



THE KINGDOM OF SAUDI ARABIA  
POLITICAL, ECONOMIC AND  
DEVELOPMENT INITIATIVES

# **The Kingdom of Saudi Arabia**

## **Political, Economic and Development Initiatives**

During the last 50 years, Saudi Arabia has experienced rapid economic development and corresponding societal and political change. To balance this with the nation's rich cultural and religious heritage and facilitate continued progress, the Saudi government has undertaken a number of political and economic initiatives to educate and encourage political participation, promote economic growth, increase foreign investment and expand educational and employment opportunities for its citizens. In August 2010, the Council of Ministers endorsed the Ninth Five-Year Development Plan (2010 – 2014), increasing development spending over the next five years by 67 percent. The total investment over the next five years is \$385 billion. The majority of the spending was allocated to education, health, municipal services, housing, culture and transport and communications. Such initiatives have allowed the Kingdom to play a larger role in the global economy and community. Efforts to promote greater privatization and diversification of the Saudi economy continue to take place alongside ongoing political and social developments.

### **Background**

When the modern Kingdom was established in 1932, the Arabian Peninsula was an agricultural society that depended on farming and commerce—especially date exports and trade generated by pilgrims coming to Makkah and Madinah. It lacked the infrastructure needed to support the kind of economic growth envisioned by its founder, King Abdulaziz bin Abdulrahman Al-Saud. The discovery of oil in commercial quantities in 1938 changed that. Soon after World War II, steady oil exports provided the funds to build a basic infrastructure of roads, airports, seaports, schools and hospitals.

By 1970, Saudi Arabia introduced the first of a series of ongoing five-year development plans to build a modern economy and society capable of producing consumer and industrial goods that previously had been imported. The country's infrastructure was expanded, allowing industry and commerce to flourish. At the same time, the national oil company, Aramco, invested in new production facilities, pipelines, plants and shipping facilities, and continued exploring for new deposits to maximize earnings from the oil sector, which were needed to fund further growth. The result was a steady economic transformation of the country, which joined the World Trade Organization in 2005. Today, Saudi Arabia is one of the fastest developing countries in the world.

Commensurate with this rapid modernization were developments in the country's political and administrative system, which had evolved from a standard monarchy to include the formalization of the Islamic system of popular consultation. By the 1990s, the Custodian of the Two Holy Mosques King Fahd bin Abdulaziz moved to revitalize the existing political system in order to streamline it to meet the requirements of a modern nation. Taking into consideration the Kingdom's role in the Islamic world, as well as its traditions and social fabric, the changes were made in total adherence to Islam.

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## **Education: Preparation for the Global Economy**

Saudi Arabia views its citizens as the most essential element of the nation's development. To support the Kingdom's continued growth and to meet the needs of a burgeoning youth population, the government allocates about 25 percent of its annual budget to educational initiatives. In Saudi Arabia today, there are 24 public universities, eight private universities, more than 100 colleges and more than 26,000 schools, with more educational institutions planned. Approximately 5 million students are enrolled in the system, which has a student to teacher ratio of 11-to-1, representing one of the lowest in the world. Some of the broader initiatives the Kingdom has undertaken during the last decade to support this infrastructure growth include:

- A \$267 million project to upgrade the math and science syllabi in schools in the Kingdom. The project is expected to be completed by 2012.
- A multi-year program to update curricula, introduce new teaching methods and provide better training for teachers.
- The establishment of courses in public schools to educate young Saudis about civic responsibilities and participatory governance.
- A 25-year strategy developed by the Ministry of Higher Education to align the higher education system with the country's development and job market requirements.
- The establishment of 25 new colleges of technology, 28 higher technical institutes and 50 industrial training institutes as recently announced in the Ninth Five-Year Development Plan.

To extend the reach of the Saudi education system, the Kingdom's universities have established numerous partnerships with world-class institutions. These collaborative efforts foster the development of shared academic programs.

The King Abdullah University of Science and Technology (KAUST), for example, has entered into Academic Excellence Alliance partnerships with Stanford University and the University of California, Berkeley in the United States. KAUST has enlisted the help of Stanford's Applied Mathematics and Computational Science Department and Berkeley's Mechanical Engineering Department to assist with curriculum development, to nominate founding faculty and to establish a collaborative research direction for the new university.

Other such arrangements include an agreement signed in March 2008 for scientific and academic cooperation between the Jeddah Community College and Louisiana Community and Technical College System. The Naif Arab University for Security Sciences also signed a Memorandum of Understanding with Johns Hopkins University in Baltimore, Maryland in May 2008. The agreement includes joint scientific research, program organization and the exchange of scientific publications.

Such efforts to promote learning, interaction and exchange on the global level are indicative of the overall approach the Saudi government has taken with respect to education.

Epitomizing this is the King Abdullah Scholarship Program, in which qualified Saudi students are sent to attend colleges and universities around the world to learn, make friends and experience foreign cultures. The Saudi government has offered scholarships to more than 90,000 students, who are attending schools in the United States, Canada, Malaysia, Australia, New Zealand, Japan, and other nations.

### **Education: Fostering Opportunities for Women**

Approximately half the students enrolled in Saudi schools are female, and of the more than 600,000 students at Saudi universities and colleges, women comprise 58 percent of the student body. The Kingdom has therefore undertaken several initiatives to support the educational and professional development of women in Saudi society.

Examples of these efforts include Effat University; the first women's university in the Kingdom was founded by the children of King Faisal in 1999. The university is committed to furthering women's education and providing women with skills for the workplace. In addition, Dar Al-Hekma, the Kingdom's first private college for women, which will become a university following Minister of Higher Education's approval for four new faculties in September 2008. Dar Al-Hekma's new faculties will include a Faculty of Health Sciences and Humanities, a Faculty of Law and International Relations, a Faculty of Business and Economy and a Faculty of Design and Architecture.

In October 2008, King Abdullah laid the foundation stone for the Princess Nourah bint Abdulrahman University, one of the world's largest institutions of higher learning exclusively for women. The new university will have a 700-bed hospital and 15 colleges, including those for medicine, dentistry, nursing, naturopathy and pharmacology. It will also feature an administrative area, staff housing and public facilities including mosques and a transportation system. The project is expected to be completed in 2010.

Both the Ministry of Education and the Ministry of Higher Education reserve jobs for women of distinguished status. Accounting, banking and computer training centers have also opened to prepare women for jobs, as have training programs organized by the General Organization for Technical Education and Vocational Training and implemented by the Ministry of Labor. In addition, the technological, medical, and automotive sectors have opened avenues of opportunity to women.

In February 2010, the Ministry of Justice submitted a law, which would allow female lawyers to represent other women in personal status cases pertaining to divorce, alimony and child custody. In March 2010, the Ministry of Health proposed a law which would lift a ban on female pharmacists and opticians working in pharmacies, community clinics and optical shops.

### **Modernization: Promoting Political Progress**

Developments on the educational front have been complemented by those within the political system. King Abdullah has made a series of recent changes within the government, including:

- The establishment of a committee called the Allegiance Commission to formalize the royal succession. Under the new system, the King will nominate a Crown Prince, and the Allegiance Commission will vote on the candidate
- The appointment of Interior Minister Prince Nayef bin Abdulaziz to the position of Second Deputy Prime Minister
- The appointment of Nourah Al-Fayez to Deputy Minister of Education for Women's Education
- The appointment of a new Secretary General of the Judiciary Supreme Council
- The appointment of a new Secretary General of the Supreme Economic Commission
- The appointment of a new Director General of the Commission for the Promotion of Virtue and Prevention of Vice

King Abdullah also reconstituted the Council of Senior Ulema (Muslim Scholars) by appointing new members and extending the tenures of others. Sheikh Dr. Fahd bin Saad Al-Majed was appointed the new Secretary General of the Ulema, and Grand Mufti Sheikh Abdulaziz bin Abdullah Al Aasheikh was reappointed chairman of the Commission of Senior Ulema.

In addition to new appointments, the Saudi government has also included popular elections within the system. The Kingdom's first municipal elections were held in 2005. The elections for members of the nation's municipal councils were held in three phases and a total of 592 representatives were elected.

These political developments are consistent with the types of changes that have occurred regularly throughout the nation's history. In 1992, just as his father had before him, King Fahd improved the existing political system by introducing three major political developments to modernize the government within the framework of the Kingdom's traditions:

- The formation of the Consultative Council (Majlis Al-Shura): The Consultative Council now consists of 150 members who serve four-year terms. The membership is divided into 12 committees: human rights, security, economics, finance, foreign affairs, public services, transportation and communications, social and health services, culture and information, administration, Islamic affairs, and education.
- The establishment of Regional Councils in each of Saudi Arabia's 13 provinces: The Councils review management of the provinces by their respective local governments.

- The introduction of the Basic Law of Governance: Similar to a constitution, the Basic Law outlines the goals and responsibilities of the government and defines the relationship between the ruler and citizens.

This continuous movement to improve and streamline the government and how it responds to the needs to the Saudi people is all a part of Saudi Arabia's strategy to ensure the long-term success of the country and to institutionalize best practices.

### **Diversification: Building an Economy for the Future**

With one-quarter of the world's known oil reserves and 13 percent of world production, Saudi Arabia is the world's leading producer and exporter of oil. Its policies on the production and export of oil and petroleum products have a clear impact on the global energy market and the global economy. Mindful of its responsibility, Saudi Arabia has remained committed to ensuring stability of oil supplies and prices.

In the fall of 2002, to maintain market stability, Saudi Arabia boosted oil production to compensate for the fall in Venezuelan production; in the spring of 2003, it boosted output to compensate for the loss of Iraqi production; and to meet increasing global demand through 2008, Saudi Arabia increased its capacity in 2004 to 11 million bpd—while then refocusing its approach toward the end of that year to stabilize prices in the face of the global economic contraction.

As of the end of 2007, Saudi Arabia's proven oil reserves consist of 264 billion barrels, with undiscovered resources estimated at 200 billion barrels. At the current rate of production, reserves will last for approximately 80 years, allowing the Kingdom to provide the global market with adequate quantities of crude oil the world can depend on for its prosperity and economic growth.

Given the finite nature of Saudi Arabia's natural resources and the historical importance they have played in the nation's development, the Kingdom has taken precautions to expand its economic base to minimize its reliance on this resource as a sole supply of government revenue. In 2009, the non-oil GDP grew by 5.1 percent.

Aiding this transition away from reliance on oil, the Kingdom has taken steps to privatize many of its vital economic sectors. The Supreme Economic Council has led these efforts by specifying the sectors to be privatized and establishing strategic plans to implement the change. Sectors that are now open to privatization include: telecommunications, civil aviation, desalination, highway management, railways, sports clubs, health services, government hotels, municipal services, education services, operation and management of social service centers, Saudi employment services, agricultural services, construction and management of abattoirs, public parks and recreation centers, and cleaning and waste collection.

In a report issued on August 19, 2009 the International Monetary Fund highlighted the strength of the Saudi economy and commended Saudi leaders in their role in stabilizing the oil markets. On November 4, 2010, an International Finance Corporation (IFC) – World

Bank report ranked Saudi Arabia 11 out of 183 economies surveyed in the annual *Doing Business 2011* report. These reports continue to encourage international corporations to invest in Saudi Arabia as it continues to grow its non-petroleum assets.

Other efforts to encourage investment in the Saudi economy include:

- The Saudi Arabian Capital Markets Law: Passed in June 2003, the law has stimulated and strengthened the Saudi economy and increased the participation of Saudi citizens in the capital markets by establishing the Saudi Arabian Securities and Exchange Commission (SASEC) to protect investor interests, ensure fair business practices, promote and develop the capital market, license brokers and securities to the public and the Saudi Arabian Stock Exchange (SASE), which is the largest in the region.
- Foreign Investment Law: Enacted by the Saudi Arabian General Investment Authority (SAGIA), the law allows foreign investors to own property, transfer capital and profits, claim full ownership of their projects and enjoy a reduction in tax rates. It also protects foreign investors from confiscation of property without a court order or expropriation of property, except for public interest, against an equitable compensation. In 2009, the Kingdom ranked eighth internationally for attracting foreign direct investment (FDI) by the United Nations Conference on Trade and Development.

## **Conclusion**

Saudi Arabia's investments in modernizing its education and political system and opening its economy to increased foreign investment, privatization and diversification have together prepared the Kingdom and its citizens well for their participation in the global economy and community. Together, these developments and a decade of other economic reforms led to Saudi Arabia's accession to the World Trade Organization, making the nation the 149th member of the organization on December 11, 2005. This has opened the Saudi economy to unprecedented opportunities for foreign investment and job creation. The best indicator of Saudi Arabia's economic growth is the increase in its Gross Domestic Product (GDP) from \$20 billion in 1970 to \$375.76 billion (at current prices) in 2009, according to the Saudi Arabian Monetary Agency (SAMA) 46<sup>th</sup> annual report.



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