

# REGIONAL DEVELOPMENT

## 12.1. INTRODUCTION

Under the Eighth Development Plan, expansion and development of infrastructure in various regions of the Kingdom covering primarily roads, railways, telecommunications, water and sanitation, and electricity, continued, in addition to improving education, health and municipal services. To promote balanced regional development, a set of strategies and studies were developed, the most prominent of which are: the National Strategy for Social Development, the Healthcare Strategy, the National Industrial Strategy, the National Transportation Strategy, Strategies for Developing Tourism at the level of administrative regions, and the Regional Economic Reports.

The Ninth Development Plan aims to continue efforts to achieve balanced regional development and develop institutional capacities of the agencies working in the regions to enable them to carry out their mission of improving the investment environment, increase productivity, and provide more employment opportunities.

This chapter addresses the current conditions of regional development, explaining developments under the Eighth Development Plan; reviews the key issues and challenges that must be addressed under the Ninth Development Plan; and highlights the future vision, objectives, policies and targets for regional development in the Ninth Development Plan.

## 12.2. CURRENT CONDITIONS

### 12.2.1 Pillars of Regional Development

The Kingdom enjoys unique geographical and topographical features: it is a bridge between Europe, Asia and Africa; its western coast along the Red Sea extends to approximately 1,760 km, while its eastern coast along the Arabian Gulf extends about 560 km. Because of its vast area, which amounts to two million square kilometres, the country also

enjoys a varied terrain and diverse natural resources. Hence, development plans continue to seek balanced regional development that aims at reducing development disparities, both among and within the regions by utilizing the diversity of resources and potentials of each region. Successive development plans adopted clear regional development policies; the main features of which are attaching importance to improving infrastructure, while taking into account the development potential of each region. Generally, the regional development methodology of the Kingdom is based on the following themes:

- The need to achieve relative population balance among the regions, taking into consideration the pattern of population distribution among as well as within regions.
- Methodically addressing the comparative advantages of each region, within the framework of comprehensive, sustainable development.
- Achieving regionally balanced development, by narrowing the development gap among the regions.
- Progressively reducing centralized management through strengthening local administration.
- Adopting a package of investment incentives to attract investors to the less developed regions, in accordance with the Council of Ministers Resolution No. 359 of 2008, which stipulated granting investors tax incentives of up to 50% of the costs of training and the annual wages of Saudi employees working in projects established in the areas of Hail, Northern Borders, Jazan, Najran, Baha, and Jawf. The Resolution also granted industrial projects and capital expansion in these areas additional tax incentives, at a rate not exceeding 15% of paid-up capital.
- Raising the level of services in the regions, in accordance with the system of regions instituted by Royal Order No. A/92 of 1992, of which Article 23 decrees that: "The Provincial Council shall study all issues that seek to raise the level of services in the region; particularly the following: identifying the needs of the region; proposing their coverage by the state's development plan;

and following up implementation of the region's development Plan and budget, and coordination thereof".

- Adopting the policies proposed by the National Spatial Strategy, which emphasize integrated development among and within regions. Among the most prominent of such policies are the "developmental corridors". These are important tools in the management of long-term urban development, as they facilitate progressive dissemination of development from the more developed to the less developed centres, through optimum use of existing infrastructure that connects cities and villages within a balanced hierarchical structure of population settlements.
- Adopting the strategic directions of government agencies that bear relation to balanced development, such as: the National Transportation Strategy, the National Strategy for Social Development, the Healthcare Strategy, the National Industry Strategy, The National Tourism Development Strategy, and the National Strategy for Development of Handicrafts and Traditional Industries.

### 12.2.2 Administrative Regions

In accordance with the System of Regions instituted by Royal Order No. A/92 of 1992 and its amendment by Royal Order No. A / 21 of 1993, the Kingdom consists of thirteen administrative regions; each comprising governorates and districts classified into two administrative levels (Grade A and Grade B).

According to statistics published in 2007 by the National Centre for Documents and Archives, administrative regions include 105 governorates of which 43 are grade A and 62 are grade B. The regions also comprise 1,356 administrative centres consisting of 582 grade A and 774 grade B centers. (Table 12.1)

**Table 12.1**  
**Administrative Hierarchical Structure in Regions**

Region *	Administrative Governorates			Administrative Centres		
	Grade A	Grade B	Total	Grade A	Grade B	Total
Riyadh	10	9	19	172	277	449
Makkah	5	6	11	38	78	116
Madinah	2	4	6	39	50	89
Qassim	4	6	10	64	91	155
Eastern Region	5	5	10	71	42	113
Asir	4	7	11	40	60	100
Tabuk	3	2	5	19	52	71
Hail	1	2	3	48	36	84
Northern Borders	1	1	2	7	11	18
Jazan	3	10	13	25	9	34
Najran	1	6	7	25	32	57
Baha	3	3	6	22	14	36
Jawf	1	1	2	12	22	34
<b>Total</b>	<b>43</b>	<b>62</b>	<b>105</b>	<b>582</b>	<b>774</b>	<b>1356</b>

\* Each region includes the headquarters of the principality.

Source: National Centre for Documents and Archives, 2007.

### 12.2.3 Population Trends

#### □ Population distribution

Concentration of resources and economic activities in specific regions resulted in a similar concentration of population (Table 12.2): three regions (Riyadh, Makkah and Eastern Region) together had almost two-thirds (64.2%) of total population in 2009. Over the period 2004–2009, the average annual rate of population growth in the regions ranged from 1.4% to 3%. As a result, this pattern of population distribution has put increasing pressure on public facilities and services, especially water and sanitation, electricity, health, education, roads, communications, housing, and municipal services.

**Table 12.2**  
**Population by Region**  
**Eighth Development Plan**

Region	2004		2009		Average Annual Growth Rate (%)
	Total Population	(%)	Total Population	(%)	
Riyadh	5458273	24.1	6247386	24.6	2.7
Makkah	5797184	25.5	6348357	25.0	1.8
Madinah	1512724	6.7	1719494	6.8	2.6
Qasim	1015972	4.5	1135744	4.5	2.3
Eastern Region	3360031	14.8	3714884	14.6	2.0
Asir	1687939	7.4	1858557	7.3	1.9
Tabuk	691716	3.1	794610	3.1	2.8
Hail	526882	2.3	580437	2.3	2.0
Northern Borders	279971	1.2	307036	1.2	1.9
Jazan	1187587	5.2	1365756	5.4	2.8
Najran	420345	1.9	488304	2.0	3.0
Baha	377900	1.7	404721	1.6	1.4
Jawf	361738	1.6	408226	1.6	2.4
<b>The Kingdom</b>	<b>22678262</b>	<b>100</b>	<b>25373512</b>	<b>100</b>	<b>2.3</b>

*Source: Central Department of Statistics and Information.*

#### □ *Inter-regional population movement*

Despite the concentration of population in the regions of Makkah, Riyadh and the Eastern Region, statistics show a decline in the rate of internal migration during the period 1992–2004. In Riyadh region, the number of Saudis living in a region other than that of their birth dropped from a ratio of 1 in 5 to 1 in 7; in Tabuk region the ratio dropped from 1 in 4 to 1 in 5; in the Northern Borders area it dropped from 1 in 5 to 1 in 8; and in Al-Jawf region, from 1 in 7 to 1 in 15. The drop in migration is attributable to the advances made in education, and health services and in infrastructure, as well as to the availability of employment opportunities in the regions, hence encouraging the population to settle in their regions.

In a sign of improved indicators of balanced development among regions, estimates of population movement in 2008 indicate that the internal migration trend continued to improve compared with 2004.

## **12.2.4 Economic Activity**

The volume of economic activity is linked to the geographic and economic characteristics of the locations in which it is conducted. Statistics indicate that the economic activities of the private sector in 2007 are highly concentrated in key urban and economic centres: of the 695 thousand operating businesses, 31% were in the Riyadh region, 26% in the Makkah region, and 17% in the Eastern region; a total of 74%. Economic activity is distributed among regions as discussed below.

### ***A. Industrial Activity***

Indicators of regional distribution of industrial activities show that they are concentrated in Riyadh, Makkah, and Eastern Regions, which have together 86% of all operating factories in 2008. Similarly, the indicator of number of industrial jobs per 10,000 people was about 314 in the Eastern Region, about 289 in Riyadh, about 207 in Makkah, about 118 in Medina, and about 109 in Qassim compared with 11 to 42 in the rest of the regions.

### ***B. Agricultural activity***

In 2008, the cultivated area was estimated at about 972 thousand hectares, distributed among regions depending on availability of cultivable soil and irrigation water, with Riyadh, Qassim and Al Jawf accounting for 26.4%, 15.3%, and 14.9%, respectively; a total of 56.6%. In contrast, cultivated land in the remaining regions is small, ranging from less than 1% of the total in both the Northern Borders and Baha regions to about 11% in Hail region. Riyadh, Hail, Qassim and the Eastern Region provide together about 84.1% of total wheat production, about 72.1% of vegetables, 58.3% of dates and 51.4% of fruits. Riyadh region accounts for about 72.5% of total milk production, followed by the Eastern Region at about 25%; while the regions of

Riyadh, Makkah and Qassim account for 74.4% of total poultry meat and egg production.

### *C. Services*

Distribution of services among the regions is closely linked to the population size and number of housing units in each region. For example, distribution of health services, hospital beds, primary healthcare centres, physicians and nursing staff is commensurate with population density, geographical location and health conditions. In 2008, there was one primary healthcare centre per 9,122 inhabitants, 2.17 beds per one thousand and 20 physicians and 39 nurses per ten thousand. Likewise, the distribution of general education (primary, intermediate and secondary) for boys and girls among regions depends on population density. There is, however, substantial convergence in student per class and teacher per student (for boys and girls) ratios, with the latter ratio amounting to eleven for the Kingdom as a whole.

The data of 2008 show the distribution of public and private universities and university colleges to be compatible with the demand in different regions, with 25 public and 8 private universities, and 375 public and 19 private university colleges, distributed over the various regions. This has enabled students to complete their higher education in their regions; thereby enhancing stability and reducing rates of internal migration.

The Kingdom enjoys a fast, high-standard network of intra-regional and inter-regional paved roads that enhances possibilities of developmental integration among regions.

Electric power coverage is also uniform and comprehensive (99%), with close convergence among all regions in terms of number of connections per one thousand homes.

### *D. Specialized Credit Institutions*

Table 12.3 shows the distribution of the values of the loans provided by specialized credit institutions (Saudi Industrial Development Fund, Real Estate Development Fund, Agricultural Development Fund and the Saudi Credit and Saving Bank) by region for the year 2008. The

Eastern, Medina, Makkah and Riyadh regions accounted for most of the industrial loans. Due to the concentration of large industries in the industrial cities of the Eastern Region, it has the largest share of these loans.

**Table 12.3**  
**Distribution of Developmental Credit among Regions**  
**in 2008**

Million SR

Region	Industrial	Real Estate	Agricultural	Credit and Saving
Riyadh	1,069	1,388	241	1,845
Makkah	426	895	13	1,480
Madinah	1,048	391	10	790
Qassim	18	565	94	390
Eastern Region	6,241	729	59	1,176
Asir	9	423	154	1,063
Tabuk	-	165	28	237
Hail	-	226	71	327
Northern Borders	-	119	1	327
Jazan	-	87	64	423
Najran	-	179	18	362
Baha	-	42	3	289
Jawf	-	117	36	481
<b>Total</b>	<b>8,811</b>	<b>5,326</b>	<b>792</b>	<b>9,190</b>

*Source: Annual Reports of Government Credit Institutions.*

The table also shows a more balanced distribution of real estate and agricultural loans among regions, while Riyadh, Makkah, Eastern, and Asir regions accounted for 60.5% of the total value of the loans of the Saudi Credit and Saving Bank.

### **12.2.5 Unemployment**

Manpower data for 2008 show that unemployment rates vary among regions, depending on the availability of job opportunities and total size of workforce. In all regions, the unemployment rate among females is higher than the overall rate, and unemployment rates among

males in the Riyadh, Makkah, Eastern, Asir, Tabuk and Baha regions are lower than the overall rate.

## **12.3. ISSUES AND CHALLENGES**

### **12.3.1 Production Base**

Provision of infrastructure and services in the various regions is essential for building a productive base built on their comparative advantages. Statistical data show significant discrepancies in economic activities and trade among regions, which may be attributable to limited demand for various economic activities in some regions. Hence, there is a need for adopting mechanisms for directing economic activities towards the less developed regions, in addition to enforcing the Council of Ministers' Resolution No. 359 of 2008, which grants investors in the less developed regions tax incentives, with the aim of strengthening the production base and reducing the developmental gaps among regions.

### **12.3.2 Database**

In spite of achievements in collection, analysis and dissemination of data on regional development by the Central Department of Statistics & Information and the Urban Observatories of the municipalities, there is still a need for reinforcement of such efforts.

### **12.3.3 Population Concentration**

Patterns of population movement among regions in terms of population stability have improved. Yet, population continues to be concentrated in a limited number of major cities which leads to an imbalance in population distribution, even among the governorates of the same region. For example, 82% of the total population of the Riyadh region are concentrated in the two governorates of Riyadh and Al-Kharj, with the rest distributed among the other 17 governorates. Similarly, in the region of Makkah, almost 73% of the total population are concentrated

in the city of Mecca and the Governorate of Jeddah, with the rest distributed among the remaining 9 governorates (Table 12.4).

**Table 12.4**  
**Ratios of Population Concentration in Largest Two Governorates**  
**By Region (2008)**

Region	Number of Governorates*	First City/ Governorate (%)	Second City/ Governorate (%)	Rest of Governorates (%)
Riyadh	19	Riyadh 76	Kharj 6	18
Makkah	11	Jeddah 50	Makkah 23	27
Madinah	6	Madinah 66	Yanbu 17	17
Qassim	10	Buraidah 50	Onaisa 14	36
Eastern Region	10	Al-Ahsaa 27	Dammam 22	51
Asir	11	Khamis Mushait 26	Abha 21	53
Tabuk	5	Tabuk 71	Umluj 8	21
Hail	3	Hail 68	Al-Ghazakla 18	14
Northern Borders	2	Arar 60	Rafha 26	14
Jazan	13	Jizan 21	Sibia 17	62
Najran	7	Najran 63	Sharurah 17	20
Baha	6	Baha 24	Baljarshi 16	60
Jawf	2	Skaka 54	Al-Qurayat 35	11

\* Excluding principality (emirate) of the region.

Source: Central Department of Statistics and Information.

The pattern of intra-regional population concentration calls for policies and mechanisms designed to enhance intra-regional population movement, with the aim of providing more development opportunities in the less attractive regions and governorates; thereby reducing migration to large cities.

### 12.3.4 Environmental Aspects

Environmental aspects of regional development are of vital importance whether in relation to water, sanitation, air and other pollution, or waste treatment. Intra-regional and inter-regional sustainable development requires activating and implementing "Basis and Standards of Sustainable Development", inter alia, optimal use of land

to ensure the right of future generations to a friendly spatial environment; effective implementation of cities and coastal management systems designed to reduce the main sources of environmental pollution, especially in coastal areas; and compliance of production and service projects with local and international environmental standards.

## **12.4. DEVELOPMENT STRATEGY**

### **12.4.1 Future Vision**

Achieving highly efficient developmentally balanced regions, within the framework of sustainable development, that are capable of providing stability to their inhabitants within their administrative boundaries and that are fully integrated with each other to create effective development systems leading to higher living standards and better quality of life.

### **12.4.2 Objectives**

- Achieving balanced regional development in a way that enhance its contribution to socio economic development.
- Raising living standards, improving quality of life and providing decent living for all members of society.

### **12.4.3 Policies**

- Enhance the developmental role of regional councils, limiting centralization, and reinforcing the role of the local community, and voluntary and cooperative institutions in regional development.
- Upgrade performance of municipalities, enabling them to invest in job creating projects, and strengthening cooperation with the private sector in implementation of development projects.

- Enhance the role of the specialized credit and financial institutions in supporting small and medium-size enterprises (SMEs), especially in regions and governorates that are less attractive to investment, and strengthening the technical assistance provided to these projects to enable them to overcome the regulatory and marketing obstacles in the various regions.
- Prepare an implementation action plan for the developmental corridors proposed in the National Spatial Strategy and follow up its implementation.
- Activate the role of national, regional and local growth centres, with a focus on the socio- economically least developed local centres.
- Enhance functional and productive integration among the centres of large, medium and small cities, to benefit from the economic resources and comparative advantages of the administrative regions and major cities in supporting the development of rural areas, and providing an environment conducive to investment, with the aim of increasing diversification of economic activities.
- Continue to implement the various themes of the National Strategy for Social Development, with emphasis on the role of women in productive and social work, in addition to establishing branches of the Centennial Fund in the various regions, in order to help the targeted groups and assist their integration into the development process.
- Develop regional strategies and programmes designed to benefit from opportunities generated by large national investment projects (such as new railways, utilization of phosphate and bauxite, and economic cities).
- Utilize databases of the Central Department of Statistics and Information, the ministries, government agencies and local development institutions in regional planning and development, to extract sectoral/spatial data for the preparation, implementation, monitoring and evaluation of plans.

#### 12.4.4 Targets

- Identifying tasks and responsibilities of local administrations so as to enhance opportunities for limiting administrative centralization.
- Identifying voluntary and cooperative institutions and their competencies, merging same-purpose institutions, and urging them to cooperate in achieving development goals, each according to its area of specialization and in accordance with the directions of development in each region.
- Identifying similar services in neighbouring municipalities, and providing them through cooperation and coordination.
- Implementing a number of pilot programmes in some municipalities, evaluating their performance and extending them gradually to other municipalities should they prove to be successful.
- Preparing feasibility studies of appropriate investment opportunities for start-up of small and medium-sized enterprises in the least developed regions, and providing various investment incentives to local people.
- Preparing implementation studies to promote integrated comprehensive development in existing spatial development corridors.
- Providing mechanisms for enhancing integration among central growth centers in governorates and linking them to spatial development corridors.
- Establishing spatial sectoral development databases (commercial, industrial, touristic ... etc.) and making them available to investors in the regions and governorates.
- Activating investment incentive mechanisms, in order to stimulate private-sector investment in the least developed regions.

- Developing a specific timetable for implementation of the various themes of the National Strategy for Social Development, giving priority to regions, that are most in need.
- Enabling women to establish production and services projects, by encouraging them to use available resources in the regions and benefit from specialized credit institutions.
- Directing the activities of the General Housing Authority to the least developed areas in the various regions.
- Setting development indicators for the regions, their governorates and administrative centres to be used in classification of development of regions, and measure development disparities, both among and within regions.