluation of municipal services fees to achieve break-even between costs and revenues.

30.3.2 Municipal Services in Rural Areas

Municipal services cover about 10,270 villages. Hence, maintaining, developing and spreading these services is a substantial challenge. Village clusters provide a means for providing basic services to a maximum number of rural population; thus narrowing disparities between urban and rural areas, and reducing internal migration to urban areas. However, successfully developing this system requires expanding the scope of municipal services in existing municipalities and village clusters, and creating according to a specific schedule new village clusters in the growth centers envisaged by the National Spatial Strategy.

30.3.3 Municipal Statistical Data and Information

Notwithstanding the substantial improvement achieved in compiling municipal data and information, absence of comprehensive, up-to-date regional information on the demand for and utilization rates of municipal services, the current conditions of buildings and infrastructures and their economic and operational efficiency, and the number of users of these services, has made it difficult to determine the actual needs and to respond to them efficiently. Hence, there is a need for developing databases and information banks on urban functions and services and for providing regional computerized information systems. These will link MOMRA with its affiliated agencies and lead to unification of terminologies, specifications measures, and forms for data collection, tabulation and entry.

30.3.4 Coordination and overlap of responsibilities

Rationalization of spatial development requires comprehensive coordination among all relevant governmental and non-governmental agencies, at all stages from planning to implementation and monitoring. Continuous extension of the scope of coordination between MOMRA and other government agencies would lead to fuller integration, elimination of wasteful duplication, and better utilization of services.

30.3.5 Environmental Health Services

Social welfare is closely linked with provision of a healthy and clean environment. Over the past two decades, population has doubled and has become increasingly concentrated in metropolitan areas, which has, in turn, adverse effects on the environment and public health, such as rising levels of ground water tables and excessive generation of urban solid waste. Per capita generation of waste is among the highest in the region, creating additional collection, treatment and disposal burdens, particularly as only 35% of the waste collected countrywide is recycled. Moreover, it is necessary to enhance public health control of markets and restaurants, and build the capacity of the technical cadres and specialist laboratories. In addition, environmental awareness needs to be heightened to help eliminate excessive generation and haphazard disposal of waste, learning from international experience and best practice.

30.3.6 Horizontal Expansion of Cities and Efficient Utilization of Urban Land

Since their issuance in 1989, application of urban boundary rules has resulted in greater cohesion in urban zonal planning in large and small cities and eliminated uncontrolled expansion of urban areas. However, vacant lands, particularly in major cities, contribute to the dispersion of residential quarters over larger areas, thus compounding the difficulty of providing them with basic facilities and services, impeding optimal utilization of existing facilities and services, and increasing construction and operational costs. Hence, it would be necessary to continue to apply urban boundary rules and zoning regulations; develop adequate mechanisms for efficient utilization of vacant lands in cities; uphold land ownership, prevent land encroachments, and take remedial measures to remove any such encroachments.

30.3.7 Collection of Municipal Revenues

Municipal revenues, which are a financing resource, grew substantially under the Seventh Development Plan, as a result of expansion in leasing of municipal properties and raising efficiency of collection. Nevertheless, municipal revenues are still below the required level, with annual revenues constituting only 15% of the average annual budget of a municipality or village cluster, due to several reasons, including economic assets remaining untapped, low level of municipal fees, low collection rates, and provision of several services free of charge. Hence, it is essential to manage municipal facilities and services on a commercial basis by raising service fees to cover provision costs and rationalize usage, enhancing collection efficiency, expanding leasing of lands owned by municipalities, and accelerating privatization of selected services.

30.4 DEMAND FOR MUNICIPAL SERVICES

Demand for municipal services has been estimated by considering unsatisfied demand; new demand resulting from population increases, urban growth and economic expansion; replacement of facilities upon expiry of their operational age, and services needed in the least developed regions to help achieve balanced regional development. Total estimates of needs under the Eighth Development Plan are summarized in Table 30.3 and described below:

Table 30.3
Demand for Municipal Services by Administrative Region
Eighth Development Plan

No. of Projects

Region	Planning studies	Storm water drainage	Street asphalting	Public Parks	Slaughter houses	Public markets	Municipal buildings	Fencing of cemeteries	Environmental health	Improvement of performance	Expropriation of properties	Total Projects
Riyadh	36	104	491	48	15	30	50	57	115	14	33	993
Makkah	39	54	255	28	4	6	19	43	44	4	14	510
Al Madinah	25	38	177	19	3	4	15	17	24	6	5	333
Qassim	3	43	208	20	4	8	29	20	41	2	7	385
Eastern Region	11	26	198	32	7	8	23	23	38	4	4	374
Assir	8	40	278	17	5	7	18	52	36	2	8	471
Tabuk	3	15	106	8	2	2	11	17	23	2	3	192
Hail	2	19	155	11	3	10	13	22	32	2	1	270
Northern Borders	0	15	57	9	1	2	10	7	15	3	0	119
Jizan	5	40	203	11	17	11	16	40	40	7	7	397
Najran	0	14	67	9	0	5	7	10	18	0	1	131
Baha	2	19	88	7	3	5	9	21	28	3	3	188
Jouf	6	7	78	7	1	2	10	12	15	3	1	142
Various regions (Ministry HQ)	150	17	10	0	0	0	0	5	4	8	2	196
Total	**290**	**451**	**2371**	**226**	**65**	**100**	**230**	**346**	**473**	**60**	**89**	**4701**

Source: Ministry of Municipal and Rural Affairs.

- 451 projects for drainage of rain water and protection from floods.
- 2371 projects for asphalting, paving and lighting municipal streets and roads and constructing bridges and tunnels.
- 226 projects for establishing parks, children playgrounds and developing coastal areas.
- 100 projects for vegetable, fruit, fish and livestock markets.
- 230 projects for constructing municipal main and branch buildings and public squares.

- 65 projects for establishing manual and automatic slaughter houses.
- 473 environmental health projects for waste disposal, swamp drainage and establishment of laboratories.
- 346 projects for fencing cemeteries, establishing facilities for washing and shrouding the deceased and building car parking lots.
- 60 projects for improving municipal performance through procurement of computers and information systems.
- 89 projects for expropriation of properties in the public interest.
- 290 projects for conducting planning, environmental and technical studies and structural plans.

30.5 FUTURE VISION

The following is a summary of the future vision for the Municipal Sector by 2024:

- Transferring most powers from central government to Principalities (Amanat), Municipalities and Village Clusters.
- Giving the private sector a major role in the provision of municipal services, with municipalities assigning services or facilities to the private sector in accordance with transparent rules and regulations.
- Linking all municipal agencies within the e-Government system along with the development of a comprehensive database covering administrative, financial and technical affairs.
- Establishing a country-wide land registry to help reduce confusion of property titles, facilitate procedures for settlement of property disputes and expropriation of properties, and eliminate encroachments on government owned lands, in addition to helping municipalities manage the lands that lie within the scope of their responsibilities.
- Establishing the legal framework for regional and national spatial planning, through a comprehensive standardized system of urban planning that clearly defines the powers and responsibilities of all concerned agencies, as well as development directions and growth centers. Such a framework would be based on comprehensive criteria for urban and rural spatial planning, as well as for land use and development in the context of structural plans for cities and local action plans.

- Placing environmental health at the center of municipal work by defining effective environmental criteria, subject to strict, easily enforceable regulatory rules covering protection of air, water, soil, fauna and flora, as well as protection of the environment through proper planning of land use, municipal streets and roads, and adequate regulation of commercial and industrial activities; all in order to reduce noise and air pollution, and achieve full utilization of urban solid waste and wastewater by treatment and recycling.

30.6 DEVELOPMENT STRATEGY

The Eighth Development Plan aims at developing the municipal sector in line with demographic, spatial and economic developments, through the adoption of the following set of objectives and policies.

30.6.1 Objectives

The following are the main objectives for the municipal sector set by the Eighth Development Plan:

- Improving living and environmental conditions of the population and achieving balanced regional development.
- Upgrading operational efficiency of the municipal facilities and services and ensuring their optimal utilization.
- Enhancing the role of the private sector in the provision of municipal facilities and services.
- Protecting the environment and enhancing sustainable urban development.

30.6.2 Policies

Achieving the main objectives set for the municipal sector relies on implementing the following policies:

- Continued restructuring of the sector to enable provision of more efficient, advanced municipal services.
- Privatization of suitable activities.
- Implementation of the National Spatial Strategy, with due emphasis on the development corridors and growth centers identified by it.
- Expansion of municipal services in accordance with the National

Spatial Strategy.

- Expansion of environmental health services and development of waste disposal methods.
- Development of municipal revenues to enable municipalities to develop their services and maintain their facilities.
- Enhancing the role of municipal councils in all regions.
- Saudization of manpower and improvement manpower efficiency.

30.6.3 Targets

The following targets are expected to be achieved by the municipal sector under the Eighth Development Plan:

- Formation of municipal councils in the various regions.
- Establishment of a comprehensive municipal database covering all regions.
- Completion of 177 structural plans for municipalities and village clusters and creation of 40 village clusters throughout the country, as shown in Table 30.4.

Table 30.4
Targets of Municipal and Rural Plans and
Creation of Village Clusters by Administrative Regions
Eighth Development Plan

Region	No. of Structural Plans	New Village Clusters
Riyadh	٣٧	٤
Makkah	١٦	٥
Al Madinah	١١	٣
Qassim	١٨	٣
Eastern Region	١٥	٢
Assir	١٩	٥
Tabuk	٨	٢
Hail	١٣	٢
Northern Borders	٥	٢
Jizan	١٥	٥
Najran	٦	٢
Baha	٨	٣
Jouf	٦	٢
Total	١٧٧	٤٠

Source: Ministry of Municipal and Rural Affairs.

- Implementation of about 3790 projects for various municipal services, as indicated in Table 30.5.
- Improvement of collection of municipal revenues and revision of municipal service fees.
- Increasing manpower Saudization to about 80% by the end of the period of the plan.

Table 30.5
Targets of Municipal Services by Administrative Regions
Eighth Development Plan

No. of Projects

Region	Planning studies	Storm water drainage	Street asphalting	Public parks	Manual and automatic slaughter houses	Public markets	Municipal buildings	Fencing of cemeteries	Environmental health	Improvement of performance	Property expropriation	Total Projects
Riyadh	٢٥	٨١	٤٥٨	١٨	٥	١٥	٣٩	٣٤	٧٢	٥	٣٣	٧٨٥
Makkah	٣٦	٤٩	٢٣٥	١٠	٢	٢	١٧	٣٦	٣٠	٢	١٤	٤٣٣
Al Madinah	١٨	٣٠	١٦٨	٨	٠	٠	٩	٩	١٤	١	٥	٢٦٢
Qassim	٢	٣٨	١٩٤	٨	٢	٥	٢٥	١٧	٣٣	٠	٧	٣٣١
Eastern Region	٧	٢٤	١٨١	١٧	٤	٢	٢١	١٨	٣٠	٠	٤	٣٠٨
Assir	٤	٣١	٢٦٢	٣	٤	٢	١١	٤٨	٢٧	٠	٨	٤٠٠
Tabuk	٢	١٢	٩٣	٣	١	٠	٩	١١	١٢	١	٣	١٤٧
Hail	١	١٥	١٤٣	٤	٠	٣	٧	١٨	٢٢	١	١	٢١٥
Northern Borders	٠	١٣	٥١	١	١	٠	٦	٦	٩	٠	٠	٨٧
Jizan	٣	٣٦	١٦٩	٥	١٢	١	٩	٣١	٢٩	٢	٧	٣٠٤
Najran	٠	١١	٥٧	٦	٢	١	٦	٩	٨	٠	١	١٠١
Baha	٠	١٣	٨٠	١	١	١	٥	١٩	١٦	٠	٣	١٣٩
Jouf	٢	٧	٧٠	٣	٠	١	٨	٨	٨	٠	١	١٠٨
Various regions (Ministry H.Q)	١٢٥	١٧	٩	٠	٠	٠	٠	٥	٤	٨	٢	١٧٠
Total	٢٢٥	٣٧٧	٢١٧٠	٨٧	٣٤	٣٣	١٧٢	٢٦٩	٣١٤	٢٠	٨٩	٣٧٩٠

Source: *Ministry of Municipal and Rural Affairs.*

30.7 FINANCIAL REQUIREMENTS

The proposed total financial requirements of the municipal sector (MOMRA) under the Eighth Development Plan amount to SR39.6 billion for financing programs of management and operation, maintenance, manpower development, studies, improvement of municipal performance, protection from storm water, environmental health, municipal roads, buildings, markets, public facilities, public parks, property expropriation and environmental health.

CHAPTER THIRTY ONE

CULTURE, INFORMATION, AND YOUTH SERVICES

31. CULTURE, INFORMATION AND YOUTH SERVICES

31.1 CULTURE AND INFORMATION

31.1.1 INTRODUCTION

Saudi Arabia's culture derives its strength and uniqueness from its deep-rooted Arab and Islamic heritage and traditions. Throughout history, Arab and Islamic culture has greatly influenced world cultures, and has been, in its turn, influenced by them. Moreover, the rapid social, economic, and technological developments experienced over the last few decades have further enriched the contemporary culture of Saudi Arabia.

Nowadays, culture is no longer confined to conventional literary and artistic forms, but has become a significant factor of national economic and social development, as well as an important element in furthering development of interrelationships between the national community and other world communities. However, in order for national culture to perform its role, both domestically and internationally, it needs to be disseminated through various media. Hence, cultural and information development have been accorded a prominent position in the Eighth Development Plan, with the objectives and policies aimed at dealing with cultural globalization; promoting intellectual, artistic and literary production; and making knowledge available to citizens.

Two events, possibly the most remarkable in the recent history of cultural development in the country, marked the cultural scene in 2004. The first was the establishment of the National Dialogue Center, a gathering of elite intellectuals, thinkers and literary figures, which has since hosted three forums to discuss pressing national unity and development issues. The second was holding First Cultural Forum under the auspices of the Ministry of Culture and Information, in which several leading men and women intellectuals took part. Launched as part of cultural awareness endeavors, the Forum also had institutional significance; it was the first instance of cultural affairs being entrusted to one single institution, rather than being within the purview of several institutions and departments.

Having developed over the past few years qualitatively, in both form and content, Saudi information services have come to occupy an outstanding position among Arab and international media. They are now an effective means for disseminating information on the development endeavors and achievements of the country to local and international public opinion, in addition to rising citizens awareness of global developments and strengthening interaction with other cultures.

The following sections of this chapter address cultural and information services developments under the Seventh Development Plan, and discusses the key issues and challenges facing them. It also presents future vision and development strategy envisaged for this sector by the Eighth Development Plan.

31.1.2 CURRENT CONDITIONS

31.1.2.1 Culture

Under the past development plans, responsibility for cultural activities was shared by many government institutions and private agencies. Among these were the General Presidency for Youth Welfare, which supervised literary clubs, and the various branches of the Culture and Arts Society, which organized cultural weeks and similar activities. Other institutions involved included the Ministry of Education, the Ministry of Higher Education, the Universities, and several other government agencies.

As part of administrative and organizational improvement, some ministries and government agencies were abolished, while the functions of others were modified or transferred to other agencies. The Ministry of Culture and Information, which replaced the Ministry of Information, was assigned a wider role covering information and cultural activities, both within and outside the country.

The National Guard Command plays an outstanding role in enriching cultural life by sponsoring the National Heritage and Folk Culture Festival, which is among the most outstanding cultural events in the Arab world. Held every year, the Festival brings together leading Arab intellectuals and thinkers to take part in discussions of significant Arab, Islamic and international intellectual and cultural topics. Through traditional performances and exhibitions of ancient handcrafts, the Festival also contributes to the revival of folkloric arts and offers participants a good opportunity to obtain firsthand knowledge of the Kingdom's treasure of folk heritage.

The Supreme Commission for Tourism has the mandate of looking after archeological treasures and museums, and increasing public awareness of them. In addition, the government undertakes the development of national public libraries; key among which are the King Abdul Aziz Library, the King Fahd National Library, and the King Abdul Aziz Research Center. The latter houses books and documents and disseminates knowledge about them, in addition to documenting the history, intellectual output and heritage of the Kingdom, and organizing symposia and lectures.

Several other agencies play a role. The Ministry of Social Affairs offers cultural services through Social Development and Services Centers, which participate in combating illiteracy, providing adult education programs, and organizing cultural competitions in various regions. The Ministry also takes part in preparing TV shows, conducting seminars and lectures, and preparing pamphlets and posters designed to promote public awareness. The Ministry of Health, undertakes the promotion of preventive health culture through the primary health care program. Activities under this program include publishing pamphlets and booklets, organizing seminars and lectures, and producing audiovisual programs. Religious agencies promote a culture of tolerance and righteous conduct.

The private sector has also been actively involved in cultural and intellectual activities, through literary clubs, art societies, publishing houses, research and study centers and institutions, and civil and charitable societies, in addition to offering cultural and scientific prizes for creative achievements.

The large volume and diversity of cultural, intellectual, artistic and scientific production rule out monitoring cultural output through a unified national database. However, the following indicators reflect the achievements under the Seventh Development Plan:

- Publishing houses totaled 358, including 231 in the private sector and 127 government owned. Total cultural output amounted to some 7,000 national publications. There are over 2,000 libraries, including 194 specialized, 100 public, and 60 university libraries. Acquisitions by these libraries totaled 4.6 million book titles and other material. In addition, major libraries possess outstanding acquisitions, such as King

Fahd National Library, which possesses some 704,469 items, including 9,725 rare items of Saudi newspapers, magazines and periodicals. King Abdul Aziz Library has 182,015 acquisitions, while the National Library and the King Abdul Aziz Research Center have 860,884 acquisitions.

- Twelve literary clubs published some 1,000 books and performed over 3,300 activities. The Saudi Culture and Arts Society carried out some 1,800 activities, including lectures, seminars, conventions, exhibitions, and publications. In addition, the Society carried out some 125 theatre performances.
- Over the years, the annual National Heritage and Folk Culture Festival has received considerable acclaim in Arab and international circles. It continues to stage quality events, including discussion forums; folk village displays; seminars; working papers; and live readings and discussions of poetry, novels and short stories. Some 250 such events have been organized. In addition, the Festival released some 200 books on various subjects.
- Some 27 registered museums were in operation by the end of the Seventh Development Plan, including 5 in the Riyadh region, 5 in the Makkah region, 3 in the Al Madinah region, 4 in the Eastern region, 3 in Asir, 2 in Tabuk, 2 in Hail, 1 in Jizan, 1 in Najran and 1 in Al-Jouf. The Riyadh-based National Museum at King Abdul Aziz Historical Center is the most outstanding and is a major cultural landmark.
- Intensive efforts were made over the past years to explore the archeological heritage. Some 4,000 archeological sites were identified, and over 1,000 ancient monuments were discovered. Discoveries included natural archeological monuments, such as fossil forests, the world's largest Sakaka rockweed, the Qassim fossil forest in Onayza, and glacial rocks in the Hail and Qassim regions and the Wadi Addwasir Governorate. Moreover, protection of the natural heritage is provided through 16 natural reserves that cover some 3.6% of the total area of the country.
- Over 300 books authored by Saudis have been published and some 286 competitions were held in poetry, novel, short story writing. In addition, 39 cultural weeks and 75 scientific activities were organized, 173 plastic art competitions were held, and 30 folkloric art activities were organized. Forty four theatrical performance competitions were also held.

31.1.2.2 Information

Under the Seventh Development Plan, print, audio, and electronic media developed significantly in form and content. This is clearly evident in the improved quality of television and radio, as well as of the Saudi Press Agency (SPA), which now provides direct coverage of domestic and international events and developments.

Other services provided by radio and television, such as entertainment, cultural, education and public awareness programs, have also made significant progress, as did newspapers, magazines and information agencies both within the Kingdom and abroad; all of which operate within a system that aims at providing information on the Kingdom and its multifarious achievements, as well as on the constructive role it plays in Arab and international affairs.

In addition, information media play an active part in addressing issues arising in the course of economic, social and cultural development; promote awareness of new generations of society's values and heritage; familiarize people with world events, and political, economic, security, scientific, and environmental issues; and enhance people’s sense of national belonging and humanitarian partnership.

Key among the achievements made under the Seventh Development Plan are:

- One broadcasting station was added, which represents 25% of the approved plan target, and three more are being built. Thus the total number of operating stations is 26. These transmit the main radio programs, including the Glorious Quran, the Call of Islam, the Riyadh-based General Program, and the Jeddah-based Radio Two. There is also the overseas broadcasting station, which transmits programs in 12 languages. In addition, there are 35 FM stations, including 12 that were added under the Seventh Development Plan, representing 71% of the Plan target. Radio broadcasting over the medium wave reaches all parts of the world through satellites, and land transmission coverage amounts to some 96% (Table 31.1.1).
- A total of 130 television centers are in operation, including 7 added under the Seventh Development Plan, which constitute 70% of the Plan target. Channel 2 and the Sports Channel cover 70 Centers, including 11 additional centers accounting for 44% of the Plan

target. Television coverage by terrestrial transmission is higher than 92% for Channel 1 and over 71% for Channel 2. The Sports Channel began transmission in 2003, while the all news Al-Ekhbaria Channel came on air a year later to become the fourth television channel of the Saudi television services.

- The Saudi Press Agency (SPA) now operates 21 offices and 17 correspondent offices within the country and abroad. There are currently 8 information centers within the Kingdom and 3 abroad. In addition, there are 3 leased satellite channels; 2 of which digital.

Table 31.1.1
Information Facilities at the end of the Seventh Development Plan

Service Units	No.
Channel 1 TV Centers	130
Channel 2 TV Centers	70
Sports Channel TV Centers	70
Al-Ekhbaria Channel TV Centers	70
Radio Transmission Stations	26
FM Radio Stations	35
In-Kingdom Information Centers	8
Overseas Information Centers	3
Saudi Press Agency Offices	21
Publication Offices	37
TV and Radio Transmission Channels via Satellites	3

Source: Ministry of Culture and Information.

31.1.2.3 Organizational and Institutional Development

The new organizational structure of the Ministry of Culture and Information is expected to help achieve overall economic efficiency. The Ministry has completed automation of all its sectors, particularly radio and television transmissions, which were converted to digital satellite transmission to all parts of the world.

Under Royal Decree A/2 of 2003, the Ministry of Information was renamed the Ministry of Culture and Information, and a Deputy Ministry for Culture was established. Activities of the following agencies have been transferred to the Ministry of Culture and Information:

1. King Fahd Cultural Center,
2. Folkloric Art Administration,
3. The Saudi Arabian Society for Culture and Arts and its branches,
4. The General Administration for Cultural Activities,
5. Literary clubs and the General Administration of Literary Clubs,
6. The General Administration of Public Libraries, the public libraries, and the libraries of education departments in the regions,
7. The Arab Magazine, published by the Ministry of Higher Education.

The Royal Decree also converted the Radio and TV and the Saudi Press Agency into two public corporations, to be run by a Board of Directors, chaired by the Minister of Culture and Information.

31.1.2.4 The Private Sector

The private sector is playing an active role in cultural and information services through press companies and establishments, which issue 12 dailies and 165 scientific and specialized magazines, as well as through over 231 bookshops and publishing houses, advertising companies and establishments, and other media outlets. The sector is expected to play an even bigger role in the future, especially after conversion of the radio and television services and the Saudi Press Agency into public corporations.

31.1.2.5 Budget Allocations

Under the Seventh Development Plan, budget allocations for development programs in the culture and information sector totaled SR7,055 million, which exceeded the total amount envisaged by the Plan by 8%.

31.1.3 Issues and Challenges

31.1.3.1 Culture and Globalization

Globalization is no longer confined to economic developments, particularly foreign trade liberalization and increased flow of foreign investments, but has come to include also social, cultural and technological developments. Furthermore, cultural indicators, such as literary, intellectual and artistic output; number and readership of newspapers; number of libraries, museums and symposia; and number of websites and Internet users are now established as part of the criteria by which living standards and quality of life, as well as ability to adjust to globalization and to benefit from its positive impacts, are measured.

In order to perform its positive role vis-à-vis globalization, national culture needs to be strengthened through providing both the necessary information and telecommunication technology infrastructure and support for high-quality cultural products capable of competition, both domestically and abroad.

Success is, however, contingent upon developing effective partnerships between the government on one hand and the private sector and intellectuals on the other, as well as on cultural exchange with other cultures through various means, such as joint cultural seminars and cultural agreements.

31.1.3.2 Information and Modern Transmission Technologies

Thanks to modern information and telecommunication technology, information is readily available to citizens across national boundaries. Moreover, as a result of expansion of satellite transmission and the Internet, it is no longer possible to control flow of information, or to limit the spread of varied patterns of thought, behavior, customs and traditions. Indeed, media globalization has greatly enhanced exchange among nations and cultures

Globalized media is, in principle, an arena open to all nations. Nevertheless, control of news and analysis, and intellectual, cultural, and political content is primarily in the hands of those who own and control media production. Developing countries and communities, therefore, face the considerable challenge of having to develop powerful and convincing information and cultural agendas that are firmly based on national identity and effectuated through modern transmission technologies. Hence, the following deserve attention:

- Formulating a modern information strategy, along with practical mechanisms and clearly identified implementable tasks.

- Developing information technology infrastructure, including physical facilities, manpower, and information production materials.
- Forming specialized committees to enhance media promotion of literary, scientific and intellectual activities. Among other tasks, these committees would develop plans for producing media-based creative cultural material and outstanding books in various fields, and translating selected books into foreign languages.
- Establishing means for cooperation and exchange of expertise in training of information and cultural cadres, as well as in designing and preparing information and entertainment programs. It is also important to organize conferences, festivals and meetings, and to use programs of regional and international organizations and associations to strengthen media capabilities.
- Strengthening relations with private-sector institutions to help them offer high-quality output capable of promoting national culture and of competing with foreign cultural products.

31.1.4 DEMAND FOR CULTURAL AND MEDIA SERVICES

Spurred by interaction with the tremendous information revolution engulfing the world and the huge advances being made by both print and electronic media, Saudi cultural and media movement is approaching a new phase. Hence, the state is making strenuous efforts to meet the demand for cultural and information services and satisfy the needs for knowledge, in line with the changes and developments throughout the world, but also in conformity with the religious and social values of the country. Table 31.1.2 lists these services by region.

In addition to the construction of the SPA headquarters in Riyadh, it is proposed to open three offices in Al-Jouf, Islamabad and Damascus. It is also proposed to open three external information offices in Morocco, Australia, and Scandinavia, and to set up an information center in Al-Jouf; literary clubs in the Eastern, and Northern Border regions and Najran; and a culture and art society in Al-Jouf region.

Table 31.1.2
Demand for Cultural and Information Services by Administrative Region
Eighth Development Plan

Region	TV Production Centers	TV Centers	Radio Stations		Ministry Branches		Public Libraries	
			AM	FM	Construction	Opening	Construction	Opening
Riyadh	–	1	–	4	–	–	–	–
Makkah	–	2	–	2	–	–	1	–
Al Madinah	–	4	2	4	1	–	1	–
Qassim	–	1	–	1	–	–	–	–
Eastern Region	–	1	–	1	1	–	–	–
Asir	–	3	–	–	–	–	–	–
Tabuk	–	–	–	–	1	–	–	–
Hail	1	1	–	–	–	–	–	1
Northern Borders	1	–	–	–	–	1	–	–
Jizan	1	–	–	–	–	–	–	–
Najran	1	–	–	–	–	–	–	1
Baha	–	1	–	–	–	–	–	–
Al–Jouf	1	1	–	–	–	1	–	1
Total	**5**	**15**	**2**	**12**	**3**	**2**	**2**	**3**

Source: Ministry of Culture and Information.

31.1.5 FUTURE VISION

The national cultural identity will be maintained, further developed, and its products more widely disseminated through museums and libraries; cultural forums, symposia and conferences; seminars and conventions; books, newspapers and publications; art; traditional heritage; research programs; and creative intellectual, literary, artistic and aesthetic works. Within the framework of a balanced relationship between comprehensive economic and social development on the one hand, and culture and information on the other, the future vision for cultural and information development centers on the following:

First: Expanding the campaign against illiteracy beyond mere provision of reading and writing skills to encompass striving for cultural literacy nationwide, through:

1. Establishing a comprehensive nationwide "Reading for All" program, implemented collaboratively by the Ministry of Education

and the Ministry of Culture and Information.

2. Collaboration between the Ministry of Culture and Information and artistic production establishments to produce a variety of TV and radio programs combining drama, theatre, public awareness, entertainment shows, cultural shows, and intellectual competitions.

Second: Developing a national culture plan based on the needs and aspirations of the country, through:

1. Expanding active participation in thought, culture, information, and art to cover all fields of cultural work, in line with the Arab League "Comprehensive Plan of Arab Culture", which was approved by Arab Ministers of Culture some 15 years ago.
2. Benefiting from international experience in funding the culture industry and design of strategic programs.

Third: Promoting the use of Arabic on the Internet, through developing automatic translation software from and into Arabic, and inventing new software capable of attracting the attention of Internet users.

31.1.6 DEVELOPMENT STRATEGY

The development strategy for the culture and information sector aims at developing the scientific and social content of cultural and information activities.

31.1.6.1 Objectives

- Emphasizing and developing the Arab and Islamic identity of the national culture.
- Developing the intellectual and cultural structures that constitute a cornerstone of civilization.
- Supporting authoring, translation and cultural activities.
- Dealing positively with the impact of globalization, with the aim of enhancing national culture and consolidating its standing among world cultures.
- Improving media efficiency and strengthening its links with various economic, social, scientific, cultural, educational and recreational activities.
- Producing competitive, influential, and attractive programs and

materials.

- Encouraging the private sector to participate actively in offering cultural and information services.

31.1.6.2 Policies

- Supporting studies of and research into Arab and Islamic thought.
- Participating in international cultural exhibitions, conferences and festivals.
- Enhancing and supporting Arabic translation activities.
- Developing cultural, artistic and literary events and activities.
- Focusing on cultural education of children.
- Developing and enhancing cultural information.
- Developing a database on national culture.
- Promoting cultural and artistic exchange among GCC and Arab countries, as well as internationally.
- Expanding media coverage domestically and internationally.

31.1.6.3 Targets

- Expanding TV coverage of Channel 1 to about 97%, through terrestrial TV centers.
- Expanding TV coverage of Channel 2 to about 80%.
- Increasing radio broadcast coverage to 98% in daytime, through terrestrial stations.
- Expanding coverage of FM radio stations on highways, through building 12 new stations.
- Constructing and launching 5 public libraries, one cultural center, and 3 literary clubs.

31.1.7 FINANCIAL REQUIREMENTS

Financial requirements for the culture and information sector under the Eighth Development Plan amount to SR7576.4 million, to finance management and operation programs, maintenance, manpower development, cultural and information activities, as well as development and upgrading of facilities.

31.2 YOUTH AND SPORTS SERVICES

31.2.1 INTRODUCTION

Youth are the future. They will assume responsibility for the country, defend its achievements and promote the standing of the nation; hence the utmost care accorded to youth affairs by the state. The General Presidency for Youth Welfare (GPYW) is the government agency responsible for supervising all youth related activities, as well as for designing policies to meet aspirations of the youth, through sports and recreational activities covering all parts of the country.

The following sections address youth and sports services and their development under past plans, the issues and challenges facing the sector and the means for resolving them, and the development strategy for the sector under the Eighth Development Plan.

31.2.2 CURRENT CONDITIONS

The state has been making great efforts to satisfy the recreational, sports and social needs of youth, as evidenced by the financial allocations to the sector in the successive annual state budgets, which have over the years financed building 18 sports and recreational centers, 6 sports stadia, 6 sports pavilions, 24 sports club premises, 20 youth hostels, 2 permanent youth camps, 13 main and 9 branch offices of GPYW, 3 GPYW office buildings, one institute for preparing sports leaders, one building for the Saudi Olympic Committee and sports federations, and a specialized hospital for treatment of sports-related injuries. In addition, the country boasts several other youth and sports facilities and activities at universities, and various education, military and security establishments. Several sports and youth competitions are actively pursued, both within and outside the country, including in soccer, basketball, volleyball, handball, gymnastics, swimming, equestrianism, and shooting.

These efforts succeeded in making Saudi Arabia a world-class sports competitor. It now enjoys a commanding position at GCC, Arab, Asian and international levels, particularly in soccer. Having taken part in all Asian soccer tournaments since 1984, it won the Asia Football Championship title three times, in 1984, 1988 and 1996, and came second in 1992. It also maintained its international presence in the World Football

Cup, having taken part in 1994, 1998 and 2002. In addition, Saudi Arabia won the World Youth Cup in football in 1989 and Saudi teams make a strong presence in the Olympic Games in individual and collective sports, such as gymnastics, basketball, volleyball and equestrian sports, where Saudi equestrians won world-acclaimed positions and medals.

Under the Seventh Development Plan, GPYW efforts led to the Kingdom taking part in 686 international competitions, and holding a total of 9,702 competitions within the Kingdom; 541 of them under the Sports for All programs. In addition, 11,301 young men were trained in various youth and sports activities.

During the period of the Seventh Development Plan, cultural activities were supervised by GPYW, which organized 286 competitions in poetry, novel and short-story writing, and cultural themes; 39 cultural weeks; 75 scientific activities; 173 competitions in arts; 30 folkloric art activities; and 44 competitions in theatre arts.

Table 31.2.1
Youth and Sports Centers, Societies, Associations and Clubs
Seventh Development Plan

Service Units	Number of Units
Sports and Cultural Centers	18
Private Sports clubs	153
Club Premises	24
Youth Hostels and Permanent Camps	22
Sports Stadia and Pavilions	12
Open Sports Arenas	5
Sports Leaders Preparation Institute	1
Saudi Olympic Committee	1
Sports Medicine Hospital	1
Cultural Centers	1
Main and Branch GPYW offices	23
Sports Federations	24
Literary Clubs	12
Culture and Arts Society	12
Stamp Collectors Society	4

Source: General Presidency of Youth Welfare.

GPYW also organized social activities, including 601 recreational camps, which amount to 120% of the Plan target, and 15 work camps, which represent 100% of the Plan target.

For their part, civil society institutions have been assuming an increasingly important role in providing youth activities and programs, with the help of GPYW. These institutions include the Saudi Olympic Committee, 24 sports federations, and 153 private sports clubs that undertake all kinds of sports, social, cultural and scientific activities in all parts of the Kingdom. In addition, the Saudi Arabian Society for Youth Hostels runs 20 hostels and plays an active role in social sporting and cultural activities. Furthermore, there are the activities of the Saudi Society of Stamp Collectors, which has 4 branches; 12 literary clubs; and the Saudi Arabian Culture and Arts Society, which has 12 branches; all of which have now come under the responsibility of the Ministry of Culture and Information (Table 31.2.1).

31.2.2.1 Organizational and Institutional Development

Royal Decree A/2 of 30/4/2003 assigned cultural activities and relevant supervisory agencies to the Ministry of Culture and Information. GPYW will, therefore, focus on supervising social and sports activities, clubs and associations, and is currently developing an appropriate organizational structure. It has also continued to introduce modern technology into its work methods to attain greater economic efficiency.

31.2.2.2 The Private Sector

The private sector plays an active role in developing the youth sector, through the support given by companies, establishments, and businessmen to sports clubs, purchase of rights to transmission of TV matches, and support of professional players in clubs. In addition, it undertakes construction, maintenance, expansion and operation of sports facilities and youth and sports centers in all parts of the Kingdom.

Club privatizations are expected to lead to enhancement of the role of the private sector. Major clubs are due to be privatized, as an initial stage, with subsidies to clubs being gradually phased out.

31.2.2.3 Budget Allocations

Under the Seventh Development Plan, total allocations for development programs in the youth and sports sector amounted to SR5926.7 millions, which exceeded planned allocations by 9%.

31.2.3 ISSUES AND CHALLENGES

31.2.3.1 Utilization of Leisure Time

Utilization of leisure time, particularly for youth, in a proper and meaningful way is a key challenge to all contemporary societies. This is especially the case for societies, like Saudi society, where the youth constitute a significant segment of the population. Given the need to protect this most sensitive and highly susceptible category of the population from negative influences, this issue should receive greater attention. In this regard, the following measures are proposed

- Developing a clear vision of how youth could utilize leisure time positively and determining suitable implementation mechanisms.
- Encouraging young men and women to develop hobbies and talents, become regular visitors to public libraries and libraries of sports and literary clubs.
- Ensuring that services of sports centers and clubs cover all parts of the country, especially densely populated areas.
- Introducing new and modern means of recreation similar to those common in neighboring and modern societies.
- Expanding programs for exchange of visits among Arab youth and with youth from friendly countries.
- Putting more emphasis on creating job opportunities for new graduates, and encouraging and helping youth to obtain jobs during official holidays.
- Increasing the absorptive capacity of universities, and technical and training institutes, in order to accommodate the increasing numbers of secondary school graduates.

31.2.3.2 Underutilized Youth Facilities

Saudi Arabia has a large array of outstanding youth, sports and cultural facilities provided by the General Presidency of Youth Welfare, the Ministry of Culture and Information, the Ministry of Social Affairs, the Ministry of Education, military and security organizations, and other agencies. Under GPYW, more than 84 facilities are in operation in over 107 cities and governorates, where some 29 sports are played under the supervision of 24 sports federations. There are also the cultural facilities that have recently been transferred to the Ministry of Culture and Information, including 12 literary clubs, 100 public libraries, 27 museums, and other facilities. However, enthusiasm for the use of these facilities is relatively low. Of 2.6 million male youth in the 15–30 years age bracket, only 0.3 million or 11.5% are regular users of these facilities. This issue should, therefore, be examined carefully and a study conducted to investigate the reasons that lie behind such a low utilization rate.

31.2.4 DEMAND FOR YOUTH AND SPORTS SERVICES

Demand for youth services is estimated on the basis of forecast population growth rates and the expected need for youth services and activities that must be designed to develop the intellectual and physical talents and refine the skills of youth.

With young men and women in the 0–34 years age group amounting to 65.4% of total population, Saudi society is overwhelmingly young. This places on the government the heavy responsibility of catering to the needs of youth, including provision of playgrounds, open spaces for popular sports activities, gardens, parks, and pavilions equipped with recreation facilities.

However, the General Presidency of Youth Welfare is primarily responsible for male youth in the 15–29 years age bracket, who constitute 28.5% of the population and need to be provided with the various youth and sports facilities and activities. Table 31.2.2 lists the needs for sports facilities by region under the Eighth Development Plan, while Table 31.2.3 lists demand for youth and sports activities.

Table 31.2.2
Demand for Youth and Sports Facilities by Region
Eighth Development Plan

Region	Youth Club	Sports Center	Permanent Camp	Club Premises	Cycling Race Track
Riyadh	1	1	1	–	–
Makkah	2	–	–	1	1
Al Madinah	2	–	–	2	–
Qassim	1	–	–	–	–
Eastern Region	1	–	–	–	–
Asir	2	–	1	–	–
Tabuk	1	–	–	–	–
Hail	1	–	–	–	–
Northern Borders	1	–	–	–	–
Jizan	1	–	–	–	–
Najran	1	–	–	–	–
Baha	–	–	–	–	–
Al–Jouf	1	1	–	1	–
Total	**15**	**2**	**2**	**4**	**1**

Source: Ministry of Economy and Planning.

Table 31.2.3
Demand for Youth and Sports Activities
Eighth Development Plan

Facilities	2005	2006	2007	2008	2009
External Competitions	688	691	694	697	700
Domestic Competitions	9,760	9,820	9,880	9,940	10,000
Sports for All	546	552	557	563	568
Sports training	11,414	11,528	11,643	11,760	11,877
Recreational camps	606	611	616	621	626
Work camps	17	18	19	20	21
Trips and visits	505	509	513	517	521
Community service	556	562	568	574	580

Source: Ministry of Economy and Planning.

31.2.5 FUTURE VISION

Youth activities are among the most significant elements of social development, for they provide constructive and meaningful hobbies, and advance the intellectual, artistic and physical skills of young people. They, therefore, have received significant attention from the state, which endeavored to make them available throughout the country. The future vision for this sector may be defined by the following:

1. Developing a nationwide program for raising athletic standards in all sports, promoting the exercise of these sports, creating a thriving athletic environment, promoting the spirit of competition, and improving representation of the Kingdom in international arenas.
2. Developing, promoting and encouraging youth activities, through strengthening cooperation between sports institutions, including national federations, societies and committees, and government agencies involved in youth and sports activities.
3. Developing athletic professionalism to include all sports.
4. Encouraging participation of the private sector in youth activities and privatizing sports clubs to make them self-financing and reduce their dependence on government subsidies.

31.2.6 DEVELOPMENT STRATEGY

The development strategy aims at refining youth talents and interests and helping youth acquire the necessary physical and intellectual capabilities and skills.

31.2.6.1 Objectives

- Developing youth activities, facilities and events and extending them to wider population segments in all parts of the country.
- Intensifying efforts to base raising of youth on sound principles leading to balanced intellectual and physical development, as well as efforts to refine the hobbies of youth and promote their skills.
- Encouraging the private sector to participate in providing youth and sports activities.
- Working towards achieving excellence and attaining world-class levels in all youth activities.
- Developing and upgrading capabilities of sports cadres.

31.2.6.2 Policies

- Providing youth welfare programs in all regions of the Kingdom.
- Developing the Saudi manpower of the General Presidency of Youth Welfare.
- Encouraging the private sector to participate in youth welfare programs.

31.2.6.3 Targets

- Increasing the number of domestic and external sports competitions as well as Sports for All events by 3%, compared to the level achieved under the Seventh Development Plan.
- Increasing the number of youth camps, community service, visits and work camps by 5%, compared to what was achieved under the Seventh Development Plan.
- Establishing 15 youth clubs in small villages and towns.

31.2.7 FINANCIAL REQUIREMENTS

Under the Eighth Development Plan, the financial requirements for youth and sport services sectors will total SR 5114.9 million to provide funds for management, operation costs, programs, maintenance, manpower development, youth welfare activities, and development and upgrading of facilities.

CHAPTER THIRTY TWO

RELIGIOUS, JUDICIAL, HAJJ AND UMRAH SERVICES

32. RELIGIOUS, JUDICIAL, HAJJ AND UMRAH SERVICES

32.1 RELIGIOUS SERVICES

32.1.1 Introduction

The Kingdom of Saudi Arabia is the cradle of Revelation and Islam. The two Holy Cities of Makkah and Al Madinah are destinations of pilgrims who assemble from all over the world to perform Hajj and Umrah. Ever since its inception, the Kingdom has been guided by Islamic teachings and principles. This commitment is emphasized in the first objective of the Eighth Development Plan: "To safeguard Islamic teachings and values, enhance national unity, security and social stability, and to firmly establish the Arab and Islamic identity of the Kingdom".

Religious services in the Kingdom are provided by several agencies; each responsible for a specific religious service that meets the needs and interests of the people or guides them towards the right Islamic conduct. The Ministry of Islamic Affairs, Endowments, Call and Guidance cares for mosques, manages endowments, and promotes the investment and development of their assets. In addition, it undertakes the propagation of Islam, promotion of learning and reciting the Holy Quran by heart, supervision of the King Fahd Complex for Printing the Holy Quran, and the organization of domestic and international contests for the recital of the Holy Quran by heart. The General Presidency of the Two Holy Mosques Affairs cares for the two Holy Mosques, while the General Presidency of Morality Committees urges people to adhere to good conduct and uphold Islamic morals. The Department of Religious Research and Ifta is responsible for issuing and disseminating fatwas (religious edicts and judgments), in addition to undertaking and publishing Islamic studies and research.

32.1.2 Current Conditions

The two Holy Mosques in Makkah and Al Madinah have been expanded to 366,000 m^2 and 400,000 m^2, respectively. Over 45,000 mosques are being supervised by the Ministry of Islamic Affairs. The King Fahd Complex for Printing the Holy Quran produced 83 publications, which included copies of the Holy Quran, translations and books on the Prophet's Sunna (tradition). More than 165 million copies of publications were produced between inauguration of the Complex in 1985 and 2004.

The number of endowments assets reached 22,471 units. In order to increase the returns on these assets, a number of residential and commercial compounds and market places were built. In addition there are 201 Arbitah and 6 libraries supervised by the Ministry of Islamic Affairs, Endowment, Call and Guidance.

32.1.2.1 Institutional and Organizational Development

Agencies directly responsible for religious services experienced significant structural and organizational development since 1970 when the Kingdom's development process was initiated. Administrative structures were improved, technological tools developed, and regulations continuously reviewed and updated. Moreover, advanced databases were established and systems of electronic government introduced. A program of training and research was implemented to promote efficiency and improve productivity.

32.1.2.2 The Private Sector

The private sector is participating effectively in the work of the religious sector through building facilities, and undertaking their operation and maintenance.

32.1.2.3 Budget Allocations

Under the Seventh Development Plan, total budget allocations assigned to the development programs of the religious services sector amounted to SR12,442.5 Million.

32.1.3 ISSUES AND CHALLENGES

The Islamic world is facing a number of issues and challenges; some long standing, others quite new.

32.1.3.1 Religious Extremism

In recent years, religious extremism, based on an erroneous understanding and a narrow interpretation of Islamic principles and teachings, appeared in some Islamic countries. False calls for Jihad, advocating confrontation instead of wise dialogue, and fatwas (religious edicts) branding others as infidels have been the main manifestations. These developments have had a negative impact on youth, as well as on civil peace and stability. They also distorted the sublime message of Islam, occasioning unfair campaigns against Islam and its traditional call for peaceful coexistence of religions in harmony, love and cooperation. These campaigns have targeted Islamic countries in general and the Kingdom of Saudi Arabia in particular. Hence, efforts must continue to be exerted to fight and refute religious extremism by presenting the noble values and ideals of Islam, which advocate peace and security for all human beings. This indeed is the approach adopted, and will continue to be adopted, by the Kingdom at all levels.

32.1.3.2 Development and Administration of Islamic Endowments

From the perspective of Islam, endowments are continuous alms; an on-going source of revenue and growth that constitutes a major component of the social sector of the economy. However, they currently face challenges that limit their ability to perform their developmental role and restrict them from using many investment mechanisms; hence limiting the number of beneficiaries from them. Other challenges include difficulties of determining, listing, regulating and maintaining these endowments, securing the interests of their beneficiaries and increasing the returns on them. There is thus a need to develop the monitoring and management of endowments, through a comprehensive treatment of all the issues involved.

32.1.4 DEMAND FOR RELIGIOUS SERVICES

Increases in population and expansion of urban boundaries are expected to increase the demand for religious services steadily. Table 32.1.1 shows the expected demand for religious services under the Eighth Development Plan.

Table 32.1.1
Demand for Religious Services by Administrative Regions
Eighth Development Plan

Regions	Mosque Building	Mosque Renovation	Endowment Building
Riyadh	120	350	1

Makkah	80	350	1
Al Madinah	50	200	1
Qasim	60	200	1
Eastern Region	50	200	1
Assir	60	200	1
Tabuk	20	100	1
Hail	50	200	1
Northern Borders	20	100	1
Jizan	50	200	1
Najran	20	100	1
Baha	50	200	1
Jouf	20	100	1
Total	**650**	**2,500**	**13**

Source: Ministry of Economy and Planning.

32.1.5 FUTURE VISION

Religious affairs services are directly linked to spiritual values and principles; hence the inappropriateness of applying to them the same future vision criteria applied to productive and service sectors.

Religious services in the Kingdom aim at safeguarding the noble heritage and values of Islam, relying on three factors. The first is human beings entrusted with the message of God armed with consciousness and insight, wisdom and tolerance, and virtuous conduct; treating other people in a civilized manner in keeping with the nature of the Age and free of excess and extremism. The second is to establish rapport between religious authorities and people through speeches, lectures, symposia, conferences, radio and television programs, publications, field tours and electronic production means; an endeavor that requires adoption of specific clear strategies. The third is establishing facilities such as mosques, places of prayer and call (Daawa) centers; future demand for which may be forecast on the basis of anticipated population and urban growth.

32.1.6 DEVELOPMENT STRATEGY

32.1.6.1 Objectives

The Eighth Development Plan has set the following objectives for religious services:

- Caring for the recital and learning by heart of the Holy Quran.
- Caring for, repairing and maintaining mosques.
- Keeping records of, listing and caring for endowments assets and Arbitah.
- Developing and investing the endowments and endeavoring to meet the conditions set by donors.
- Urging people to behave virtuously and adhere to the fine morals of Islam.

32.1.6.2 Policies

Realization of the major objectives relies upon implementation of the following policies:

- Continuing with issuing the publications of the King Fahd Complex for Printing Holy Quran and continuing to promote Quran and Sunna education.
- Encouraging young Muslims to recite and learn the Holy Quran by heart.
- Organizing annual domestic and international Quran recital contests.
- Carefully selecting qualified Islamic preachers well versed in Islamic culture and religious teachings.
- Issuing Islamic books that present the high ideals and lofty values of Islam, aimed at deepening love among all people and achieving justice and peace in the world.
- Organizing seminars and delivering lectures and making use of media, information and communications technology to introduce Islam and celebrate its moral excellence.
- Maintaining mosques and Islamic centers and prayer facilities.
- Taking inventory of and listing endowment assets and producing their legal deeds and tracing those missing, as well as entering all

information related to endowment deeds and assets in digital banks.

- Repairing, maintaining, preserving and developing endowment assets.
- Caring for endowment libraries, developing them and providing them with information systems.

32.1.6.3 Targets

- Issuing around 12 million copies of the Holy Quran, recordings and translations, each year.
- Constructing 650 mosques during the period; on average 50 in each of the 13 regions of the Kingdom.
- Repairing 2,500 mosques, at the rate of 500 a year.
- Registering and numbering 1,500 endowment assets and preparing some 2,000 endowment survey submissions.
- Establishing 2 endowment libraries.

32.1.7 FINANCIAL REQUIREMENTS

Under the Eighth Development Plan, financial requirements of the religious services sector are estimated at SR14,877 million to fund management, operation, maintenance, manpower, and facilities development.

32.2 JUDICIAL SERVICES

32.2.1 INTRODUCTION

Two legal agencies are responsible for providing the judicial services. The Ministry of Justice provides all services related to judicial matters and documentation of deeds and proxies, through general and specialized courts and notaries public; while the Court of Grievances is responsible for complaints, administrative and commercial disputes, law suits, cases of violation of regulations, and forgery and bribery involving government agencies and other autonomous public agencies.

32.2.2 CURRENT CONDITIONS

Judicial services comprise 305 general and specialized courts, 124 notaries public, and 5 monitoring units, along with 11 branches of the Ministry of Justice distributed over the various regions, leading to enhanced performance.

In addition, there are 5 branches of the Court of Grievance in the regions, apart from the 89 departments at the Riyadh base, which has contributed to increasing the rates of cases reviewed.

32.2.2.1 Institutional and Organizational Development

As part of a major drive to provide and promote judicial services and procedures, the Ministry of Justice issued several new regulations, including the Sharia procedures regulations, the legal profession regulations, the real-estate registration regulations and the penal procedures regulations. The aim has been to facilitate litigation procedures and accelerate judgment on law suits and disputes, as well as to accommodate and deal with the social changes, especially in view of the steady growth of population, which resulted in increased demand for judicial services.

32.2.2.2 The Private Sector

The private sector is contributing effectively to the sector through construction of facilities, as well as through maintenance and operation works.

32.2.2.3 Budget Allocations

Under the Seventh Development Plan, financial allocations for judicial services development amounted to SR4823.4 million, which exceed planned allocations by 5%.

32.2.3 ISSUES AND CHALLENGES

32.2.3.1 The Judicial System

The immense economic and social progress achieved by the Kingdom, and the concomitant expansion of areas of activity and resulting complexities, have led to increased demand for judicial services; hence the urgent need for diversifying judicial specialties, expanding judicial system services, and raising efficiency of the judicial system.

32.2.4 DEMAND FOR JUDICIAL SERVICES

In view of the steady growth of population and the economic and social changes brought about by the processes of development, it is expected that demand for judicial services will increase, as will the number of cases submitted to courts.

The Eighth Development Plan aims to respond to the envisaged increase in demand by opening 75 specialized courts for marriage deeds, and commercial, traffic, labor and juveniles issues, 75 general courts, 25 public notaries and 13 new buildings for Sharia departments.

32.2.5 FUTURE VISION

Accelerating global economic and social developments, economic and social changes within the Kingdom resulting from development, and the structural changes brought about by administrative reform necessitate developing the judicial system. Most importantly, there is need for accelerating the rate of establishing various kinds of specialized courts; and developing an adequate judicial environment capable of coping effectively and efficiently with new developments, while being supportive of investment and privatization policies, particularly on account of the forthcoming accession of the Kingdom to the World Trade Organization.

32.2.6 DEVELOPMENT STRATEGY

32.2.6.1 Objectives

The Eighth Development Plan has set the following objectives for the promotion of judicial services:

- To provide and develop judicial services and procedures.
- To facilitate channels of litigation and speed up adjudication on disputes.

- To develop national manpower, raise their efficiency and improve their performance.

32.2.6.2 Policies

Achieving the objectives set for the sector is contingent upon implementing the following policies:

- Increasing the number of Sharia and specialized courts.
- Increasing the number of notaries public
- Streamlining procedures to speed up adjudication on disputes and judicial transactions.
- Utilizing modern technology to save documents (archiving) and facilitate administrative and technical work in all departments and branches of the Ministry of Justice.
- Establishing premises for Sharia panels and courts.
- Increasing the number of judges, notaries public and registrars in order to satisfy the increasing demand for judicial services.
- Expanding training.

32.2.6.3 Targets

- Launching 75 specialized courts (marriage deeds, commercial, traffic, labor and juveniles) and 75 general courts.
- Opening 25 public notaries.
- Completing computerization of the work of courts and notaries public.
- Establishing 13 premises for Sharia panels.

32.2.7 FINANCIAL REQUIREMENTS

Under the Eighth Development Plan, financial requirements for judicial services are estimated at around SR6,789.5 million to fund management, operation, maintenance, manpower development and facilities development.

32.3 HAJJ AND UMRAH SERVICES

32.3.1 INTRODUCTION

Saudi Arabia regards the services and facilities it provides to pilgrims and Umrah performers as an honor entrusted to it by Allah. The service and care for the two Holy Mosques in Makkah and Al Madinah are viewed as the highest honor. Expansion of the Two Holy Mosques is a monumental achievement and evidence of immense care for Hajj and Umrah.

The Ministry of Hajj cares for pilgrimage and Umrah, through drawing up policies, plans and programs for services provided to pilgrims, Umrah performers and visitors of the Prophet's Holy Mosque; all within the framework of an integrated system involving all agencies related to Hajj; foremost among which are the Hajj Supreme Commission and the Hajj Central Committee. The Ministry also coordinates with officials in Islamic states and states with Muslim minorities and with Hajj missions to ensure that performers and visitors conduct their rituals comfortably and smoothly.

32.3.2 CURRENT CONDITIONS

During the period of the Seventh Development Plan, the Ministry of Hajj supervised services provided to over 9 million pilgrims, i.e., at a rate of 1.8 million pilgrims per year, as well as to more than 11 million Umrah performers, i.e., at a rate of 2.2 million per year. In addition, it supervised activities of the pilgrim guide institutions in Makkah and Al Madinah; the organizations registering pilgrims at the Kingdom's entry points; the General Automobile Association; the pilgrim services establishments; the Umrah services companies; the accommodations inspection committee; and the committees monitoring the activities of all organizations serving pilgrims both from within the Kingdom and without.

There were 60 centers for pilgrim reception, guidance, monitoring and support, in addition to 15 committees supervising around 678 establishments serving internal and external pilgrims, and 11 pilgrim transport companies.

As part of efforts to improve services to pilgrims and Umrah performers, there were under the Seventh Development Plan several achievements. The most significant were establishing the Hajj and Umrah information network, issuing the new Umrah regulations, completing Umrah service centers that link the computers of Saudi Umrah companies and their agents abroad with the Hajj and Umrah information network, and qualifying 212 Umrah companies and establishments.

In addition, all facilities for receiving pilgrim international flights at Prince Mohammed Bin Abdul Aziz airport in Al Madinah were completed; a terminal exclusively for pilgrims and an emergency information unit were established at Al-Hijrah station in Al Madinah; and a number of centers to receive pilgrim complaints were established near Makkah Holy Mosque, along with centers to guide lost pilgrims in Makkah, Al Madinah and the other holy sites.

Moreover, construction of the premises of the Hajj Ministry at the Mina ritual place was completed, as was construction of gates and signs for the shuttle transport system[*]; registration of Saudi and resident expatriate pilgrims continued to be through licensed domestic establishments; and bus fleets of some Hajj transportation companies were refurbished. Furthermore, arrangements for the shuttle transportation system were set up, and a study was undertaken to ascertain the feasibility of expanding it gradually to cover all Tawaf establishments, so that it would by the end of the period of the Plan carry around 70% of all pilgrims from abroad.

The Ministry continued to organize symposia, conferences and workshops for Hajj and Umrah agencies and to coordinate with the official Hajj missions, emphasizing the importance of the effective participation of these missions in raising the awareness of pilgrims while they were preparing to leave for Hajj. Several educational programs were prepared using various media, and books, pamphlets and cassette tapes were distributed to pilgrims.

32.3.2.1 National Manpower Training

By the end of the Seventh Development Plan, employees of the Ministry of Hajj, all Saudis, numbered 728. The Hajj and Umrah Employees Training Center of the Ministry offered training courses and symposia to 11,335

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[*] The shuttle transport system carries pilgrims directly from Arafat to Mina via Muzdalfa on a closed circular route.

employees, Tawaf guides, agents and zamazimahs.

32.3.2.2. Institutional and Organizational Development

In order to provide the greatest possible number of services and facilities to the steadily increasing number of local and international Hajj and Umrah performers, the Ministry of Hajj undertakes continuous structural and organizational development and review of rules and regulations. The Institute of the Custodian of the Two Holy Mosques for Hajj Research, which is part of the Um Al-Qura University, conducts valuable research and studies into ways of raising efficiency and effectiveness.

The Ministry has been successful in improving its internal organization, as well as its relations with the other concerned agencies. Under the Eighth Development Plan, it will make further efforts to develop and organize its departments, and intensify coordination with Islamic organizations and official Hajj missions, in order to improve the services provided to local and international Hajj and Umrah performers.

Efforts will also be made to encourage the private sector to invest in accommodation, transport, catering, and other services extended to Umrah performers. The Ministry had in 2001 started implementing the ambitious Umrah Electronic Services Provider (USEP) program, which is aimed at maintaining continuous contact with private-sector agencies providing Umrah services.

32.3.3 ISSUES AND CHALLENGES

Notwithstanding the remarkable success in serving pilgrims, Umrah performers and visitors of the Holy Mosque of the Prophet, certain challenges need to be addressed.

32.3.3.1 Culture and Language Differences

Pilgrims and Umrah performers come from all over the world. They hail from varied cultures; speak various languages; and some lack correct understanding of rituals of worship.

Dealing with this issue requires obligating establishments responsible for international pilgrims to render guidance to them, explain correct rituals of worship, provide them with maps of the various religious locations and facilities, and keep track of them to ensure that they return to their assigned accommodation. The Ministry needs to enhance coordination with the Hajj missions to ensure that before they leave their countries pilgrims are familiarized with the correct religious rites, as well as with the rules and regulations of the Kingdom.

32.3.3.2 Transport of Pilgrims

Efficient transport and movement of pilgrims are vitally important for effectiveness of Hajj services. Steady increases in numbers of pilgrims are exacerbating the problem of congestion, which, in turn, delays arrival at religious sites. The difficulty of the problem stems from movement being confined to a small area and tied to specific hours for each ritual over few days.

There is thus a need for reviewing the transport plan during the Hajj period, coordinating more closely with the other agencies involved, and obligating pilgrim transport companies to maintain large enough transport fleets. A study of the shuttle transport initiative should be carried out in order to enhance its usefulness.

Current policies may indeed succeed in dealing with the two issues of cultural differences and transport, provided that the following measures are taken:

- Enhancing coordination among the relevant government agencies and Hajj official missions.
- Providing adequate space at the Mina holy site to accommodate the increasing number of pilgrims.
- Expanding the shuttle transport system to reduce both bus movement and the time needed for the Nafrah.

In addition, there is the problem of some pilgrims becoming detached from their contingents and others not being under the care of Tawaf establishments, which complicates transport of pilgrims, especially during the Nafrah, and the problem of some pilgrims sleeping in the open spaces surrounding the Kaaba and Mina. The Ministry continues to coordinate with all the agencies involved to contain such problems.

32.3.4 FUTURE NUMBERS OF PILGRIMS AND UMRAH PERFORMERS

The Ministry of Hajj expects annual increases in the number of pilgrims and Umrah performers, with consequent increases in demand for services.

The number of international pilgrims is forecast to reach 1.62 million in the last year of the Eighth Development Plan (2009), i.e., at an annual average increase of 30,000, compared to about 1.47 million pilgrims in the last year of the Seventh Plan. The total number of pilgrims from within the Kingdom (authorized, unauthorized and those from within Makkah) is expected to top 600,000 a year (Table 32.3.1).

Table 32.3.1
Forecast Number of Pilgrims
Eighth Development Plan

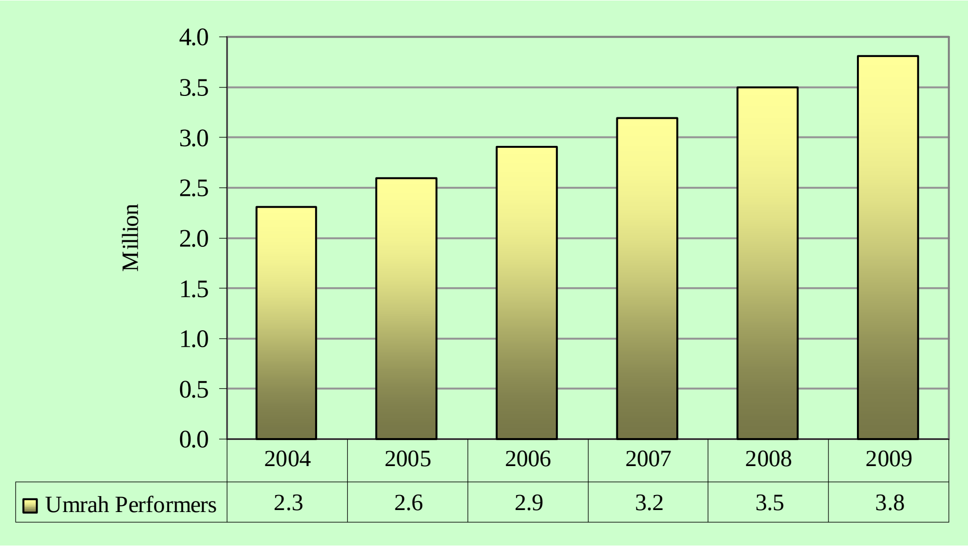
Year	Authorized Pilgrims from Within KSA*	Pilgrims from Abroad	Total
2004	170,000	1,465,000	1,635,000
2005	180,000	1,495,000	1,675,000
2006	190,000	1,525,000	1,715,000
2007	190,000	1,555,000	1,745,000
2008	200,000	1,585,000	1,785,000
2009	200,000	1,615,000	1,815,000

* The number of unauthorized pilgrims from within the Kingdom exceeds 300,000 a year, while the number of pilgrims from within Makkah exceeds 116,000 a year.

Source: *Ministry of Hajj*

The number of Umrah performers is forecast to reach around 3.8 millions in the last year of the Eighth Development Plan (2009), compared to around 2.3 millions by the end of the Seventh Development plan (Figure 32.3.1).

Figure 32.3.1
Forecast Number of Umrah Performers
Eighth Development Plan



Under the Eighth Development Plan, further efforts to improve the services and facilities provided to pilgrims and Umrah performers will cover developing pilgrim orientation centers; monitoring pilgrim contingents; helping lost pilgrims; receiving complaints at Makkah, Al Madinahh and the other holy sites; supervising and monitoring the activities of Tawaf and guide establishments; intensifying awareness programs; and coordinating with all agencies and Hajj missions. In addition, the General Automobile Association and pilgrims transport companies will be under continuous monitoring, supervision and inspection to ensure that they fulfill their obligations.

The Ministry will also continue to supervise performance of the establishments serving local pilgrims. Administrative procedures regulating relations with these establishments will be streamlined and efforts will be made to improve their performance.

In an effort to raise efficiency and enhance performance, training will be provided to Ministry personnel and employees of the Tawaf and Umrah establishments, including use of computers and other modern technology in carrying out the tasks of the Ministry and the agencies under its supervision.

32.3.5 FUTURE VISION

Notwithstanding the many achievements accomplished by the Hajj and Umrah services under successive development plans, the increasing numbers of pilgrims, Umrah performers and visitors to the Holy Mosque of the Prophet represent a major challenge. Hence, the future vision for the development of these services is based upon continuously conducting studies and research to find solutions to existing problems; particularly those of awareness, guidance, transport, overstay, and serious accidents at Al-Jamrat caused by congestion.

The huge numbers of pilgrims and Umrah performers forecast by the Eighth Development Plan require commensurate expansion of services; improvement of performance of the various agencies involved; building more facilities; and providing qualified cadres and the necessary machinery and technology.

32.3.6 DEVELOPMENT STRATEGY

32.3.6.1 Objectives

The Eighth Development Plan has set the following objectives, aimed at promoting Hajj and Umrah services:

- Providing more services and facilities to pilgrims and Umrah performers.
- Improving performance of all relevant agencies and building more facilities.
- Developing manpower and promoting skills through education and training.
- Strengthening local-pilgrim establishments and Umrah companies and improving their performance.
- Encouraging the private sector to provide further high-quality services to pilgrims and Umrah performers.
- Enhancing coordination with Islamic states and communities to raise awareness of pilgrims prior to arrival at the holy places.

32.3.6.2 Policies

Achieving the above objectives is contingent upon implementation of the following policies:

- Continuing to develop pilgrim orientation centers, monitoring of pilgrims and Umrah services, increasing the number of centers giving advice to persons who have lost their way to their accommodation, increasing the number of complaints centers in Makkah and Al Madinahh and the other rites locations.
- Intensifying pilgrim pre-arrival awareness programs and conducting them in all Islamic states.
- Coordinating with the Hajj central committee, Islamic Hajj missions and other related government agencies, in order to provide pilgrims and Umrah performers with the best possible services.
- Continuing coordination with pilgrim transport agencies to facilitate transportation, especially during Taseed and Nafrah.
- Continuing supervision and monitoring of the activities of local and international pilgrim establishments and Umrah companies, in order to enable them to carry out their tasks optimally.
- Continuing supervision of the General Automobile Association and pilgrim transport companies to ensure efficiency of vehicle fleets.

32.3.6.3 Targets

- Establishing a new center for grouping pilgrims on the Makkah–Al Madinahh road, and establishing listing and computer centers at entry points.
- Preparing an awareness strategy in the various languages of the pilgrims.

32.3.7 FINANCIAL REQUIREMENTS

Under the Eighth Development Plan, financial requirements of the Hajj and Umrah services sector are estimated at SR1,129.6 million to enable pilgrims, Umrah performers and visitors of the Holy Mosque of the Prophet to perform the rites smoothly and comfortably.

CHAPTER THIRTY THREE

STATISTICAL DATA AND INFORMATION SERVICES

33. STATISTICAL DATA AND INFORMATION SERVICES

33.1 INTRODUCTION

Statistical data and information are critical inputs for economic, social and environmental development planning, as well as for improving efficiency of government decisions at all levels. They are also used by the private sector to make rational production and investment decisions and by scientific research centers, academic institutions and individual users for multiple purposes. In addition, statistics and information are important for monitoring the development process and evaluating its achievements. The Kingdom has made marked progress in this vital field; it now has a vast wealth of statistical data and information and possesses the infrastructure necessary for producing a wide range of important statistics and economic and social indicators.

Growing demand for more sophisticated data and information for development, coupled with accelerating technological advances in data collection, analysis and dissemination, call for continuous efforts to upgrade statistical services and products, in terms of comprehensiveness of coverage, accuracy and timeliness. Hence, the Eighth Development Plan envisages considerable development of databases and statistics, particularly short-term economic and social data, regional data, and social indicators of living standards and quality of life. The regulatory framework for data collection and dissemination will also be strengthened, to support external efficiency of the databases in the service of the needs of the private sector and other stakeholders in society.

This chapter discusses the current conditions of statistical data and information, the key issues and challenges faced by the Eighth Development Plan, and the objectives, policies and targets set by it.

33.2 CURRENT CONDITIONS

33.2.1 Statistical Data and Information

The Central Department of Statistics (CDS) undertakes providing the accurate data, information and statistics required for development planning, as well as providing official statistics to ministries, government agencies, various institutions, the private sector, and individuals. The

Central Department of Statistics Law (Statistics Act) entrusts the Department with compiling, analyzing and disseminating demographic, social, economic and other statistics on various aspects of life in the Kingdom; as well as compiling, tabulating and analyzing statistical data and information received from various government agencies for use in various statistical publications and the Statistical Yearbook. The Department is also entrusted with conducting studies and making proposals for developing statistical work in order to have a comprehensive and a uniform statistical system.

CDS has several main branches and offices in various parts of the country that link it with government and private agencies.

CDS produces a wide variety of statistical data and information, including population and social statistics and maps; in addition to statistics on the productive sectors of the economy, national income statistics, price statistics, cost of living index, wholesale price index, and foreign trade statistics. It also produces statistical publications on government services, manpower, and pilgrimage.

Furthermore, CDS publishes the Statistical Yearbook, which provides a series of official statistical data on education, health, social services, oil, industry, transport and telecommunications, trade, financial affairs, agriculture, private establishments and population; in addition to periodic statistical indicators covering most social and economic sectors.

As the official statistical authority, CDS derives statistical information and data from two major sources:

1. Field statistical censuses, surveys and research conducted by the Department itself.
2. Administrative data derived from statistical records, publications and reports issued by the statistical departments and data centers of government agencies and institutions, which are compiled and published by the Department in its periodic publications.

Technically, CDS adopts recommendations of the international organizations that constitute the main reference authority for statistical work and uses the most recent international classifications; key among which are:

1. International Standard Industrial Classifications (ISIC).
2. Saudi Standard Classification of Occupations, derived from the International Standard Classification of Occupations (ISCO).
3. International Standard Classification of Education (ISCED)
4. Nationality Classification and Coding Guide.
5. UN System of National Accounts (SNA).
6. Harmonized Commodity Description and Coding System (H.S).
7. International Principles and Recommendations on Population and Housing Censuses.

33.2.2 Developments

Under the Seventh Development Plan (2000–2004), CDS carried out several economic and social censuses, surveys, and research studies; thus providing accurate statistical data and information for development planning.

The following are the main achievements made by CDS over that period.

First: Population and Social Statistics

CDS carried out several population and manpower surveys and studies; thus providing data on population characteristics and demographic and social indicators at regional, governorate, center and settlement levels. It also made available vital indicators, such as the rates of fertility, mortality, growth, immigration, marriage and divorce. In addition, CDS provided the groundwork required for conducting population estimates and reviewing future population developments, and built a comprehensive population database for use by planners, researchers, and international and regional organizations.

The Department also issued a series of annual manpower surveys that provide detailed data on Saudi and expatriate manpower, both employed and unemployed, classified by occupation, economic activity and age structure. Studies were also completed on manpower sectoral and occupational distribution, and on the determination of unemployment rates, in accordance with internationally recognized concepts, recommendations and classifications.

In 2002, CDS produced the Directory of Government Services. Uniform and officially documented data is provided on health; social and educational services; utility services, such as electricity, water, telephone, and postal services; roads; and other administrative services. These data cover all population settlements, listed by administrative region, governorate, and center, on the basis of the administrative divisions issued by the Ministry of Interior, which serves as the underlying basis for tabulation and classification. Thus, the Directory, which is updated periodically, serves as a uniform reference for ministries and government agencies, and a reliable official document on planning and distribution of services.

CDS carries out a program for enumeration of local and international pilgrims. Conducted every year, the program is aimed at providing time-series data that can be used to prepare plans for provision of services to pilgrims and make estimates of the manpower required.

Most significant among CDS achievements under the Seventh Development Plan was the Census of Population and Housing, performed in 2004, which was the third such census carried out in the Kingdom.

Second: Economic Statistics

Under the Seventh Development Plan, CDS carried out the Census of Economic Establishments, which covers private sector businesses, such as factories, trading establishments, real estate offices, maintenance workshops, and hotels. This Census, which is carried out every five years, captures basic data on economic activities, and data on developments in the size of business establishments and their manpower, including wage and salary levels, and is aimed at providing the information necessary for studying several economic aspects, such as the structure of the economy, and the share of the private sector in economic activity and job creation.

CDS conducts an annual sample survey of the private sector and its contribution to economic development. It has also prepared estimates of the annual national accounts and has, in addition, continued to implement the new system of national accounts (SNA 93). Moreover, CDS completed development of the Cost of Living Index (CLI) and started publishing it monthly as of August 2003, and developed the quarterly wholesale price index, which is being published regularly.

CDS also continued to publish quarterly and annual import-export statistics and release a statistical publication on foreign trade.

Third: Technical Services and Infrastructure

Through its National Computer Center, CDS continues to offer technical services to 15 government agencies, along with their branches throughout the country; all linked to the Center via 110 data transmission lines connected to 3,712 terminals and workstations in 31 cities. These services include provision of data processing and storage.

CDS has also developed advanced statistical, administrative and financial systems and applications, to which government agencies have access.

Fourth: Manpower Development

Under the Seventh Development Plan, CDS has recruited qualified staff with appropriate academic background in statistics, mathematics, quantitative methods, economics and computer science, and has achieved an outstanding level of Saudization of 100%.

CDS has been implementing an annual training plan to develop capabilities of the manpower involved in statistics, computers, and technical support. It has sent its staff on training courses within the Kingdom and abroad, on social, population, and economic statistics; use of computers; and the English language. In addition, CDS takes part in meetings, symposia, workshops, seminars, and conferences, both within and outside the Kingdom, with the aim of keeping abreast of developments in statistical work and preparation of national statistical strategies. These endeavors have helped upgrade the quality of statistical work and contributed to the automation of statistical and administrative work.

33.2.3 Role of Private Sector

Households and business establishments are the primary sources of statistical data and information for censuses and surveys. They are also the key users of these data, either directly or indirectly. However, statistical data and information produced by the private sector community and institutions suffer quantitative and qualitative weaknesses; they are generally incomplete, and not published on a regular basis. Furthermore, private sector institutions respond poorly to field surveys and questionnaires carried out by CDS. In contrast, household surveys conducted on a regular basis receive adequate response.

The Eighth Development Plan envisages an improvement in the contribution of private-sector institutions to the efforts made to improve quality and coverage of data, in addition to improved participation by the private sector in economic surveys and studies on the general economic situation.

33.2.4 Budget Allocations

Under the Seventh Development Plan, financial allocations earmarked for statistical sector programs totaled SR1,068 million, of which 84% were actually spent.

33.3 ISSUES AND CHALLENGES

Notwithstanding the remarkable progress achieved by the statistical services sector in making available accurate statistical data and information, some issues need to be addressed to effect further advancement.

33.3.1 Strengthening Organizational and Management Capacity

To keep abreast of the fast pace of technical developments in statistical data and information systems, strengthen the role of statistics in development planning, and enhance the ability of CDS to provide users in all sectors with reliable and timely data, it has become necessary to consider organizational restructuring of the sector. In addition, efforts should be made to develop the management and scientific capabilities of staff, and to attract qualified graduates of statistics, mathematics, quantitative methods, economics and computer science. Support to CDS, as the central statistical authority mandated to collect, analyze and publish statistical data and information, should also be continued.

33.3.2 Statistical Data and Information

Statistical data and information are of crucial importance in providing support to decision-making processes. However, due mainly to poor coordination among the various constituents of the sector, current levels of utilization are relatively low. This calls for further consolidation of joint efforts between CDS and information centers and statistical departments at government agencies, in order to improve quality of statistical services and methods of compilation of statistics, standardize statistical concepts, and apply international statistical recommendations, standards, classifications and systems.

33.3.3 Relations between Data Producers and Users

Statistical data and information mirror social, economic and environmental realities, reflect the problems involved, and reveal weaknesses and variations. Hence, making them available enables decision makers and development planners to make the necessary adjustments. The need exists, therefore, not only for providing more statistical data and information, but also for improving their accuracy, timeliness and dissemination; hence the importance of continued development of relations between statistics producers and users in government agencies, the private sector and individuals.

Several government and private agencies and institutions are currently engaged in producing statistics. It has therefore become necessary to develop efficient mechanisms for coordination, in order to avoid duplication; rationalize costs; and standardize basic concepts, indicators and measurement methods in accordance with recognized international standards.

33.4 FUTURE VISION

The Kingdom continues to make efforts to develop its national statistical system and promote public awareness of the crucial importance of statistical data and information to the success of economic and social development.

In view of the rapid global technological developments in statistical data and information, the scope for modernizing and strengthening the infrastructure of statistical institutions is indeed wide. CDS occupies a key position in implementing this future vision, which involves the following:

- Formulating and implementing a national strategy for development of statistical data and information, tailored to the present and future needs of economic, social and environmental strategic development planning, monitoring and control; as well as to the needs of the private sector, and researchers in academic, economic, social and civil institutions.
- Upgrading and modernizing the organizational structure of CDS in order to meet increasing demand for statistical information and services and enhance their accuracy and timeliness.
- Redrawing public policy on and establishing uniform sources of statistical data and information.
- Spreading a "statistical culture" in society and public and private institutions.
- Intensifying training programs on state-of-the-art computerized techniques of producing and processing statistical data.
- Establishing improved methods for compiling and classifying statistical data, consistent with international systems and standards.

33.5 DEVELOPMENT STRATEGY

The development strategy for statistical services will be implemented through the following objectives, policies and targets:

33.5.1 Objectives

The following are the objectives set for statistical services by the Eight Development Plan:

- Achieving consistency of population, social and economic statistical data and information.
- Giving priority to producing accurate basic data, commensurate with the requirements of economic management and development.
- Disseminating timely, good-quality information.

33.5.2 Policies

The objectives set by the Eighth Development Plan for statistical services will be met through implementation of the following policies:

- Increasing coordination between CDS and statistical departments and information centers at government agencies.
- Achieving further coordination and integration in the dissemination of information to bolster credibility of published data and information.
- Standardizing the international systems for data compilation and classification in use by CDS and the statistical departments of government agencies.
- Giving further care and attention to methods of transfer of data and statistics produced by government agencies to CDS, as well as to data accuracy and methods of compilation.
- Removing constraints on conducting statistical field surveys and research work, such as the multiplicity of agencies responsible for issuing licenses for measuring and recording of economic activity using varied procedures, and the variations in accounting methods and commencement dates of balance sheets of businesses.
- Addressing reluctance of statistics, mathematics, quantitative methods and economics graduates to pursue careers in statistics, due to the fact that statistics jobs are classified as "administrative and financial".
- Making efforts to allocate more financial resources to statistical research.

33.5.3 Targets

CDS envisages developing and upgrading statistical data and information and continuing to implement, update and expand statistical programs and projects according to set plans and time schedules. It will also implement several household surveys and studies based on the 2004 General Census of Population and Housing, and other programs of economic surveys and studies; and will continue to coordinate, upgrade and expand economic sector statistics. Several surveys and studies will be implemented in the following areas:

First: Population and Social Statistics

- Carrying out demographic surveys to identify economic and social characteristics of the population, and provide information on population growth and other rates, including fertility, marriage, divorce, birth, death, and internal migration.

- Conducting social surveys, such as on manpower, consumer expenditure, education characteristics, and handicaps, with the aim of providing statistical data on and indicators of manpower, income and expenditure levels of households, population educational levels and illiteracy rates, dropout rates in education, and volume and types of handicaps.
- Continuing to implement regular statistical programs and release relevant statistical publications, including pilgrimage statistics and the survey of government services in cities and villages.

Second: Economic Statistics

- Continuing to carry out the Annual Economic Survey of Establishments, after updating the sample survey based on the 2004 General Census of Establishments by increasing sample size, widening its scope and improving its representation, in order to provide statistical indicators of all economic activities, including workers, wages, and costs. CDS will also implement several economic surveys covering manufacturing, finance and insurance, services, and tourism, in addition to calculating the manufacturing output index. These surveys should provide comprehensive statistical data and information on the inputs and outputs of individual sectors, classified by type of services, output, value added, manpower distribution, operating expenditure, wages, and revenues.
- Continuing to apply the new System of National Accounts (SNA 93) in accordance with the set time schedule, in addition to preparing annual and quarterly estimates and indicators of national accounts, and publishing national income statistics.
- Publishing annual and quarterly statistics on foreign trade (exports and imports), updating the Harmonized Commodity Description and Coding System (HS) and linking it with other economic classifications, and developing a database on export and import price indices and terms of trade.
- Publishing price statistics, the cost of living index and the wholesale price index. In addition, other programs, such as price averages and monitoring of quality of price data, will be implemented (Box 33.1).

Box 33.1: Major Publications of the Central Department of Statistics

	Title	Frequency
1.	Statistical Yearbook (with CD)	Annual
2.	Statistical Indicator	Annual
3.	Import Statistics (with CD)	Annual/Quarterly
4.	Export Statistics (with CD)	Annual/Quarterly
5.	National Income Statistics	Annual/Quarterly
6.	Directory of Survey of Services in the Kingdom's cities and villages (with CD)	Every two years
7.	Cost of living Index	Monthly
8.	Wholesale Price Index	Monthly
9.	General Census of the Population and Housing	Every ten years
10.	General Economic Census	Every five years
11.	Consumer Expenditure Survey	Every five years
12.	Manpower Survey	Annual
13.	Employment and Wages Survey	Every two years
14.	Demographic Survey (population characteristics and household housing characteristics.	Annual
15.	Pilgrimage Statistics	Annual
16.	Survey of Establishments (Survey of Economic Trends)	Annual
17.	Survey of Manufacturing Industries	Occasional
18.	Survey of Establishments of Transport, Storage and Telecommunication Services.	Occasional
19.	Survey of Banking and Insurance Establishments	Occasional

33.6 FINANCIAL REQUIREMENTS

Under the Eighth Development Plan, the financial requirements for the statistical services sector will total SR700 million to fund quality improvement of economic, demographic and social statistics; and undertaken surveys and censuses of government services, private sector institutions, and developing manpower capabilities.

CHAPTER THIRTY FOUR

METHODOLOGY OF THE EIGHTH DEVELOPMENT PLAN

34. METHODOLOGY OF THE EIGHTH DEVELOPMENT PLAN

34.1 INTRODUCTION

Planning for development is a process that seeks to bring about phased and orderly economic and social transformation from an existing state to a new more desirable one. The planning process considers domestic and external conditions and challenges and the extent of their impact on economic and social development. However, in order to keep pace with changes and developments, the plan should have capacity for continuous renewal and adaptation; hence, the need for an efficient and comprehensive, yet flexible, planning methodology.

The Eighth Development Plan continues to adopt the basic methodology pursued by the Seventh Development Plan, in so far as circumstances and strategic goals are similar. However, in some aspects, the methodology of the Eighth Development Plan reflects new goals and circumstances corresponding to the current phase of development. It has also benefited from the experience accumulated over the previous plans, particularly the Seventh Development Plan.

This chapter describes the planning methodology, discusses the major themes, reviews monitoring and evaluation techniques, and addresses the future vision for the methodology of planning.

34.2 METHODOLOGICAL DIRECTIONS

34.2.1 Integrated Strategic Planning

Since a development plan has to be guided by a vision and a strategic perspective, the strategic dimension has been an essential element of the development planning process. Over the first five development plans, general objectives and strategic principles provided a framework for individual specific objectives, policies and programs. In a step forward, the Seventh Development Plan adopted in addition a long-term perspective of the national economy, dedicating a separate chapter to long-term issues and strategic challenges, such as demographic challenges; competitiveness of the national economy; human resources development; and issues of management of limited resources.

The Eighth Development Plan went further by taking the fundamental step of adopting a long-term strategy for the next two decades up to 2025, with clear-cut vision, objectives and targets. Within that framework, the Eighth Development Plan is part of an overall comprehensive program, and constitutes the first of four 5–year development plans, with its objectives serving as the specific objectives of the first phase of the long-term strategy. The reasons underlying this methodological innovation are articulated in chapter three of this Plan document.

34.2.2 Indicative Role of the Plan

Starting with the Fifth Development Plan, indicative planning for the private sector was adopted to complement directive planning for the public sector. However, the role of the private sector has grown in importance over recent years and is expected to become even more significant over the coming years, prompted by privatization and stimulation of private investments. Hence, certain aspects of the methodology of the Eighth Development Plan have been further developed to enhance its indicative role, with:

- Increased emphasis on effective policies and on their transparency.
- Accompanying policies by appropriate implementation mechanisms, and setting specific quantitative and time-bound targets for monitoring and evaluation of performance and efficiency of policies by the agencies responsible for implementation.
- Listing strategic projects into a separate chapter of the Plan document, along with data on project size and investment requirements, to provide the business sector with a clear picture of the size and nature of the investment priorities of the Plan.

34.2.3 Directive Role of the Plan

Emphasizing policies and objectives, particularly those relating to activities and outputs, is aimed at strengthening the role of implementing agencies in achieving the objectives of the Plan, through selection of the best possible programs, projects and activities. In addition, setting policy objectives and appropriate implementation mechanisms allows the agencies responsible for monitoring and supervision to improve their performance.

Moreover, emphasis on activities, output, measures of output, and output targets should contribute to improving efficiency, since performance criteria would be tied directly to objectives. For example, the objective of health activities is to improve health standards. Health sector inputs, including hospitals, physicians, health centers, are essential, however, they are not sufficient by themselves. Hence, output indicators are needed to provide direct measurement of service standards.

34.2.4 Regional Planning

In a measure designed to enhance efficiency in achieving balanced regional development, the Eighth Development Plan has, for the first time, included specific infrastructure and public service targets for the 13 regions. This measure allows for monitoring and supervision of performance on the regional level, is consistent with the move towards decentralized economic management, and enhances the role of regions and local administrations in economic and social development. The move is expected to improve distribution of economic resources to the various regions; thus serving the objective of comprehensive, balanced development.

34.3 ADVANCES MADE IN PLAN FORMULATION

Several advances were made in the process of formulating the Eighth Development Plan; key among which are the following.

34.3.1 Promoting National Participation

Several measures were taken by Ministry of Economy and Planning to promote community involvement in discussing economic and social issues, developing solutions, formulating policies, and setting development objectives. A major highlight in this regard has been the symposium on the Future Vision of the Saudi Economy, held in October 2002 under the auspices of HRH the Crown Prince. The symposium featured active participation by all government agencies; private sector; academic institutions; international political and economic leaders; and experts from international organizations, such as the United Nations and the World Bank. Symposium papers and discussions served as a key reference for preparing the Eighth Development Plan policy papers.

Furthermore, the Eighth Development Plan benefited from proposals made by government agencies relevant to the issues highlighted by the Custodian of the Two Holy Mosques in his inaugural address to the Third Session of the Shura Council on 28/5/2002. Acting on instructions of the Council of Ministers, the Ministry of Economy and Planning undertook the coordination of proposals and feedback from government agencies, which were studied and included in the Eighth Plan.

34.3.2 Strengthening Participation of Ministries and Other Agencies

Sectoral working teams, made up of representatives of government agencies and the Ministry of Economy and Planning, were charged with coordinating the preparation of sectoral plans. In this way, government agencies contributed to identifying issues and development challenges, formulating policies, and setting objectives, through participation in preparation and review of policy papers.

34.3.3 Promoting Participation of National Expertise in Plan Preparation

The Ministry of Economy and Planning made intensive use of national experts from the Kingdom's universities in preparing studies, drafting of sectoral policy papers, and other support services.

34.3.4 Reducing the Period of Plan Preparation

Preparation of a new 5–year plan involves assessment of the performance of previous plans. The outcome of such an assessment serves as an input for the studies undertaken in initial preparation. As this process starts at the beginning of the third year of the current 5–year plan, actual data available cover only two years of that Plan. Acting in cooperation with ministries and other government agencies, the Ministry of Economy and Planning managed to reduce the period normally taken for the preparation process by almost one year. Preparatory work commenced at the beginning of the fourth year of the current plan. The Ministry, however, aims to reduce the period of preparation to just a year and a half, so that actual data could be available for 3 years of the current plan. In order to achieve this objective, measures need to be taken to enhance the resources of the planning and budget departments in all agencies, and improve timeliness of data collection and statistical surveys.

34.3.5 Planning Tools

Planning tools include analytical software, statistical tools, and macroeconomic and sectoral models. The Ministry of Economy and Planning has developed a complete range of econometric models, for use in performance and policy evaluation and formulation. They can be used for forecasting and developing alternative economic scenarios over the short, medium and long terms, as well as for annual monitoring of plan implementation.

As an integral part of the process of preparing the Eighth Plan, databases of all economic models have been updated and upgraded.

34.3.6 Databases and Statistics

Accuracy and timeliness of data, comprehensiveness of databases, and reliability of data sources are key determinants of the quality and efficiency of the entire planning process. Efficiency of Plan preparation is, furthermore, influenced by the timely availability of input and output data from all agencies, and all social, economic and political stakeholders. The process of preparation of the Eighth Development Plan benefited from the remarkable quantitative and qualitative improvement in databases since 2000. In addition to the progress achieved by CDS publications, most government and private institutions now post their data on the Internet; thus furthering their transparency and quality. Moreover, "Achievements of the Development Plans: Facts & Figures", an annual publication issued by the Ministry of Economy and Planning, which constitutes a comprehensive database with time series spanning the entire development planning period, has become a reference book of national statistical data, used locally and internationally.

34.3.7 Development Plan Reports

Reports of the Eighth Development Plan (the Plan document) reflect the developments that have been introduced into the methodology of the Plan .

A new report on long-term strategy, expected to be published in 2005, has been added. The array of Plan reports now includes:

- The Plan Document: a comprehensive report that includes a review of the Seventh Development Plan; major development issues; and objectives, policies and programs of the Eighth Development Plan.
- Operational Plan: a detailed plan for individual government agencies that defines for each objectives, policies, programs, targets, and financial and human resources requirements. Key elements of the operational plan are covered by the Plan Document.
- Regional Reports: separate reports for the individual regions, each including an evaluation of the economic and social conditions, and the objectives, policies, programs and projects of the sectoral operational plans for the region concerned.
- Follow-up Report: an annual report, prepared by Ministry of Economy and Planning in cooperation with all government agencies and private sector institutions, which assesses implementation of the five-year plan.

In addition, at the inception of preparing the Plan, the Ministry of Economy and Planning prepares a "Manual on Preparing the Five-year Plan", intended to explain the methodology and offer guidelines to all government agencies on how to undertake the tasks required for preparing the five-year plan and the time schedule for the various phases involved. The manual also includes forms for the required data and information, and guidelines on how the forms should be filled.

Furthermore, the Ministry has been publishing an annual report on Achievements of the Development Plans dating as far back as the First Plan, which includes time series on all economic indicators.

34.4 Monitoring and Evaluation of Plan Implementation

34.4.1 Evaluation

Evaluation of the five-year plan performance is currently carried out within the framework of the annual follow-up report. Effectiveness of this evaluation is expected to be further strengthened due to improvements in the methodology of the plan, particularly setting targets for policies and establishing quantitative indicators of performance. Further improvements are expected by the planned move to include the annual performance evaluation into the Economic Report that the Ministry of Economy and Planning intends to publish; thus enhancing the indicative role of the national development plans.

The Ministry continuously monitors the economic and social situation that serves as a basis for preparing the five-year plan. However, due to unforeseen domestic or international developments, several plan targets are likely to deviate from expected levels. Hence, there is a need for a Mid-Term Review (MTR) of the Plan, particularly in view of the strong linkages of the Saudi economy to regional and international economies, through the oil and basic industry markets, which make the likelihood of deviations from assumptions all the more likely. However, conducting a mid-term review would require increased efficiency and faster availability of data and statistics, as well as strengthening the technical and administrative capacity for planning and follow-up of all government agencies. Taking all these factors into consideration, the Ministry will study the possibility of conducting a mid-term review of the Eighth Development Plan.

34.4.2 Follow-up of Implementation

The twenty year time horizon of the Long-Term Strategy (until 2024) involves four 5-year plans, starting with the Eighth Development Plan. Thus, the process of preparing the successive five-year plans will include a comprehensive review of the strategy every 5 years to ensure that the successive five-year plans be fully consistent with the overall strategy.

34.4.3 Follow-up of Major Programs and Projects

Council of Ministers Resolution 1368 of 18/8/1976 directed the Ministry of Economy and Planning to monitor critical programs and projects, as part of monitoring implementation of the five-year plans. Hence, the Ministry prepares a separate annual report on these projects. However, a whole year is deemed too long a period to allow for identification and removal of constraints impeding implementation of all the projects envisaged by the plan, and not just the major ones. It is, therefore, essential to develop the monitoring process, using modern communication and information technology tools. Information and data on the progress of the activities of projects could be stored in a database jointly accessible by both the implementing agencies and the Ministry of Economy and Planning. Field monitoring of projects, particularly major ones, should also be strengthened. The Ministry, in collaboration with the various relevant agencies, will study the best possible means for achieving these aims, making use of international best practice.

34.4.4 Future Vision of Planning Methodology

Planning methodology is conditioned by the specific characteristics of the particular development phase and the state of the economy and society. It may, therefore, be unrealistic to develop a future vision for planning methodology. Nevertheless, it is possible, in light of the objectives and policies of the Eighth Development Plan, to indicate certain features of future planning methodology.

Increased Importance of Geographical (Spatial) Dimension

The move towards continued delegation of power and authority to local and regional administrations would necessitate making planning methodology consistent with the division of authority between the central administration and the regional and local (municipalities and centers) administrations. This, in turn, requires building adequate databases and developing economic and social indicators, economic models, and planning tools at the level of regions.

Evolving Role of Strategic Planning

The strategic planning approach has significantly influenced the Eighth Development Plan, which, in fact, represents the first building block of a strategic edifice outlined by the Long-Term Strategy. The planning methodology should, therefore, accommodate this development by ensuring consistency between the sectoral strategies and the national strategy, as well as by ensuring closer integration and synchronization between the preparation of the five-year plans and the reviewing and updating the long-term strategy.

The GCC and Regional Dimensions

The coming years are expected to see increased levels of cooperation at the GCC and regional levels, as well as the accession of the Kingdom to the World Trade Organization (WTO). Future methodology should reflect these regional and international developments and their likely impacts on the development process. This will be particularly important when the GCC monetary union and unified currency, targeted for 2010, come into force, along with the Greater Arab Free Trade Zone, and other agreements that are also due to come into effect over the coming years.

APPENDIX

OBJECTIVES AND
STRATEGIC BASES OF THE
EIGHTH DEVELOPMENT PLAN

2005 – 2009 AD

KINGDOM OF SAUDI ARABIA
GENERAL SECRETARIAT OF
THE COUNCIL OF MINISTERS

Decree 175 of 27/6/1424 AH

The Council of Ministers,

Having considered the communication received from the Presidency of the Council of Ministers under Royal Decree 3/B/28106 of 13/6/1424 A.H. containing the directive to put forth before the Council of Ministers, the Objectives and Strategic Bases proposed for the Eighth Development Plan (1425/1426-1429/1430) submitted through the telegrams of H.E the Minister of Economy and Planning No. 82/1 dated 8/1/1424 A.H. and No. 104/E/24 dated 8/6/1424 A.H., and Pursuant to Royal Decree A/97 of 17/3/1418 A.H., and

Having considered the Objectives and Strategic Bases proposed for the Eighth Development Plan (1425/1426-1429/1430 A.H.), and

Having considered Council of Ministers Resolutions 58 of 28/3/1420 A.H. and 126 of 28/5/1421 A.H., and

Having considered the recommendation of the General Committee of the Council of Ministers 306 of 20/6/1424 A.H.;

Hereby decrees:

Approval of the Objectives and Strategic Bases of the Eighth Development Plan (1425/1426 – 1429/1430 A.H.) as per the attached text.

OBJECTIVES AND
STRATEGIC BASES OF
THE EIGHTH DEVELOPMENT PLAN
FOR THE KINGDOM OF SAUDI ARABIA
1425/1426 – 1429/1430 (2005-2009)

FIRST: OBJECTIVES

1. To safeguard Islamic teachings and values, enhance national unity, uphold security and social stability and deepen the Arab and Islamic identity of the Kingdom.
2. To continue improving the services provided to Hajj and Umrah performers so as to facilitate performance of religious rites.
3. To raise the standard of living, improve the quality of life and provide job opportunities to citizens, by accelerating the development process, increasing the rates of economic growth, and ensuring enhancement of the quantity and quality of education, health and social services.
4. To develop human resources, upgrade their efficiency and increase the supply of manpower to meet the requirements of the national economy.
5. To diversify the economic base with due emphasis on promising areas such as manufacturing industries, particularly industries that make intensive use of energy, and its derivatives, as well as mining, tourism and information technology industries.
6. To improve productivity of the national economy, enhance its competitiveness and prepare it to adjust in a more flexible and efficient manner to economic changes and developments at the national, regional and international levels.
7. To increase private sector's participation in economic and social development.
8. To achieve balanced growth throughout all regions of the Kingdom and reduce the development gap between them.

9. To develop the science and technology system, pay attention to informatics, support and encourage scientific research and technology development, with a view to enhancing the efficiency of the Saudi economy, and keeping abreast of the knowledge economy.
10. To conserve and develop water resources and ensure their rational utilization.
11. To protect the environment and develop suitable systems in the context of sustainable development.
12. To continue to strengthen and promote the Kingdom's relations with Arab, Islamic and friendly countries.

SECOND: THE STRATEGIC BASES

First Strategic Basis

Increase the share of Saudi manpower in total employment in various sectors, pay attention to upgrading their efficiency and productivity through training and re-training, and continue to substitute Saudi manpower for non-Saudis.

Second Strategic Basis

Place emphasis on the welfare of women, upgrade their capabilities and remove the constraints that impede their participation in development activities, in line with the Islamic values and teachings.

Third Strategic Basis

Expand provision of health care and social welfare services to the entire population.

Fourth Strategic Basis

Take care of the needy groups of citizens and pay attention to management and reduction of poverty by concentrating on the economic policies and programs that lead to higher economic growth, along with achieving balanced development of all regions in the Kingdom.

Fifth Strategic Basis

Develop all relevant aspects of education and training systems. Upgrade their output in conformity with the changing needs of society, the labor market and the requirements of the development process. In addition, keep abreast of advances in knowledge and technology, and pay attention to the promotion and dissemination of culture.

Sixth Strategic Basis

Improve the quality of public services and increase their supply in line with the growing needs of the population, along with improving performance of the responsible agencies.

Seventh Strategic Basis

Enhance utilization of economic resources with due emphasis on rationalization and improving performance of the responsible agencies.

Eighth Strategic Basis

Continue to provide infrastructural assets in line with growing demand, and improve their operation, with due emphasis on maintenance and replacement of depreciated assets.

Ninth Strategic Basis

Continue efforts to maintain a climate conducive to enhancing private-sector participation in economic and social development, while intensifying government initiatives to encourage private domestic and foreign investments and bolster competitiveness of domestic products.

Tenth Strategic Basis

Privatize additional public facilities, activities and services, while ensuring a rising share for citizens in asset ownership; all within a framework of competition and transparency.

Eleventh Strategic Basis

Develop tourism and improve associated services and facilities, while conserving the environment and national heritage.

Twelfth Strategic Basis

Adopt a population policy that takes into consideration quantitative and qualitative variables and geographical distribution and enhances correlation between population variables and the goals of sustainable development.

Thirteenth Strategic Basis

Distribute resources and services among the regions of the Kingdom to ensure reduction of development disparities among them and enhance their comparative and competitive advantages.

Fourteenth Strategic Basis

Create a strong foundation for national science and technology capable of innovating and inventing, expand ICT applications, and improve the databases in support of the national economy.

Fifteenth Strategic Basis

Continue with administrative development and the creation of a regulatory environment conducive to economic development and efficiency.

Sixteenth Strategic Basis

Adopt fiscal and monetary policies that contribute to accelerating economic growth, achieving higher employment, and enhancing economic stability.

Seventeenth Strategic Basis

Reduce public debt to a reasonable level and develop appropriate mechanisms for achieving financial stability in the long run.

Eighteenth Strategic Basis

Adopt integrated management of water resources and optimize their utilization, while emphasizing their rational usage and developing their sources and conservation techniques.

Nineteenth Strategic Basis

Encourage participation of private institutions and individuals in charitable and voluntary activities in social work, healthcare and education; improve such activities; and promote awareness of their importance.

Twentieth Strategic Basis

Sustain care for environmental protection, promote environmental regulations, protect and develop wildlife, and conserve natural resources and rationalize their utilization.

Twenty First Strategic Basis

Promote integration among the Gulf Cooperation Council (GCC) countries and strengthen relations with Arab, Islamic and friendly countries, as well as with international economic blocs.