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**Bureaucracy and the challenges of regional disparity: The case
of Saudi Arabia**

Al-Otaibi, Abdolazeez Shafi, Ph.D.

State University of New York at Albany, 1988

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**BUREAUCRACY AND THE CHALLENGES
OF REGIONAL DISPARITY:
THE CASE OF SAUDI ARABIA**

by

Abdolazeez Shafi AL-Otaibi

A Dissertation Submitted to
The State University of New York at Albany
in Partial Fulfillment of
the Requirements for the Degree of
Doctor of Philosophy

Nelson A. Rockefeller College
of Public Affairs and Policy
Department of Public Administration and Policy

1988

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ABSTRACT

Saudi Arabia lacks a differentiated political system, therefore the bureaucracy plays the major role in policy making and implementation and has been the main instrument of development planning and administration. In the early 1970's, the Central Planning Organization sponsored studies of the Kingdom's regions which revealed wide regional imbalance, with two of the five regions lagging behind, and disparity between urban and rural areas in general. This was perceived by the government as an undesirable circumstance that had to be corrected.

This study examines the role of bureaucracy in dealing with the issue after it was recognized in the mid-1970's. First, the study analyzes the policies that have been initiated to tackle the problem by using a policy cycle composed of four phases: issue and agenda building, policy formulation, policy content, and policy implementation. Second, it assesses the conditions of the regions as of the mid-1980's (1985-87) by providing interregional comparisons based on indicators from industry, agriculture, commerce and private services, public services, civil service employment, and government social assistance.

It was found that the bureaucracy could not deal with the issue in an effective way. The two initiatives

proposed by the Ministry of Planning and the Ministry of Municipal and Rural Affairs are broad and do not include explicit economic policies to vitalize the lagging regions. The problem of regional disparity, with its socio-economic dimensions, was reduced to an issue of service provision, thereby leaving the core of the issue untouched. As a result, wide disparity still exists among the regions.

The author argues that this outcome is predictable because bureaucracy as a complex organization has the tendency to centralize and routinize its processes; therefore it redefined and simplified the issue in order to handle it in a universal and routine way.

The study calls for institutional reform, including the enhancement of regional institutions and the development of legislative institutions to enrich the policy making process, oversee the bureaucracy, and facilitate the policy implementation.

ACKNOWLEDGEMENTS

First and foremost, I would like to express my boundless thanks and indebtedness to my parents, to whom I am very grateful. Indeed no thanks seem to be enough to pay my debt to them.

My special thanks and appreciation go to Dr. Mohammed AL-Tawail, the Director General of the Institute of Public Administration in Riyadh, for being an important source of encouragement for me.

The quality of this dissertation was enriched by the superb knowledge of Professor James Heaphey, who chaired the committee. I am grateful to him for his confidence in me and for his willingness to keep my research a high priority on his busy schedule. His help and cooperation enabled me to complete this research in a relatively short time.

I wish also to express my gratitude to Professor Walter Balk and Professor David McCaffery for serving on my committee and for their constructive criticism and suggestions. My appreciation also goes to the readers of my dissertation, Professor Theodore Wright, Jr., and Richard Nunez for their valuable comments. My gratitude

is also extended to Professor Abdo Baaklini for his academic advice throughout my study at SUNY Albany.

I am greatly indebted to many people at various levels and places in the Saudi Bureaucracy, whom I interviewed and/or asked for help from in data collection. I am grateful to them all for their assistance and cooperation. My special thanks also go to Denice Pipkin for her excellent typing and editing remarks.

My deep-felt thanks and affection are due to my wife Norah and my children Sana'a, May, and Ramee, for their love and patience and for giving me joy and comfort, especially during those moments when the last thing I wanted to think about was "bureaucracy and regional disparity."

TABLE OF CONTENTS

ABSTRACT.	iv
ACKNOWLEDGEMENTS.	vi
LIST OF TABLES.	xi
I. INTRODUCTION.	1
Statement About the Issue	4
The Significance of the Study	7
Research Methodology and Data Collection.	9
Organization of the Study	14
II. REVIEW OF RELEVANT LITERATURE	18
Bureaucracy and Development	19
The Bureaucratic Model	19
The Prismatic-Sala Model	25
Previous Research on the Saudi Bureaucracy	32
Regional Development.	39
Regional Imbalance	40
Regional Policy.	48
Research on Saudi Regional Development	54
Summary	57

III. THE INSTITUTIONAL SETTING OF SAUDI ARABIA . . .	64
The Council of Ministers.	69
Jurisdictions and Functions of the Council of Ministers	70
The Council's Mechanisms for Coping with Work Overload.	72
Membership of the Council of Ministers . . .	74
The Ministries.	76
Other Autonomous and Semi-Autonomous Agencies .	80
Regional Administration	87
Summary	96
IV. NATIONAL PLANNING FOR DEVELOPMENT IN SAUDI ARABIA.	102
The Five-Year Development Plans	110
Industrial Development.	125
Agricultural Development.	137
Summary	149
V. REGIONAL DEVELOPMENT AND POLICIES	156
The Policy Cycle.	164
Issue and Agenda Building.	164
Policy and Program Formulation	166
Policy Form and Content.	168
Policy Implementation.	179
The Rest of the Policy Cycle	191
Regional Planning by MOMRA	192

Regional Profiles	198
Industrial Indicators.	201
Agricultural Indicators.	205
Trade and Private Service Indicators	217
Public Service Indicators.	226
Other Indicators	236
Summary	242
VI. CONCLUSION: SUMMARY AND RECOMMENDATIONS	248
Summary of the Findings: A Case of Development by Bureaucracy.	252
Recommendations	258
BIBLIOGRAPHY.	272

LIST OF TABLES

4-1	Saudi Arabia Oil Prices, Production, and Revenues, 1960-1985	106
4-2	Comparison of Estimated Expenditure on Development of First and Second Plans	113
4-3	Compounded Annual Real Rates of Growth.	114
4-4	A Comparison of Plan Allocations and Actual Expenditure in the Third Plan	118
4-5	Annual Rates of Growth of GDP by Oil and Non-Oil Sectors During the Third Plan (1980-1985)	120
4-6	Employment by Economic Activity, 1980 and 1985.	121
4-7	Nationality Composition of the Civilian Labor Force, 1980-1985.	122
4-8	Estimated Government Expenditure on Development in the Fourth Plan.	124
4-9	SABIC: Domestic Heavy Industry Projects	129
4-10	Number and Value of Approved SIDF Industrial Projects by Major Sector up to 1405/06 (1986)	134
4-11	Import Value of Machinery and Raw Materials for Industrial Use Exempt from Customs Duties 1980-1985	136
4-12	Operational Factories Licensed under the National Industries Protection and Encouragement Law, and the Foreign Capital Investment Law, up to the End of 1405H (1985).	138
4-13	Water Resources and Utilization	143
4-14	Incentives for Agricultural Production.	145
4-15	Number and Value of Specialized Investment Projects Financed by Saudi Arabian Agricultural Bank 1978-1986.	146

5-1	Employed Persons 15 Years of Age and Over Classified by Type of Economic Activity and Region--1966.	159
5-2	Employed Persons 15 Years of Age and Over by Type of Economic Activity and Region--1966 .	160
5-3	Percentage Distribution of Regional GDP by Major Activity (1976)	163
5-4	Government Services by Each Type of Proposed Center.	171
5-5	Number of Proposed Centers by Region and Province.	182
5-6	General and Local Committees by Region and Province, January 1988.	187
5-7	Village Clusters and Number of Villages Served by Region and Province.	190
5-8	Regional Distribution of Population, 1974, 1985	200
5-9	Regional Distribution of Operational Factories and Industrial Workers, 1975, 1985.	202
5-10	Regional Distribution of Industrial Loans by SIDF and their Value up to 1986	204
5-11	Regional Distribution of Total Cultivated Land and Production of Major Crops, 1975/1976 and 1984/1985	206
5-12	Regional Distribution of Agricultural Subsidies from 1975 to 1986 and Agricultural Loans from 1975/76 to 1985/86 by SAAB.	207
5-13	Regional Distribution of Agricultural Roads, 1977, 1987.	214
5-14	Regional Distribution of Dams, 1977, 1986 . . .	216
5-15	Regional Distribution of Private Establishments and Workers, 1976, 1981, 1986	218
5-16	Regional Distribution of Commercial Companies December 1987	220
5-17	Regional Distribution of Cargo Handled at Key Seaports, 1986.	222

5-18	Regional Distribution of Hotels and Hotel Rooms, 1977, 1987	223
5-19	Regional Distribution of Commercial Banks and No. of Cities with Clearinghouse Returns of Commercial and Personal Checks and Their Value, 1986.	225
5-20	Regional Distribution of Elementary and Secondary Public Schools (Male) Provided by the Ministry of Education, 1977/78 and 1986/87. . .	227
5-21A	Regional Distribution of Hospitals, Hospital Beds, and Physicians, 1978.	230
5-21B	Regional Distribution of Hospitals, Hospital Beds, and Physicians, 1986.	231
5-22	Regional Distribution of Electricity Subscribers and Subscriber's Average Share in Total Energy Sold, 1976 and 1986.	233
5-23	Regional Distribution of Telephone Lines in Operation, 1979, 1987	235
5-24	Regional Distribution of Civil Service Employees, February 1988.	238
5-25	Regional Distribution of Social Assistance by Ministry of Labor and Social Affairs, 1985/86 .	240

CHAPTER I
INTRODUCTION

The importance of the spatial dimension in national development has been increasingly recognized by policy-makers as well as by scholars in recent years. Previously, studies of development and planning focused more on macroeconomic aspects at the national level, and indicators such as gross national product, national terms of trade, etc., were the main indices of economic development, with little attention given to regional development and planning. As Heaphey noted: "Until recently, planning was either national or urban. But today the concept of regions is fundamental in economic development theory and regional planning is a field unto itself."¹ In advanced societies, the contribution of regional development to the overall development of the country has been evident as, for example, in the U.S. and the U.S.S.R.² As shown by Stohr and Todtling some nations have adopted explicit policies for regional development, such as the Special Areas Policy in Britain and the TVA in the U.S.³

In developing countries, the issue of regional development deserves even greater attention because of the

nature of these countries and the role that the governments of these states play in development. Unlike the experience of industrialized countries, where development has taken place through evolutionary change, in developing countries change has been rapid and, more important, it has been planned or manipulated by the state bureaucracy. Therefore, as Renaud suggests, government policies and decisions about the location of infrastructure and the public enterprises it controls require that the impact these policies have on regional development be taken into consideration.⁴

Although the issue of interregional differences in terms of socio-economic development is almost a universal phenomenon, it differs from one country to another. In the developing countries the gaps between regions and between the rich and the poor have been widening. Some scholars have argued that the major reason for this unevenness has been the emphasis on economic growth as the primary goal of development and the strong belief in the "trickle-down" theory of market forces. For example, Cheema and Rondinelli wrote:

Many of the basic premises of development theory came into question during the 1970's, and the directions and priorities of development policy shifted drastically. The very concept of development was stretched beyond that of maximizing gains in gross national product and, indeed, beyond economic growth as a primary objective. Planners and policymakers began to recognize that development requires a basic

transformation in social, economic, and political structures that enables poor people to help themselves to increase their productivity and incomes. The market structures that seemed to be so effective in promoting development in industrial countries rarely worked in most poor countries; poverty would not be ameliorated "automatically" through trickle-down and spread effects.

Since the state is heavily involved in socio-economic development in Third World countries, its intervention in regional development in particular is predicted and sometimes strongly recommended. Writers such as Myrdal, Hirshman, Friedmann, and others argue that development does not take place evenly across the country; instead, growth begins by concentrating in a few centers before it may spread or trickle-down to other regions.⁶ Therefore, a developing country will exhibit a dual economy in its early stages of development. However, market forces, if left alone, are more likely to reinforce the concentration of development in the initial growth centers and produce a polarizing effect for the periphery by attracting capital and labor to the growing centers. Government is therefore expected to intervene to facilitate the spread of growth to the lagging regions.

There are many policy instruments that can be adopted to tackle the issue of regional disparities, ranging from the extension of educational and training facilities, transport and communications networks from core regions to

peripheries, to capital and technology transfers and promotion of modern industries in peripheral areas.⁷

In most developing countries, the rural areas present a set of problems of their own. Low levels of income, low productivity, and out-migration are very common in the rural areas of Third World countries. Agricultural extension programs, community development programs, and integrated rural development projects are some of the instruments that have been used to try to develop rural populations.⁸ The latter, as Montgomery noted, is being used more and more by international aid donors as well as by developing countries on their own.⁹

As mentioned above, the challenge of development in general and regional development in particular in developing countries has been assigned to the state bureaucracy; but the ability and the efficacy of these bureaucracies to meet this challenge has been questioned.¹⁰ Among bureaucratic deficiencies that have been suggested are indecision, red-tape, lack of enthusiasm, secrecy, aloofness, a tendency to be self-serving, etc.--all of which are detrimental to the process of development.

STATEMENT ABOUT THE ISSUE

The Kingdom of Saudi Arabia was unified fifty-six years ago on a territory of approximately 865,000 square miles, which is about one-third the size of the

continental United States. Before the discovery of oil, the majority of the population engaged in agriculture and pastoralism; trade and small-scale craftsmanship were also practiced in the few urban settlements. The discovery of oil in 1938 and the increase in its price in recent decades have enabled the government to embark on many developmental programs, joining the many other Third World countries in their efforts for socio-economic transformation of underdeveloped societies.

Saudi Arabia lacks a differentiated political system, as Heady has labeled a bureaucratic-prominent political regime,¹¹ The state bureaucracy enjoys a monopolistic position in both the policy-making process and policy implementation, and it has been the main instrument of development in the country. The bureaucracy has grown into a huge and specialized institution, composed of twenty ministries as well as many other independent agencies, as compared to the handful of people supervised personally by the king himself in the post-unification years.

In describing the central role of the Saudi bureaucracy to development, AL-Hegelan and Palmer wrote:

As rents received for oil exports are concentrated in the hands of the state, the bureaucracy has become the primary agency responsible for planning, executing, regulating and maintaining economic development. . . . Regardless of the aspirations of Saudi leaders or the population, it is the bureaucracy that will set the pace of development.¹²

Since planning is seen as an indispensable task for bringing about rationality, comprehensiveness, coordination, and guidance, five-year planning has been used since 1970. Studies of the country's socio-economic conditions sponsored by the Central Agency for Planning, now the Ministry of Planning (MOP), were conducted in the early 1970's and indicated that there were significant regional imbalances in the structure of economic activity and employment.¹³ The studies suggested that the southern and northern regions were lagging behind the other three regions, and that rural areas were in need of special attention because of their low productivity and out-migration.¹⁴ A study by Ibrahim, using data that mostly reflect interregional differences in the early and mid-1970's, also came to the same conclusion as the MOP studies. He argued that the spatial structure of the country was characterized by unneeded and unnecessarily wide disparities between regions and between urban and rural areas within regions.¹⁵ This was perceived by the government as an undesirable state of affairs that must be corrected to bring about more equitable distribution of socio-economic opportunities and wide access to public services.¹⁶

The purpose of this study is to analyze the role of the state bureaucracy in dealing with the issue of

regional disparity since it was formally recognized in the mid-1970's. Therefore this study:

- 1) Examines the bureaucracy's reaction to regional disparities in terms of initiating new regional policies, and analyzes these policies and their designed instruments.
- 2) Provides an assessment of the significance of inter-regional differences in terms of their present socio-economic conditions, about ten years after the issue was formally recognized.

THE SIGNIFICANCE OF THE STUDY

Most development studies have concentrated on national development and the use of national indicators for development, such as gross national product, terms of trade, etc. However, there has been an increasing interest in the spatial dimension of development. Redford and Hough have shown that regional development has been an important element of economic development in the U.S. and the U.S.S.R.¹⁷ Development strategies in Third World countries have recently witnessed a shift towards regional and rural development in order to promote more equitable economic growth and meet the basic needs of the people. Planning and administrating the new strategies has become a new challenge for governments of developing countries and for international assistance agencies as well, with

decentralization becoming the new fashion for development administration.

By studying the experience of Saudi Arabia and highlighting the strengths and weaknesses of its spatial development and administration, we hope that we will not only be serving Saudi policy-makers and students of the Saudi development, but also serving other interested scholars and policy-makers facing similar situations. The field of comparative development and administration has been built on the fact that nations can and indeed do learn from the experience of others. This study gives new insights into the role of bureaucracy in dealing with regional imbalance. As we will see, it reveals that there is something inherent in bureaucracy as an institution that hinders its ability to deal effectively with regional disparities.

Furthermore, the timing of this study adds to its significance in two respects. First, as mentioned above, the present trend in development and development administration puts greater emphasis on the topic of regional issues and how to deal with them, which is the central theme of this dissertation. Second, since Saudi Arabia is still in its early stages of development, correcting regional disparities at this stage might be easier and less costly than at a later stage when they might be more difficult and expensive, if not impossible, to resolve.

Therefore, this study is appropriately timed since it includes some recommendations that may contribute to the solution of the problem.

RESEARCH METHODOLOGY AND DATA COLLECTION

There have been two competing orientations with regard to research and theory development in the field of social science in general and in the field of public administration in particular. The first one is known as the positivist orientation, which is popular in natural science where the criteria of testability, causality, validity, predictability, and generalization are emphasized. It is also popular in mainstream social science based on the belief that the difference between social sciences and natural sciences is not in kind but rather in degree, and therefore adapting the logic and methodology of the natural sciences is necessary for achieving scientific success.¹⁸

The second approach might be called the phenomenologist orientation, which suggests the inappropriateness of the positivist mode of research to the more complex, unique, and changing world of social science. This orientation therefore stresses uniqueness, subjectivity, and unpredictability of social phenomena. It also emphasizes the importance of considering the social

behavior in question within its context rather than studying it in isolation from its particular context.

McCurdy and Cleary, for example, asserted that advancing knowledge in the field of public administration requires adherence to the mainstream social science approaches.¹⁹ However, as White put it:

Following their [McCurdy and Cleary's] prescriptions for theory building could lead to the conclusion that case studies, histories, descriptions of administrative experiences, reports of action research projects, political theories, philosophical analyses, and social critiques will not contribute significantly to the growth of knowledge in public administration. This type of research normally does not satisfy the criteria of validity, testability, and causality. Nevertheless, this type of research has contributed significantly to our knowledge of public administration.²⁰

Denhardt, who advocates a critical theory of public bureaucracy, incorporated some of Waldo's ideas in his statement:

...our concern for making public administration an object of "scientific" study has often been at odds with our interest in extending the normative principles we associate with democratic governance. Similarly, we have sometimes encountered difficulty reconciling our interest in developing theories of public organizations and our hopes₂ for improving the practice of administration.²¹

Our study follows a descriptive-analytical approach in order to examine the role of the Saudi bureaucracy in dealing with regional disparities. It is not directed toward testing certain hypotheses, but instead, it seeks to investigate the phenomenon in question and make some general recommendations.

First, the reaction of the bureaucracy to the issue of regional disparity in terms of initiating regional policies and designing certain policy instruments will be analyzed. Since there is no one best and agreed-upon way to go about such a task, and in order to avoid haphazard and selective analysis, we have sought to use a systematic method to guide our analysis. Smith recommended the use of the "policy cycle" for analyzing policies in Third World countries.²² He identified the following phases of the public policy process:

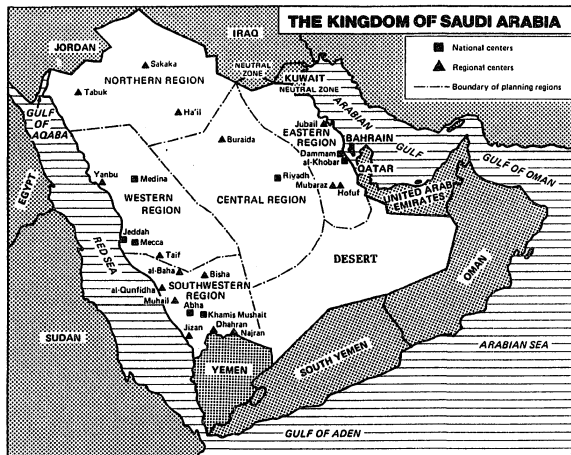
- 1) issue and agenda building;
- 2) policy and program formulation;
- 3) policy form and content;
- 4) policy and program implementation;
- 5) impacts and evaluation; and
- 6) policy revision or termination.²³

He also stated: "One should not become locked into the rigidity of assuming that all policy processes commence at the beginning of an idealized cycle, or that for any public policy all phases of the cycle will be relevant."²⁴ The policy cycle as proposed by Smith is used in this research for two reasons: First, because of its comprehensiveness it captures all the major issues and questions involved in a policy and allows at least minimal attention to be given to each major phase of the policy. Second, it is a very up-to-date method of analysis.

The second section of the research provides an interregional comparison. The country is divided into its five major regions (see the map) and, based on the percentage of the population of each region, a comparison is made between them of comprehensive social and economic indicators, including industrial indicators, agricultural indicators, commercial and private service indicators, public service indicators, and indicators of civil service employment and government social assistance. In other words, the study will provide a profile for each region and compare them to assess the current differences between them.

Data collection for this study was made from the following sources:

- 1) Statistical data were obtained from the annual reports published by government agencies and the Statistical Yearbooks published by the Central Department of Statistics. Data that do not appear in the above sources were obtained directly from the ministries and other agencies in charge.
- 2) Relevant government documents, such as laws, and rules and regulations, were obtained from their respective government agencies and the Documentation Center at the Library of the Institute of Public Administration in Saudi Arabia.



Sources: 1) for political boundaries—*Arabia Unified*, Mohammed Almans, 1980
 2) for regional boundaries—Third Five-Year Development Plan

Direct Source: Business International, *Saudi Arabia: Issues for Growth; An Inside View of an Economic Power in the Making* (Geneva: Business International Corporation, August 1981).

- 3) Policy statements, goals, and objectives were obtained from the Five-Year Development Plans (first, second, third, and fourth).
- 4) Academic work on the subject, special studies and reports, and other library-housed materials were collected through library research. In addition, relevant information from leading newspapers and magazines was collected.
- 5) Interviews with principal actors in the bureaucracy, mainly for the purpose of data validation.

ORGANIZATION OF THE STUDY

The study is organized into six chapters. This first introductory chapter presents the study, its significance, research methodology, data collection, and organization.

The second chapter reviews the major theoretical literature that is relevant to the study. The large part of this chapter is concerned with bureaucracy and development, and the other part is concerned with regional development. Relevant previous research on Saudi Arabia in particular is also included.

The third chapter discusses the institutional setting of the country, highlighting its major characteristics, and the fourth chapter provides a descriptive review of planning for development in Saudi Arabia from a national perspective.

The fifth chapter is devoted to regional policies and development, including an analysis of how the issue of regional disparity has been dealt with by the Saudi bureaucracy, and an examination of the initiatives that have been proposed to tackle the issue. The second half of this chapter provides a detailed, interregional comparison based on the above-mentioned indicators.

The last chapter presents a summary of the study, its findings, and its recommendations.

NOTES

¹James J. Heaphey, ed., Spatial Dimensions of Development Administration (Durham, N.C.: Duke University Press, 1971), 14.

²Emmette Redford, "Centralized and Decentralized Political Impacts on a Developing Economy: Interpretations of American Experience," in Heaphey, 91-131; and Jerry F. Hough, "The Prerequisites of Areal Deconcentration: The Soviet Experience," in Heaphey, 132-175.

³W. Stohr and F. Todtling, "An Evaluation of Regional Policies--Experiences in Market and Mixed Economy," in N. Hansen, ed., Human Settlement Systems (Cambridge, Mass.: Ballinger Publishing Company, 1978).

⁴Quoted in Abdulla A. AL-Ibrahim, "Regional and Urban Development" (Ph.D. Diss., University of Colorado, 1982), 5.

⁵G. Shabbir Cheema and Dennis A. Rondinelli, eds., Decentralization and Development (Beverly Hills: Sage Publications, 1983).

⁶See Chapter II of this study.

⁷Ibid.

⁸George F. Gant, Development Administration (Madison, Wis.: University of Wisconsin Press, 1979).

⁹John D. Montgomery, "Decentralizing Integrated Rural Development Activities," in Cheema and Rondinelli, 231-270.

¹⁰See, for example, Milton J. Esman, "Development Assistance in Public Administration: Requiem or Renewal," Public Administration Review (Sept/Oct 1980): 426-431.

¹¹Ferrel Heady, Public Administration: A Comparative Perspective, 3rd ed. (New York: Marcel Dekker, Inc., 1984).

¹²Abdelrahman AL-Hegelan and M. Palmer, "Bureaucracy and Development in Saudi Arabia," The Middle East Journal 39, no. 1 (1985): 50.

¹³Ministry of Planning, The Third Development Plan (Riyadh, 1980), 59.

¹⁴Ibid.

¹⁵AL-Ibrahim, 390.

¹⁶Third Development Plan, 108.

¹⁷Redford; and Hough.

¹⁸Jay D. White, "On the Growth of Knowledge in Public Administration," Public Administration Review (Jan/Feb 1986): 15.

¹⁹Howard McCurdy and Robert Cleary, "Why Cannot we Resolve the Research Issue in Public Administration?" Public Administration Review (Jan/Feb 1984): 49-55.

²⁰White, 15.

²¹Robert B. Denhardt, "Toward a Critical Theory of Public Organization," Public Administration Review (Nov/Dec 1981): 628.

²²Thomas B. Smith, "Evaluating Development Policies and Programs in the Third World," Public Administration and Development 5, no. 2, (1985): 129-144.

²³Ibid., 131.

²⁴Ibid.

CHAPTER II
REVIEW OF RELEVANT LITERATURE

The review of relevant literature presented in this chapter should provide a theoretical background for this study. Two main topics are reviewed: bureaucracy and development, and regional development and policies.

Although the Saudi bureaucracy does not fully match the Weberian model, it certainly has many of its characteristics, as do other Third World countries. Therefore, a review of the Weberian model is not only relevant to this study but will also have some utility for our analysis in subsequent chapters. It is important to note here that the "prismatic-sala" model advanced by Riggs for the analysis of administration in developing countries has the Weberian Model as its fundamental theoretical background.

At the end of each section of this chapter, previous research on Saudi Arabia that has a relationship to these topics is also reviewed.

BUREAUCRACY AND DEVELOPMENT

The term bureaucracy has many meanings. Heady, for example, thinks that although the term has been criticized as contrived, ambiguous, and troublesome, it is nonetheless an important concept in the field of public administration, especially in the study of comparative public administration.¹ Albrow, quoted by Warwick, notes that definitions of bureaucracy fall into seven categories: (1) rational organization; (2) organizational inefficiency, (3) rule by officials, (4) public administration, (5) administration by officials in either the public or private sector, (6) an organizational form characterized by such qualities as hierarchy and rules, and (7) an essential quality of modern society.²

The Bureaucratic Model

The bureaucratic model was developed by the German sociologist Max Weber as a "mental construct" for the type of organization that would be dominant in a world characterized by increasing movement towards greater legal rationality and away from charismatic and traditional norms of conduct. Weber saw the characteristics of this organizational model as:

- 1) An authority with fixed jurisdiction. Accordingly, the regular activities are distributed in a fixed way as official duties; the authority to give the commands is distributed in a stable way and is strictly

limited by rules; and these duties and authority are executed by people who are employed to do so based on generally regulated qualifications.

- 2) A hierarchical structure composed of levels of graded authority to provide an ordered system of super- and subordination.
- 3) The management is based upon written documents (the files). These files, along with the officials who work in a public office, make up a "bureau." The bureau is separated from the private business of the official.
- 4) Training for all specialized management.
- 5) Official activity requires the full working capacity of the bureaucrat.
- 6) The knowledge of the work rules represents a special technical learning which the officials possess.³

In describing the advantages of bureaucratic organization, Weber judged bureaucracy as the most technically superior form of organization in terms of "precision, speed, unambiguity, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction, and reduction of material and personnel costs."⁴

Although Weber argued that bureaucracy has come into power on the basis of bringing about equity among the masses of society, he also argued that bureaucracy, which is hard to destroy once it is fully established, functions

mechanically in a habitual way and usually serves whoever controls it. Therefore, the consequences of bureaucracy depend on the direction given by those who control it. Bureaucracy may level the economic and social differences or may not, depending on the intent of the people controlling it.⁵

He suggested that bureaucracy is a very powerful instrument that keeps its knowledge and intentions secret and hides its actions from criticism; even the absolute monarch is powerless against the technical knowledge of bureaucracy. On this point Weber wrote:

Under normal conditions, the power position of a fully developed bureaucracy is always overtopping. The "political master" finds himself in the position of the "dilettante" who stands opposite the "expert," facing the trained official who stands within the management of administration. This holds whether the "master" whom the bureaucracy serves is a "people," equipped with the weapons of "legislative initiative," the "referendum," and the right to remove officials, or a parliament, elected on a more aristocratic or more "democratic" basis and equipped with the right to vote a lack of confidence, or with the actual authority to vote it. It holds whether the master is an aristocratic, collegiate body, legally or actually based on self-recruitment, or whether he is a popularly elected president, a hereditary and "absolute" or a "constitutional" monarch.⁶

But Weber's theory of bureaucracy did not stop at the description of the "Ideal Type," its superiority as an organizational form, and its "overtopping" power; as Bendix noted, he saw legislative control as an indispensable counterweight to excessive bureaucratic power and

absolutism.⁷ In his analysis of Weber's intellectual work, Bendix wrote:

Thus the official's technical and organizational knowledge is a sign of his indispensability and hence of his power, unless he is controlled by people who possess not only the authority to supervise him but the knowledge to do so effectively. The latter condition is especially important, in Weber's view, because officials buttress their superiority as technical and organizational experts by treating official business as confidential, thus securing their work against outside inspection and control.

Bendix went on to write:

Every bureaucracy will conceal its knowledge and operation unless it is forced to disclose them, and it will, if need be, simulate the existence of hostile interests to justify such concealment. Clearly, such practices subvert the rule of law, because an administration that cannot be inspected and controlled tends to become a law unto itself.

The centrality of effective political control in Weber's theory of bureaucracy cannot be overlooked. As Heaphey suggested, Weber makes this argument "not only to protect societies from bureaucratic absolutism, but also to prevent bureaucracies from losing their capacity to be the most effective and efficient means of administration."¹⁰

As Jacoby has noted, bureaucracy as a permanent officialdom that approximates the "ideal type" has emerged in all industrial nations.¹¹

In developed countries, the state bureaucracy plays a role in economic development; this role varies from one

country to another based largely on the political ideology of the country. At one extreme is the American bureaucracy, which plays a minimal role because the private sector is the main actor in economic development. Its role beyond regulating the economy is limited to adjusting fiscal policy for the interest of the private sector, and promoting U.S. exports by establishing certain agencies for that purpose, such as Eximbank.¹² At the other extreme is the Soviet bureaucracy, which is responsible for economic development because it is a planned and commanded economy. As Hough shows, the political party in the U.S.S.R. maintains an interlocking hierarchy with the state bureaucracy at the national, regional, and local levels to ensure the efficient execution of the plan that is a product of joint efforts by the party and the bureaucracy.¹³

An outstanding example that lies between these two extremes is the Japanese model. As described by Vogel,¹⁴ the Japanese bureaucracy is a powerful one; it recruits only the best and the brightest, who are then known as the elite bureaucrats. These elites have a sense of responsibility for the success of the overall economy, and therefore try to provide a framework that enables business to succeed in the long run. The Economic Planning Agency, MITI, and Finance Ministry, along with the Development Bank, the Export-Import Bank, and the Bank of Japan are

all committed in a cooperative manner to economic success.

MITI is responsible for guiding industrial growth. Its officials, as Vogel put it, are "so persistent in their efforts to look after the welfare of Japanese industry." It usually sets high standards for modernization of equipment and plants to push the pace of modernization beyond market forces in order to ensure high competitiveness in the world market. It promotes mergers and restructures industry to shift resources towards promising areas and technology. Even in declining industries, they work out a "depression cartel" agreement among the companies to distribute the reduction relatively equally among them. In short, MITI acts as a competent guardian of the whole industrial sector.

In developing countries, the lack of a rational legal environment, which Weber saw as indispensable to the existence of a bureaucracy, has meant for many that Third World bureaucracies cannot in fact be described as bureaucracies in the Weberian sense. Nonetheless, the structural characteristics of the bureaucratic model, such as a hierarchy of authority, division based on functional specialization, a system of formal rules regarding the rights and duties of incumbents, and so forth, have been transmitted to public institutions in developing countries, and the term bureaucracy has been extensively used to describe government apparatus. Furthermore, the

extensive power of this institution has alarmed many who argue that it might be turning into a major obstacle to the development of other political institutions.¹⁵

Although state bureaucracies in developed countries have not been immune from criticism, it is Third World bureaucracies that the literature speaks of with a disapproving tone. One of the leading critics of developing societies and their administrative systems was Fred Riggs, with his "prismatic-sala" model.

The Prismatic-Sala Model

Riggs, in his article "Agraria and Industria: Towards a Typology of Comparative Administration,"¹⁶ suggested the distinction between two civilized societies, agrarian and industrial. Agrarian society is characterized by a "predominance of ascriptive particularistic diffuse patterns of interactive, stable local groups and limited spatial mobility, simple and stable occupational differentials and a deferential stratification system of diffuse impact." Industrial society is characterized by a "predominance of universalistic, specific and achievement norms, high degree of social mobility, well-developed occupational system, egalitarian class system based on generalized patterns of occupational achievement and prevalence of associations." The administrative model for each of these two societies is affected by the economic, social, ideological, communication, and political features

of the society in which it is located. Between the two extreme types of societies and their respective administrative models are the transitional societies.

Riggs stated the rationale of his models as follows:

In speaking of "models" it must be emphasized that what is proposed are "constructs," purely hypothetical "ideal types" abstracted from observed realities. The purpose of constructing such models is purely methodological. They provide tools for analysis of real historical societies or settings. Observed differences between models and settings may be examined to discover reasons for the differences. . . . A model cannot be regarded as inherently "true" or "false." However, some models may prove more useful as tools of analysis than others, depending on the extent to which they draw attention to significant phenomena and relationships.

Riggs later developed three models constructed deductively and based on structural-functional analysis: the fused, prismatic, and diffracted models of societies. The fused society (traditional society) has a highly diffuse structure, while the diffracted society (highly industrialized society) has specific structural components. The prismatic society (transitional society) falls midway between the two extremes and has a mixture of the traits of both. Furthermore, he argued, within the prismatic society it is possible to construct sub-models regarding its various structures, including political, administrative, economic, social, and religious structures. He called the administrative sub-model of the prismatic society a "sala." A "sala," according to the model, has some resemblance to the "office" or "bureau" in

refracted society and at the same time has some resemblance to the "undifferentiated character of the 'home' or 'court' as locus of administration in a 'fused' society."

Since his model is ecological in nature, it was necessary for him to identify the major characteristics of the "prismatic" society. He identified heterogeneity, formalism, and overlapping as the three major characteristics of a prismatic society that are in turn manifested in its administrative model (the sala). Heterogeneity is the mixture of traditional fused characteristics and modern, refracted ones; for example, when a country has a city with Western-style offices and intellectual classes and villages run by chiefs or elders with undifferentiated roles. Heterogeneity of the "sala" is not only the mixture of modern and traditional structures and practices, but also the product of that mixture itself, which is different from both the modern and the traditional.

Formalism is another feature of such a society and the "sala"; it refers to the discrepancy between what is formally prescribed and what is actually practiced. The greater the gap between norms and realities, the more formalistic. Riggs argued that a relatively high degree of realism exists in both the traditional (fused) societies and in modern industrial (refracted) societies, while formalism prevails in prismatic societies and their administrative conduct. He gave as an example of

formalism the incongruence between the laws and the actual behavior of the official. The reason for formalism, as he put it, "...is the lack of pressure toward program objectives, the weakness of social power as a guide of bureaucratic performance, and hence great permissiveness for arbitrary administration."¹⁸

The third feature of prismatic societies and hence of a "sala" is overlapping. By overlapping, Riggs meant:

... the extent to which formally differentiated structures of a refracted type co-exist with undifferentiated structures of a fused type. In other words, it is typical in a prismatic situation for new structures--government offices, parliaments, elections, markets, schools--to be set up, but the effective functions of administration, politics, economics, education, continue to be performed, at least to a considerable extent, by older, undifferentiated structures, such as the family, religious bodies, caste and communal groupings. New norms or values appropriate to the differentiated structures are given lip-service, but the older values of an undifferentiated society still retain a strong hold.¹⁹

The overlapping results in many phenomena with regard to the "sala" as an administrative model, which include:

- 1) Nepotism in the recruitment of employees since the new official norms are superimposed upon the traditional ones which still operate based on family relationships. As a result, universal rules that are supposed to be applied universalistically are applied in a discriminate way, favoring relatives and friends.

- 2) Selective application of certain rules or policies in favor of certain communities and against others, since the society is characterized by "poly-communalism," which suggests lack of full assimilation.
- 3) Institutionalized corruption, including "kick-backs" in government contracts and the like.
- 4) "Poly-normativism" and lack of consensus regarding administrative norms and conduct.
- 5) Extreme overcentralization and inability to delegate authority or decentralize because of overlapping.

In his words: "The power structure of the sala model, then, may be said to consist of a highly centralized and concentrated authority structure overlapping a control system that is highly localized and dispersed."²⁰

It is obvious that the models Riggs formulated for transitional societies and their administrative behavior have emphasized the negative aspects of these societies; this has sparked wide criticism of his work, by Arora and Monroe among others.²¹ Arora argued that the prismatic-sala model has a Western bias and emphasizes Western values. Monroe made the same charge, suggesting that prismatic behavior can be found in Western countries such as the U.S. and therefore it is inappropriate to limit such behavior to transitional societies alone.

No one else has gone as far as Riggs in formulating specific models that are capable of depicting the negative characteristics of administration in developing countries. Nevertheless, the field of comparative and development administration is full of negative remarks and assertions about bureaucracies in developing countries. Stahl, for example, argued that developing countries have failed to achieve managerial success because of cultural inhibitions that include, among other things:

- 1) "An elitist frame of mind on the part of some portions of a bureaucracy (and general public acceptance of same) that inhibits a service-minded approach to citizens."
- 2) Nepotism.
- 3) Lack of trust in the judgement of lower echelons in a bureaucracy, resulting in excessive centralization instead of relying on more realistic post-audit systems to maintain control over the application of policy.
- 4) An inordinate worship of long-standing procedures and forms, and failure to initiate repression even when the need is acknowledged.
- 5) A "manana" attitude--putting off to tomorrow what needs doing today.²²

In his comments on Third World bureaucracies, Jacoby noted the tendency to concentrate the bureaucracy in the

capital city, coupled with strong centralization. He wrote: "The bureaucratic interest in centralized governmental institutions is strengthened by the knowledge that it is a progressive force of higher value than the regional communities with their backward tendencies."²³

Esman, another commentator on bureaucracies in developing countries and well known in the field, wrote a few years ago:

State bureaucracies both in socialist and in mixed regimes have demonstrated a tendency to become self-serving, even corrupt centers, producing modest benefits often at high cost to the societies that support them. Administrative techniques when transplanted or installed can be bent to the interests of established elites or survive as formalisms without producing new capabilities or substantive reforms. Even when new, rationalized capabilities are produced with the help of foreign technical assistance, they can be used to enhance regime objectives which few observers would define as developmental.²⁴

On the same topic, Heady asserted that the existing machinery in charge of managing developmental programs is far from adequate. He went on to list the common administrative patterns in developing countries, which include:

- 1) The pattern of public administration is not indigenous, instead it is an imitation of some version of modern bureaucratic administration of the West.
- 2) The public bureaucracies are suffering from the lack of skilled manpower needed for developmental programs.

- 3) Third World bureaucracies have the tendency to channel bureaucratic activities toward personal goals at the expense of the achievement of program objectives.
- 4) There is an emphasis on what Riggs has labeled "formalism," where there is a wide gap between form and reality.
- 5) Bureaucracy tends to have what he called "a generous measure of operational autonomy."²⁵

Nonetheless, state bureaucracies in developing countries have been depended upon as the main vehicle of modern administration and as instruments of change. In every developing state, bureaucracy has assumed a significant role in development planning and administration. Developing countries are therefore critically dependent above all on the character and capacity of their public bureaucracies.

Previous Research on the Saudi Bureaucracy

One of the early researches on the Saudi bureaucracy is AL-Awaji's critical analysis of the state bureaucracy in relation to its environment.²⁶ The study, which revealed basic characteristics of the Saudi top bureaucrats, such as their socio-economic background, age, education, and regional affiliation, concluded that the bureaucracy was dominated by middle class, young bureaucrats coming almost exclusively from the western and

central regions. In his words, "they are mainly privileged sons of traditional civil servants, merchants and city dwellers. Few of them have rural or tribal backgrounds."²⁷ The study then examined the bureaucrats' role conceptions and attitudes, concluding that Saudi bureaucrats are influenced by existing social conceptions and values and by their own personal convictions and formal duties, thus revealing a twofold conception of society and their roles and responsibilities. Their attitudes, AL-Awaji argued, are dualistic as they strive to satisfy parochial demands on the one hand and the requirements of their official duties on the other.²⁸ The last part of the study was devoted to an analysis of the impact of the environment on bureaucratic structure and behavior. Centralization, lack of organizational manuals, overlapping, lack of qualified personnel, and overstaffing were identified as prevailing traits of the Saudi bureaucratic structure. Immateriality of time, the existence of the personality factor in administrative behavior, formalism, nepotism and favoritism, and corruption were also attributed to the bureaucratic behavior.

AL-Awaji's summary of his findings includes:

- 1) The interlacing of parochial institutions and the bureaucracy.
- 2) Correlation between regional representation in the

bureaucratic structure and regional distribution of bureaucratic outputs.

- 3) Determination of public policy by the bureaucracy.
- 4) Interrelation between economic and bureaucratic developments.
- 5) The manifestation of particularistic values in administrative behavior.

The study was guided and heavily influenced by Riggs's prismatic-sala model and its associate assumptions. Therefore, it was no surprise when AL-Awaji wrote: "It is no great discovery to find out that Saudi Arabia falls within the general category of the prismatic society or that Saudi Arabian bureaucracy resembles in many ways the description of the Sala Model."²⁹

Other and more recent researches have not been as broad as the previously reviewed study; instead they have focused narrowly on one aspect of the bureaucracy. Alnimir conducted a behavioral survey directed toward the examination of the attitudes of Saudi bureaucratic incumbents as one group and Saudi university students preparing for careers in the bureaucracy as another group.³⁰ The study was concerned with attitudes toward work values as related to innovation and change, which the researcher saw as very important for the accomplishment of the socio-economic development of the country.

Based on a survey of five hundred employees in eight ministries, the study found that present Saudi bureaucrats:

- 1) Were in general unwilling to accept work-related mobility.
- 2) Were reluctant about accepting jobs in rural areas.
- 3) Were not influenced by monetary incentives in choosing a government job.
- 4) Were conservative in their attitudes toward development programs.
- 5) Were not risk-takers as far as decision-making is concerned.
- 6) Had a low tendency toward innovative behavior.

Alnimir commented on these findings by saying:

These types of negative attitudes which were found to exist among present bureaucrats have hampered the national development process. They have led also to inefficiency in the services provided by the bureaucracy to its people.

The survey of six hundred students preparing for careers in the Saudi bureaucracy showed that:

- 1) Future bureaucrats did not differ significantly from current bureaucrats with regard to their attitude toward work-related mobility.
- 2) Future bureaucrats, unlike current ones, were willing to work in rural areas.
- 3) The monetary incentive was not an influencing factor for future bureaucrats in choosing a government job.

- 4) Similar to current bureaucrats, future employees held conservative attitudes about development programs.
- 5) Future bureaucrats appeared to be non-risk-takers.
- 6) Future bureaucrats were similar to present ones in their low tendency toward innovative behavior.

His conclusion was:

The present study, within the limitations of the data, did not show promising signs of improvement in future employees who will become a part of the Saudi bureaucracy in the near future. The social, political, and educational systems seem to be unable to transmit the qualities of modern behavior to future bureaucrats who could bring some change to the bureaucracy.³²

Another study was conducted by AL-Hegelan and Palmer to assess the capability of the Saudi bureaucracy to be innovative and productive.³³ The study classified relevant variables into: psychological variables (innovation, risk taking, and achievement motivation), communications variables within the bureaucracy and between the bureaucracy and society, client interaction variables, bureaucratic flexibility variables, and, finally, other important variables, including job satisfaction, group dynamics, and the influence of favoritism.

Based on a questionnaire with results gathered from 123 senior Saudi civil servants, the authors concluded that the Saudi bureaucracy is characterized by low innovative capacity. The cause of it, as seen by the respondents, lies in structural factors as well as low skill

levels of the bureaucrats and lack of incentives. Participants in the study indicated that "flexibility is not a common phenomenon in Saudi bureaucratic circles," and that senior administrators were reluctant to delegate authority and subordinate officials were reluctant to accept it. According to the participants, a communication problem did exist, but they considered it to be at least a partial one. The respondents viewed the problem of rudeness with clients to be relatively moderate.

The study indicated that the problem of favoritism was a major one and that it was caused equally by systemic factors, group dynamic factors, and social/cultural factors. The study also suggested that the willingness of senior bureaucrats to move to the private sector means that their low satisfaction with their public jobs and financial incentives, better fringe benefits, and better opportunities for advancement were the major reasons for moving from the public to the private sector.

AL-Hegelan and Palmer concluded their research by saying:

The bureaucracy is likely to be of minimal use to the Saudi government in its strenuous efforts to provide enhanced services to the Saudi population or in its equally strenuous efforts to escape from the trap of rentierism and external dependency.³⁴

Samman conducted a descriptive study of local government in Saudi Arabia and its role in development.³⁵ His findings indicated ambiguity in the rules governing

the role of the local government; he noted especially the weak position of the province governor in relation to the central ministries in the capital and their branches in the province. His findings also indicated disorganization in the ministry branches in the provinces in terms of titles, organizational level, and reporting, where some branches in one province report to a ministry branch in another province. Little or no coordination of budget preparation existed among regional branches. He also noted that local officials did not have sufficient authority to match their responsibilities and, in general, had a low level of skills.

His major recommendations were:

- 1) Government should make training of local and central employees a major priority.
- 2) Regulations at the national and local level must be thorough and clear.
- 3) At the province level, the governor should hold regular meetings with ministry representatives at the regional level.
- 4) The governor of a province should have a deputy for regional development.
- 5) At the national level there should be a supreme council for regional development.

Two previous studies that deal with Samman's research and whose recommendations he quoted were those of

Al-Hamdan and Khashogji. Al-Hamdan's recommendations included the creation of a ministry for local government, the election rather than appointment of the majority of members of provincial councils, improvement of local employees' conditions, and training employees locally or abroad when necessary.³⁶ Khashogji's study indicated that the relationship between central ministries and their regional branches was characterized by excessive centralization. He suggested that the lack of regional capabilities and the lack of coordination and cooperation among local agencies, along with ambiguity of local functions, were responsible for the continuous control of regional affairs by the central government.³⁷

REGIONAL DEVELOPMENT

After the Second World War, new independent states emerged throughout the southern globe. Their first priority after gaining independence or unification was to transform their relatively static, backward economies into modern, dynamic ones, with the promise of catching up with the industrialized countries. To do so, most of these countries decided to introduce modern industries into their economies in order to achieve substantial increases in national product, adapt central planning to optimize the allocation of their scarce resources, and exploit those natural resources in which the country has a

comparative advantage. Thus, development from an economic perspective, which was the dominant perspective at that time, meant a sustained increase in national product.

However, even for countries that succeeded in raising their gross national product, new issues surfaced, attracting the attention of policy makers of these countries as well as academicians. As Stewart and Streeten noted, welfare issues accompanying the growth of the GNP, such as increasing amounts of unemployment and underemployment and unequal income distribution, have challenged the conventional use of GNP growth as the main target of development strategy.³⁸ A related issue has been the uneven regional growth within nations. One or a few relatively developed regions usually flourish, creating an adverse impact on other regions through depopulation and transfer of savings.

Regional Imbalance

It is seldom that one finds a country where there are no differences in socio-economic conditions among its regions. There are regions with a high rate of economic growth and low rate of unemployment, and there are, on the other hand, lagging regions characterized by a low rate of economic growth, if not economic decline. The first things that come to mind when people think about regional imbalance are the differences in initial natural resource endowments such as the quality of the soil, availability

of water or other natural resources, the strategic location of the region, etc. For Robson, in modern times it has been the unequal development of industrial activities that has produced the problem of regional imbalance; areas that possess a developed and efficient modern industry experience high income in their economic growth, with a corresponding adverse impact on depressed regions.³⁹

In his theory of "circular causation," Myrdal⁴⁰ argued that, regardless of the reason for the initial expansion of a growth center, the cumulatively expanding internal and external economies would encourage its growth at the expense of other areas. It is not only that the growth center will acquire a skilled labor force and public overhead capital, but also that motivation and a sense of success will engender positive attitudes and strong drives in the people of that area.

For Myrdal, the development of lagging regions is determined by the interaction between two opposite impacts that the growing areas will have on them. These opposite impacts are the "spread" effects and the "backwash" effects. The spread effects may include an increase in demand for the hinterland's agricultural products and raw materials, and diffusion of technical progress from the growth centers into the underdeveloped areas. Among the backwash effects is immigration from the lagging regions

to the growth centers, especially by the young, thus draining the hinterland of its skilled labor. Backwash effects also include the impact of advanced industry with its superior quality and efficiency on the less advanced and less efficient industries in the lagging regions. Furthermore, the growth centers will attract savings from the hinterland, causing capital movement towards the growth centers.

Myrdal also saw non-economic factors as being interlocked in a circular causation that maintains, if not augments, regional disparity. These non-economic factors include the deterioration of road systems, public utilities, and other social services. Also included is the primitive attitude of the people in the lagging regions.

According to Myrdal, market forces will work toward inequality. In his words:

The main idea I want to convey is that the play of the forces in the market normally tends to increase, rather than to decrease, the inequalities between regions. If things were left to market forces unhampered by any policy interference, industrial production, commerce, banking, insurance, shipping and, indeed, almost all those economic activities which in a developing economy tend to give a bigger than average return--and, in addition, science, art, literature, education and higher culture generally--would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater.⁴¹

He puts great emphasis on the role of public policies in facilitating the spread effects from the developing regions to the lagging ones, and/or minimizing the

backwash effects, referring to the experience of the industrialized countries. Myrdal believes that backwash effects will be stronger than spread effects, and he sees little reason for optimism, except perhaps in wealthier nations whose governments would be able to initiate policies directed towards achieving less regional inequality.

The work of Hirschman,⁴² who was concerned with dualism among groups and among regions, has three major points worthy of mention. First is the social-psychological aspect of the phenomenon, about which he said:

...the successful groups and regions will widely and extravagantly proclaim their superiority over the rest of their country and countrymen. It is interesting to note that to some extent these claims are self-enforcing. Even though the initial success of these groups may often be due to sheer luck or to environmental factors such as resource endowment, matters will not be left there. Those who have been caught by progress will always maintain that they were the ones who did the catching; they will easily convince themselves, and attempt to convince others, that their accomplishments are primarily owed to their superior moral qualities and conduct. It is precisely this self-righteousness that will tend to produce its own evidence: once these groups have spread the word that their success was due to hard work and virtuous living, they must willy-nilly live up to their own story,⁴³ or at the least will make their children do so.

Second is the economic aspect. Hirschman argued that, in the spatial sense, growth is necessarily unbalanced and there are "trickling-down" versus "polarization" effects, similar to Myrdal's "spread" versus

"backwash" effects. Among the trickling-down effects is the increase of the growth center's purchases from and investments in the hinterland. In addition, the growing regions might absorb some of the disguised unemployed of the depressed regions, which would raise the marginal productivity of labor in those regions. The polarization effects, on the other hand, include the tough competition that would depress the inefficient manufacturing of the hinterland. But to Hirschman, the most serious polarization effect is the "brain drain," where the best managers and technicians migrate from the depressed areas to the growing centers. He suggests that if the expanding areas are dependent on the products of the lagging areas for their expansion, trickling-down effects would gain the upper hand over the polarization effects.

The last point is the significance of the government's role in intervening in the process, especially through public investment, to develop the backward areas.

As Hirschman put it:

In fact the government will, to the best of its ability, attempt to counteract in part the polarization effects that result from the operation of market forces: to counterbalance the [northward] emigration of capital and talent, an even larger flow in the opposite direction will be organized; to offset the locational advantages of the [north], government may offer special tax advantages or create similar external economies in the [south] through public investments.⁴⁴

Kaldor, in his studies of Britain, criticized classical and neo-classical economic theory in explaining the causes of divergent regional growth rates based on resource endowment factors.⁴⁵ For him, in modern economies the comparative riches or poverty of regions is largely explained not by natural factors, but by the uneven development in industrial activities. Pointing to Myrdal's principle of "circular and cumulative causation," Kaldor stated:

These are not just the economies of large-scale production commonly considered, but the cumulative advantages accruing from the growth of industry itself--the development of skill and know-how; the opportunity of ever-increasing differentiations of processes and specialization in human activity.⁴⁶

He saw the improvement in communication, especially in transportation and marketing organization, as enhancing the growth of the thriving regions at the expense of the lagging regions. He summed up his position by saying:

I am sure that this principle of cumulative causation--which explains the unequal regional incidence of industrial development by endogenous factors resulting from the process of historical development itself rather than by exogenous differences in "resource endowment"--is an essential one for the understanding of the diverse trends of development as between different regions.⁴⁷

Friedmann, borrowing from Rostow's idea of the stage theory of economic development and incorporating some aspects of Myrdal's and Hirshman's concepts discussed above, developed his core-periphery model.⁴⁸ He argued

that there are four phases of national development: preindustrial, transitional, industrial, and post-industrial. In the first phase (the preindustrial phase), regional policy will not be very important for national economic growth, since the country will be preoccupied with the basics, such as health and education. In the second phase of national development, when the economy is in transition, regional policy is very critical. He wrote:

Transitional societies are clearly the most directly concerned with regional organization, partly because of the spatial shifts involved in moving from an agrarian to an industrial economy, and partly because a large portion of their ⁴⁹potential resources are still unutilized.

His core-periphery model was designed to fit the transitional stage of the economy. Transitional economy, he argued, will be characterized by a growing core and a lagging periphery with a reinforcing motion. In his words:

The center-periphery relationship may be described as essentially a "colonial" one. The emergence of a polarized structure will normally be accompanied by a series of displacements, from the periphery to the center, of the principal factors of production: labor, capital, entrepreneurship, foreign exchange, and raw materials in unprocessed form. Judging from this behavior, one would conclude, though without substantial evidence, that the marginal productivities at the center are vastly superior to those ⁵⁰obtainable from investments on the periphery.

In the industrial phase of economic development, growth will filter to new centers in the periphery, and in the post-industrial phase, the economy will achieve full integration. Friedmann argued that it is conceivable in theory that convergence will occur when the economy moves from the transitional to the industrial phase, but he pointed out that real experience, such as that of Western Europe, suggests otherwise.

Friedmann later introduced the concept of innovation into his core-periphery model, suggesting that core regions are the centers of innovation while peripheral regions are dependent on them for their development. The reinforcing process has six feedback effects:

- 1) The dominance effect, or the weakening of the economy of the periphery through the transfer of resources to the core region.
- 2) The information effect, or the increased interaction in core region, which in turn induces innovation.
- 3) The psychological effect, or the creation of conditions favorable to innovation, including greater visibility, higher expectations, and lower risks.
- 4) The modernization effect, or the social and institutional transformation in the direction of accepting change and innovation.
- 5) The linkage effect, or the tendency of innovations to create demands for other innovations.

- 6) The production effect, or the impact of economy of scale and agglomeration.⁵¹

In his theory of "polarized development," Friedmann later emphasized the social and economic conflict between the core and the periphery. He argued that the flow of information from the core to the periphery, coupled with increased awareness of periphery elites of their dependency, will produce conflict between the core and the periphery which may have four possible outcomes: repression of peripheral elites and maintenance of the existing system, neutralization of peripheral elites, replacement of core elites by peripheral elites, and cooptation of peripheral elites through a more equitable share of the power.⁵²

Regional Policy

Classical and neo-classical economists argue that there is no need for government intervention in the workings of the market mechanism; market forces will allocate resources efficiently.⁵³ However, the nature of contemporary economics has challenged such arguments on various grounds, such as imperfect competition and imperfect information. But even more important for our subject is the fact that comparative advantage is no longer a natural process; industrial policies may create comparative advantage for a certain country or region at the expense of others.⁵⁴

Richardson and Townroe, in their analysis of regional policies in developing countries, argued that what constitutes a regional problem differs from one social group to another and "can be defined only in the context of the country's dominant social and political values."⁵⁵ They suggested that in developing countries regional policies are motivated by different goals. Regional policies might be formulated as a response to political pressures favoring a certain region or regions with an important political base; they might also be directed to smoothing tribal, religious, or ethnic conflicts. On the other hand, regional policies might be motivated by economics, based on the idea of utilizing the resources, including the human resources, of a given region. Furthermore, the government may introduce certain policies when social costs (benefits) differ substantially from private costs (benefits) as a result of rapid change.

The rationale for regional policy, as Robson, for example, suggested, rests on three principal arguments: the economic, the political, and the social. The economic argument, which is concerned with resource allocation, states that market forces alone cannot be relied on to perform satisfactorily when making location decisions. Because of the external economies and diseconomies of location decisions, there must be at least some regulatory action to provide an efficient economic framework within

which private locational decisions can be optimized. The second part of the economic argument is the importance of full utilization of resources; labor and other resources in the lagging areas must be efficiently utilized, not only for the benefit of the underdeveloped regions themselves, but for the benefit of the nation as a whole. In fact, one of the measures usually taken by a country facing unfavorable terms of trade is to try to promote the production of lagging regions and/or sectors, either to increase its exports or reduce its imports, if not both.

The political argument for regional policies centers on national cohesion, stating that wide economic gaps between regions tend to generate political tensions since common citizenship implies an equality of economic opportunity. In democratic societies, inhabitants of depressed regions have the power to vote, which will carry certain weight, while in non-democratic countries political reactions other than voting will carry certain weight, too.

The social argument asserts that depressed regions are likely to have poor social conditions, such as poverty and a low standard of living, because of low income and unemployment. Such conditions usually entail serious social consequences not only for the inhabitants of lagging regions, but for the society as a whole.

Objectives of regional policies vary widely; Diamond, for example, identified six broad objectives from the statements of policy makers.⁵⁷ They are:

- 1) to reduce unemployment in areas where it is persistently high;
- 2) to reduce the pressure of population in already congested areas;
- 3) to increase the average rate of utilization of national resources;
- 4) to reduce interregional differences in the pressure of demand in order to relieve inflationary pressures;
- 5) to preserve and strengthen regional cultures and regional identities;
- 6) to achieve a better balance⁵⁸ between the population and the environment.

As Armstrong and Taylor noted, this list shows the wide scope of issues associated with regional imbalance.

There is a wide range of policy instruments that have been employed by different countries. Stohr and Todtling, for example, identified the following instruments that have been applied in market and mixed economies:

- 1) Capital and technology transfers to peripheral areas.
- 2) Promotion of modern industries in peripheral areas.
- 3) Transfer of public investment to peripheral areas.
- 4) Extension of transport and communications networks from core regions to peripheries.
- 5) Promotion of functional integration between core regions and peripheries.
- 6) Diffusion of spread effects through growth centers in the hinterlands.

- 7) Extension of core-region based education and training facilities to peripheries.
- 8) Extension of core-region based public and private organizations to peripheral areas.
- 9) Reinforcement of core-region based standards, rules and value systems over the periphery.⁵⁹

Armstrong and Taylor classified regional policy options into macro-policy and micro-policy instruments.⁶⁰ Macro-policy instruments include: fiscal policies encompassing regional aspects of taxation and government expenditure; monetary policies to control money supply; import controls on certain regions through tariffs or import quotas; and devolution of power to regional authorities. Micro-policy instruments include: manpower policies designed to reallocate labor; reallocation of private capital through subsidies, taxes, or control; and selectivity in terms of type of region assisted, amount and type of assistance, and type of industries induced to relocate in lagging areas.

Most of the developed and developing countries have adopted regional policies of one kind or another. The TVA and Appalachian Regional Development in the U.S., the Italian policies for the southern region, and the Japanese policy to decentralize industries are a few examples of developed countries' adopting regional policies. In the case of developing countries, as Richardson and Townroe

noted, several have adopted comprehensive regional development strategies for all the regions as a platform for national socio-economic development; examples include Chile, Peru, Venezuela, the Philippines, Tanzania, and Zambia. There are also partial regional development policies, focusing on metropolitan regions such as Bombay in India, or resource-rich areas such as the Nabouk Valley in Malaysia, or rivers such as the Lerma in Mexico and the Euphrates in Syria.⁶¹

Assessing the impact of regional development policies has been a difficult task since it is hard to distinguish between the impact of market forces and the impact of the policy by itself. Stohr and Todtling wrote:

It is nearly impossible to separate the influence of these two factors neatly because, like in most complex social science situations, it can rarely be defined ex post by empirical tests of how the system would have behaved without certain of these factors. Conclusions can therefore only be drawn from indirect statistical inference or from theoretical considerations.⁶²

Therefore, it is easy to realize that the situation is not improving despite the adaptation of certain policies, but it is difficult to attribute successful experience to the adopted policy itself. For example, Alden and Awang, in their review of the Malaysian experience, wrote: "While the regional development strategy ... has been able to raise GDP per capita in absolute

terms, the extent of regional welfare differentials remains largely unchanged."⁶³

On the other hand, the success of Japan in decentralizing its industries was attributed by Lo to market forces.⁶⁴ In his review of the Japanese experience, he suggested that during the post-war industrialization, industrial activities were concentrated in the Tokyo-Nagoya-Osaka belt, which was necessary to maintain high economic growth rates at that time. At a later stage, decentralization of manufacturing industries did occur as a result of diseconomies of over-concentration. However, he argued, the role of the public sector in providing financial incentives and infrastructure was important in facilitating the trend of industrial decentralization.⁶⁵

Kim showed that in the case of Korea the adoption of the growth pole approach for industrial decentralization from the Seoul region was successful; but he noted that it had little impact on rural income distribution and did not succeed in decentralizing the Seoul population. He therefore suggested that more complementary policies were needed.⁶⁶

Research on Saudi Regional Development

There has been little research done on regional policy and development in Saudi Arabia, perhaps largely because of the lack of data. Because planning has been oriented towards sectoral issues at the national level,

there has been little incentive for researchers to investigate sub-national issues. The most comprehensive studies were done by the Ministry of Planning through consulting firms in the early 1970's, but the details of these studies have been kept secret.

AL-Ibrahim conducted a descriptive study of urban and regional development in Saudi Arabia as a Ph.D. dissertation.⁶⁷ Based on statistical data ranging mostly from the early to mid-1970's, he argued that the spatial structure of the country had two main characteristics:

- 1) Wide disparities in income and social welfare between regions and within regions between urban and rural areas.
- 2) Imbalanced, polarized, and concentrated pattern of urban development.

Throughout his thesis, he developed the argument that not only Saudi Arabia but all developing countries as well "should adopt explicit spatial development policies to promote the development of their lagging regions and backward rural areas, and also to restructure and organize their national settlement pattern."⁶⁸ At the end of his study, he offered some economic policies for rural and urban development in Saudi Arabia.

In 1987, the College of Administrative Sciences at KSU in Riyadh, in cooperation with the Ministry of Municipal and Rural Affairs, held a symposium on regional and

rural development strategies and programs in Saudi Arabia. The author was able to obtain most of the papers presented at the symposium, which dealt with different issues and discussed many topics, mostly from a theoretical perspective. The topics include, for example, the Scottish experience in rural development, the potential of tourism in some parts of Saudi Arabia, the type of information needed for good regional planning, the need for planning institutions at the regional level, and many others.

One paper was a survey of rural population opinions about local services. The results of the survey showed that there were differences among the country's regions with regard to the satisfaction of the people; in general the eastern and central regions were more satisfied, while the southern region was the least satisfied. Nationwide, educational, security, and religious services received the greatest satisfaction, while recreational and social centers, social care, and communication (T.T.P.) services received dissatisfaction scores, and health, marketing, and drinking water services received neutral satisfaction scores.⁶⁹

There were also papers presented to the symposium by representatives of the Ministry of Planning and the Ministry of Municipal and Rural Affairs. They represented the views of their ministries, their roles in regional and rural development, and the difficulties they were facing.

SUMMARY

Two main topics have been reviewed in this chapter: bureaucracy and development, and regional development and policies. It is true that these topics are major ones, and even a whole volume might not do justice to each one separately; nevertheless, we have touched on the main points that we think are sufficient to provide the background needed for this study.

We have discussed the major characteristics of the "bureaucratic model" developed by Max Weber, and its relationship to the socio-political environment. Meanwhile, examples of the degree of involvement of the bureaucracy in development in advanced countries have been highlighted. The "prismatic-sala" model advanced by Fred Riggs for the analysis of administrative systems in developing countries has been reviewed, along with the prevailing characteristics of Third World bureaucracies.

We have also discussed the issue of regional imbalance in general and its reinforcing nature, along with regional policies, their rationale and objectives. Previous relevant literature on the Saudi bureaucracy and regional development and policies in Saudi Arabia has been reviewed. Previous research on regional development in Saudi Arabia, though limited, showed that there was a wide disparity among the regions; other research depicted the Saudi bureaucracy as corrupt, non-innovative, and excessively centralized.

The next two chapters of this study provide a thorough discussion of the institutional arrangement in Saudi Arabia and its national planning for development.

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CHAPTER III
THE INSTITUTIONAL SETTING OF SAUDI ARABIA

To explain the present institutional setting of Saudi Arabia, of which the Saudi bureaucracy is a major component, it is necessary to give a brief account of the evolution of the state and its institutions. A comprehensive account of the history of the country is certainly beyond the scope of this study, therefore we will be concerned here with those aspects of development that are most relevant to our theme.

In 1902, King Abdulaziz, the founder of the state known today as the Kingdom of Saudi Arabia, captured the city of Riyadh, which lies in the central region and is the current capital of the country, from the representative of his rival, Ibn Resheed of Ha'il. The King then began his campaign for unifying most of the Arabian Peninsula. By 1906, he controlled most of the central region. In 1913, the eastern region (known at that time as AL-Hasa) came under his control after the defeat of the Turks (an extension of the Othman Empire). In 1921, his forces marched north, capturing Ha'il, Ibn Resheed's capital. In the following year he extended his control

over Tayma and Khaibar in the northwest, and Wadi AL-Sarhan and AL-Jawf in the far north. Most of the southern region (known as Aseer) also came under his control by the year 1923; and finally the western region (known as AL-Hijaz) fully surrendered by the year 1926.¹

Before unification, while the inhabitants of these regions shared the same language and religion and the great majority of them were descendants of Arabian tribes, there were some variations across the regions. In the central, northern, and eastern regions, society was divided into two communities; one was the villagers and town people (Hadder), who abandoned tribal institutions and decided to settle down in scattered villages and towns along trade routes and in oases that could support some type of agriculture. Primitive agriculture and local trade were the main economic activities of this community. The other community comprised nomadic tribes (Badu), who did not settle down. Because of the lack of economic incentives, given the poor and limited natural resources of the regions, or for other social and political reasons, these tribes remained nomadic. The main economic activity of this community was pastoralism, where each tribe had a territory of its own. Major towns in these three regions used to serve as trading centers where the two communities exchanged their goods and services; there was an interdependency between them in their struggle for survival.²

The only economic surpluses worth mentioning were dates in the eastern region, and camels and the famous Arabian horses in the central and northern regions.³ As far as our topic is concerned, there were no central governments with administrative institutions to provide even minimum services; instead each tribe and each town, with varying degrees, was an autonomous entity, operating with traditional rules.

The southern region differs from the rest in its geography and climate; it receives more rain and is more fertile than other regions, making it nearly, if not wholly, self-sufficient in food.⁴ It was predominantly tribal with regard to both the settlers and the nomads; each tribe or sub-tribe had its own territory where some of its members settled as farmers in clusters of hamlets while the rest roamed around as nomads. The ratio of nomads to settlers varied from one tribe to another; for example, Aseer's tribes had more settlers while Shahran's tribes had more nomads.⁵ Although there was a Turkish presence in the region, local matters were governed along tribal traditions by tribal leaders and therefore there were no modern administrative institutions in the region.

The western region, on the other hand, had a different historical, political, and administrative experience.⁶ Because it is the location of the two Islamic holy cities, Makkah and AL-Madinah, it has become the destination of

thousands of pilgrims every year. This annual event has contributed to its economy in two important ways; first, through the taxes collected from the pilgrims, which enabled its administration to expand and provide certain services to the cities' residents; and second the region became a major trading center for the different people coming from different parts of the world. In other words, although the pilgrimage to Makkah is a religious event, it has had economic significance for the region, and a merchant class has emerged in its main cities, especially in the seaport of Jeddah.

Although most of the western region remained similar to other regions, especially to the southern region, in terms of tribal structure and social norms, its main cities were remarkably different from other towns of the peninsula. Many immigrants, who originally came for pilgrimage either from the peninsula itself or from other Arab and Islamic countries and then decided to stay in these cities, had different social backgrounds and brought with them many different skills. Thus, social norms and civic relationships were based on the types of vocations performed or on residential neighborhoods rather than on tribal and kin lineages. Furthermore, because of the importance of this region to the Islamic community, it had its own local government as a part of the Islamic Empire, whose capital moved from AL-Hijaz itself to Damascus, then

to Baghdad, and finally under the Othman rule to Istanbul. In other words, serving the region and the two holy cities in particular was an important duty for the Othman Empire that it was not willing to give up, as it gave up most of the peninsula, because of, among other things, its significance to its legitimacy.

All these historical, economic, social, and political factors contributed to the existence of the administrative institutions that ran the cities and provided some services to residents and visitors under the authority of the Hashimiat dynasty. In sum, the western region had characteristics distinct from the rest of the country and maintained a close contact with the outside world.

In 1927, after the unification of the country, the new state was named the Kingdom of AL-Hijaz (the western region) and Najd (the central region) and its Dependencies (the other three regions), with its capital in Makkah in the western region. Five years later, in 1932, the country was renamed the Kingdom of Saudi Arabia, as it is still called.

The capital of the new state and its early institutions were confined to the western region because of its relative advancement, economic advantages, and the administrative legacy of the previous government. It was not until the discovery of oil in 1938 and the beginning of its export after the Second World War that the services

of these institutions extended gradually to other parts of the country in a noticeable way.

Before the creation of the Council of Ministers in 1953, there were eight ministries and other departments; there was also what was known as the Consultative Council, which until the creation of the Council of Ministers had some legislative power. Its members were appointed by the King and its chairmanship was reserved for the General Viceroy, Prince Faisal. In addition, there was the Deputies' Council, a small coordinating body composed of the top administrators of the existing departments; it was also chaired by the General Viceroy.⁷

THE COUNCIL OF MINISTERS

The creation of the Council of Ministers was judged by many observers as a turning point in the history of the country's administration. Lipsky, for example, wrote:

The decree sets forth the composition and function of the most important organ of state below the king...the decree represents a genuine initial effort to institutionalize the exercise of the royal prerogative and to separate the exercise of authority from the arbitrary decision-making procedure that previously existed around the King and his immediate entourage.

AL-Awaji also argued that the creation of the Council "marked the most serious phase in the development of the central bureaucracy." He argued that its significance stems from three factors. First, since the King, who is

the supreme authority in the country, presides over the Council as a prime minister, the council therefore combines the legislative, executive, administrative, and also some judicial functions of the state. Second, the council is the King's "administrative arm." Third, it is the link between the local administration and the central bureaucracy.⁹

Thus, the Council of Ministers, because it is chaired by the King, is considered the most powerful formal institution in the country, given the fact that the country has no legislative bodies and has no written, formal constitution. Therefore the Council is given almost unlimited discretion to legislate and execute its policies.

Jurisdiction and Functions of the Council of Ministers

The regulations of the Council of Ministers, issued in May of 1958, stipulate:

The Council of Ministers shall lay down the policy of the state with respect to internal and foreign affairs, finance, the economy, education, defense and all public affairs and shall oversee the execution thereof. It possesses regulatory authority, executive authority, and administrative authority. It is the final authority for financial affairs and for all matters connected with the various Ministries of the State and other Government departments, and shall decide what measures should be taken in these matters. Treaties and international agreements shall not be considered effective until approved by the Council. The decisions of the Council of Ministers are final except for those which require the issuing of a Royal Decree or Order in accordance with the provisions of these regulations. (Article 18)¹⁰

Accordingly, the Council of Ministers has legislative functions which include the enactment and amendment of all laws, regulations, and royal decrees. They also include the ratifications of international agreements, treaties and concessions. Since some modern affairs of state are not covered in a direct and explicit way by the Sharia (Islamic law), the Council has the full discretion to regulate such affairs.

The Council is assisted in performing its legislative functions by an attached group of advisors known as the Experts' Branch. The head of this branch and the majority of its members are trained in legal matters, and there are also a few members from other disciplines such as political science, economics, and public administration. The role of this group is to review any proposal for new legislation or amendment and prepare the drafts of new laws, regulations, treaties, and the like. The Council also holds direct executive authority and therefore has the full power to supervise the executive affairs of the country. It has the authority to see that decisions and regulations are properly executed.

Furthermore, the Council has unlimited administrative and financial authority over the affairs of the country. As AL-Awaji put it:

The Council of Ministers is still the only manager of the economic, social, political, and administrative affairs of the country with

exclusive jurisdiction to legislate laws, initiate measures and policies, and control and insure their execution. It is the most powerful decision-making body and the most effective arm of the King who maintains¹¹ the ultimate power in the affairs of the state.

In addition, the Council, as Huyette noted, plays an important role in advising the King on many important issues.¹²

The Council's Mechanisms for Coping with Work Overload

As the above discussion shows, the Council of Ministers, with the King presiding, is a very centralized and powerful body with almost unlimited authority over the affairs of the country and its people. The centralization of such power and authority certainly raises a question about the Council's ability to effectively undertake all these functions and still have the time necessary for formulating timely and sound policies. In other words, there are many important issues with great significance for a sizable portion of the society, if not for the society as a whole, that may run the risk of being delayed, casually dealt with, or ignored. This concern is especially valid when we consider the scope and magnitude of the modernization programs that the government has embarked on since the early 1970's, coupled with the increasing complexity and diversity of regional and international affairs which the country has to deal with.

Two main mechanisms have been adopted to maintain the power and authority at the top and, at the same time, to manage the work overload. First, there has been a horizontal decentralization to mini-councils or to individual ministers. Besides the Supreme Council of the Judiciary, there are at least nine such councils, including the Supreme Council of Defense, the Supreme Council of Petroleum, the Supreme Council of Universities, the Supreme Council for Youth-Welfare, the Civil Service Council, the Manpower Council, the Military Service Council, the Supreme Committee for Administrative Reform, and the Supreme Council for Information. These councils perform either legislative, executive, and/or advisory functions, passing certain issues in the cabinet routinely with no need for lengthy deliberation. Decentralization of the workload to individual ministers occurs by granting the minister more authority over most of the affairs of his ministry that used to be handled by the cabinet. A prime example is the authority of the minister to appoint and promote within the rules of civil service law and budget regulations his ministry employees up to grade thirteen, covering all civil servants except the level of deputy ministers and assistant deputy ministers. Previously, it was the authority of the Council of Ministers to decide on such matters, excluding only the low level

civil servants.¹³ This move has therefore shifted some authority from the Council to the ministerial posts.

The second mechanism has been the establishment of what is known as the General Committee within the Council itself. As described by Huyette, this committee, which is composed of eleven ministers and a chairman, was formed to deal with routine matters of the Council. It makes final decisions on matters that are not legislative in nature and its decisions must be approved by all of its members; if an unanimous decision is not reached, the issue has to be referred to the full cabinet. When an issue that concerns a certain ministry is being discussed, the minister in charge must be invited to the meeting and must agree with the committee's decision, otherwise the issue will be referred to the cabinet to decide.¹⁴ Such a mechanism is certainly effective in reducing the full cabinet's workload, especially with regard to routine, non-controversial matters.

In addition, there are ad hoc committees that are usually formed on a temporary basis to look into certain matters and make their recommendations to the full cabinet.

Membership of the Council of Ministers

The Council of Ministers, according to its latest regulations, includes a president, vice presidents, ministers, ministers of state without portfolio, and the

King's advisors. Members of the Council of Ministers are selected by the King and appointed by royal order.

Until the middle of 1986, besides the King as president and his crown prince as first vice president, the Council was composed of nineteen ministers who head the ministries and two state ministers without portfolio. In late 1986, in the face of fiscal stress because of the decline in oil prices, the King appointed five more ministers of state and members of the council.¹⁵ Four of them work as heads of independent agencies concerned totally or to a great extent with control matters; these are the heads of the Bureau of Grievances, the Bureau of General Audit, the Board of Surveillance and Investigations, and the Bureau of Civil Service. The fifth member is the head of the General Organization for Seaports. This move was apparently made to get those senior officials involved in the deliberations on and formulation of new policies that emphasize the tightening up of control over the public agencies and reducing waste and corruption in administrative practices. It also may serve a symbolic purpose since many people have been well aware of the lack of effective control over government institutions.

Currently, in addition to the President of the Council (the King) and his First Vice President (the Crown Prince), there are twenty-five members and two vacant seats (Minister of Higher Education and Minister of

Planning). Four of them are members of the royal family, the Second Vice President and the Minister of Defense, and the Ministers of Interior, Foreign Affairs, and Public Works and Housing. The other twenty-one members come from prominent and merchant families with urban backgrounds, mainly from the central and western regions. In other words, to put it in the context of this study, with the exception of one minister who comes from a merchant family in Ha'il, none of the members are from the two lagging regions or the rural areas.

THE MINISTRIES

When the Council of Ministers was established in 1953, there were eight ministries in existence. The first ministry created was the Ministry of Foreign Affairs in 1930, followed by the Ministry of Finance in 1932, Defense in 1944, Interior and Health both in 1951, and Agriculture and Water, Communication, and Education all in 1953.

After the formation of the Council of Ministers, the Ministry of Trade and Industry was established in 1954, followed by Petroleum and Mineral Resources in 1960, Labor and Social Affairs in 1961, and Information, Pilgrimage and Endowment both in 1962. The Ministry of Justice was formed in 1970, and in 1975 six more ministries were established, some of which were previously part of other ministries or were independent agencies; these are the

Ministries of Higher Education, Industry and Electricity, Municipal and Rural Affairs, Post, Telegraph and Telecommunications, Public Works and Housing, and Planning.

These ministries play a vital and leading role in the development of the country. Their influence is not only through the interpretation and execution of government policies, but also extends to the formulation of policies by the individual ministry. The ministry has the expertise in the field and the areas that fall under its jurisdiction, and therefore its judgement is highly influential and very often final. It also has a monopoly over detailed data and information; it collects the data that it deems necessary and may choose to ignore what it feels is unimportant, and it determines how this information is classified and presented. It is the individual ministry that designs and plans projects. It is the individual ministry that sets the priorities for development projects and programs and their regional distribution. The ministry may propose certain projects for certain regions, and later shift its budgeted money to other areas or purposes. The ministry not only distributes projects and programs among regions, but also distributes its branches. Therefore, it may benefit certain regions by enhancing the institutional capabilities of these regions and by sending more qualified employees into them.

The growth and strength of the ministries have been made possible by two interrelated factors. The first factor has been the discovery of oil and the subsequent increase in revenue, putting substantial wealth at the disposal of the state bureaucracy in general and the ministries in particular. The second factor, which is in part an outcome of the first one, has been the modernization process that has been underway in the country. The ease of funding has allowed the bureaucracy in general and the ministries in particular to grow, creating new institutions and new divisions and subdivisions, and expanding the number of personnel in an effort to meet the increasing task of socio-economic development.¹⁶

At the same time, the development process itself has enhanced the power of these ministries in two important ways. First, it has assigned to them the responsibility of planning and implementing change, and therefore has given them the authority to penetrate the social and ecological environment and make important decisions with far reaching impact on the society. Second, the development process has increased the technical specialization and expertise of each ministry, making it the sole expert in its respective field, which in turn has enhanced the power of the head of the ministry vis-à-vis the Council of Ministers and the Chief Executive. Consequently, important decisions are either made or determined by the individual ministry.

While the creation of the Council of Ministers put an end to the Consultative Council and its legislative power, the growth and strength of the ministries in general have been accompanied by the decline of non-bureaucratic institutions. For example, the creation of the Ministry of Information in 1962 was followed in 1963 by the curtailment of private newspapers and magazines.¹⁷ Since then, active investigative media are simply non-existent in the country.

From a regional point of view, the growth and strength of the central ministries have been accompanied by a decline in the power of tribal leaders and notables in the regions, as well as in the power of regional governors. In describing this phenomenon, Al-Said wrote:

The steady growth of the central government and its bureaucratic apparatus has tended to weaken local power centers in the cities and provinces. This process seems to have proceeded in two stages. First, a considerable weakening of the powers of the city "notables" greatly enhanced the role of the bureaucracy. The notables, a residue of tribal strength, were unofficial representatives of the various tribes and families residing in an area and collectively sharing in the decisions affecting the other residents. . . . Second, this was followed by a visible reduction and minimization of the powers and prerogatives of provincial governors (Emirs).¹⁸

OTHER AUTONOMOUS AND SEMI-AUTONOMOUS AGENCIES

There are many public non-ministerial organizations and their number has mushroomed during the last two decades. They vary in terms of their autonomy and independence; some report directly to the King, the highest authority in the country, and some report to the minister of a concerned ministry. There are also some in between, which have a board of directors that is usually chaired by the relevant ministers. These organizations also vary in terms of the nature of their works; some of them serve control purposes, some serve economic purposes, and others provide different types of services either for the public, for government agencies, or for the private sector.

One class of these independent agencies performs control functions, and therefore their independence is necessary for their strength and neutrality. The Bureau of General Audit is one of the earliest control agencies. It was formed as an independent bureau in 1954, after being section attached to the Council of Ministers for a year. In 1971, a new law was passed strengthening the Bureau so that it could handle its growing task as government agencies started to expand and their operations and transactions increased. The Bureau is primarily entrusted with post-audit of all government revenues and expenditures, in addition to monitoring all government assets and

ensuring that these assets are properly maintained and properly utilized. The Bureau therefore makes sure that government revenues, expenditures, and assets are executed and handled according to the laws and regulations designed to govern their execution and according to budgetary, financial, and administrative procedures designed for these purposes. All government ministries and institutions, and private organizations and companies that the government either holds capital shares in or subsidizes, such as utility corporations, fall under the jurisdiction of the Bureau.¹⁹ In practice, however, the role of the Bureau has been limited to ensuring adherence to rules and regulations and procedural applications, with no role worthy of mention in performance appraisals of government finance and assets.²²

The second agency performing control functions is the Board of Surveillance and Investigation. This was reorganized in 1971 as an independent board, reporting to the President of the Council of Ministers. Its functions include conducting the surveillance necessary to uncover any financial or administrative deviance. It receives and examines complaints and reports from government officials about financial and administrative deviations in government agencies. The Board also conducts investigations of any deviations it uncovers and in issues such as forgery and embezzlement.²¹

In 1980, because of a growing concern over bureaucratic corruption, especially in bidding and contracting among other types of corruption in infra-structure projects, and during a time when the government was engaging in massive spending, a special department was established in the Ministry of Interior as a sub-department of the Secret Police Agency. This department is known as the General Department for Administrative Secret Police and is in charge of discovering administrative corruption, especially embezzlement, coordinating its efforts with the Board of Surveillance and Investigation.²²

The above three institutions are the only ones that are solely devoted to control functions; however, there are other institutions that perform, among other things, important control functions. The first one to be mentioned is the Council of Ministers, which, according to Articles 25 to 43 of its regulations, has among its executive and financial functions the following:

- 1) Control over the execution of decisions and regulations. (Article 25-A)
- 2) The authority to form committees of inquiry to investigate the operations of the ministries and other government departments in general. (Article 25-C)

- 3) Supervising state accounting and making sure that all state revenues are delivered to the consolidated public treasury and recorded and disbursed in accordance with the procedures prescribed by the regulations. (Article 35).²³

The second institution that performs vital control functions is the Ministry of Finance and National Economy. The terms of reference of MFNE include the monitoring of the execution of the national economic and financial policy by government agencies, the preparation of the national budget and seeing that it is executed properly, pre-audit for government agencies, supervision of state revenues and assets, and the designation of certain standards for procurements to be followed by government agencies.²⁴

The Bureau of Civil Service has some control authority in the area of personnel. In fact, at the top of the list of its terms of reference is the monitoring of the execution of civil service laws, regulations, and decisions in the areas of appointment, promotion, payment, training, retirement, dismissal, and other related matters.²⁵

The final institution to be mentioned here that performs as part of its functions some kind of control is the Ministry of Planning. Its role in this area is through its follow-up of the progress of a plan's

execution and the preparation of an annual report about such matters that it submits to the Council of Ministers (Article IV, §V of Rules of Procedures for the follow-up of the Implementation of the Development Plan).²⁶

It is interesting to note that careful analysis shows that in Saudi Arabia it is the bureaucracy that performs all control functions. In other words, it is expected to control itself by itself, which no doubt raises the question of the efficacy of such control. Another interesting point is the fact that if we look at the process as a chain of policy-procedures-performance, we find that in Saudi Arabia control is directed solely to compliance with the rules and procedures; little attention is given to performance control, and policy control is simply non-existent. Even the existing diffused system of control, with its emphasis on rules and procedural compliance, is facing some difficulties, such as the overlapping noted by Abu-Haimed and Farhood between the Bureau of General Audit and other agencies, especially the Ministry of Finance and the Board of Surveillance and Investigation, as a result of ambiguity of jurisdictions.²⁷

It is important to note that if one considers Weber's argument and the arguments of subsequent writers regarding the necessity of political control for the effective functioning of the bureaucracy, one would be led to

believe that the Saudi bureaucracy will not measure up to the minimum requirements for a healthy institution.

A second class of autonomous and semi-autonomous agencies is what are labelled "Public Corporations" or "Enterprises." As in most other countries, this form of organization has emerged and gained acceptance to meet the need for the kind of flexible, dynamic, and businesslike management that has become necessary for administering many modern tasks that cannot be adequately managed by classical forms of organization. These new tasks have been the result of the expanding role of the state beyond its classical functions of maintaining law and order, defense, and justice. Not only does a modern government provide a variety of services, but it also has been forced into engaging in major economic activities that may fall within the realm of the private sector. This is especially true in developing countries, where the private sector is weak and inexperienced or the projects are too costly and risky.

In Saudi Arabia, there are at least thirty-two public organizations that fall under the category of "Public Enterprises"; they perform a wide range of economic, financial, research, social, and consultative functions. The first one to be created, in 1957, was the Saudi Arabian Monetary Agency, which works as a national central bank. King Saud University was also established in the

same year. They were followed by the Institute for Public Administration in 1961, and the Petroleum and Mineral Agency and the Saudi Arabian Agricultural Bank in 1962. By 1970, five more had been established: the Red Crescent Association (1963), Saudia Airlines (1965), the Railroad Agency and the Islamic University (1966), and the Social Insurance Agency (1969). In the 1970's and 1980's these enterprises proliferated in response to the expanding role of the government and the execution of development plans that were put in motion in 1970. They include the Seaport Agency, utilities agencies, universities and research institutions, industrial and real estate development funds, and the like.

In general, there was initial enthusiasm about strengthening public enterprises and granting them adequate authority and autonomy to set their own financial and administrative rules and regulations in a way that would enable them to undertake their tasks effectively. But in the early 1970's, two things were evident; first, it became clear that public enterprises, because of their generous payment systems and fringe benefits, had attracted the most talented people in the country, causing an adverse impact on the ministries and other public agencies that apply the general civil service rules. Second, some of these public enterprises had misused their autonomy to the point that in some of them the basic

requirements for recruitment, such as required degrees, experience, or tests, were occasionally relaxed.

As a result, a resolution by the Council of Ministers was passed in 1978 requiring all public enterprises except Saudia Airlines to apply the rules and regulations of the civil service, thus ending their autonomy to a great extent, at least in the area of personnel practices.²⁸ And in the mid-1980's, most of their fringe benefits were reduced.

REGIONAL ADMINISTRATION

As mentioned earlier, before the unification of the country its regions were operating as separate and fragmented entities, despite the overall direct or indirect domination of the Turks over some of them, such as the eastern region (Al-Ahsa), their alliance with Ibn Raseed in Ha'il (in the northern region), and with the local rulers in Aseer (the southern region). In the western region the Hijazy king was a representative (Wa'ly) of the Othman Empire, although he proclaimed his independence for a short period of time before his defeat by the new expanding state.

Given the lack of financial, technical, and administrative capabilities of the new state, each region remained ^{separate} autonomous in its public administration during the early years of the state, with the King as the only

link between them. The King was preoccupied with the most important aspects of the state at that stage--mainly the foreign and military affairs which he kept under his own direction.²⁹ Other matters were left to regional governors appointed by the King, who in turn supervised many other town and village governors. The primary role of these governors was the maintenance of law and order and the collection of the limited Islamic taxes (Zakah).³⁰

Thus there was no strong central government capable of extending its services to the regions. The regions therefore relied on their own resources and little change took place in their lives.

As the capacity of the central government improved, it began to extend its direct supervision as well as its limited services to the regions. New offices for the central institutions were opened in the regions, and public services such as health and education started to reach areas outside the domain of the western region, which was the locus of the central government in its first three decades. After the creation of the Ministry of Interior in the early 1950's, the governorships of the regions, with the exception of the eastern region, were divided into small entities reporting directly to the Ministry of Interior; by 1958, there were thirty-six of these subdivisions reporting to the MOI.³¹ However, their

number gradually decreased to the present fourteen provinces.

There has been some legislation to create and organize local governments, but this legislation has not been fully put into practice. In 1939, the government enacted the Governors and Administrative Councils Law, composed of seventy-six articles.³² The first twenty-seven articles were devoted to the responsibility and authority of the governor of the region, while the rest were devoted to the rules governing the membership, the responsibilities, and the functioning of the Administrative Councils. According to these articles, the governor of a province was responsible to the King and constituted the top administrative and executive power in the province. The law gave the governor of a province a broad range of responsibilities, including chairing the administrative council, which was composed of four to eight elected members based on the size and importance of the province. However, the law was broad in general and vague in determining the responsibilities of either the governor or the administrative council. As Saleh put it:

The responsibilities of the provincial governors and the administrative councils as prescribed in the law of 1939 are overlapping, unspecified in certain aspects, obscure and vague in others. The general feature of size, shape, population of and relation between the different levels of the administrative units are ignored. The law itself was never applied at the national level, and hence administrative

councils are not to be found outside the western part of Saudi Arabia. Provincial, district and village governors held the responsibilities and authority assigned to them, but they became varied in this respect according to their personalities. As years passed, their authority became traditional but vague and obscure, except when specific responsibilities³³ and authority are invested in them individually.

Based on that law, seventeen administrative councils were formed, all in the western part of the country, including its northwestern and southwestern parts. Nonetheless, as the central bureaucracy improved and developed, the significance and the work of these councils were severely reduced.³⁴

In the late 1950's and early 1960's, the country experienced political and economic turmoil, which finally led to the the formation of a new cabinet in 1962, headed by Crown Prince Faisal (who two years later became King).³⁵ In its first meeting in November 1962, he announced what was known as the "Ten-Points' Program." The second point of this program stated that the government had conducted studies about a system of provincial government and that a law for such a system would be enacted; a year later the law was sanctioned. According to this law, the country is divided into provinces (mogatat). Each province is divided into areas (manateg), and each area is composed of many cities or one city and a number of villages. Each area is also administratively divided into centers (marakiz), with each center composed

of one city or a group of villages. The number of provinces was left to the Minister of Interior to determine and make a recommendation about that the Council of Ministers would later approve (Article I). The province is supposed to have its own independent legal identity, represented by its provincial council (Article 2). Each province has a governor appointed by a Royal Order based on the recommendation of the Minister of Interior; he represents the government and is considered the highest administrative authority in his province (Article 3).

There are three important points to be mentioned regarding the law:

- 1) Although the provincial governor is considered the highest administrative authority in his province, his power over the branches of central ministries is limited to making suggestions. The law suggests that he should take into consideration the direct link of these branches to their ministries and that he is supposed to contact the central ministries if he cannot solve the issue in question with their representatives in his province, and that he must inform the Minister of Interior of such contacts (Article 8).
- 2) Members of the provincial council are not elected, but are to be appointed by the Council of Ministers based on the recommendations of the Minister of

Interior. The maximum number of members is thirty, including representatives of the ministries in that province. The governor of the province chairs the council.

- 3) The authority of the provincial council is limited to making suggestions and recommendations. The council has no decision making authority, it has only an advisory role.³⁶

Despite the fact that the Royal Decree stated that the law would be implemented within nine months of its approval, as Saleh noted: "none of the items has been applied or adopted except those concerning the responsibilities of governors at all levels, which are identical to those stated in the law of 1939."³⁷

On the other hand, in 1938 a law defining the structure, authorities, and responsibilities of the municipalities was enacted, but as the number of the municipalities grew their implementation of the law varied widely. For example, some municipalities had municipal councils as the law stated and some did not.³⁸ In 1977 a new law for municipalities was approved, granting the municipality an identity with financial and administrative independence.³⁹ According to that law, a municipality is created by a decision of the Minister of Municipal and Rural Affairs based on the suggestion of the provincial council (despite the fact that there has been no

provincial council in practice). It has a municipal council, which holds the decision making and supervisory authority, while the mayor has the executive authority. Nonetheless, the Minister of Municipal and Rural Affairs determines certain decisions of the municipal council that he or someone he authorizes has to approve before they can be put into effect (Article 7). The size of the municipal council, according to the law, is decided by the Minister of MOMRA and ranges from four to fourteen, including the mayor. Half of the council is elected while the other half is appointed by the Minister of Municipal and Rural Affairs (Articles 8 and 9).

Although there are more than one hundred municipalities, there have been only eighteen municipal councils, three of which no longer exist because of recent reorganization in the municipalities of the eastern region (AL-Khober municipality was linked to Addamam metropolitan municipality, while Sayhat and Suffwa municipalities were linked to AL-Gattaif municipality).⁴⁰ However, according to a MOMRA official, the only active one is the municipal council of Makkah.⁴¹

Thus what can be concluded from the above is a clear discrepancy between what is prescribed and what is actually practiced as far as local government and administration are concerned. Or, as Assaf described it, there is an "imbalance between concept and application."⁴²

Currently, the country is divided into fourteen provinces, of which nine are in the two lagging regions. Each province is headed by a governor with a ministerial rank who reports directly to the Minister of Interior. Within each province there are many city and village governors based on the size of the province; they in turn report to the provincial governor. The primary role of the provincial governor and his subordinate governors has been the maintenance of law and order; however, as the country has become more and more involved in the modernization process, they, especially the provincial governors, have been expected to play a developmental role in their areas. Given the fact that they have little leverage over the decisions of the ministries and their branches in their provinces, their role has been limited to facilitating project implementation upon the request of the ministry in charge, and making suggestions and recommendations. Some may lobby on behalf of their regions and articulate their regions' needs in a convincing way. Their effectiveness in playing such a role varies from one governor to another, based not only on competence but also on personality, interpersonal skills, and the ability to influence others. Among the most successful in playing a developmental role, for example, are the governors of Aseer and Ha'il, and they would probably have done even more for their provinces had they had an institutional

framework granting them some authority to make development decisions about their regions.

The central ministries vary widely in the number and organizational levels of their branches in the provinces. For example, while the Ministry of Interior has fourteen regional general directorates for its branches, such as governorship, police, passports, etc., the Ministry of Municipality and Rural Affairs has six general directorates, and the Ministry of Telegraph, Post and Telephone has only four. The relation between field offices and the ministries also varies from one ministry to another, but in general, as described by Khashogji and Assaf, it is an "agent-principal" relationship characterized by extreme centralization.⁴³

There has been a study to reformulate the law of the provincial system in a way that would give the governors more responsibility and authority over their provinces. According to a top official in MOI, the study has been finalized and was sent to the higher authorities (the Minister of Interior and the Council of Ministers).⁴⁴

In sum, there has been no local government in Saudi Arabia; instead there have been incoherent and imbalanced local administrations under the domination of the central bureaucracy. As the governor of Makkah described it, "the central government is the source of all authority and is

in charge of all developments. Therefore, local government is not so distinct or clear."⁴⁵

SUMMARY

Unlike most Third World countries, the large part of the Arabian Peninsula known today as the Kingdom of Saudi Arabia escaped direct foreign colonization, which usually entailed the establishment of an administrative apparatus, primarily to maintain law and order in the colony. Before its unification, the country was fragmented and had no institutional base, except for the western region which did have a semi-autonomous local government with limited administrative institutions.

The new state was built on the administrative legacy of the western region, but generally its administrative institutions remained weak until the end of the Second World War. After the war, the increase in the export of crude oil, which was discovered in 1938, improved the financial situation of the state, enabling it to expand its services and therefore the administration that provides these services. Over the years, the government has established about twenty ministries and a large number of other public agencies, especially in the last two decades, in association with the socio-economic modernization process the government has embarked on.

As we have seen, there are two main characteristics of the institutional setting of the country. First, there is extreme centralization from a socio-political perspective--only a limited number of individuals at the apex of these institutions are engaged in policy deliberation and policy making. In other words, the country has not developed political institutions that can provide a mechanism for public participation in the policy making process or oversight of the loosely controlled bureaucracy. Second, there is extreme centralization from a spatial perspective--the central bureaucracy has maintained full authority and power over the disorganized regional institutions. Although the need to better organize regional administration and ease the excessive centralization was recognized early, for whatever reason the country has failed to act on this matter.

NOTES

¹Tim Niblock, ed., State, Society and Economy in Saudi Arabia (London: Croom Helm, 1982), 14-15; and ARAMCO, ARAMCO Handbook: Oil and the Middle East (Dhahran, S.A., 1968), 63.

²Summer S. Huyette, Political Adaptation in Saudi Arabia (Boulder, Col.: Westview Press, Inc., 1985), 13.

³Niblock, 81.

⁴Ali Johany, D. Michel Berne, and J. Willson Mixon, Jr., The Saudi Arabian Economy (London: Croom Helm, 1986), 8.

⁵Kamal Abdulfattah, Mountain Farmer and Fellaah in 'Asir, Southwest Saudi Arabia (Erlangen: Selbstverlag der Fränkischen Geographischen Gesellschaft, 1981), 84; and Mohammed AL-Zelfah, "Customary Laws in Aseer Region," AL Riyadh Newspaper, 10 April 1988, 8.

⁶For example, see Huyette, 11.

⁷Mohammed T. Sadig, The Evolution of Governing and Administration in the Kingdom of Saudi Arabia [in Arabic] (Riyadh: Institute of Public Administration, 1965), chs. 3 and 4.

⁸George A. Lipsky, Saudi Arabia: Its People, Its Society, Its Culture (New Haven: HRAF Press, 1959), 115-116; this is also quoted in Ibrahim M. AL-Awaji, "Bureaucracy and Society in Saudi Arabia" (Ph.D. diss., University of Virginia, 1971), 112.

⁹AL-Awaji, 111.

¹⁰Mohammed AL-Haoshan and Ali AL-Amair, Encyclopedia of Saudi Laws, vol. I (Riyadh: Encyclopedia of Saudi Laws House Press, 1979), 33; or see Huyette, appendix F, 166.8.

¹¹AL-Awaji, 116.

¹²Huyette, 87.

¹³Ibid., 87.

¹⁴Ibid., 88.

¹⁵General Bureau of Civil Service in Saudi Arabia, Civil Service, Issue 97 [in Arabic] (Riyadh, November 1986), 8.

¹⁶Osama A. Othman, "Saudi Arabia: An Unprecedented Growth of Wealth with an Unparalleled Growth of Bureaucracy," International Review of Administrative Sciences 45, no. 3 (1979): 236.

¹⁷Prior to 1963, there were private newspapers and magazines, but since then all private newspapers and magazines have been owned by non-commercial establishments under the supervision of the Ministry of Information, which pays them annual subsidies.

¹⁸Abdulrahman H. Al-Said, "The Transition from a Tribal Society to a Nation-State," in R. EL Mallakh and D.H. EL Mallakh, eds., Saudi Arabia: Energy, Developmental Planning, and Industrialization (Lexington, Mass.: D.C. Heath and Co., 1982), 102.

¹⁹Abdullah R. AL-Senaidi, Civil Service Principles and Its Applications in Saudi Arabia, 3rd ed [in Arabic], (Riyadh: Almadeenah Press, 1987), 74-75.

²⁰Abdolazeez Abu-Haimed and Mohammed Farhood, "Control of the Bureau of General Audit," a paper presented to The Symposium on the Agencies of Financial and Administrative Control and their Relation to Governmental Agencies (Riyadh: Institute for Public Administration, 1985), 22.

²¹For example, see AL-Senaidi, 58.

²²Talal S. AL-Gherayani, "Administrative Control and its Agencies in Saudi Arabia," Public Administration 53 (I.P.A. Riyadh, 1987): 56.

²³AL-Haoshan et al., 33-36; or Huyette, appendix F, 166-168.

²⁴AL-Gherayani, 51.

²⁵AL-Senaidi, 35.

²⁶Council of Ministers' Resolution No. 1368, dated 22/8/1396 [1976], in Ministry of Planning, Council of Ministers Regulations and Decrees Related to Development Planning in the Kingdom (Riyadh: National Offset Printing Press, undated).

- 27 Abu-Haimed et al., 71.
- 28 For example, see Abdulmuatti M. Assaf, Administrative Organization in Saudi Arabia [in Arabic] (Riyadh: Dar Alaloom Press, 1983), 187-188.
- 29 For example, see Sadig, 23.
- 30 Ibid., 24.
- 31 Nassir A. Saleh, "Provincial and District Delimitation in the Kingdom of Saudi Arabia," in J. Clarke and H. Bowen-Jones, eds., Change and Development in the Middle East (London: Methuen and Co., Ltd., 1981), 311.
- 32 AL-Haoshan et al., 226-233.
- 33 Saleh, 306.
- 34 Ibrahim M. AL-Awaji, "Local Administration in Saudi Arabia," a paper presented to The Symposium on Local Administration in Saudi Arabia (Riyadh: Institute for Public Administration, June 6-9, 1981), 19.
- 35 For example, see AL-Haoshan et al., 26-27.
- 36 Sanctioned by Royal Decree No. 12, dated 21/5/1383 [1963], Provinces Law, 2nd ed., (Makkah: Government Press, 1395 [1975]).
- 37 Saleh, 307.
- 38 Sadig, 192.
- 39 "The Law of Municipalities and Villages," sanctioned by Royal Decree No. M/5, dated 21/2/1397 [1977], 1st ed., Ministry of Municipal and Rural Affairs, Public Relations Dept., 9-18.
- 40 Based on information obtained by the author in January 1988 from the Head of the Department of Municipal Councils, Ministry of Municipal and Rural Affairs, Riyadh.
- 41 Ibid.
- 42 Assaf, 228.
- 43 Hani Y. Khashogji and Abdulmuatti Assaf, Principles of Local Administration and its Application in Saudi Arabia [in Arabic], 2nd ed. (Riyadh: AL Noor Model Press, 1983), 203.

⁴⁴Based on information obtained by the author in January 1988 in an interview with Assistant Deputy Minister of the Interior for Provinces, Riyadh, Saudi Arabia.

⁴⁵Nizar H. Samman, "Saudi Arabia and the Role of the Imarates in Regional Development" (Ph.D. diss., Claremont Graduate School, 1982), 409.

CHAPTER IV

NATIONAL PLANNING FOR DEVELOPMENT IN SAUDI ARABIA

Many writers and analysts consider the beginning of the five-year development planning in 1970 to be the turning point in the history of modern development in Saudi Arabia. But the fact is that the most crucial point in time came a decade earlier when the model and scope of development were decided by the political leadership of the country.

After the end of the Second World War, export of crude oil began in a significant amount and this has been the primary and most important source of revenue for the country ever since. Nonetheless, the country did not have a coherent long-term economic policy for the utilization of its new wealth until the early 1960's. In fact, in 1957 and 1958 the country faced a financial crisis, due to mismanagement of the economy and overspending--the treasury had only SR 317 while the state's debt reached SR 2000 million.¹

Internally, the economic crisis was accompanied by social discontent, in part as a result of the mismanagement and unequal distribution of the country's wealth, but

also enhanced by progressive and liberal ideas that were at their peak in the Arab world at that time.²

It was against this background that the political elite, composed of the leading members of the ruling family and the few influential figures surrounding them, had to decide on what they believed to be the most appropriate way of dealing with the regime's predicament. In describing the reaction of the political elite to the problem, Niblock wrote:

One tendency within the Al Saud saw the way forward as lying in political reform and democratization (accompanied, no doubt, by economic development). The Liberal Princes, of whom Prince Talal bin Abd al-Aziz was the best-known member, talked of a progression towards liberal democracy. If the regime was based on popular support it could, they claimed, be safeguarded. The contrary tendency saw the solution to Saudi Arabia's problems in greater centralized control (both of the economy and of the political system). Discontent would, in this case, be defused solely by a coherent economic and social development programme, catering to the interests of different elements of the population--whether through the provision of employment or through the provision of facilities.³

Most of the senior members of the ruling family lent their support to the second argument that was advanced by Prince Faisal, who assumed power as a prime minister in 1962 with full authority to act on behalf of the King in both his presence and absence, and who became King in 1964.⁴

That decision was crucial in determining the type of development that the regime envisioned, which emphasized,

as Niblock noted, the centralization of economic and political control.

In his "ten-point program,"⁵ presented at the first meeting of his new cabinet in 1962, the Prime Minister promised to improve the conditions of the society. In addition to free health care and education and duty-free imported foodstuff, he promised new laws for social security and unemployment protection (Point #7). The program also included the issuance of new laws and regulations that would encourage the economic, commercial, and social development of the country and would attract foreign investment, given the lack of such laws and regulations at that time (Point #8). Point #9 of the program indicated the intent of the new government to undertake comprehensive economic planning:

Heavy and light industries will be given effective help that will protect them and attract capital. With the help of God, Saudi Arabia will soon become an industrial country, agriculturally self-sufficient and, with various sources of revenue, thus being able to perform its duties towards its people. . . . The study of the creation of an industrial bank and an agricultural bank is now in its final stages and the General Petroleum and Mineral Agency will soon come into being. These three agencies, together with other government and private agencies, will take part in the development of the country's resources and in the exploration for mineral and other wealth. (Point #9).

As the UNIDO survey of 1986 suggested, after the reform mentioned above a large part of the oil revenue was

allocated to the development of the country's infrastructure, agriculture, industry, and public services.⁶

Nonetheless, oil companies managed to keep the oil at a constant price of less than two dollars per barrel all through the 1960's. As Lacy put it:

Since the end of the Second World War the Western oil companies had done a remarkable job in providing the west with a stable supply of petrol at a steady price. . . . All through the 1960's, Middle-Eastern oil had been marketed at the constant price of \$1.80 per barrel, and, in a context of inflation, this meant that oil grew effectively cheaper every year.

Consequently, the country's income from its main commodity did not improve a great deal during the 1960's, although, as Table 4-1 shows, production increased. Therefore, development programs and efforts in the 1960's were modest compared to those of the 1970's and early 1980's.

The country first created a supreme board for planning in February 1961 (Royal Decree #50, February 4, 1961). This board was composed of the president of the Council of Ministries as chairman, or someone designated by him to act on his behalf, and five ministers of finance and national economy, communication, petroleum and mineral resources, commerce, and agriculture. The terms of reference of the board, according to the royal decree, were supposed to be "to plan and draw up the policy of economic development amongst the various ministries and departments, supervise and follow up its execution," (Article Six), and its recommendations were to be executed

TABLE 4-1
SAUDI ARABIA OIL PRICES, PRODUCTION, AND REVENUES
1960-1985

Year	A Oil End of Year Export (US \$ per barrel)	B Production (000 b/d)	C Revenues (\$ millions)	D Revenues (\$ millions)
1960	1.8	1,245	333.7	333.7
1961	1.8	1,390	--	337.6
1962	1.8	1,525	--	409.7
1963	1.8	1,630	--	607.3
1964	1.8	1,730	--	524.2
1965	1.8	2,025	664.1	664.1
1966	1.8	2,395	789.9	789.9
1967	1.8	2,600	903.6	903.6
1968	1.8	2,830	926.4	926.4
1969	1.8	2,995	949.2	949.2
1970	1.8	3,550	1,214.0	1,214.0
1971	2.285	4,500	1,884.8	1,884.9
1972	2.484	5,730	2,744.6	2,744.6
1973	5.036	7,345	4,340.0	4,340.1
1974	11.651	8,350	22,573.5	22,573.5
1975	11.951	6,970	25,675.8	25,676.2
1976	12.376	8,525	30,754.9	30,754.9
1977	13.660	9,235	36,538.4	36,540.1
1978	13.660	8,315	32,233.8	32,233.8
1979	24.000	9,555	57,522.0	48,435.2
1980	32.000	9,990	102,212.0	84,466.4
1981	34.000	9,985	113,200.0	101,813.0
1982	34.000	6,695	76,000.0	70,478.6
1983	29.000	5,330	47,600.0	37,351.6
1984	28.23	4,589	--	31,470.3
1985	28.00 (Oct.)	--	--	18,322.9

Sources: (A) Unido Industrial Development Review (Nov. 1986).
 (B) and (C) K. McLachlan, Saudi Arabia: Political and Social Evolution (1986).
 (D) Unido Industrial Development Review (Nov. 1986) and SAMA Annual Report (1986), 185.

by resolutions of the Council of Ministers (Article Seven).⁸ The board was created based on a recommendation from the International Bank for Reconstruction and Development.⁹

However, the Supreme Planning Board did not carry out its mission effectively. In 1965 the Council of Ministers, based on the recommendations of the Supreme Committee for Administrative Reform, passed its Resolution #430, which was sanctioned by the royal decree #19 for the same year, replacing the board with the Central Planning Organization.¹⁰ The new organization was headed by its president, who had a ministerial rank and reported directly to the King.

According to the resolution, the terms of reference of the new organization included:

- a) The preparation of a periodic report of economic analysis of the country's economy.
- b) The preparation of economic development plans which have to be approved by the Council of Ministers before they go into effect.
- c) The estimation of the required funds for the implementation of the plans.
- d) The conduct of necessary economic studies.
- e) To assist public agencies in their planning affairs.
- f) To provide technical advice on any matters the King suggests (Article Four).

The new organization was composed of four departments: the planning department in charge of development plan formulation and preparation of economic reports; the research department, in charge of information collection and analysis; the follow-up department; and the general administration department, in charge of the daily work of the agency.¹¹

Two years after its creation in 1965, the agency called upon the Stanford Research Group for technical assistance, which continued to operate within the agency even after its reorganization into a ministry in 1975.¹² According to AL-Farsy, the role of the Stanford Research Group may be described as:

1. To assist in the formulation of the country's developmental plans under the direction of the ministry.
2. To assist the ministry in recruiting the proper personnel needed for its staff in a direct manner; direct contracting on behalf of the ministry.
3. To assist the ministry in its follow-up and evaluation of the various projects and plans.
4. To render advice and conduct research on specific subjects when asked to do so by the ministry.¹³

The agency also contracted a French consulting group, SCET International, to conduct a study of the economic obstacles facing the kingdom.¹⁴

In 1975, as mentioned above, the central agency for planning was reorganized, becoming a ministry, and the proportion of the Saudi staff working for it has been gradually increased over the years. In addition to the

minister, the ministry is composed of a deputy minister and four assistant deputy ministers reporting to him. The assistant deputy minister for sector planning supervises the departments of natural resources, infrastructure, manpower training, social services, and industry and commerce. The assistant deputy minister for follow-up and information has two departments reporting to him; the follow-up department and the computer department. The assistant deputy minister for national planning has four departments under his supervision: regional planning, manpower, sector coordination, and studies. The fourth assistant deputy minister is in charge of the financial and administrative affairs of the daily work of the ministry itself.¹⁵

It is interesting to note that among the major departments mentioned above, which constitute the bulk of the ministry, the two smallest departments are the follow-up department and the department of regional planning. In 1983, the former had three people and one vacant position, while the latter had three persons on the job and three vacant positions.¹⁶ As of January 1988, the department of regional planning had five Saudi members, including the head of the department, and two foreign experts.¹⁷

THE FIVE-YEAR DEVELOPMENT PLANS

The first Five-Year Development Plan was introduced by the Central Planning Organization (CPO) in 1970 to cover the first half of the 1970's. The overall objectives of the plan were "to maintain the country's religious and moral values, and to raise the living standards and welfare of its people, while providing for national security and maintaining economic and social stability."¹⁸ It suggested that these general objectives would be achieved by: (1) the augmentation of gross national product; (2) the development of the country's human resources which would enable the people to contribute to and participate in the development process; and (3) the diversification of national income sources, easing the country's dependence on oil.¹⁹

The First Development Plan was formulated during a period of financial unease, when the country's balance of payments had registered a deficit for the two consecutive years preceding the plan. In fact, the planners were preoccupied with financial constraints to the point where all three factors identified as bearing on the success in the plan's implementation were financial in nature:

- (1) remaining within the defined limits of expenditures for public administration and defense;
- (2) the oil companies' appreciation of the kingdom's need for an exceptional financing capacity that dictates increasing their payments to the government during the whole of the plan period; and
- (3) the government's seeking of new

sources from which to increase its revenues by the amount required to finance the plan.²⁰

The initial plan estimate of expenditure was SR 41.3 billion, while the revenues during the plan period were estimated to range between SR 33.8 billion and SR 37.4 billion. However, the increase in oil prices in 1973 raised the government's revenues to SR 180.6 billion, leading to an adjustment in the expenditure estimate of the plan.²¹

The plan stressed four points as main characteristics of the economy at the beginning of the plan: its dependence on oil; the commitment to a free economy; the shortage of indigenous skilled manpower; and the rapid progress in all sectors.²²

The second plan was designed during a time when financial constraints no longer constituted a problem; therefore, it was larger and more ambitious than the first plan. The goals of the plan were also more elaborate:

The fundamental values and principles which guide Saudi Arabia's balanced development are expressed in the following goals:

- *Maintain the religious and moral values of Islam.
- *Assure the defense and internal security of the Kingdom.
- *Maintain a high rate of economic growth by developing economic resources, maximizing earnings from oil over the long-term, and conserving depletable resources.
- *Reduce economic dependence on export of crude oil.
- *Develop human resources by education, training, and raising standards of health.
- *Increase the well-being of all groups within

the society and foster social stability under circumstances of rapid social change.
*Develop the physical infrastructure to support achievement of the above goals.²³

Table 4-2 compares the estimated expenditures of the first and second plans on development, which grew almost tenfold, pushing the spending ability of the government and the economy to its limits.²⁴

The economy in general grew rapidly through the whole decade. As Table 4-3 shows, the average annual rate of growth of total GDP was 13 percent during the first plan and 9.2 percent during the second; the average annual rate of growth of non-oil GDP in particular was 10.1 percent during the first plan and 14.8 percent during the second. Nonetheless, the rapid growth of GDP was accompanied by some critical development issues that not only caught the attention of the planners but were also quite conspicuous to the ordinary observer.

First, there was the manpower problem. As the third plan indicated, the Saudi labor force did not match the exploding manpower requirements of the economy. Despite the out-migration from agriculture, which was a problem in itself, the expanding demand of government restricted the availability of manpower for other sectors. The private sector, therefore, had to rely on expatriates.²⁵ It was estimated that in 1980 the percentage of non-Saudis in the labor force was 50 percent of the total civilian labor force of 3,026,000 persons.²⁶

TABLE 4-2
COMPARISON OF ESTIMATED EXPENDITURE ON DEVELOPMENT
OF FIRST AND SECOND PLANS
 (SR millions)

	First Plan		Second Plan	
	Amount	%	Amount	%
Economic Resource Development	6,033.3	18.4	92,135.0	29.0
Human Resource Development	10,198.7	31.1	80,123.9	25.1
Social Development	2,443.0	7.5	33,212.8	10.4
Physical Infrastructure Development	<u>14,086.8</u>	<u>43.0</u>	<u>112,944.6</u>	<u>35.5</u>
Total	32,761.8	100.0	318,416.3	100.0

Source: Second Development Plan, Table VIII-1, 529.

TABLE 4-3
COMPOUNDED ANNUAL REAL RATES OF GROWTH

	I Plan Average	II Plan Average	III Plan Average	Average of all three Plans	1st yr of IV Plan 1405/06
Total GDP (Oil and Non-Oil)	13.0	9.2	-1.6	6.9	-8.7
Oil Sector GDP	15.1	4.8	-14.5	1.8	-15.1
Non-oil GDP	10.1	14.8	6.2	10.4	-6.7
Government	20.1	14.6	2.8	12.5	-3.7
Private:	6.6	14.9	7.8	9.8	-7.8
Agriculture, Forestry & Fishing	3.6	6.9	9.5	6.7	13.0
Construction	21.4	15.8	-2.4	11.6	-20.0
Electricity, Gas and Water	3.4	21.9	21.2	15.5	11.4
Manufacturing (Total)	3.9	9.8	7.3	7.0	-4.6
Refining	0.9	6.1	3.0	3.3	2.0
Other	10.8	15.4	11.7	12.6	-9.8
Transport, Storage and Communi- cations	0.7	19.3	7.1	9.0	-11.8
Wholesale and Retail Trade					
Restaurants and Hotels	13.8	22.7	8.7	15.1	-11.8
Finance, Insurance, Real Estate and Business Services	7.9	23.7	2.5	11.4	-2.5
Community Social and Personal Services	7.1	10.6	4.4	7.4	-0.8

Source: SAMA Annual Report (1986), Table 1-6, 20.

Second, there was the equity problem, in both its social and regional terms. As EL Mallakh pointed out, poverty remained a social problem and there was a large segment of the population with low incomes.²⁷ Unskilled and uneducated people, especially from rural areas, did not gain as much as they should have, despite the small size of the population and the high GNP, and some had to rely on government assistance without making any contribution to the development of their country. In the meantime, regional imbalances became acute; two of the five main regions, rural areas in general, lagged significantly behind.

Third, there were administrative shortcomings. Despite the institutional adjustment in terms of increasing the number of ministries and independent agencies, the bureaucracy exhibited some serious problems. Among these problems, the third plan identified:

1. Frequent overlapping of administrative responsibilities, leading to both high manpower demands and costs within the public services;
2. Under-utilization of qualified staff due to outmoded procedures and excessive centralization of decision-making authority within agencies;
3. Low levels of technology employed in many government departments;
4. High job-vacancy levels in many critical areas;
5. An absence of mechanisms for coordination of programs administered by different agencies.²⁸

So, towards the end of the 1970's, there was on the part of the planner a sense of accomplishment and optimism on one hand and some concerns on the other. The sense of accomplishment and optimism was caused by: (1) the financial security that the country seemed to enjoy at that time; (2) overcoming the major physical constraints as most of the infrastructure projects were either completed or at their final stages; (3) having the inflationary pressures, which seemed to be a major problem in the mid-1970's, under control; and (4) the increase in the average per capita GDP in statistical terms.²⁹ The sources of concern, on the other hand, were the above mentioned issues of manpower, equity, and administrative shortcomings. It was against this background that the Third Development Plan was formulated, which came as a reflection of both the optimism and the new concerns.

The third plan covered the first half of the 1980's and represented a continuation of its predecessors in terms of the long-term goals for development. It asserted that while the first and second plans put emphasis on high rates of growth across all sectors of the economy with unrestricted importation of foreign labor, the third plan would aim at curbing rather than expanding the foreign labor force and inducing high rates of growth selectively.³⁰ It suggested that the first and second plans concentrated on establishing the infrastructural

requirements of development and eliminating physical constraints; therefore the aim of the third plan would be to accelerate economic diversification by emphasizing development in industry, agriculture, and mining.³¹ The medium-term objectives of the plan were defined as: "structural change of the economy" by putting more emphasis on the development of producing sectors; "participation and social welfare in development" by promoting an awareness of the development objectives and needs among the population and by stimulating regional development; and "economic and administrative efficiency" by improving the bureaucratic organization and procedures, emphasizing manpower development and productivity, and adequately maintaining the country's infrastructure.³²

The third plan was even more ambitious than the second in its financial allocation. The total civilian expenditure was set at \$235 billion, compared to \$149 billion in the second plan.³³ Table 4-4 shows the planned expenditure on development, which was more than double the planned development expenditure of the second plan. However, the actual development expenditure during the third plan, as shown in the table, was about SR 33 billion less than planned, due mostly to the decline in government revenues from oil. Indeed, the performance of the entire economy during the plan period was severely affected by the decline in the price of oil, which constitutes the

TABLE 4-4
A COMPARISON OF PLAN ALLOCATIONS
AND ACTUAL EXPENDITURE IN THE THIRD PLAN
 (SR billion)

	Planned		Actual	
	Value	(%)	Value	(%)
Economic Resources	191.13	27.6	120.40	18.3
Human Resources	130.19	18.8	124.30	18.8
Social Development	60.94	8.8	69.60	10.5
Physical Infrastructure* Development	227.14	32.8	248.00	37.6
Specialized Credit Institution	<u>83.10</u>	<u>12.0</u>	<u>97.30</u>	<u>14.8</u>
Total	692.50	100.0	659.60	100.0

*Includes Transport, Communication, Municipalities, and Housing.

Source: Fourth Development Plan, Table 2-5, 26.

backbone of the economy. As a result, the total gross domestic product declined and, as shown in Table 4-5, even the annual rates of growth of GDP for the non-oil sectors declined sharply during the last three years of the plan, correlating with the decline in oil revenues and revealing the heavy dependency of other sectors of the economy on the oil sector. Ironically, it is this dependency that the main economic goal of national planning was supposed to solve.

While the rate of economic growth did not match the plan's targets, employment grew at an average annual rate of 8 percent, exceeding the plan's target of only 1.2 percent. As Table 4-6 indicates, the size of the work-force grew in all sectors, with financial services, manufacturing, mining, and utilities recording the highest rates of growth, and agriculture and government sectors recording lower rates. However, among the 1,420 thousand persons who constituted the increase in the labor force during the plan period, 1,127.2 thousand, or more than 79 percent, were non-Saudi. By the end of the plan period the percentage of non-Saudi to the total civilian labor force, shown in Table 4-7, reached 60 percent, compared to about 50 percent at the beginning of the plan period. Thus the increase in foreign employment has actually been contrary to the goal of the plan, which was supposed to limit the growth of the foreign labor force rather than

TABLE 4-5
ANNUAL RATES OF GROWTH OF GDP
BY OIL AND NON-OIL SECTORS
DURING THE THIRD PLAN (1980-1985)

Year	Oil Sector	Non-Oil Sectors
1981	3.5	11.9
1982	-9.5	10.7
1983	-37.6	4.3
1984	-10.2	0.7
1985	-18.9	-3.7

Note: At constant prices of 1980.

Source: Ministry of Planning, Achievements of the Development Plans 1970-1986 (1987), Table 12, 185.

TABLE 4-6
EMPLOYMENT BY ECONOMIC ACTIVITY
1980 and 1985

	EMPLOYMENT				Average Annual Growth Rate (%)
	1980		1985		
	Thousand	%	Thousand	%	
Producing Sectors	1,424.2	47.0	2,067.2	46.5	7.7
Agriculture	545.6	18.0	617.4	13.9	2.5
Other Mining	2.3	0.1	5.1	0.1	17.3
Other Manufactur- ing	170.4	5.6	411.4	9.3	19.3
Utilities	67.0	2.2	147.4	3.3	17.1
Construction	638.9	21.1	885.9	19.9	6.8
Service Sectors	1,157.7	38.3	1,844.6	41.5	9.8
Trade	323.1	10.7	556.1	12.5	11.5
Transport	180.0	6.0	303.4	6.8	11.0
Finance	51.8	1.7	136.3	3.1	21.4
Other Services	602.8	19.9	848.8	19.1	7.1
Government*	399.4	13.2	469.1	10.5	3.3
Sub-Total:					
Non-Oil Sectors	2,981.3	98.5	4,380.9	98.5	8.0
Sub-total:					
Oil Sectors	44.7	1.5	65.1	1.5	7.8
TOTAL	3,026.0	100.0	4,446.0	100.0	8.0

*Excludes non-civilian employment, and includes daily wage workers not classified as civil servants.

Source: The Fourth Development Plan (1985), Table 2-6, 32.

TABLE 4-7
NATIONALITY COMPOSITION
OF THE CIVILIAN LABOR FORCE
1980-1985

	Labor Force		Labor Force Growth	
	1980	1985	Increase	Average Annual Rate
	(Thousand)		(Thousand)	(Percent)
Saudi Men	1,366.4	1,649.2	282.8	3.8
Saudi Women	126.8	136.8	10.0	1.5
Sub-total: Saudi	1,493.2	1,786.0	292.8	3.7
Sub-total: Non-Saudi	1,532.8	2,660.0	1,127.2	11.7
TOTAL	3,026.0	4,446.0	1,420.0	8.0

Source: The Fourth Development Plan (1985), Table 2-8, 36.

augment it. A decline in the rate of growth, combined with an increase in employment, means a deterioration in productivity, which is also contrary to the emphasis of the plan on economic efficiency.³⁴

The Fourth Development Plan was approved in 1985 to cover the last half of this decade. Its main objectives remained the same, including safeguarding Islamic values, security and social stability, human resources development, reducing dependence on export of crude oil, structural changes in the economy with "due emphasis on industry and agriculture," development of mineral resources, improving the efficiency of the existing utilities and facilities, completing the necessary infrastructural projects, and achieving economic and social integration between the Arab Gulf Cooperation Council countries.³⁵

The plan described its period as a transitional stage for the economy during which the prime actor in economic development would increasingly be the private sector.³⁶ The government, however, would maintain its constant and concentrated support to the sectors, contributing to diversification of the economy, especially industry and agriculture.³⁷

The estimated government expenditure on development during the plan period was SR 560.1 billion (Table 4-8); however, actual expenditure is certainly going to be lower

TABLE 4-8
ESTIMATED GOVERNMENT EXPENDITURE
ON DEVELOPMENT IN THE FOURTH PLAN
 (SR Billion)

	Value	%
Economic Resources Development	130.7	23.3
Human Resources Development	135.3	24.2
Social Development	89.7	16.0
Physical Infrastructure* Development	144.3	25.8
Specialized Credit Institution	60.1	10.7
Total	560.1	100.0

*Includes Transport, Communication, Municipalities, and Housing.

Source: The Fourth Development Plan (1985), Table 5-1, 72.

than this estimate because of the continued decline in government revenues from oil during the first half of the plan period so far. The performance of the economy in the first year of the fourth plan (Table 4-3) was disappointing. The annual real rate of growth for the total gross domestic product was -8.7 percent. Three sectors, however, did register positive rates of growth: agriculture, forestry, and fishing (13 percent); electricity, gas, and water (11.4 percent); and refining (2.0 percent). Among the sectors registering negative rates of growth, construction declined the most (20 percent), while community social and personal services, and finance, insurance, real estate, and business services had the lowest decline rates (0.8 and 2.5 percent respectively).³⁸

INDUSTRIAL DEVELOPMENT

The intention of the Saudi government to industrialize the country goes back to Faisal's ten-point program in 1962, of which Point #9, quoted above, showed the government's aspirations and commitment to creating and encouraging the industrial sector. Nonetheless, little development in this regard took place during that decade, with the exception of the creation of the state-owned agency, the General Petroleum and Minerals Organization (Petromin) in 1962, and the Industrial Studies and Development Center in 1967. Thus, by the early 1970's,

the country had no industry worthy of mention other than its oil refineries and handicraft and small shops. According to the 1971 industrial survey, 95 percent of these shops employed fewer than five persons.³⁹

In 1974, the Council of Ministers passed Resolution #15, containing a "statement of national industrial policy in Saudi Arabia." The statement, as reviewed by Presley, recognized the advantages that the country can achieve from industrialization, including employment opportunities, better standards of living, and, more important, reducing the country's dependence on oil and consequently securing the economy from external economic disturbances.⁴⁰ According to the statement, the private sector was entrusted with carrying out the industrial development since the market forces were seen as the most effective mechanism for investment opportunity identification and for cost-effective production. The role of the government was therefore to supplement the private sector by initiating, financing, and sharing the management of projects that the private sector could not undertake alone, either because of their large size, high cost, and/or technical complexity.

Nowadays, the Saudi industrial sector can be divided into two categories, in addition to the many small handicraft and repair workshops licensed by the municipalities which might be called the "informal"

manufacturing sector.⁴¹ The first category is dominated by the state and managed by three major corporations. The oil company Aramco, which was originally a partnership between the Saudi government and American oil companies and in 1983 became a fully government-owned corporation, is in charge of crude oil production.⁴² It produces 97 percent of all Saudi crude oil.⁴³ It has also been assigned the responsibility of producing all liquid natural gas by building an extensive gas gathering, treatment, and transportation (GTT) facility to supply industrial projects with fuel for both energy and feedstock.⁴⁴ Petromin, another state-owned enterprise, has been in charge of petroleum refining and it also manages the exploitation of the country's minerals.⁴⁵ The third corporation is the Saudi Basic Industries Corporation (SABIC).

SABIC was established by the government in 1976 with capital of SR 10 billion, with the intention of selling up to 75 percent of its capital to the public, of which 30 percent has actually been sold.⁴⁶ It has the task of developing three types of industries: the petrochemical, fertilizer, and other hydrocarbon industries; the iron, steel, and aluminum industries; and other basic industries that the private sector cannot undertake.⁴⁷ These industries are capital and energy intensive, and are supposed to enable the country to make use of its

comparative advantage, mainly abundant oil and natural gas. The government identified two small towns, Jubail on the Arabian Gulf in the eastern region not far from the oil fields, and Yanbu on the Red Sea in the western region, as industrial sites for these industries. In 1975 the Royal Commission for Jubail and Yanbu (RCJY) was established with full authority to develop the two cities' infrastructure and other facilities needed by the new projects. The RCJY has so far spent more than SR 29 billion and made a commitment for more than SR 37 billion on developing the city of Jubail. More than SR 20 billion has been spent on the city of Yanbu, while its total commitment amounts to more than SR 24 billion.⁴⁸

As Table 4-9 shows, SABIC now has fourteen companies in operation, which are known as the first generation industries, and its plans call for the development of second generation industries that would complement and/or support the existing ones.⁴⁹

Since the success of any industrialization is usually governed by the availability of at least one advantage of three major factors--technological edge, marketing edge, or resource edge--SABIC's industries are trying to capitalize on the country's resource edge (oil and natural gas) while trying to overcome the lack of the other two. Therefore, as the table shows, most of SABIC's companies are joint-venture, with the hope that such an arrangement

TABLE 4-9

SABIC: DOMESTIC HEAVY INDUSTRY PROJECTS

Project	Joint-venture Partner(s)	Signature Date	Production		Feedstock	Products	Annual Capacity (tonnes)
			Start-up Date	Location			
Saudi Arabian Fertilizer Co. (Safco)	Saudi private sector (including Safco employees--59%)	1965	1970	Damman	Methane	Urea	330,000
						Sulphuric acid	100,000
						Melamine	20,000
Saudi Iron & Steel Co. (Hadeed)	DEG(West Germany --5%)	3/79	1983	Jubail	Iron ores, limestone, natural gas scrap iron	Steel rods and bars	800,000
Jeddah Steel Rolling Mill Co. (Sulb)	Hadeed subsidiary (100%)	5/79	1981	Jeddah	Steel billets	Steel rods and bars	140,000
Saudi Methanol Co. (Ar-Razi)	Japanese Consortium led by Mitsubishi Gas Chemical Corp. (50%)	11/79	1983	Jubail	Methane	Chemical-grade methanol	600,000
Al-Jubail Fertilizer Co. (Samad)	Taiwan Fertilizer Co. (50%)	12/79	1983	Jubail	Methane	Urea	500,000

(cont.)

Table 4-9 (cont.)

Project	Joint-venture Partner(s)	Signature Date	Production Start-up Date	Location	Feedstock	Products	Annual Capacity (tonnes)
Saudi Yanbu Petrochemical Co. (Yanpet)	Mobil Oil Corp. (US--50%)	4/80	1984	Yanbu	Ethane	Ethylene	455,000
						Linear low-density polyethylene	205,000
						High-density polyethylene	91,000
						Ethylene glycol	220,000
Al-Jubail Petrochemical Co. (Kemya)	Exxon Chemical Co. (US--50%)	4/80	1984	Jubail	Ethylene	Linear low-density polyethylene	260,000
Saudi Petrochemical Co. (Sadaf)	Pecten Arabia (subsidiary of Shell Oil Co.--50%)	9/80	1st unit: ethylene, 1984	Jubail	Ethane	Ethylene	656,000
						Last unit: styrene, 1985	Salt
			Benzene		Styrene monomer		295,000
					Crude industrial ethanol		281,000
			Caustic Soda		377,000		
National Methanol Co. (Ibn Sina)	Celanese Corp. (US--25%), Texas Eastern Corp. (US--25%)	2/81	1984	Jubail	Methane	Chemical-grade methanol	650,000

(cont.)

Table 4-9 (cont.)

Project	Joint-venture Partner(s)	Signature Date	Production			Feedstock	Products	Annual Capacity (tonnes)
			Start-up Date	Location				
Arabian Petrochemical Co. (Petrokemya)	None	5/81	1985	Jubail	Ethane	Ethylene	500,000	
Eastern Petrochemical Co. (Sharq)	Mitsubishi-led Japanese consortium (50%)	5/81	1985	Jubail	Ethylene	Linear low-density polyethylene	130,000	
						Ethylene glycol	300,000	
National Industrial Gases Co. (Gas)	Saudi gas companies (30%)	2/83	1984	Jubail	Air	Oxygen	438,000	
						Nitrogen	146,000	
National Plastic Co. (Ibn Hayyan)	Lucky group (South Korea--15%)	12/83	1986	Jubail	Ethylene	vinyl chloride monomer	300,000	
						Ethylene dichloride	200,000	
Saudi European Petrochemical Co. (Ibn Zahr)	Arab Petroleum Investments Corp. (Apicorp--pan-Arab --10%), Neste (Finland--10%) ENI (Italy--10%)	12/84	1988	Jubail	Butane	Methyl tertiary-butyl ether	500,000	
						Chemical-grade methanol	125,000	
						Butadiene	80,000	
						Butene-1		

 Source: MEED Special Report (November 1985), 8.

will result in a successful transfer of technology to the indigenous workforce. In the meantime, SABIC's partners are responsible for marketing up to 70 percent of the products, in some cases through their own marketing networks, until SABIC develops its own marketing capabilities. For this purpose, it has established two companies: SABIC Marketing Company and SABIC Marketing Services Limited.⁵⁰

However, the government's policy of investing in this type of industry has been criticized on the ground that it does not represent the kind of economic diversification that would ease the country's dependence on oil, since these industries depend themselves on oil and natural gas. The counter-argument has been that such investments represent a utilization of the country's comparative advantage; at the same time they create external economies through the development of a new class of technicians, managers, and entrepreneurs, while the two industrial cities serve as "growth poles," inducing economic development in their regions.⁵¹

It is too soon to judge whether the heavy investment in the petrochemical industries is a success or otherwise. SABIC has shown some profit in its first few years, but given the huge amount invested in its industries, especially if we take the RCJY's expenditures into consideration, it must generate a profit in the long term. This

will certainly depend on successful marketing, efficient management, and technological excellence. The petrochemical industry in general is a very dynamic one, and SABIC is required to invest heavily in research and development in order to survive, especially since it is an export-oriented industry.

So, this first category of Saudi industry is not only characterized by the involvement of the government, but it is also characterized by the fact that it is export-oriented, although some products are sold in the domestic market. Furthermore, it is in general an oil-related industry.

In contrast, the second major category comprises mostly privately owned manufacturers, and their target is mainly import substitution with, of course, some ambition to export. These manufacturers have been stimulated by a variety of incentives, including:

- 1) Provision of industrial loans for which the Saudi Industrial Development Fund (SIDF) has been set up since 1974. This organization provides interest-free loans up to 50 percent of the total cost of the project at an administrative fee of 2.5 percent. Table 4-10 shows the number and value of SIDF approved industrial projects by major sector.
- 2) Subsidized utilities, including electric power and water.

TABLE 4-10
NUMBER AND VALUE OF APPROVED
SIDF INDUSTRIAL PROJECTS
BY MAJOR SECTOR UP TO 1405/06 (1986)

Sector	Number of Projects	Value (SR Millions)
Chemical Products	262	2,469
Consumer Products	168	2,531
Cement	10	3,459
Building Materials	235	2,570
Engineered Products	251	2,949
Other Products	12	120
TOTAL	938	14,098

Source: SIDF Annual Report 1405/06 (1986), 34-5.

- 3) Provision of sites in industrial estates at an annual negligible rent.
- 4) Duty exemption for imported raw materials and machinery for industrial use. Table 4-11 shows the import value of machinery and raw materials exempted from customs duties for 1980 to 1985.
- 5) Tax holiday during the first ten years of commercial operation for joint ventures with a minimum of 25 percent Saudi participation in equity capital; Saudi companies in general are exempted from any tax other than 2.5 percent on liquid assets, which is a religious levy.
- 6) Government preference for domestic products, where domestic companies receive a preference of ten percent over others on government contracts.
- 7) Import protection for certain domestic products that their local producers can convince the government are facing unfair competition from imports. Imposed tariffs may reach 20 percent on imports.
- 8) Provision of economic assistance in project selection and feasibility studies, and operational assistance in technical, managerial, and financial matters. These services are rendered by the Saudi Consulting House (SCH) and by SIDF.⁵²

The number of these manufacturers has grown rapidly during the last fifteen years. In 1970 there were only

TABLE 4-11
IMPORT VALUE OF MACHINERY AND RAW MATERIALS
FOR INDUSTRIAL USE EXEMPT FROM CUSTOMS DUTIES
 (SR million)

Year	Raw Materials	Machinery & Spare Parts	Total
1980	895,183	2,342,416	3,237,599
1981	1,724,334	3,566,270	5,290,604
1982	2,734,142	8,539,507	11,273,649
1983	638,220	4,568,861	5,207,081
1984	769,801	6,111,513	6,881,314
1985	1,789,318	5,411,732	7,201,050

Source: Saudi Consulting House (1986), Table 7.6,
171.

199 factories operating in the kingdom, with a total invested capital of less than SR 3 billion. But, as Table 4-12 shows, by the end of 1985 there were 1864 factories, of which 393 were joint ventures with a total invested capital of more than SR 59 billion. Their total employment also jumped from 13,865 to 126,204 workers respectively.⁵³

AGRICULTURAL DEVELOPMENT

The importance of agricultural development to the overall development of the country cannot be overemphasized. Not only is agricultural development important in securing a substantial portion of the population's food needs, especially, as Looney noted,⁵⁴ in light of an increasing food shortage throughout the world, but it is also often connected with improving the socio-economic conditions of the rural population, a sector that usually accounts for the majority of the population in developing countries. It is true that the agricultural sector is usually the primary employer in most developing countries, but as the economy grows and better employment opportunities increase in other sectors, such as government and industry, the agricultural sector starts to lose its wide lead in terms of employment.

By the late 1950's, the agricultural sector, in its two main activities of pastoralism and farming, accounted

TABLE 4-12

**OPERATIONAL FACTORIES LICENSED UNDER THE NATIONAL INDUSTRIES PROTECTION AND ENCOURAGEMENT LAW,
 AND THE FOREIGN CAPITAL INVESTMENT LAW, UP TO THE END OF 1405H (1985)**
 (Value in SR Millions)

Class No.	Industrial Sector	National Operational Factories			Joint Venture Operational Factories			Total		
		No. of Factories	No. of Workers	Total Invested Capital	No. of Factories	No. of Workers	Total Invested Capital	No. of Factories	No. of Workers	Total Invested Capital
31	Food Stuffs	252	13506	4179	39	3067	1384.1	291	16573	5563.1
32	Textiles and Ready Made Clothes	27	2306	318	8	978	249	35	3286	567
32	Leather Products	11	723	102	-	-	-	11	723	102
33	Wood	51	2735	442	13	1133	118	64	3868	560
34	Paper, Printing & Publishing	96	4181	988	16	1848	668	114	6029	1656
35	Chemical Industries	184	10554	5378	86	8468	16160	270	19022	21538
36	Pottery, Chinaware, Glass and Ceramic	4	1327	388	1	89	21	5	1416	409
36	Building Materials	432	31292	13921.06	67	8743	4333	499	40035	18254.06
37	Metal Industries	372	21062	3971	157	12639	6555.48	529	33701	10526.48
38										
39	Other industries	21	613	103	5	270	150	26	883	253
71	Storage	19	642	332	1	26	20	20	668	352
	Total	1471	88943	30122.06	393	37261	29658.58	1864	126204	59780.64
	Percentage	79%	70.5%	50.4%	21%	29.51%	49.6%	100%	100%	100%

Source: Ministry of Industry and Electricity, Industrial Statistical Report 1405H (1985), Table 1, 14.

for at least 75 percent of the population in Saudi Arabia.⁵⁵ In 1975 it employed about 695,000 persons, or 40 percent of the civilian labor force.⁵⁶ The number further declined to 545,600 persons in 1980, which represented 18 percent of the civilian labor force.⁵⁷ This decline was the result of a rural-urban migration as alternative employment opportunities increased in other sectors of the economy, including the public bureaucracy.

The country's harsh climate has, for a long time, limited expansion in farming. With the exception of the mountainous southwest of the country, which until recently accounted for approximately three-fourths of the total cultivated land,⁵⁸ farming requires irrigation since the average precipitation does not exceed three inches per year.⁵⁹ Because of the scarcity of water, cultivated land as a percentage of the total land has been, until recently, less than one percent, divided unevenly throughout the kingdom in a few oases where irrigation from aquifers has been possible.

Furthermore, until recently, as EL Mallakh noted, most of the holdings, especially in the southwest region, have been too small to allow for more economical utilization through the introduction of agricultural machinery.⁶⁰ In fact, in the early 1970's, the average size of a holding in the country was only 6.7 hectares, and at least 60 percent of all holdings were less than one hectare.⁶¹

The main agricultural crops have been cereals, vegetables, and fruits; cereals include wheat, sorghum, barley, and millet; vegetables include tomatoes, water-melons, onions, marrows, potatoes, eggplant, and okra; and among the fruits produced, beside citrus fruits and grapes, dates have been quite famous and produced in large quantity.

Efforts have been made to improve the agricultural sector. In 1962 the Saudi Arabian Agricultural Bank (SAAB) was established to provide loans to farmers and investors for the following purposes:

- (1) Cultivation, raising, storing and marketing of crops, livestock, poultry, fishing and forest products.
- (2) Land reclamation
- (3) Provision of water facilities needed to serve the above goals.⁶²

The bank currently has twelve branches and fifty-eight offices throughout the country, and by 1986 it had extended more than 326 thousand loans, with a total of more than SR 20 billion.⁶³

Surveys of agriculture and water resources were conducted during the 1960's. The cultivable land was estimated to be ten times the area under cultivation at that time, but because of the shortage of water in these new areas the potentially cultivable land was substantially reduced.⁶⁴ In 1967, a new department within the Ministry of Agriculture and Water was created to supervise non-urban public land (the Public Land Management

Department), and in the following year the Public Lands Distribution Law was sanctioned to facilitate horizontal expansion of agriculture in the kingdom.⁶⁵ By 1986, the total fallow land, distributed accordingly, was more than 776 thousand hectares.⁶⁶

The First Development Plan in 1970 did not elaborate on the agricultural policy but stated: "objectives for the development plan for the agricultural sector include more efficiency, greater output, and sound distribution and use of resources."⁶⁷ However, it did suggest in a non-assertive way the means that might be used to achieve such objectives, including improved technology, price supports, mechanization and modernization of farms, encouragement of private entrepreneurs, and increasing the lending program of SAAB.⁶⁸

More elaborate objectives and policies appeared in the Second Development Plan in 1975. According to the plan:

The three main objectives for agricultural development are, to raise the per capita income and improve the welfare of rural people, minimize the Kingdom's dependence on imported food, and release surplus labor for employment in other sectors.

These objectives will be achieved by raising the level of productivity in agriculture and bringing more land into production where water resources permit, in accordance with a balanced program of regional development.⁶⁹

However, by the end of the 1970's, it was apparent that the agricultural sector was not keeping pace with the

growth of the economy. Although it grew in real terms, its share of the GDP remained very low and its share of employment was declining, and some farms were being abandoned. In the meantime, according to preliminary studies undertaken by MOAW, the country had deep water resources that would support a century of irrigation on about 250 thousand hectares of land, although most of this is non-renewable, as Table 4-13 indicates.

Against this background, the framers of the Third Development Plan (1980-1985) advocated the commercialization of the sector. When discussing water resources, they asserted: "the large potential for commercial agricultural development, utilizing fossil water and other sources, has been recently confirmed."⁷⁰ In discussing fallow land distribution, they argued:

Several problems became apparent in utilizing the potential of these lands, principally the continuation of small lot distribution to a sector already characterized by too small units, and the extensive requirement for expensive modern irrigation methods.⁷¹

However, the general objectives of agricultural development remained:

- 1) To create and maintain a reasonable level of self-sufficiency in food production.
- 2) To provide rural people with the opportunities for attaining reasonable agricultural income and raise their welfare.

TABLE 4-13
WATER RESOURCES AND UTILIZATION
(million cubic meters/year)

	1979/80	1984/85	1999/2000
<u>Resources</u>			
Non-renewable	3,450	3,450	3,450
Renewable	1,145	1,145	1,145
Desalination	63	605	1,198
Reclaimed effluent	--	140	730
TOTAL	4,658	5,340	6,523
<u>Utilization</u>			
Urban/industrial	502	823	2,279
Agriculture (irrigated)	1,832	1,873	3,220
Rural/livestock	27	28	38
TOTAL	2,361	2,724	5,537
<u>Surplus</u>	2,247	2,616	986

Source: Bowen-Jones and Dutton (1983), 20.

- 3) To optimize the use of water, land, and marine resources and protect the agricultural environment.
- 4) To improve the skills used in the agricultural sector.⁷²

New incentives for the sector were introduced, as Table 4-14 shows, including subsidies, price supports, and credits for agro-business. Wheat in particular was encouraged by a guaranteed purchase price of SR 3500 a ton, which was estimated to be five times as much as the average world market price.⁷³

Private investors within the country and from abroad responded with great enthusiasm to the government's generous incentives, and the number of agricultural projects, green houses, specialized farms for crops and livestock, and agricultural companies soared.

By mid-1986, about 65 percent or 503,154 hectares of the total fallow land distributed by the government went to agro-based projects and agricultural companies; only about 35 percent went to individuals.⁷⁴ The number of specialized investment projects financed by SAAB totaled 1,335 projects by 1986, as Table 4-15 indicates; most of them are very recent. There are also other projects that were not financed by SAAB and therefore do not appear in its statistics. For example, in 1986 there were 506 specialized projects for wheat production,⁷⁵ while Table 4-15 shows only 386 projects for all grain and fodder.

TABLE 4-14
INCENTIVES FOR AGRICULTURAL PRODUCTION

Type	Amount	Source
Production input:		
Fertilizer	50% of cost	MOAW
Animal feed	50% of cost	SAAB
Potato seed	5 tons free SR 1,000/ton thereafter up to 15 tons	MOAW
Machinery and Equipment:		
Poultry equipment	30% of cost	SAAB
Dairy equipment	30% of cost	SAAB
Engines and pumps	50% of cost	SAAB
Fish Trawlers	Variable	SAAB
Transportation:		
Air transport of cows	100% of cost	SAAB
Output:		
Wheat	SR 3.50/kg*	GSFMO
Rice	SR 0.30/kg	MOAW
Corn	SR 0.25/kg	MOAW
Millet/barley	SR 0.15/kg	MOAW
Dates	SR 0.25/kg	MOAW
Date palms planted	SR 5.00/tree	MOAW
Agricultural credit:		
All types	Variable conditions	SAAB
Agro-industrial credit:		
All types	Variable conditions	SIDF
Land acquisition:		
Land distribution	Free	MOAW

*Purchase price.

Sources: El Mallakh, 1982, 96; Prestley, 1984, 30; Joffe, 1985, 213.

MOAW = Ministry of Agriculture and Water

SAAB = Saudi Arabian Agricultural Bank

GSFMO = Grain Silos and Flour Milling Organization

SIDF = Saudi Industrial Development Fund

TABLE 4-15

 NUMBER AND VALUE OF SPECIALIZED INVESTMENT PROJECTS
 FINANCED BY SAUDI ARABIAN AGRICULTURAL BANK 1978-1986

	1397/98	1398/99	1399/00	1400/01	1401/02	1402/03	1403/04	1404/05	1405/06	Total
	1978	1979	1980	1981	1982	1983	1984	1985	1986	
Layers & Broilers										
Amount	78.0	36.6	119.9	205.5	390.0	406.2	209.4	77.7	127.8	1651.1
No.	98	50	58	74	95	92	70	21	41	599
Dairy Projects										
Amount	51.4	2.3	50.8	118.3	25.5	57.5	19.6	--	15.2	340.6
No.	8	2	3	12	2	4	3	--	3	37
Green Houses										
Amount	--	--	64.6	18.4	159.9	212.3	193.2	118.2	73.4	840.0
No.	--	--	11	6	23	38	29	17	20	144
Agricultural Pro- duction (Grain & Fodder)										
Amount	--	12.5	45.6	97.0	75.1	391.9	206.6	151.0	352.8	1332.5
No.	--	6	11	12	11	59	45	43	199	386
Pattening & Breed- ing (Sheep & Calf)										
Amount	1.5	2.4	16.7	50.1	88.6	233.9	158.9	48.5	1.9	602.5
No.	2	1	3	6	14	67	42	15	3	153
Others										
Amount						4.2	21.6	15.8	19.6	61.2
No.						3	4	3	6	16
Total Projects										
Amount	130.9	53.8	297.6	489.3	739.1	1306.0	809.3	411.2	590.7	4827.9
No.	108	59	86	110	145	263	193	99	272	1335

 Source: Ministry of Planning, Achievements of the Development Plans 1970-1986 (1987), Table 74, 247.

Such specialized projects are mostly owned by private companies such as the Saudi Company for Agricultural Development (INMA) and the Rajhi Agricultural Operations Company; joint-stock companies like National Agricultural Development Company (Nadec), and the Agricultural Development companies of Hail, Tabuk, and AL-Qaseem; and by joint-ventures such as Danish Saudi Dairy, Saudi Irish Dairy, and Masstock Saudia.⁷⁶ The agricultural output of many products has increased rapidly and the country has achieved self-sufficiency in wheat, vegetables, dates, poultry, eggs, milk, and fish.⁷⁷

In sum, the agricultural sector in Saudi Arabia has changed dramatically in response to government inducements. As Johany and others put it: "Traditional herding and agriculture are giving way to highly capital-intensive techniques of animal husbandry and farming."⁷⁸ However, this dramatic change has raised some questions about the wisdom of the agricultural policy of the country. Bowen-Jones and Dutton wrote:

The present danger may be . . . a too rapid exploitation by a relatively small number of large enterprises of the fundamentally oil derived financial inducements for agricultural production and of the ecologically sensitive and depletable resources of land and water.⁷⁹

In fact, there have been many reports indicating a fall in the water table in many parts of the country, such as in AL-Qassim in the central region,⁸⁰ in the eastern province where it has dropped twelve meters since 1970,

and in the far south.⁸¹ And, according to a recent report, current demand is now for 800-foot water pumps, compared to the 450-foot type in 1987.⁸² The Fourth Development Plan in 1985 also expressed concern about water resources and suggested that the reduction in the wheat support price from SR 3.5 to SR 2.0 per kilogram in 1985 was partially caused by concern over the rapid depletion of non-renewable water by the expansion in wheat production.⁸³

Another important point, and one very relevant to our topic, is the fact that such phenomenal success in achieving self-sufficiency in some agricultural products has had little positive impact on improving the economic conditions of rural people. As Joffe put it:

...it seems that these successes have been bought at the cost of abandoning a large part of the rural agricultural labour force. ...The result must be that the agricultural sector will become simply an enclave activity from which the traditional agricultural labour force will be increasingly excluded through its inability to invest and its lack of appropriate skills. The massive subsidies will, therefore, increasingly pass into foreign hands as they alone offer the skills necessary to maintain the sector and the dream of self-sufficiency will merely become another trap for the loss of reserves.⁸⁴

Ironically, the Fourth Development Plan in 1985 asserted that the first of the primary reasons for continued support for agriculture is "advantage for the economy and society of higher rural incomes."⁸⁵

To take the issue one step further, it is safe to argue that the induced commercialization of the agricultural sector and how it has taken place in Saudi Arabia has made agriculture more dependent on oil than ever before since it is dependent on oil revenues for massive subsidies and price supports. This situation runs counter to the goal of reducing the heavy dependence of the economy on oil.

SUMMARY

While the country was unified by 1932, it did not have the kind of long-term, comprehensive development vision that is normally essential for guiding government policies until the early 1960's. The turbulent years of the 1950's and early 1960's, both economically and politically, put the leadership of the country face to face with the complex demands of a modern-age state. It was then that the decision determining the model and the scope of development, which is basically a centralized socio-economic development, was consciously made.

The decade from 1962 to 1972 was characterized by restructuring, but because of the lack of sufficient financial resources, the change was small compared to the change that took place in the following decade. In 1970, the first Five-Year Development Plan began, and the increase in oil prices in 1973 made it possible to finance

the plan's programs and the more ambitious programs of the following plans. All through the 1970's and early 1980's, the growth rate of the GDP was high; besides the government's investment in petrochemical industries, generous incentives for both private industries and agriculture were introduced. As a result, the number of factories increased significantly and the agricultural sector experienced a major transformation, increasing the number of large-scale, capital and technology intensive farms.

However, this kind of rapid change is often accompanied by wide inequality. A small group of people and a few urban centers are usually ready for "take off" when the modernization process begins, thereby making a substantial gain at the expense of the rest. As we will see in the next chapter, this rapid change has not been equal in regional terms; to correct its imbalance remains an uneasy task.

NOTES

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- ²¹Looney, 100.
- ²²The First Development Plan.
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- ²⁸The Third Development Plan, 63.
- ²⁹Ibid., 14-15.
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CHAPTER V
REGIONAL DEVELOPMENT AND POLICIES

As indicated in previous chapters, in the early decades of the state the regions of Saudi Arabia remained somewhat independent from each other. Although the discovery of oil and the revenue from its export made it possible for the central bureaucracy to grow and provide some services for the population across the regions, there was no long-term comprehensive developmental vision for the country and its regions before the early 1960's.

The economic structure of the regions during the 1960's and early 1970's can be roughly described as follows:

- 1) Central region: Administration was a major and growing activity after the government institutions were transferred from the western region to the City of Riyadh. The government's major institutions were concentrated in the capital, thus concentrating employment there. This tendency toward centralization, which has characterized the state's administrative practices, has also made the capital a destination for anyone who has some business to do with the bureaucracy.

- 2) Western region: Trade, commerce, and services were the major activities. The city of Jeddah served as the country's major seaport as well as its commercial capital where the headquarters of major private companies and banks were located. It was also the location of the Ministry of Foreign Affairs and the foreign embassies, some of which, especially the ones representing the industrialized countries, played an active role in facilitating commercial dealings between their countries and Saudi merchants.
- 3) Eastern region: Oil production and industries were confined to this region since it is the location of the oil fields. Although the eastern region has two large oases, AL-Ahsa and AL-Gateef, known for their large production of dates, the oil boom and its lucrative employment have attracted young people, somewhat diminishing the agricultural sector in this region.
- 4) Southern region: Agriculture was the dominant activity. As mentioned earlier, of the five major regions the southern region has the most favorable climate for agriculture. In fact, the province of Jazan in the southwest used to be called the Kingdom's "breadbasket" because of the significance of its agricultural production to the country.¹

- 5) Northern region: Pastoralism was the main occupation of a large segment of the population, which used to raise camels and sheep in large quantities.

It should be noted that such regional distinctions are not clear cut, but instead serve to highlight the major activities in each region. We should not overlook the fact that there were and still are nomadic herding, agriculture, commerce, and administration in each region as well as fishing activities along the coasts. Tables 5-1 and 5-2 show the distribution of economic employment across regions and the significance of each activity for the regions in 1966. The data indicate that about two-thirds of the northern region population and about three-fourths of the southern region population were employed in the traditional sector, while the western region was the most diversified one, followed by the central and eastern regions. Nonetheless, little action was taken during that decade to diversify the regional economies.

The First Development Plan, introduced by the Central Planning Organization in 1970, did not deal with the issue of regional development and did not include any regional policies with the exception of the Rural Community Electrification Program. According to this plan, the responsibility for the program was assigned to the

TABLE 5-1
EMPLOYED PERSONS 15 YEARS OF AGE AND OVER
CLASSIFIED BY TYPE OF ECONOMIC ACTIVITY AND REGION--1966
 (thousands)

Type of Activity	Central 000 (%)	Eastern 000 (%)	Western 000 (%)	Northern 000 (%)	Southern 000 (%)	Total 000 (%)
Agriculture, Fishing, Livestock	83.3(17.9)	33.8(7.3)	78.2(16.8)	55.5(12.0)	213.9(46.0)	464.8(100)
Mining and Quarrying	0.3(1.2)	23.9(94.8)	0.2(0.8)	0.3(1.2)	0.5(2.0)	25.2(100)
Manufacturing	7.2(17.5)	7.3(17.7)	18.7(45.5)	1.0(2.4)	6.8(16.5)	41.1(100)
Construction	32.1(30.8)	11.2(10.7)	46.5(44.7)	3.5(3.3)	10.8(10.4)	104.0(100)
Electricity, Gas and Water	0.9(10.8)	1.4(17.0)	3.4(41.0)	0.2(0.24)	2.6(31.3)	8.3(100)
Commerce	18.3(19.0)	10.7(11.0)	41.4(43.2)	5.5(5.7)	19.9(20.7)	95.8(100)
Trans., Comm., and Storage	10.5(23.8)	7.8(17.7)	18.4(42.0)	1.6(3.6)	5.6(12.7)	44.0(100)
Services	60.7(27.7)	24.9(11.3)	87.9(40.0)	18.4(8.4)	27.0(12.3)	218.9(100)
Other Activities	2.2(48.9)	0.8(17.8)	1.0(22.2)	--	0.5(11.0)	4.5(100)
Total	215.5(21.4)	121.8(12.1)	295.7(29.37)	86.0(8.5)	287.6(28.75)	1006.6(100)

Source: Adapted from First Development Plan, 66.

TABLE 5-2
EMPLOYED PERSONS 15 YEARS OF AGE AND OVER
BY TYPE OF ECONOMIC ACTIVITY AND REGION--1966
 (percentage)

Type of Activity	Central	Eastern	Western	Northern	Southern
Agriculture, Fishing, Livestock	38.65	27.75	26.44	64.53	74.37
Mining and Quarrying	0.13	19.62	0.06	0.39	0.17
Manufacturing	3.34	5.99	6.32	1.16	2.37
Construction	14.89	9.19	15.72	4.07	3.75
Electricity, Gas and Water	0.41	1.14	1.19	0.23	0.90
Commerce	8.49	8.78	14.00	6.39	6.92
Trans., Comm. and Storage	4.87	6.40	6.22	1.86	1.94
Services	28.16	20.44	29.72	21.39	9.39
Other Activities	1.02	0.65	0.34	--	0.17
Total	99.96	99.96	100.01	100.02	99.98

Source: Based on Table 5-1.

Ministry of Commerce and Industry with the following guidelines:

1. Maximum possible use of private capital to initiate rural electrification projects;
2. Maximum possible development of local management responsibility;
3. Utilization of government funds to supplement private capital in amounts not to exceed 75 percent of total capital costs; and
4. Ultimate repayment of funds.²

The plan identified 80 towns as the "most reasonably accessible towns of 2,000 population or more" to be electrified during the plan period.³ It is obvious that the scope of the program was very limited and did not reflect its title.

After the increase in oil prices in 1973, the financial conditions of the government improved significantly as its revenue from the export of crude oil increased, enabling it to undertake various studies of the country and its economy. The Central Planning Organization sponsored socio-economic studies of the five regions, which were in their final stages when it introduced the second five-year development plan in 1975. One key element of the development strategy suggested by the plan was the development of the economic regions by wide distribution of productive investment and social programs with the intention of distributing the wealth generated by oil to all segments of the society.⁴ In other words, regional development was seen as an important part of the overall development strategy. But the plan did not have

explicit policies that could be translated into action programs for such development beyond the general suggestions of developing agriculture and industry when feasible in all five regions.⁵ Because the plan was sectorally oriented, it did not deal with the regional dimension of development in an explicit way except when it referred to the sectors. For example, it suggested that raising agricultural productivity would be "in accordance with a balanced program of regional development,"⁶ and that the decline of the agricultural labor force was, "already reflected in abandoned farmland and partly depopulated villages, particularly in the Southwestern Region."⁷

In 1976, the five regional socio-economic studies were completed. The studies indicated that the country was characterized by "significant regional imbalances both in terms of the structure of economic activity and of employment."⁸ They revealed that in the northern and southern regions agriculture was predominant, as Table 5-3 shows, which in turn indicated that the two regions, as the Ministry of Planning put it, "had an unduly high share of low productivity occupations with an above average rate of outward migration."⁹

TABLE 5-3
PERCENTAGE DISTRIBUTION OF REGIONAL GDP BY MAJOR ACTIVITY (1976)

	Western	Eastern	Central	Southern	Northern
<u>Activity</u>					
Oil and oil taxes	0.8	90.7	0.3	--	--
Non-oil	99.2	9.3	99.7	100.0	100.0
Total	100.0	100.0	100.0	100.0	100.0
<u>Composition of non-oil GDP</u>					
Agriculture	3.1	4.9	5.6	33.2	32.2
Manufacturing, mining and utilities	6.7	6.5	6.2	3.1	2.6
Construction	25.9	26.5	25.1	16.3	16.7
Distribution	26.6	21.7	21.7	11.8	8.0
Transport & communications	4.9	8.8	4.3	4.3	8.3
Other services	22.7	21.7	24.5	15.5	16.5
Government Services	10.2	9.8	12.6	16.0	15.8
Total non-oil GDP	100.0	100.0	100.0	100.0	100.0

Source: Third Development Plan, Table 2-21, 60.

THE POLICY CYCLE

To assess how the issue of regional imbalance has been dealt with, we will analyze it in terms of the policy cycle, as suggested by Smith.¹⁰ The policy cycle includes issues and agenda building, policy and program formulation, policy form and content, policy and program implementation, policy impacts and evaluation, and policy revision or termination.

Issue and Agenda Building

The issue of regional development arrived on the public agenda because it was seen by the government as an important element of national development. If not corrected, regional underdevelopment would, in the final count, undermine the overall prosperity of the Kingdom. According to the Second Plan, the economic and social factors of developing regional economic resources and distributing the country's wealth to all segments of the society were appreciated by the Saudi planners.¹¹ In other words, the significance of this issue for the country has made it impossible to ignore. For example, rural-urban migration not only constituted a problem for the depopulated rural areas because it deprived them of their workforce, but it also represented a problem to the urban centers by increasing the demands on their limited facilities and services.

Hence, the issue did not come on the agenda as the result of direct demands and pressures from interest groups or political parties, since there have been no formal organizations of that kind in the country. Third World governments in general, with minor exceptions, usually have, as Smith noted, an anti-political attitude and practices.¹² However, political pressures and considerations are no doubt taken into account and read through various informal signals rather than through formal political organizations.

It is also true that the issue did not achieve high priority because of outside influence, as has been the case in many Third World policies where foreign governments and aid donors like the World Bank and USAID often intervene to shape certain policies as a precondition for providing their financial and technical help.¹³ Saudi Arabia has been fortunate enough to be financially independent; therefore foreign influence with regard to this particular issue through such mechanisms is certainly minimal if not totally absent.

In short, the large scope of the issue and its critical importance for the country entitled it to move to the center of the national agenda where the government had to deal with it.

Policy and Program Formulation

In the discussion of the institutional setting of Saudi Arabia (see Chapter III), we have seen two important characteristics of the political-administrative system of the country:

- 1) At the regional level there are no policy making institutions that would be expected to deal with the issue. The best that regional institutions can do, therefore, is to provide suggestions to the central ministries and agencies in the capital.
- 2) At the national level there is the Council of Ministers, chaired by the King, commanding the public bureaucracy. Although the formulation of policies is a function of the Council, the Ministries play an important role in the process, for they possess the technical expertise and experience in their respective sectors. Hence, the central bureaucracy is in charge of all important issues facing the society, given the lack of any legislative institutions.

Saudi Arabia is no exception from most of the Third World countries with regard to participation in the process of policy formulation. In describing this pattern in Third World countries, Grindle wrote:

Related to the weakness of interest aggregating mechanisms in Third World countries is the frequently encountered attitude of leaders in both political and administrative positions that participation in policy formulation processes is illegitimate or inefficient.¹⁴

However, in 1978, about two years after the issue was formally recognized, a select committee of the Council of Ministers was formed to look into it. This, as the Third Plan suggested, confirmed the government's commitment for assisting the regions, especially the rural areas, in developing productive activities and extending the distribution of services with the aim of reducing the depopulation trend in these areas.¹⁵

The issue then took two routes. First, comprehensive regional planning was assigned to the Ministry of Planning by virtue of functional speciality. This assignment was supposed to be incorporated in the Five-Year Development Plans that the Ministry formulates in coordination with other ministries and agencies and brings before the Council of Ministers for approval. Second, rural development was referred to the Ministry of Municipal and Rural Affairs (MOMRA) to sponsor a by-law proposal for village development. The proposal was examined by the Ministerial Committee, and then attached to a letter from the Acting Minister of MOMRA on 4/5/1401 (1981) to the Council of Ministers requesting its approval.¹⁶ After nineteen months, the Council of Ministers passed its Resolution No. 3, dated 1/1/1403 (late 1982), approving the By-Law of Village Development.¹⁷

Thus, the policy formulation process has been limited to the top central institutions in the capital, mainly the

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diversification of the regions, and strengthening the coordination of agencies and programs."²⁰

So, balanced development, equal distribution, and elimination of regional disparities represent the overall goal of the leadership of the country and serve as a general statement of policy that guides the actions of the ministries and other agencies. However, the realization of this ambitious goal depends on the contents and implementation of the policy instruments that have been designed by the bureaucracy to achieve it. Two major policy instruments have been formulated to tackle this issue--Development Services Centers and Village Development.

Development Services Centers: As indicated earlier, the Ministry of Planning was assigned the task of comprehensive regional planning as part of the Five-Year Development Plans. The Third Plan, introduced in 1980, included what it described as "a more explicit and coordinated approach for dealing with the regional dimensions of national planning."²¹ This coordinated approach is a system of national, regional, and district centers spread throughout the country, labeled the Development Services Centers (DSC).²² These centers are arranged hierarchically, based on whether their significance is judged to be of national, regional, or local importance. The plan defined the centers as follows:

Council of Ministers, its sub-committee, and the Ministries of Planning and Municipal and Rural Affairs. There were no policy inputs from either regional institutions or affected people since mechanisms for the participation of such people have not been developed.

Policy Form and Content

The overall goal of regional development has been to achieve balanced development and equal distribution of socio-economic opportunities and services among the regions, and to eliminate regional disparities. For example, the Ministry of Planning wrote:

The strategy for the Second Plan [1975-80] gave great emphasis to the development of all the regions of the Kingdom. Developments at the regional level during this period were closely connected to the overall and sectoral performance achieved by the Kingdom, and although the rapid sectoral progress could not have occurred without exerting a beneficial impact on rural areas, a significant innovation during the Second Development Plan was the concerted effort to eliminate regional disparities.¹⁸

It also asserted that:

...the particular objectives for the Third Plan [1980-85] will be to avoid overconcentration of resources in a few urban enclaves, which may be to the detriment of the rest of the Kingdom, and also to stimulate the provision of development facilities in selected areas which will support productive enterprises.¹⁹

The Fourth Plan [1985-90] also continued to assert that regional objectives have three key elements: "pursuing balanced development, proceeding with the economic

- (1) District Center, the location of the institutions and services needed frequently, but not daily, by a given population which is termed a district (which can be delineated according to both accessibility to the particular services and the capacity of the services);
- (2) Regional Center, the location of various specialized economic, welfare and administrative institutions, which can reasonably be shared by a number of districts;
- (3) National Center, fulfilling various economic and administrative functions for the whole country, providing very specialized services, and a growth pole of national significance.²³

According to the plan, these centers provide the institutions and services that are essential to stimulate economic growth or meet certain welfare needs, but they do not deal with services needed daily such as electricity, water, sewage, roads, elementary and intermediate schools, local cooperatives, local agricultural improvement services, and so forth. These services, as expressed in this plan, "will continue to be provided as previously, and no changes in the administrative arrangements for their provision are foreseen."²⁴ Table 5-4 shows the composition of services by each class of centers.

In determining whether a certain town should be considered a national, regional, or local center, the Ministry takes the following indicators into consideration:

- 1) The availability of development potential, such as water in agricultural areas, manpower, population size, housing services, and natural resources.

TABLE 5-4
GOVERNMENT SERVICES BY EACH TYPE
OF PROPOSED CENTER

Type of Services	Local Center	Regional Center	National Center
<u>Development Services</u>			
Telephone, Telegraph and Post Service Office	x	x	x
Saudi Industrial Development Fund Office	-	x	x
Real Estate Development Fund Office	x	x	x
Industrial Research Center Office	-	x	x
Saudi Credit Bank Branch	x	x	x
Saudi Arabian Agricultural Bank Branch	x	x	x
Saudi Contractor Fund Branch	-	x	x
Agriculture and Water Advisory Office	x	x	-
Rural Roads Service Office	x	x	-
Electricity Service Center	x	x	-
Airport	-	x	x
Small Airport	x	-	-
Industrial Estate	-	x	x
<u>Education</u>			
Secondary School	x	x	x
Specialized Education Schools	-	x	x
Vocational Training Centers	-	x	x
Higher Education Institutes (Institute for Applied Arts and Teachers Institute)	-	x	x
University	-	-	x

(Table 5-4 continued on next page)

(Table 5-4 continued)

Type of Services	Local Center	Regional Center	National Center
<u>Social and Health Services</u>			
Community Health Office	x	-	-
Multi-Purpose Clinics	x	-	-
Regional General Hospital (200-400 beds)	-	x	x
Specialized Hospitals	-	-	x
Community Development Office	x	-	-
Family Care Service Office	x	x	x
Social Care Institutions (Orphans, Elderly, etc.)	-	x	x
Bedouin Affairs Office	x	x	-
Social Insurance Office	x	x	x
Information Office	x	x	x
Labor Office	x	x	x
Library	x	x	x
Social Security Office	x	x	x
Hotel	x	x	-
National Transportation Company	x	x	x
<u>Administrative Services</u>			
Ministry of Interior (Governorship, Police Station, Passport Office, etc.)	x	x	x
Ministry of Municipal and Rural Affairs	x	x	x
Ministry of Housing and Public Works	-	x	x
Ministry of Health	-	x	x
Ministry of Labor and Social Affairs	-	x	x
Ministry of Education, and General Presidency for Girls Education	-	x	x
Ministry of Industry and Electricity	-	x	x
Ministry of Agriculture and Water	-	x	x
Ministry of Transportation	-	x	x

(Table 5-4 continued on next page)

(Table 5-4 continued)

Type of Services	Local Center	Regional Center	National Center
<u>Administrative Services</u> (cont.)			
Ministry of Information	-	x	x
Ministry of Commerce	-	x	x
Ministry of Telephone, Post and Telegraph	-	x	x
Ministry of Defense and Aviation	-	-	x
Ministry of Justice	-	x	x
Ministry of Pilgrimage and Endowment	-	x	x
Ministry of Petroleum and Minerals	-	x	x
Ministry of Finance and National Economy	-	-	x
Ministry of Higher Education	-	-	x
General Presidency for Youth Care	-	x	x
Ministry of Planning	-	x	x
Red Crescent Society	-	-	x
Saudi Arabian Monetary Agency (SAMA)	-	x	x

Source: M.S. BaJenaïd, "Development Strategy and its Relation to Regional Development," a paper delivered at the Symposium on Regional and Rural Strategies and Programs in Saudi Arabia (Riyadh: King Saud University, April 11-15, 1987), 55-58.

- 2) The historical status of the site.
- 3) The strategic importance of the center and its surrounding area.
- 4) The availability of basic services, such as transportation networks.
- 5) The range or distance between the centers, which should be at least 50 kilometers or two hours driving.²⁵

It is obvious that this instrument may have some advantages, such as the distribution of certain services without unnecessary duplication throughout the country, as the plan suggested, and decentralizing a sizable portion of the public employment. However, it contains many points worthy of discussion. First, the system does not offer remedial solutions for the existing regional disparity since it does not contain any program for helping the lagging regions; on the contrary, it institutionalizes regional disparity as the above indicators of selection show. Second, the fact that it classifies the centers in a rigid and discriminating way, which will have a long-term impact on their future, would make it, as we will see later, politically infeasible. Third, as seen above, it does not deal with the kinds of services needed daily, although, as Ibrahim argued: "the rural areas and the lagging regions are in serious need for these particular services which are either unavailable or significantly

inadequate."²⁶ But the Ministry of Planning was probably convinced that these services would be taken care of by the agencies that administer them. In fact, the Third Plan reads as follows:

Other methods were the efforts of individual agencies to favor the less developed areas of the Kingdom, including the setting up of special programs for eliminating regional disparities in the provision of services.²⁷

In short, DSC as a policy instrument does not offer a solution for an urgent issue and therefore does not match the emphasis expressed in the general statement of the policy.

Village Development: On 1/1/1403 (late 1982), the Council of Ministers passed its Resolution No. 3 approving the By-Law of Village Development (BLVD). The first article of the resolution assigns to the Ministry of Municipal and Rural Affairs (MOMRA) the responsibility for setting forth plans and programs and suggesting public policy for comprehensive development of villages in social, economic, cultural, and physical aspects, with coordination and cooperation with the concerned ministries and agencies, and following up on the execution of such policy.²⁸ The same article gave the Ministry the authority to:

- 1) Coordinate the efforts of the ministries and agencies in this regard.

- 2) Set forth and determine the goals of village development and suggest the ways of achieving them and the role of different agencies in their execution.
- 3) Study suggestions regarding plans and programs of village development.
- 4) Suggest the laws, by-laws, and resolutions required for achieving the general policy for village development and follow up on their results.
- 5) Suggest the subsidies that the government earmarks for village development purposes and determine the ways of spending them.
- 6) Determine the priorities of projects, their location, and the timetable of their operations.
- 7) Suggest joint projects that are undertaken and financed by more than one ministry or agency.
- 8) Suggest and draw up the policy of public campaign in the village development arena.
- 9) Set up training programs to provide the necessary managerial leadership and employees for village development projects and programs.

The by-law called for the composition of a "general committee" in each province, chaired by the province governor or someone he deputizes, and a "local committee" for each group of villages; both by a resolution of the Minister of MOMRA (Articles 2-A and 4-A). The general

committee has the following functions, which are advisory in nature:

- 1) Follow up on the execution of village development plans.
- 2) Study the province's physical plan and suggest the priorities of areas and settlements that should be developed and suggest development projects and programs within the scope of the general policy for development put forward by MOMRA.
- 3) Study and coordinate development projects for villages suggested by local committees.
- 4) Suggest subsidies for villages and their distribution among various purposes, and bring it up to MOMRA.
- 5) Work on enlightening village populations so that they will accept development processes, and encourage them to positively contribute to planning for their villages and participate in implementation processes.
- 6) Follow up on the implementation of development projects in the province and report to MOMRA, besides reporting on the work of local committees.
- 7) Suggest the creation of local committees.

The Local Committee for Development has the following functions:

- 1) Study its villages' conditions and make suggestions for their development.
- 2) Help collect the data necessary for planning.

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- 3) Help coordinate public services at the local level.
- 4) Study projects proposed by different agencies that are supposed to be established in its area and express its opinion regarding their suitability, priority, and location.
- 5) Follow up on the execution of local development projects and forward its notices and reports to relevant agencies.
- 6) Promote the awareness of village populations and encourage them to contribute their own efforts and their local finances for local development projects (Article 4-B).

The by-law also stipulated that MOMRA should undertake, in consultation with the Ministry of Interior, a comprehensive survey of the Kingdom's villages, classifying them into groups (Article 3), and creating in each group a "Village Cluster" for the provision of municipal services (Article 8). A "village cluster" is a mechanism that MOMRA has experimented with since 1977; it provides municipal services from a central village to a cluster of villages. The by-law has given it more power to coordinate electrification and health services. The by-law also allows MOMRA to order some town municipalities to extend their services to neighboring villages, and authorizes the Ministry to provide some local services to villages that neither have a village cluster nor get any

services from municipalities because of their remoteness (Articles 13 and 14).

In theory, the by-law is likely to have a positive impact on the conditions of the rural areas, especially in services, if it is implemented widely and thoroughly. It also may improve coordination and maximize efficiency in the provision of services, in addition to improving the planning process, if it improves data collection and allows the opinions and suggestions of the people to be heard. Nonetheless, all the advantages that may result depend greatly on its implementation.

It must be noted that this instrument is directed to a greater extent to provision of services and does not include explicit economic policies for the development of rural areas. It is also interesting to note that the central bureaucracy has managed to retain its absolute authority in the decision making process over regional and local institutions.

Policy Implementation

The most critical phase of the policy cycle is perhaps the phase where policies are translated into action. Not only do the policies run the risk of failing to achieve their intended targets because of poor implementation, but they may never be implemented at all and therefore remain as symbolic statements. The implementation phase represents a critical test for the commitment

of the policy makers, the quality of the policy, and the effectiveness of the organizations in charge of its implementation. As we will see below, one of the two policy instruments designed to deal with regional disparity did not come through, while the implementation of the other one has been underway.

Development Services Centers: In 1980 the Ministry of Planning formulated the Third Development Plan, which was approved by the Council of Ministers. It included, as described above, the DSC. The plan document contained a map showing the centers that the MOP had chosen, which included eight national centers, sixteen regional centers, and at least fifty district centers.²⁹

Because the plan document was approved by a resolution of the Council of Ministers, one would suppose that this approval meant the beginning of its implementation. Indeed, the Fourth Development Plan, introduced five years later, enforces such an impression when it states: "The Fourth Plan will foster and extend the system of Development Centers to promote development at the national, regional, and local levels."³⁰ But in a visit to the MOP in January 1988, the author learned that the system has remained, up to date, a "proposal" by the MOP and has not been implemented. According to the acting manager of the Department of Regional Planning at MOP, many ministries showed some disagreement with the original selection of

centers by MOP. Based on their suggestions, the Ministry reevaluated the system and increased the number of centers to eighty-nine, as Table 5-5 shows. Nonetheless, the program has not been implemented.³¹

There are many factors that may affect the implementation of any policy, including the quality of the policy and its feasibility, and the commitment to its implementation, besides other technical and administrative obstacles. However, in a paper delivered at a symposium on the subject last year, Tariq Fada'q, a university professor and part-time consultant for MOP, asserted that there is a formal commitment by the government to the system of Development Centers, and discussed the challenges facing the system.³² The challenges he mentioned clearly indicated that not only does the MOP not have a clear policy in this regard, but also coordination between MOP and other bureaucratic institutions is very poor. For example, he argued that the name of the system is unclear, since Development Services Centers (used in the Third Plan) differ from Development Centers (used in the Fourth Plan); the former puts emphasis on the efficient distribution of services while the latter emphasizes planned economic investments.

In relation to the illusive nature of the system, Fada'q also questioned the types of investments: "should the government help the regions or help them in helping

TABLE 5-5
NUMBER OF PROPOSED CENTERS BY REGION AND PROVINCE

Region	Province	Number of Centers			Total
		National	Regional	Local	
Central	Riyadh	1	2	13	16
	Al-Qaseem	1	--	4	5
Subtotal		2	2	17	21
Western	Makkah	2	1	8	11
	AL-Madeenah	1	2	4	7
Subtotal		3	3	12	18
Eastern	Eastern	1	3	10	14
Northern	Hail	--	1	2	3
	Tabouk	1	--	3	4
	AL-Jauf	--	1	2	3
	AL-Qorayat	--	--	2	2
	Northern Frontiers	--	--	3	3
Subtotal		1	2	12	15
Southern	AL-Bahah	--	1	3	4
	Aseer	1	2	4	7
	Jazan	--	2	5	7
	Najran	--	1	2	3
Subtotal		1	6	14	21
TOTAL	14	8	16	65	89

Source: BaJenaid, 59.

themselves by creating a suitable atmosphere for private investments?" He questioned the abilities of the ministries to provide the necessary human and financial resources for implementing the system and argued that the ministries' suggestions to increase the number of centers might not necessarily reflect their ability to produce the human and financial resources needed for its implementation. He also pointed out that the Provincial Law, which the Ministry of Interior has promised but which has not yet been enacted, might be in conflict with some aspects of the Development Centers.

Other obstacles, both economic and political, that Fada'q thought represent challenges for the system include: The population size of some regional and district centers, which might be too small to attract businesses even if the government decides to help these centers; and the outdated information that MOP has concerning the centers, since the data available were more than ten years old. He also noted, correctly, that it might be difficult to suggest to the representatives of a certain region that their region's capital would be considered a local center.

In short, while the last two development plans give the impression that there has been a system of Development Centers designed to foster balanced regional development, such a system remains only on paper. The broadness of the

system as a policy instrument clearly reflects the remoteness of the Ministry of Planning from the regions and regional issues. Not only is it a centralized institution located in the capital, but even its sub-unit, which is technically in charge of regional planning, is very small, consisting of only five Saudi staff members and two non-Saudi experts.³³ This is truly surprising, especially if we consider that the country has more than one hundred cities and more than ten thousand villages scattered among fourteen provinces.

Village Development: The By-Law of Village Development, as seen above, calls for the formation of general committees at the provincial level and local committees for each group of villages. These committees are formed by resolutions of the Minister of MOMRA, whose ministry was also assigned the responsibility of putting forth by-laws for these committees to determine the term of their membership, the time of their meetings, their vote casting, and the number of regular and irregular meetings (Articles 2-A, 4-A, and 5). The Ministry is also responsible for appointing the secretaries for these committees.

In 1984, a ministerial resolution approving the By-Laws of the General and Local Committees was issued.³⁴ According to the resolution, a general committee is chaired by the provincial governor or someone he deputizes and consists of representatives from the following

ministries and agencies: the Ministries of Municipal and Rural Affairs, Agriculture and Water, Health, Education, Labor and Social Affairs, Transportation, and the General Presidency for Girls Education. The committee may also, with the approval of the Minister of MOMRA, include members representing other agencies that are concerned with village development (Article 1). The General Committee meets regularly every two months and may have irregular meetings up to maximum of six times a year (Articles 4 and 5). The recommendations and suggestions of the committee are sent to MOMRA for the coordination with other concerned ministries and agencies (Article 13).

Similarly, a local committee is formed by a ministerial resolution from MOMRA based on the suggestion of the General Committee in each province (Article 15). It consists of the governors of the main villages and representatives from the government agencies that are represented in the General Committee, and when necessary from others. The minimum size of the membership is five and the maximum is twenty (Article 16). The Local Committee meets monthly, and may have irregular meetings up to maximum of six meetings a year (Articles 19 and 20). The recommendations of the Local Committee are sent to the General Committee at the provincial level so that they can be studied and the necessary action taken (Article 30).

Table 5-6 shows that, as of January of 1988, a general committee has been formed in each province, but the formation of local committees has not been completed since five out of the fourteen provinces have not yet formed their committees. Among the provinces that have local committees, Makkah Province has the highest average number of villages, with about 111 villages for each committee, followed by Aseer Province, with about 70 villages for each committee. AL-Jauf Province has the lowest average of only about 8 villages for each committee. Of the nine provinces with local committees, four have limited committee membership to government representatives only, with no participation from the local residents, while the other five have some residents on their local committees. However, the number of residents participating in these committees is only 316 persons out of the total of 1,697 members, or less than 19 percent of the total membership. The low level of resident participation is expected to seriously limit the effectiveness of these committees since local participation is very essential for soliciting local support for and acceptance of any proposed change; in fact, it is a direct contradiction to the objective of encouraging wide participation expressed in the by-law. To be sure, both general and local committees are no more than bureaucratic rearrangements of the lowest echelons. While this arrangement may

TABLE 5-6
GENERAL AND LOCAL COMMITTEES BY REGION AND PROVINCE
JANUARY 1988

Region	Province	<u>General Committee</u>	No. of Committees	<u>Local Committees</u>		No. of Villages
		No. of Members Including Chairman		No. of Total Members	No. of Residents on the Committees	
Central	Riyadh	14	19	173	--	622
	AL-Quaseem	14	--	--	--	--
Western	Makkah	13	20	301	153	2218
	AL-Madeenah	13	14	110	--	339
Eastern	Eastern	13	7	84	7	176
Northern	Hail	13	10	60	--	433
	Tabouk	13	5	69	21	51
	AL-Jauf	13	4	43	18	33
	AL-Qorayat	13	--	--	--	--
	Northern Frontiers	13	--	--	--	--
Southern	AL-Bahah	13	18	300	117	1138
	Aseer	14	69	557	--	4871
	Jazan	13	--	--	--	--
	Najran	13	--	--	--	--
TOTAL	14		166	1697	316	9881

Source: Ministry of Municipal and rural Affairs, Department of Rural Development, January 1988.

increase the awareness of the governors at different levels in the province about certain issues, and improve data collection for the central bureaucracy and efficiency by avoiding unnecessary duplication of some projects, it is like any bureaucratic unit that may become, as time passes, a blocking point causing more routine procedures and unnecessary delays.

In short, these committees lack two important ingredients. First, they lack decision making authority, both at the local and provincial levels. Second, they lack political infusion since all the members are bureaucratic appointees. Therefore, enthusiasm, innovation, and local participation and involvement have little chance given this nature of arrangement.

The concern of these committees so far seems to be limited to the provision of public services such as education, health, electricity, roads, and the like, despite the fact that the by-law is broad and general. There is no evidence that these committees will be involved in policies and projects of an economic nature-- policies and projects that would create economic opportunities and employment in rural areas. In fact, in a recent meeting for one of the General Committees, the issues discussed were the connection of a main road to neighboring villages, the provision of electricity, and

the increase in the coverage of the water network in the main village.³⁵

Another element of the By-Law of Village Development, as we saw earlier, is its call for the creation of "village clusters" to provide municipal services from a central village to a cluster of villages, a mechanism that MOMRA has used since 1977. Forty-five village clusters have been established between 1977 and 1984.³⁶ The status of two of these village clusters has been altered; one has become a municipality and the other has become a branch for a city municipality.³⁷ As shown in Table 5-7, the number of villages served by these village clusters is only 2,259, while the most conservative estimate for the total number of villages in the country puts the figure at 10,365. That means that only about 21 percent of the country's villages are served by village clusters. It is unlikely that the more than eight thousand villages remaining fall within the range of cities and therefore receive services from city municipalities. Hence, more village clusters are expected to be established if most of the villages are to be covered by municipal services.

It is interesting to note how long this process has taken. The studies were conducted in the early 1970's, and by 1976 the issue was formally recognized. At this writing, about twelve years later, the bureaucracy is still muddling along and making little headway.

TABLE 5-7

VILLAGE CLUSTERS AND NUMBER OF VILLAGES SERVED BY REGION AND PROVINCE

Region	Province	No. of Village Clusters	No of Villages Served by Clusters	Total No. of Villages in the Province
Central	Riyadh	6	244	710
	AL-Qaseem	7	189	468
Western	Makkah	3	116	2702
	AL-Madeenah	3	79	384
Eastern	Eastern	3	30	191
Northern	Hail	7	229	450
	Tabouk	1	7	79
	AL-Jauf	1	17	24
	AL-Qorayat	--	--	22
	Northern Frontiers	1	8	36
Southern	AL-Bahah	2	191	1236
	Aseer	4	788	2963*
	Jazan	4	138	934
	Najran	1	14	166
TOTAL	14	43	2259	10365

*The number of total villages in Aseer province differs from the number in Table 5-6 despite the fact that we obtained them from the same source (MOMRA).

Source: H.S. AL-Mosalam, "Municipal Services Programs for Villages and Their Role in Achieving Rural Development," a paper delivered at The Symposium on Regional and Rural Strategies and Programs in Saudi Arabia (Riyadh: K.S.U., April 11-15, 1987), Table No. 3, 14. Source for Total No. of Villages in the Province: MOMRA, The Comprehensive Socio-Economic Survey of Villages and Settlements in the Kingdom, 3rd Report (Riyadh, 1984), Table 1, 9..

The Rest of the Policy Cycle

The two remaining phases of the policy cycle, as described earlier, are policy impact and evaluation, and policy revision or termination. As we have just seen, the policy initiatives that have been formulated to deal with the issue are not only too vague and broad to evaluate, but they have not been fully implemented. While Development Services Centers remain only a proposal by the MOP, the initiative concerning village development is still in the process of implementation. In fact, during a visit to the MOMRA in January 1988, the author asked whether the Ministry had conducted any evaluation of the functioning of the new committees. A ministry official replied that it was too soon for any type of evaluation, whether by MOMRA or anyone else, since some committees had not been formed yet and many of the committees that had been formed were not yet functioning.³⁸

The last part of this research deals with the question of evaluation from a macro-perspective that cannot be related to one policy or another but instead provides a description of the general status of the regions. First, though, a discussion of the role of the Deputy Ministry for Town Planning of MOMRA with regard to the issue in question is necessary.

Regional Planning by MOMRA

When it was established in 1975, MOMRA was given responsibility for delimiting towns as well as other related physical planning. For this purpose, it created a department that later was elevated to a deputy ministry--the Deputy Ministry for Town Planning (DMTP). DMTP and its ancestor department undertook many studies of a physical nature, which until recently had been contracted out to private companies. Because of the interdependency between physical planning and regional planning, and since MOP, as we saw above, has done almost nothing as far as regional planning is concerned, DMTP simply "jumped in" without prior authorization and started to conduct comprehensive regional planning for some but not all of the provinces. There are three important factors that may have contributed to making this possible. First, the country was financially affluent, enabling DMTP, without any major difficulty, to make comprehensive contracts with companies rather than being limited to physical aspects. Second, there was little chance that whatever plans DMTP formulated would conflict with the work of MOP since MOP had no regional plans other than vague and broad statements. Third, DMTP's comprehensive regional plans have been, with the exception of a recent one, at the provincial level, which has made the support of the provincial governor possible. MOP's early attempts were at the

regional level, which involved two to five provinces in each region, with the exception of the eastern region.

According to the top official of DMTP, they have finished regional plans for five provinces and are currently working on two provinces and a segment of another.³⁹ The author was able to obtain the plan for Ha'il's Province and a review of the plan for AL-Qaseem's Province.⁴⁰ Although these plans make references to the national plans formulated by MOP, they appear to be independent, comprehensive, and thorough, as if they were prepared by the ultimate planning institution in the country. For example, they identified three alternative economic strategies, assessed them, and identified what they thought was the best one. Consequently, they identified sectoral goals for agriculture, mining, manufacturing, service industries, transportation, education, health, and the like. They also made long-term forecasts for demographic trends in the province, and they even estimated the long-term investments required for the implementation of the plan, classified by different sponsoring agencies.

However, regardless of the quality of the plans and the accuracy of their forecasts and estimates, which are certainly open to question, they represent a serious attempt to fill in the vacuum left by MOP. Thus DMTP seems to be assuming what is normally supposed to be the

function and responsibility of MOP. In other words, given the current structure of the Saudi bureaucracy, one would normally expect that MOP would formulate the regional plan of any province while the role of DMTP would be to translate such a plan into spatial terms, identifying the location of whatever projects were included in that plan. But that does not seem to be the case.

The process through which a regional plan sponsored by DMTP goes is as follows:⁴¹ Once DMTP decides on a targeted province, it creates a "steering committee," usually chaired by the mayor of the province's capital. The role of this committee is to supervise the work of the contractor doing the plan studies and to suggest any technical modifications on the final draft. The final draft then goes to what DMTP calls the "High Committee for Province Planning" (HCPP) for approval. An HCPP is created by MOMRA once it decides on the targeted province, and includes three members, the provincial governor as a chair, the deputy minister for town planning, and the mayor of the province's capital. But since this committee has no jurisdictional authority to put the plan into action, the plan remains only as a proposal for other agencies; a proposal they may choose to ignore.

According to the Deputy Minister for Town Planning of MOMRA, MOMRA implements the parts of the plan that concern it, but the rest of the plan falls under the jurisdiction

of other ministries and agencies, remaining only "indicative" for them since neither MOMRA nor an HCPP has authority over these institutions. Among the five regional plans that have been formulated, DMTP is pleased by the implementation progress of the Regional Plan for Ha'il's Province, which was, according to them, due to the strong commitment of the province's governor and his lobbying skills. The fate of the other four plans, however, was not as successful.

So, the situation, as hard as it may be to believe, is that the ministry with the authority to plan is not planning for one reason or another, and the ministry that is supposed to do only limited planning is doing most of the planning but does not have the authority to put it into action. This situation may have some serious consequences, including not only waste and poor quality of the plans, since DMTP is dominated by civil and architectural engineers who may not possess other necessary skills in socio-economic aspects, but also lack of implementation and lack of identifying planning responsibilities.

However, a recent project for regional development planning, sponsored by MOMRA in collaboration with the United Nations, was approved by the Council of Ministers, since any international agreements must be approved by the Council.⁴² Although the project agreement was only for

three-year periods, of which two have already elapsed, its approval by the Council of Ministers has solved for DMTP the issue of authority to plan, but it has not solved the problem of enforcing the plans.

MOP, on the other hand, did a survey of the provinces for the preparation of the Fourth Development Plan (1985-90) by distributing forms to the top regional officials in the provinces to collect information about the current conditions of the provinces and their needs. Officials at MOP argue that they formulated operational plans for the provinces based on that information, but the Fourth Development Plan does not show any plans of that nature. Further questioning, however, revealed to the author that what MOP has are "classified reports" of the provinces' conditions. Although the author asked if it was possible to see a sample of these reports, according to the Assistant Deputy Minister for National Planning, to whom the Department of Regional Planning reports, these reports would not be of any help in this study.⁴³

In conclusion, this analysis of the policy cycle used to deal with the issue of regional disparity has shown us that the bureaucracy, given its current institutional setting, will not be capable of solving regional imbalance. What the bureaucracy has done so far is reduce the issue of regional disparity, which is a multi-dimensional one, to merely an administrative issue in order to handle

it in a routine way. In other words, the issue of regional development with its socio-economic dimensions has been redefined to mean no more than the provision of services. This outcome is certainly predictable because of the nature of bureaucracy as a complex organization and the way it usually operates; in fact, any student of organization theory will not be surprised by this outcome since it is natural for a complex bureaucracy to redefine and simplify an issue in order to deal with it in a universal and routine way. Unfortunately, that cannot do justice to an issue such as regional imbalance simply because treating unequals equally is an inadequate solution.

Thus, the two proposed policy initiatives are, as we saw, universal, general, and in many respects vague. This is the result of the mental and physical distance between the regions and the top officials of the central bureaucracy, who insist on maintaining full authority and power over the regions while, at the same time, not knowing how to deal with them. It is clear that the bureaucracy is trying to extend government services to the regions in an efficient way to promote regional development, but while these services are very important for regional development and while efficiency is an admirable goal, it is unlikely that service provision alone will solve the issue of regional imbalance. Explicit economic policies designed

in accordance with regional characteristics are essential if the issue is to be seriously solved.

We believe that only when elected legislative institutions exist can the country deal effectively with complex issues such as regional disparity by articulating clear and explicit policies accompanied by strict policy measures. This notion will be further explored in the final chapter.

REGIONAL PROFILES

The last part of this chapter is intended to provide a comparative description of the current conditions of the regions. The purpose of this comparison, as pointed out in the first chapter, is to assess the differences across regions in terms of their development. The population percentage of each region is used as a rough measuring point against which economic and social indicators are gauged. We are not necessarily looking for perfect equalization between the regions based on their population percentage, but perhaps at least an approximation of that percentage.

In 1974, the government undertook a population census which suggested that the Kingdom has a population of 7,012,000 people, of which 210,000 were in unspecified nomadic sites and 73,000 were living abroad. The other 6,729,000 were divided among the five regions, as shown in

Table 5-8. The western region had the highest percentage of the population (33.77), followed by the central (23.59) and southern (21.02) regions; while the eastern region had 11.44 percent and the northern had the lowest percentage (10.09). A 1985 estimate by the Ministry of Finance and National Economy, to which the Central Department of Statistics (CDS) reports, put the population size at 8,852,000. Our source does not specify whether this figure includes non-Saudis or only Saudi citizens; but since the previous estimate included foreigners, we may assume that the new figures include them, too.

The new estimate does not show a major shift in the percentage distribution of the regions. The greatest change, as Table 5-8 shows, occurred in the western region, which did not grow as much as the other regions, causing its percentage of the total population to drop about 2 points. This was most likely caused by, among other things, the transfer of the Ministry of Foreign Affairs and the foreign embassies in the early 1980's from Jeddah in the western region to the capital. Ironically, the estimate did not show that the lagging regions have lost population, as other government sponsored studies have suggested. This means that CDS either considered the 210,000 people living in nomadic sites in 1974 as belonging to these two regions, or it must have underestimated the two regions' population relative to other regions in

TABLE 5-8
REGIONAL DISTRIBUTION OF POPULATION
1974, 1985

Region	1974 ^a		1985 ^b	
	000	%	000	%
Central	1,588	23.59	2,127	24.02
Western	2,273	33.77	2,789	31.50
Eastern	770	11.44	1,004	11.34
Southern	1,419	21.08	1,945	21.97
Northern	679	10.09	987	11.15
TOTAL	6,729*		8,852	

*Excluding 210,000 living in nomadic sites and 73,000 living abroad.

Source: a. N.H. Samman, "Saudi Arabia and the Role of the Imarates in Regional Development" (Ph.D. Diss., Claremont Graduate School, 1982), Table 1, p. 23.
 b. Saudi Consulting House, A Guide to Industrial Investment, 7th ed., 1986, Table 1-1, p. 7.

its earlier census, given the difficulties of reaching all the southern villages at that time and the difficulties of counting the mobile bedouins. In any case, the latest estimate is used in this study since it came from the same source that produced the 1974 census and therefore might be considered an update to it.

Industrial Indicators

Modern industries other than oil production and refineries are very new to Saudi Arabia, but as we saw in the previous chapter this sector has grown rapidly since the early 1970's. As Table 5-9 indicates, between the mid-1970's and the mid-1980's, 1,403 new factories have been established, creating more than 87 thousand jobs. Only 83 of the factories and fewer than 4,000 jobs have gone to the southern region, and even fewer to the northern part of the country, which has acquired not more than 41 factories and fewer than 1,000 jobs during the whole decade. On the other hand, the central region has attracted 518 factories with more than 30,000 jobs during the same period, followed by the western region with 410 factories and 28,870 jobs, and the eastern region, with 351 factories and more than 24,000 jobs. Thus, by the end of the Third Plan in 1985, the southern region had less than 5 percent of the total factories in the country and about 3 percent of the industrial labor force, and the northern region had less than 3 percent of the total

TABLE 5-9
REGIONAL DISTRIBUTION OF OPERATIONAL FACTORIES
AND INDUSTRIAL WORKERS
1975, 1985

Region '85 pop.*	1975				1985			
	Factories		Workers		Factories		Workers	
	No.	%	No.	%	No.	%	No.	%
Central 24.02%	186	40.34	13,562	35.38	704	37.76	43,635	34.57
Western 31.50%	173	37.52	13,176	34.37	583	31.27	42,046	33.31
Eastern 11.34%	89	19.30	11,409	29.76	440	23.60	35,480	28.11
Southern 21.97%	6	1.30	86	0.22	89	4.77	4,042	3.20
Northern 11.15%	7	1.51	92	0.24	48	2.57	1,001	0.79
TOTAL	461		38,325		1,864		126,204	

*Based on Table 5-8.

Source: Ministry of Industry and Electricity, Industrial Statistical Report (1985), Tables 3 and 16, pp. 17, 32.

factories and less than 1 percent of the industrial employment.

The distribution of industrial loans granted by the SIDF (Table 5-10) followed the same pattern. From its establishment in 1974 until 1986, it has granted 938 loans totalling more than SR 14 billion, of which only 42 loans (4.47 percent) of 672 million (4.76 percent) went to the southern region, and 16 loans (1.7 percent) of 154 million (1.09 percent) to the northern region. The central region received 358 loans (38.16 percent) of 4.7 billion (33.54 percent), while the western region has obtained 272 loans (28.99 percent) of 4.2 billion (30.29 percent), and the eastern region has won approval for 250 loans (26.65 percent), totalling about 4.2 billion (30.30 percent).

It is clear that the growth of this new sector has been overwhelmingly skewed towards the central, western, and eastern regions. The growth in the two lagging regions not only has been minor but also might not be sustained in the long run for two reasons. First, the factories in the highly developing regions have the advantage of economy of scale over the factories of the lagging regions. Therefore as transportation networks and other communication facilities between the regions improve, they have a good chance of successfully marketing their products in the lagging regions at lower prices and perhaps with better quality. Second, about 44.5 percent

TABLE 5-10
REGIONAL DISTRIBUTION OF INDUSTRIAL LOANS BY SIDF
AND THEIR VALUE UP TO 1986
 (value in SR millions)

Region '85 pop.*	Number of Loans	Value of Loans
Central 24.02%	358 (38.16%)	4,729 (33.54%)
Western 31.50%	272 (28.99%)	4,271 (30.29%)
Eastern 11.34%	250 (26.65%)	4,272 (30.30%)
Southern 21.97%	42 (4.47%)	672 (4.76%)
Northern 11.15%	16 (1.70%)	154 (1.09%)
TOTAL	938	14,098

*Based on Table 5-8.

Source: Saudi Industrial Development Fund, Annual Report 1405/1406 (1986), 36, 37.

of the total number of factories in the two lagging regions and 51.6 percent of the number of factories in the southern region alone are producing building materials,⁴⁴ a sector that has, according to the Ministry of Planning, declined as the construction boom ceased.

Furthermore, the industrial estates (industrial cities) established by the Ministry of Industry and Electricity since its inception in 1975 have been limited to the three developing regions. As of 1986, the MOIE has developed eight industrial estates, three of which are in the central region, two in the western region, and three in the eastern region.⁴⁵ These estates are divided into plots of different sizes, furnished with most of the facilities needed by the factories, and provided for the industrialists at nominal rent. The lack of them in the lagging regions therefore represents a lack of a strong incentive to invest in these regions. However, a recent publication by MOIE suggests that the Ministry is planning to develop similar estates in the southern and northern regions along with the expansion of the existing ones in the developing regions in the future.⁴⁶

Agricultural Indicators

The agricultural sector has been, for a long time, an important one for the country at large, and its importance for the economy of the lagging regions, as Tables 5-11 and 5-12 indicate, has been even greater. In the mid-1970's,

TABLE 5-11
REGIONAL DISTRIBUTION OF TOTAL CULTIVATED LAND AND PRODUCTION OF MAJOR CROPS
1975/1976 and 1984/1985
 (Area in Donums and Production in Tons)

Region '85 pop.*	1975/1976 ^a		1984/1985 ^b	
	Area	Production	Area	Production**
Central 24.02%	911,127(15.55%)	547,937(48.77%)	5,999,691(60.09%)	2,278,252(61.41%)
Western 31.50%	1,383,004(23.60%)	226,544(20.16%)	877,740 (8.79%)	518,268(13.96%)
Eastern 11.34%	181,470 (3.09%)	87,438 (7.78%)	247,445 (2.47%)	72,045 (1.94%)
Southern 21.97%	3,232,738(55.17%)	222,049(19.76%)	1,897,469(19.00%)	221,706 (5.70%)
Northern 11.15%	150,284 (2.56%)	39,387 (3.50%)	960,703 (9.62%)	629,626(16.97%)
TOTAL	5,858,623	1,123,355	9,983,048	3,709,897

*Based on Table 5-8.

**Including preliminary figures on traditional farms.

Source: a. Compiled by the author from Statistical Yearbook, 15th issue (1979), Tables 11-1 to 11-36, pp. 455-472. b. Compiled by the author from Ministry of Agriculture and Water, Annual Bulletin of Current Agricultural Statistics, Sample Survey (1984/85), Tables 11-1 to 11-59, 4-114.

TABLE 5-12
REGIONAL DISTRIBUTION OF AGRICULTURAL SUBSIDIES
FROM 1975 TO 1986
AND AGRICULTURAL LOANS FROM 1975/76 TO 1985/86 BY SAAB

Region '85 pop.*	Amt. of Subsidies ^a		No. of Loans ^b		Value of Loans	
	000	%	No.	%	000	%
Central 24.02%	4,009,873.0	51.84	89,144	32.38	10,789,605.2	55.26
Western 31.50%	1,411,719.5	18.25	64,585	23.46	2,716,522.5	13.91
Eastern 11.34%	519,523.1	6.71	11,801	4.28	1,101,067.0	5.63
Southern 21.97%	1,100,038.6	14.22	69,747	25.33	2,330,905.2	11.93
Northern 11.15%	692,738.5	8.95	40,018	14.53	2,586,474.9	13.24
TOTAL	7,733,892.7		275,295		19,524,574.8	

*Based on Table 5-8.

Source: a. SAAB Special Report (1984) and SAAB Twenty-First and Twenty-Second Annual Reports (1985,1986), Table 14, p. 41, and Table 16, p. 48 respectively. b. SAAB Special Report (1984), Table 5, 37, and Statistical Year Book (1985/86), Table 10-15, 652.

the total cultivated area of land was about 5,858.6 thousand donums, and the total production of major crops, including cereal, vegetables, fruits, and dates, was about 1,123.3 tons, as Table 5-11 shows. In the lagging regions, the southern region had about 55 percent of the total cultivated land, but produced only 19.76 percent of the total production, and the northern region had the lowest area under cultivation (2.56 percent) and the lowest production, which was less than 40 thousand tons or 3.5 percent. On the other hand, among the growing regions the central region accounted for about 911 thousand donums, or 15.55 percent of the total cultivated area and produced more than 547 thousand tons (48.77), which was the highest share; the western region had about 23.6 percent of the land and produced about 20 percent of the total production; while the eastern region had about 3 percent of the cultivated land and produced 7.78 percent of the country's total production.

Nine years later the picture was a different one. The total area under cultivation increased to approximately 9,983 thousand donums, a difference of more than 4,124 thousand donums or a 70 percent increase. During the same period, total production also jumped to more than 3,709 thousand tons, with a difference of 2,586,542 tons, or a 230 percent increase. However, the impact of this phenomenal growth on the lagging regions, as the table

shows, was mixed. In the case of the southern region, which has been dominated by traditional agriculture, the impact was negative in real terms and in relation to other regions; the area under cultivation dropped from more than 3,232 thousand donums to about 1,897 thousand donums, which means a drop of 41.3 percent. In relation to other regions, this was a drop from 55 percent to 19 percent of the country's total cultivated land. Meanwhile, its production also dropped off more than 10 thousand tons, accounting for only 5.7 percent of the national production, as compared to 19.76 percent earlier.

The northern region has experienced a dramatic increase in both the size of the land under cultivation and the output. The cultivated land increased from just about 150 thousand donums to more than 960 thousand donums, a difference of more than 800 thousand donums as a result of the government distribution of fallow land following the discovery of deep ground water in some parts of the country. Consequently, its share increased from 2.5 percent to 9.6 percent. In the meantime, its output climbed from less than 40 thousand tons to more than 629 thousand tons, causing its share to jump from 3.5 percent to about 17 percent. Nonetheless, these figures cannot be taken at face value as far as we are concerned for one important reason--the fact that horizontal expansion of agriculture, which is manifested clearly in the northern

and central regions as the above table shows, has been technology and capital intensive, thus limiting the chance of the average citizen in those regions to benefit from such expansion. Although this point was discussed in the previous chapter, an additional quotation from the Fourth Development Plan further explains the situation:

The encouragement of large-scale mechanized agriculture was identified in the Third Plan [1980-1985] as a priority for investment in the Kingdom's efforts to induce structural change in the economy. The positive investment response from the private sector to a high level of government support exceeded even the high expectations of the Plan. . . . Many large-scale farms, utilizing the latest technology, machinery and equipment, were established. The output effect of this level of private investment and government support has been one of the Kingdom's major successes during the Third Plan period.⁴⁷

The plan went on to state: "In contrast to the manufacturing sector, agriculture's growth was due largely to high productivity growth rather than to high employment growth."⁴⁸

Thus not only ownership has been concentrated in the hands of a few influential and able people, but the impact of this expansion on rural areas in terms of creating new employment opportunities is very limited. The northern region in particular has two large joint-stock companies (HADCO and TADCO), as well as a third one (NADEC) that also continues to operate in the Ha'il area from the central region, and many other smaller companies.⁴⁹

With regard to the three growing regions, the central region has the lead in terms of land size and output; it has about 6,000 thousand donums under cultivation, or 60 percent of the total cultivated land, and produced about 2,278 thousand tons or 61.4 percent of the national production. The western region had about 877.7 thousand cultivated donums, or about 8.8 percent, and produced more than 518 thousand tons, representing about 14 percent. Finally, the eastern region, whose cultivated land increased by about 66 thousand donums, produced only about 72 thousand tons, which was about 15 thousand tons less than its production in the mid-1970's. Two things may explain the drop in the production of the eastern region. First, its major agricultural product used to be dates, a commodity that has recently lost its prominence as a result of the change in consumer tastes accompanying the improvement in the standard of living. In fact, the region's production of dates dropped from 53,674 tons in 1975/76 to less than 27 thousand tons in 1984/85. Second, the region has been increasingly dominated by oil production and related industries, including the newly established petrochemical complex in Jubail.

In short, the recent growth of the agricultural sector in the country seems to have had little favorable impact on the lagging regions. While the southern region has experienced a decline in the amount of land under

cultivation and output, the northern region has witnessed a phenomenal expansion, but because of built-in biases of the agricultural policy in favor of large technology and capital intensive farms, both in land distribution and subsidies, its impact on the average citizen is most likely to be minimal.

The Saudi Arabian Agricultural Bank (SAAB) has been established to further agricultural development in the country by providing interest-free loans to farmers and agricultural investors. Since the mid-1970's it has also been authorized to pay subsidies to its clients (see Chapter IV). Between 1975/76 and 1985/86, SAAB distributed 275,295 loans of about SR 19,524,574.8 thousand in value, as shown in Table 5-12. The central region accounted for more than SR 10,789 million (55.2 percent), followed by the western region which received about SR 2,716.5 million (13.9 percent). The eastern region had the lowest amount of loans, about SR 1,101 million or 5.6 percent. The northern region received about SR 2,586.4 million (13.2 percent), while the share of the southern region was less than 12 percent, or SR 2,330.9 million, despite the fact that it had, according to the last agricultural survey, 53.5 percent of the number of holdings in the country.⁵⁰ Of all the regions, the central received the highest average loan size, while the southern had the lowest.

As for the subsidies paid by SAAB, between the mid-1970's and 1986 it spent about SR 7,734 million, of which 51.8 percent went to the central region and 18.25 percent was accounted for by the western region. The eastern region received 6.7 percent while the remaining 23 percent went to the two lagging regions, of which the southern region had 14.2 percent and the northern region received 8.9 percent.

With regard to agricultural infrastructure, the government has engaged in building what are known as agricultural roads in addition to many dams throughout the country. These infrastructures are influenced by the topography of the region and, in the case of agricultural roads, they are also influenced by the availability of regular roads. In other words, areas that have regular roads are likely to be in need of fewer agricultural roads.

In 1977 there were, as shown in Table 5-13, about 13,307 kilometers of agricultural roads, of which 48.9 percent were in the southern region and about 7.8 percent were in the north. The central region had about 13.8 percent, and the western region had about 28.8 percent, while the eastern region had less than 1 percent. Between 1977 and December of 1987, more than 51,926.2 kilometers of roads were built, mostly in the southern and western regions (33.67 and 31.47 percent respectively) since they

TABLE 5-13
REGIONAL DISTRIBUTION OF AGRICULTURAL ROADS
1977, 1987

Region '85 pop.*	1977 ^a		Built Between 1977 and 12/87		Total in 1987 ^b		Length of Asphalted ^c		Percentage of Asphalted to Total
	km	%	km	%	km	%	km	%	
Central 24.02%	1,839	13.81	8,557.5	16.48	10,396.5	15.93	1,971.5	54.53	18.96
Western 31.50%	3,834	28.81	16,341.9	31.47	20,175.9	30.92	421.9	11.67	2.09
Eastern 11.34%	114	0.85	403.4	0.77	517.4	0.79	287.4	7.94	55.54
Southern 21.97%	6,510	48.92	17,486.0	33.67	23,996.0	36.78	385.0	10.64	1.60
Northern 11.15%	1,010	7.58	9,137.4	17.59	10,147.4	15.55	549.4	15.19	5.41
TOTAL	13,307		51,926.2		65,233.2		3,615.2		

*Based on Table 5-8.

Source: a. Statistical Year Book (1979), Table 8-5, 323-324. b. and c. Based on data obtained by the author from the Department of Budget and Planning, Ministry of Transportation, January 1988.

have many rural villages where regular roads are inadequate. The northern region had 17.6 percent, followed by the central region at 16.5 percent and the eastern region at less than 1 percent. Hence, as of December 1987, the total length of agricultural roads in the country was 65,233.2 kilometers, but only 3,615.2 kilometers were asphalted. Of the asphalted roads, 54.5 percent are in the central region, followed by the northern region with 15.2 percent. The western region has only 11.6 percent, and the southern region only 10.6 percent. Thus, the eastern region has the highest percentage of asphalted roads to total roads in the region (55.5 percent), followed by the central region at 18.96 percent, and the northern region at 5.4 percent. The regions with many rural villages, the western and southern regions, have only 2 and 1.6 percent of their agricultural roads asphalted respectively.

In 1977 there were 28 dams in the country, most of them in the central region, as Table 5-14 shows. Between that time and 1986, about 141 more dams were built, of which 60, or 42.55 percent, were in the southern region. The share of the central region was 41 dams (29.07 percent), and the western region accounted for 29 dams or 20.56 percent. The northern region acquired 9 dams and the eastern region had two. So, as of 1986, there were

TABLE 5-14
REGIONAL DISTRIBUTION OF DAMS
1977, 1986

Region '85 pop.*	1977	Built Between 1977-86	1986 Total
Central 24.02%	19	41	60
Western 31.50%	4	29	33
Eastern 11.34%	--	2	2
Southern 21.97%	3	60	63
Northern 11.15%	2	9	11
TOTAL	28	141	169

*Based on Table 5-8.

Source: Based on data obtained by the author from the Ministry of Agriculture and Water, January 1988.

169 dams, most of them in the southern and central regions (63 and 60 dams respectively).

Trade and Private Services Indicators

According to the 1976 survey, there were 77,304 private establishments in Saudi Arabia, employing more than 348 thousand workers, as shown in Table 5-15. Of these establishments, about 6 thousand were in the southern region (7.7 percent) and less than 4 thousand were in the north (4.7 percent). The employment of these establishments was very low since the share of the southern region was only 4.77 percent of the total workers and the share of the northern region was 3.7 percent. On the other hand, the central region had 29 percent of the establishments and 32 percent of workers, the western region had 41.4 percent of the establishments and 32.8 percent of workers, and the eastern region had 16.8 percent and 26.5 percent of establishments and workers respectively.

Five years later, the number of establishments grew to more than 133 thousand, and the number of workers almost tripled, reaching about 995 thousand. Although the share of the southern region in terms of the number of establishments increased slightly from 7.7 percent to 8.4 percent, its share of workers dropped by 1.4 percent. Similarly, the northern region's share of establishments increased by less than two percent, but its share of

TABLE 5-15
REGIONAL DISTRIBUTION OF PRIVATE ESTABLISHMENTS AND WORKERS
1976, 1981, 1986

Region '85 pop.*	1977		1981		1986	
	No. of Establishments %	No. of Workers %	No. of Establishments %	No. of Workers %	No. of Establishments %	No. of Establishments %
Central 24.02%	22,640 29.28	111,934 32.14	41,329 28.61	305,827 30.73	91,314 33.81	
Western 31.50%	32,015 41.41	114,302 32.82	57,822 40.03	326,735 32.83	95,238 35.27	
Eastern 11.34%	12,994 16.80	92,437 26.54	24,164 16.72	302,533 30.40	47,730 17.67	
Southern 21.97%	5,993 7.75	16,622 4.77	12,185 8.43	33,700 3.38	17,335 6.41	
Northern 11.15%	3,662 4.73	12,893 3.70	8,936 6.18	26,336 2.64	18,400 6.81	
TOTAL	77,304	348,188	144,436	995,131	270,017	

*Based on Table 5-8.

Source: Adapted from Ministry of Finance and National Economy, The Statistical Indicator, 11th issue (1986), Table 2-1, p. 37 and Table 2-8, p. 44, after subtracting the number of commercial companies (Table 5-16) for the determination of number of establishments in 1986. Therefore, the figure for 1986 is an approximation rather than exact.

workers dropped from 3.7 percent to 2.6 percent. The number of establishments continued to grow during the first half of the 1980's, reaching approximately 270 thousand in 1986, but as the table shows, while the northern region recorded less than one percent in its share, the share of the southern region dropped by about two percent. There are no data regarding the regional distribution of workers as of 1986, but based on the previous trend it is unlikely that the situation would be remarkably different in relative terms.

Table 5-16 shows the distribution of commercial companies. There are about 7 thousand main offices and more than 6.5 thousand branches throughout the Kingdom, but only 1.7 percent of the main offices are in the southern region and less than 1 percent are in the north. On the other hand, the central and western regions have an equal share of the main offices (34.4 percent), and the eastern region had 28.5 percent. Of the total main offices and branches, the two lagging regions account for only 4 percent, with 2.5 percent are in the south and 1.5 percent in the north. The highest share, of course, is 37.8 percent in the western region, followed by the central region at 30.5 percent and the eastern region at 27.5 percent.

Since the country's regions are not autonomous entities with separate jurisdictions, data on each

TABLE 5-16
REGIONAL DISTRIBUTION OF COMMERCIAL COMPANIES
DECEMBER 1987

Region '85 pop.*	Main Offices		Branches		Total	
	No.	%	No.	%	No.	%
Central 24.02%	2,420	34.38	1,763	26.38	4,183	30.48
Western 31.50%	2,426	34.47	2,771	41.46	5,197	37.87
Eastern 11.34%	2,009	28.54	1,772	26.51	3,781	27.55
Southern 21.97%	120	1.70	232	3.47	352	2.56
Northern 11.15%	63	0.89	144	2.15	207	1.50
TOTAL	7,038		6,682		13,720	

*Based on Table 5-8.

Source: Based on computer printout obtained by the author from the Department of Planning, Organization and Budget, Ministry of Commerce, January 1988.

region's exports and imports cannot be found. Therefore, the only data that can be found are the exports and imports handled at key seaports in the regions. There are seven key seaports in the country, three in the western region, three in the eastern region, and one in the southern region. As Table 5-17 shows, the southern seaport has a very low share of imports and a negligible proportion of exports. It is unlikely, however, that the low level of imports through the southern seaport might indicate that the region is self-sufficient or even perhaps exporting some surpluses to other regions because, as we just saw, the region does not have an industrial base and its food production is declining. Therefore, the only explanation is that the seaport itself is not well developed and the region is a depressed one; however, that does not mean that commodities imported through other seaports do not find their way to this region.

The modernization process has increased the demand for hotel services, a sector that in the past was insignificant. In 1977 there were only 82 hotels with more than 6 thousand rooms, as shown in Table 5-18. Only five hotels with 165 rooms were in the southern region, and three hotels with 108 rooms were in the northern region. More than half of the hotels and rooms in the country were in the western region, and the central region had about 20.7 percent of hotels and 23.8 percent of rooms, while

TABLE 5-17
REGIONAL DISTRIBUTION OF CARGO HANDLED AT KEY SEAPORTS
1986

Region '85 pop.*	Imports				Other Imports in Metric Tons		Exports in Metric Tons	
	Vehicles No.	%	Livestock No.	%	Amt.	%	Amt.	%
Central 24.02%	--		--		--		--	
Western 31.50%	113,469	73.21	3,911,097	78.15	17,181,052	63.39	17,220,262	61.81
Eastern 11.34%	32,224	20.79	1,079,555	21.57	9,192,765	33.91	10,637,535	38.18
Southern 21.97%	9,300	6.00	13,569	0.27	728,758	2.68	71	0.00
Northern 11.15%	--		--		--		--	
TOTAL	154,973		5,004,221		27,102,575		27,857,868	

*Based on Table 5-8.

Source: SAMA Annual Report (1986), Table 7-4, pp. 98-99.

TABLE 5-18
REGIONAL DISTRIBUTION OF HOTELS AND HOTEL ROOMS
1977, 1987

Region '85 pop.*	1977				1987			
	Hotels		Rooms		Hotels		Rooms	
	No.	%	No.	%	No.	%	No.	%
Central 24.02%	17	20.73	1,464	23.88	53	21.54	5,610	27.31
Western 31.50%	45	54.87	3,506	57.20	110	44.71	8,982	43.73
Eastern 11.34%	12	14.63	886	14.45	44	17.88	4,215	20.5
Southern 21.97%	5	6.09	165	2.69	24	9.75	1,267	6.16
Northern 11.15%	3	3.65	108	1.76	15	6.09	461	2.24
TOTAL	82		6,129		246		20,535	

*Based on Table 5-8.

Source: Based on data obtained by the author from the General Department of Hotels, Ministry of Commerce, January 1988.

the eastern region had about 14.5 percent of both hotels and rooms. Ten years later, there are 246 hotels with more than 20 thousand rooms. Although the share of the lagging regions increased from 9.74 percent to 15.84 percent of the number of hotels and from 4.45 percent to 8.4 percent of the number of rooms, it is obvious that these hotels are, in general, small, low level hotels as compared to those in other regions. In fact, 31 hotels out of the 39 hotels in the lagging regions are second and third grade hotels. However, the southern region has 9.7 percent of hotels and only 6.1 percent of rooms; similarly, the northern region has 6 percent of hotels and just 2.2 percent of rooms. In contrast, the western region has about 44 percent of both hotels and rooms, while the central region has 21.5 percent of hotels and 27.3 percent of rooms, and the eastern region has 17.9 percent of hotels and 20.5 percent of rooms.

There are eleven commercial banks in the Kingdom, all based in the central and western regions. These banks, as Table 5-19 shows, maintain about 626 branches spread throughout the country. About 21 percent of their branches are in the lagging regions, 12 percent in the south and 9 percent in the north. On the other hand, the western region maintains the highest share of branches (31 percent), followed by the central region with about 27.4 percent, and the eastern region with about 20.4 percent.

TABLE 5-19

**REGIONAL DISTRIBUTION OF COMMERCIAL BANKS AND NO. OF CITIES
 WITH CLEARINGHOUSE RETURNS OF COMMERCIAL AND PERSONAL CHECKS AND THEIR VALUE
 1986**

Region '85 pop.	Banks		No. of Cities with Clearinghouses	No. of Checks		Value in Millions	
	Head offices	Branches No. %		000	%	Amt.	%
Central 24.02%	5	171 27.44	2	1,356.3	37.97	110,984	33.96
Western 31.50%	6	194 31.13	3	1,080.9	30.26	156,217	47.8
Eastern 11.34%	-	127 20.38	1	1,085.9	30.40	56,774	17.37
Southern 21.97%	-	75 12.03	1	48.2	1.34	2,825	0.86
Northern 11.15%	-	56 8.98	0	0	0.0	0	0.0
TOTAL		623	7	3,571.3		326,800	

Note: There are three other branches whose regions the author could not identify.

*Based on Table 5-8.

Source: Compiled by the author from SAMA Annual Report (1986), Table 7 and 8(a), pp. 176-178.

The table also shows the number of cities with financial clearinghouses and their returns of commercial and personal checks and the value of these checks. It shows that in the lagging regions, only one city in the southern region (Abha) has a clearinghouse which, during the fiscal year 1985-86, had 48.2 thousand checks or 1.3 percent with a value of SR 2.825 million, which was less than one percent of the total value.

Public Service Indicators

The public services discussed in this section include education, health, electrification, and telephone service. In the case of education, Table 5-20 shows a comparison between regional distribution of elementary and secondary schools and students in 1977-78 and 1986-87. In 1977, there were 3,103 elementary schools attended by more than 460 thousand students. About 40 percent of schools were in the lagging regions, serving about 25.8 percent of all elementary students; the southern region had 32 percent of schools and about 20 percent of students, while the northern region had about 8 percent of schools and about 5.6 percent of students. Nine years later, the number of elementary schools increased by more than 1.4 thousand and the number of elementary students jumped by more than 310 thousand. About 42.6 percent of the total elementary schools and about 29.67 percent of elementary students in 1987 were in the lagging regions, with the southern region

TABLE 5-20

REGIONAL DISTRIBUTION OF ELEMENTARY AND SECONDARY PUBLIC SCHOOLS (MALE)
 PROVIDED BY THE MINISTRY OF EDUCATION, 1977/78 and 1986/87

Region '85 pop.*	Elementary				Secondary			
	1977/78		1986/87		1977/78		1986/87	
	Schools	Students	Schools	Students	Schools	Students	Schools	Students
Central 24.02%	746 (24.04%)	114,231 (24.82%)	1,098 (24.31%)	188,370 (24.43%)	46 (32.16%)	10,306 (29.59%)	126 (25.81%)	23,386 (24.47%)
Western 31.50%	866 (27.90%)	157,498 (34.23%)	1,137 (25.18%)	250,481 (32.49%)	37 (25.87%)	14,003 (40.21%)	120 (24.59%)	33,295 (34.84%)
Eastern 11.34%	251 (8.08%)	69,577 (15.12%)	354 (7.84%)	103,178 (13.38%)	24 (16.78%)	5,592 (16.05%)	58 (11.88%)	14,674 (15.35%)
Southern 21.97%	993 (32.00%)	92,924 (20.19%)	1,471 (32.58%)	166,115 (21.55%)	26 (18.18%)	3,502 (10.05%)	125 (25.61%)	16,555 (17.32%)
Northern 11.15%	247 (7.96%)	25,865 (5.62%)	455 (10.07%)	62,664 (8.12%)	10 (6.99%)	1,418 (4.07%)	59 (12.09%)	7,654 (8.00%)
TOTAL	3,103	460,095	4,515	770,808	143	34,821	488	95,564

*Based on Table 5-8.

Source: Compiled by the author from Statistical Year Book (1979), Table 2-10, p. 57 and Table 2-20, p. 66; and from Ministry of Education, Summary Statistics on Education Provided in Ministry of Education Schools (1986/87).

accounting for about 32.6 percent of all elementary schools and 21.5 percent of elementary students, and the northern region with about 10 percent of schools and 8.1 percent of elementary students.

Meanwhile, in 1977-78 there were about 143 secondary schools serving a total of 34,821 students in the country. About 25.17 percent of secondary schools and 14.12 percent of students were in the lagging regions; the southern region had about 18.2 percent of schools and 10 percent of students, and the northern region had about 7 percent of schools and 4 percent of students. In 1987, the number of secondary schools in the country rose to 488, and the number of students reached 95.5 thousand. The share of the lagging regions jumped to 37.7 percent of schools and 25.3 percent of students, compared to 25.17 percent of schools and 14.12 percent of students nine years earlier. The southern region had 25.6 percent of secondary schools and 17.3 percent of students, and the northern region had about 12 percent of schools and 8 percent of students. So, it appears from the above table that education in terms of number of schools and students in the lagging regions has improved remarkably, especially secondary education, of which the two regions had a low share in the mid-1970's.

Similarly, the government has made strong efforts to improve the health standards of the people by extending

health services throughout the country. Tables 5-21A and 5-21B present a comparison between the regional distribution of hospitals, hospital beds, and physicians in 1978 and 1986. In 1978 there were 67 public hospitals with more than 10 thousand beds, and there were more than 3 thousand public physicians. Although the lagging regions had about 24 percent of the public hospitals, these were small facilities, indicated by the fact that these regions had only 15 percent of hospital beds and 22 percent of public physicians. When we include private health facilities and physicians we find that their share was even lower; they had 23.6 percent of total hospitals, 14.4 percent of hospital beds, and 20 percent of physicians. The southern region had 14.6 percent of all hospitals, 10 percent of hospital beds, and 13.7 percent of total physicians, while the northern region had 9 percent of hospitals, 4.4 percent of hospital beds, and 6.4 percent of all physicians.

By 1986, the number of public hospitals and hospital beds had more than doubled and the number of public physicians more than tripled, as the table shows. The share of public health facilities and physicians in the lagging regions improved substantially; they had 38 percent of public hospitals, with about 27 percent of hospital beds and 28 percent of public physicians. But when we include private health facilities, we find that

TABLE 5-21A
REGIONAL DISTRIBUTION OF HOSPITALS, HOSPITAL BEDS, AND PHYSICIANS
1978

Region	Public						Public and Private					
	Hospitals		Beds		Physicians		Hospitals		Beds		Physicians	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Central	19	28.35	2,454	23.56	953	29.66	21	23.59	2,559	21.79	978	27.48
Western	25	37.31	5,687	54.61	1,238	38.54	33	37.07	6,068	51.68	1,341	37.68
Eastern	7	10.44	710	6.81	314	9.77	14	15.73	1,417	12.06	514	14.44
Southern	12	17.91	1,173	11.26	497	15.47	13	14.60	1,182	10.06	498	13.74
Northern	4	5.97	388	3.72	210	6.53	8	8.98	514	4.37	227	6.37
TOTAL	67		10,412		3,212		89		11,740		3,558	

Source: Compiled by the author from Statistical Year Book (1979), Tables 3-3, 3-5, and 3-39, pp. 116-117 and 145; and Statistical Year Book (1986), Table 3-4, p. 143, Table 3-7, p. 146, Table 3-55, p. 189, Table 3-58, p. 192, and Table 13-60, p. 193.

TABLE 5-21B
REGIONAL DISTRIBUTION OF HOSPITALS, HOSPITAL BEDS, AND PHYSICIANS
1986

Region '85 pop.*	Public				Public and Private							
	Hospitals No.	Hospitals %	Beds No.	Beds %	Physicians No.	Physicians %	Hospitals No.	Hospitals %	Beds No.	Beds %	Physicians No.	Physicians %
Central 24.02%	34	24.11	6,462	27.08	2,776	26.96	39	7.144	7,144	25.21	3,442	25.95
Western 31.50%	41	29.07	8,902	37.30	3,459	33.59	65	35.91	11,180	39.45	4,586	34.56
Eastern 11.34%	12	8.51	2,007	8.41	1,164	11.30	20	11.04	3,483	12.29	2,058	15.51
Southern 21.97%	31	21.98	4,025	16.86	2,074	20.14	31	17.12	4,025	14.20	2,274	17.14
Northern 11.15%	23	16.31	2,466	10.33	822	7.98	26	14.36	2,504	8.83	902	6.80
TOTAL	141		23,862		10,295		181		28,336		13,262	

Note: In Saudi Arabia, private companies and businesses, by law, provide health services for their workers through private hospitals. We do not have exact data on the regional distribution of expatriate workers, but they are skewed toward the three prosperous regions, which may have an impact on the per capita of total health services.

*Based on Table 5-8.

Source: Compiled by the author from Statistical Year Book (1979), Tables 3-3, 3-5, and 3-39, pp. 116-117 and 145; and Statistical Year Book (1986), Table 3-4, p. 143, Table 3-7, p. 146, Table 3-55, p. 189, Table 3-58, p. 192, and Table 13-60, p. 193.

the share of the lagging regions in total health facilities and physicians increased to only 31.5 percent of hospitals, 23 percent of hospital beds, and about 24 percent of physicians. The southern region had 17 percent of hospitals, 14.2 percent of hospital beds, and 17 percent of physicians, while the northern region had 14.3 percent of hospitals, 8.8 percent of hospital beds, and 6.8 percent of physicians. In sum, the number of public health facilities has improved in the lagging regions, along with the number of physicians in private dispensaries, but private hospitals and beds have sharply declined.

Electrification in Saudi Arabia has also improved during the last decade. The number of subscribers for the service, as indicated in Table 5-22, rose from about 403 thousand subscribers in 1976 to more than 1,895 thousand subscribers in 1986. In the mid-1970's, the number of subscribers in the lagging regions was less than 29 thousand, or about 7 percent of total subscribers in the country. The southern region had only 3 percent and the northern region had 4 percent. The average amount of energy sold per subscriber was also very low in the lagging regions, about 2,159 KWH in the southern region and 3,774 KWH in the northern region. A decade later the subscribers in the lagging regions represented 14.7 percent of the total; the southern region had 9.8 percent

TABLE 5-22
REGIONAL DISTRIBUTION OF ELECTRICITY SUBSCRIBERS
AND SUBSCRIBER'S AVERAGE SHARE IN TOTAL ENERGY SOLD
1976 AND 1986

Region '85 pop.*	1976			1986		
	Subscribers No.	Subscribers %	Subscriber Average Share in Total Energy Sold (KWH)	Subscribers No.	Subscribers %	Subscriber Average Share in Total Energy Sold (KWH)
Central 24.02%	121,096	30.02	5,518	533,002	28.11	20,916
Western 31.50%	174,130	43.17	5,987	779,863	41.13	15,731
Eastern 11.34%	79,288	19.66	44,455	302,263	15.94	69,928
Southern 21.97%	12,308	3.05	2,159	186,716	9.84	10,216
Northern 11.15%	16,453	4.07	3,774	93,946	4.95	10,886
TOTAL	403,275			1,895,790		

*Based on Table 5-8.

Source: Statistical Year Book (1986), Tables 7-2, 7-3, 7-4, 7-5, and 7-6, pp. 441-443.

and the northern region had 4.9 percent. The average amount of energy sold per subscriber increased to 10,216 KWH for the southern region and 10,866 KWH for the northern region. Despite this improvement, the share of the lagging regions still does not approximate their percentage of the total population; they also remain the lowest in terms of average consumption of energy among the five regions. The eastern region has the highest consumption because of the high energy consumption of oil and petrochemical industries in that region.

Until very recently, telephone service was very limited in the Kingdom. In fact, as late as 1979 there were only 222.6 thousand telephone lines in operation, of which only 7.6 percent were in the two lagging regions, as Table 5-23 shows. The southern region had 4.9 percent of total lines and the northern region had about 2.7 percent. On the other hand, almost half the total lines (48 percent) were in the western region, and 31 percent were in the central region. In 1987, the number of telephone lines in operation jumped to more than a million, and the share of the lagging regions rose to 12.5 percent. The southern region accounted for only 5.5 percent, which is almost the same as its share eight years earlier, while the northern region had about 7 percent, gaining more than 4 percent as compared to its share in 1979. The western

TABLE 5-23
REGIONAL DISTRIBUTION OF TELEPHONE LINES
IN OPERATION 1979, 1987

Region '85 pop.*	1979 ^a		1987 ^b	
	No.	%	No.	%
Central 24.02%	68,970	30.97	342,700	31.90
Western 31.50%	107,070	48.09	405,500	37.75
Eastern 11.34%	29,690	13.33	191,300	17.81
Southern 21.97%	10,955	4.92	59,600	5.54
Northern 11.15%	5,955	2.67	74,900	6.97
TOTAL	222,640		1,074,000	

*Based on Table 5-8.

Source: a. Statistical Year Book (1982), Table 8-32, pp. 348-350. b. Ministry of Post, Telephone and Telegraph, Performance Results, no. 109 (December 1987), 5.

region has maintained the highest share at 37.7 percent, followed by the central region at 32 percent.

It is interesting to note that the two lagging regions show disproportionate increases in electricity and telephone service. While the southern region gained more than 6 percent in electrical service, the northern region gained less than 1 percent; the opposite occurred with regard to telephone service, with the northern region gaining about 4.3 percent and the southern region less than 1 percent. From these results, it may be possible to argue that any increases in these services in the lagging regions have been determined largely by uncoordinated and arbitrary policies and programs by public agencies rather than by the conditions or specific needs of the regions. In short, one would normally expect some kind of correlation between the two services due to the similarities between them.

Other Indicators

There are several other indicators that, while they are not strictly economic indicators, can shed some light on the socio-economic conditions of the regions. These are civil service employment and social assistance provided by the government to needy persons and families.

The civil service in Saudi Arabia is an important resource for employment in the nation. In addition to the

top three levels, Super-Grade, Vice-Minister, and Minister, there are fifteen grades. Table 5-24 shows the regional distribution of 87.65 percent of civil service employees from Grade 1 to Grade 15 registered by the computer of the Bureau of Civil Service (BCS). The remaining 12.35 percent are those who are working abroad or in undetermined locations within the country. The table does not include health personnel, teachers, employees of Saudia Airlines, and civil servants working for the Secret Police and the General Intelligence Agency. On this table the author has classified civil service employees into four groups: the first group (Grades 1 to 6) is composed of the low level employees such as clerks and the like, the second group (Grades 7 to 9) consists of first line supervisors and so forth, the third group (Grades 10 to 12) includes middle management level and the like, while the fourth group (Grade 13 to 15) is considered the top level for civil servants.

It appears from the table that the central region, which is the location of the ministries and other central agencies, accounts for 43.37 percent of the total employment; this share, of course, also includes agencies that are concerned with serving the central region itself. The two lagging regions have only 17 percent of the total employment; the southern region has about 10.5 percent and the northern region has 6.67 percent. It is also

TABLE 5-24
REGIONAL DISTRIBUTION OF CIVIL SERVICE EMPLOYEES
FEBRUARY 1988

Region '85 pop.*	Grades 1-6		Grades 7-9		Grades 10-12		Grades 13-15		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Central 24.02%	36,047	39.22	14,262	52.12	3,052	68.44	631	82.05	53,992	43.37
Western 31.50%	26,492	28.83	7,011	25.62	763	17.11	85	11.05	34,351	27.59
Eastern 11.34%	11,381	12.38	2,989	10.92	385	8.63	38	4.94	14,793	11.88
Southern 21.97%	10,988	11.95	1,886	6.89	168	3.76	7	0.91	13,049	10.48
Northern 11.15%	6,989	7.60	1,215	4.44	91	2.04	8	1.04	8,303	6.67
TOTAL	91,897		27,363		4,459		769		124,488	

*Based on Table 5-8.

Source: Based on a computer printout obtained by the author from the General Bureau of Civil Service, February 1988.

important to note that 82 percent of top civil servants are in the central region, while the two lagging regions account only for less than 2 percent of that group. On the other hand, while the low level group (Grades 1 to 6) represents 73.81 percent of total civil servants in the country, it represents 84.2 percent of total civil servants in both the southern and northern regions. Meanwhile, this group represents 76.9 percent of the eastern employment, 77 percent of the western civil servants, and 66.7 percent of civil servants in the central region. In short, not only do the lagging regions have a low share of public employment, but also their share has a higher percentage of low level jobs as compared to other regions, even if we exclude the central region from our comparison because it is the location of the central bureaucracy. This indicates at least two important things; first, the two lagging regions do not have high level institutions that may assume responsibility for developing the regions; second, the regions have fewer well-paying jobs, a circumstance that will continue to force aspiring and talented young people to leave these regions, thus further draining them of another valuable resource.

Table 5-25 shows the regional distribution of government assistance through the Ministry of Labor and Social Affairs in 1985/86, including social security for

TABLE 5-25
REGIONAL DISTRIBUTION OF SOCIAL ASSISTANCE
BY MINISTRY OF LABOR AND SOCIAL AFFAIRS
1985/86

Region '85 pop.*	Recipients		Assistance	
	No.	%	Amt.**	%
Central 24.02%	175,796	20.06	300,267	19.86
Western 31.50%	221,096	25.23	380,201	25.13
Eastern 11.34%	81,839	9.34	138,502	9.16
Southern 21.97%	274,167	31.29	476,862	31.55
Northern 11.15%	123,299	14.07	215,420	14.25
TOTAL	876,197		1,511,252	

*Based on Table 5-8.

**Amount in SR 000.

Source: Compiled by the author from Statistical Year Book (1986), Table 4-34, pp. 261-263, and Table 4-37, pp. 266-270.

the elderly, disabled, orphans, and other needy citizens. Among the 876,197 persons who received assistance in that fiscal year, 45.36 percent were in the lagging regions; 31.29 percent in the southern region and 14.07 percent in the northern region. This indicates the low level of the socioeconomic conditions of these regions compared to the other regions.

The preceding tables indicate clearly that while there have been minor improvements in some aspects of the share of the lagging regions in relation to other regions. However, this improvement has been from a very low base and has sometimes been an improvement of only one or two percent; therefore, wide disparities still exist among the regions. In fact, both of the lagging regions continue to have low levels of industry and commercial activities, and in the southern region the main economic sector, agriculture, is declining. Agriculture in the northern region has boomed, but its impact on the population of the region is likely to be limited since the bulk of it has been characterized by a limited number of large-scale commercial farms. Among public service indicators, those of public health and education are better than others.

SUMMARY

This chapter has attempted to answer the research question posed in Chapter I: What has the role of the Saudi bureaucracy been in dealing with the issue of regional disparity? In the first part of this chapter, a policy cycle analysis was used to examine the way the issue of regional disparity has been dealt with. The policy cycle includes issues and agenda building, policy and program formulation, policy form and content, policy implementation, policy impacts and evaluation, and policy revision or termination. It was found that the issue of regional imbalance came on the national agenda not because of organized political pressure or foreign interference, but because its significance could not be ignored.

Policy formulation has been limited to the top central institutions with little input from regional institutions or affected people because of the lack of the necessary mechanisms for such participation. As for the policy content, there have been two policy initiatives: the Development Services Centers and the By-Law for Village Development. According to these initiatives, the issue of regional imbalance has been simplified to an issue of provision of services, which the bureaucracy has been trying to improve. Thus, there have been no explicit economic policies to tackle the issue of regional

imbalance by addressing the problems at the base of the regional economies.

With regard to policy implementation, though the DSC initiative has appeared in the Third and Fourth Plans, it has not been put into action. On the other hand, the implementation of the By-Law for Village Development has been underway and has included the formation of provincial and local committees to advise the central bureaucracy through MOMRA on how to serve the villages, and the extension of municipal services to the rural areas.

It is argued that the reduction of the issue of regional development to service provision by the bureaucracy is predictable given the nature of the bureaucracy and the way it operates--by emphasizing universal rules and routine procedures. Thus it has redefined and simplified the issue in order to fit its way of functioning.

The second part of this chapter deals with the question of evaluation from a macro-perspective, without reference to one issue or another since one of the policy initiatives has remained only on paper and the implementation of the other is incomplete. Therefore, a comparative description of the conditions of the regions in the mid-1980's is provided in order to assess the differences across regions a decade after the issue was formally recognized. It is found that wide disparity among the

regions still exists. With the exception of agriculture in the northern region, economic activities and opportunities are very limited in the two lagging regions as compared to other regions. However, public health and education have improved in the lagging regions, as have, to a certain extent, electricity in the south and telephone service in the north. The two lagging regions have a low share of civil service employment, and their share has a higher percentage of low level jobs. Meanwhile, the two regions receive more than the average of government social assistance.

NOTES

- ¹AL-Riyadh Newspaper, 23 December 1987, 13.
- ²Ministry of Planning, The First Development Plan (Riyadh, 1970), 178.
- ³Ibid.
- ⁴Ministry of Planning, The Second Development Plan (Riyadh, 1975), 58.
- ⁵Ibid.
- ⁶Ibid., 123.
- ⁷Ibid., 115.
- ⁸Ministry of Planning, The Third Development Plan. (Riyadh, 1980), 59.
- ⁹Ibid., 61.
- ¹⁰Thomas B. Smith, "Evaluating Development Policies and Programs in the Third World," Public Administration and Development 5, no. 2 (1985): 129-144.
- ¹¹The Second Development Plan, 58.
- ¹²Smith, 132.
- ¹³Ibid., 132.
- ¹⁴Merilee S. Grindle, ed., Politics and Policy Implementation in the Third World (Princeton, N.J.: Princeton University Press, 1980), 17.
- ¹⁵The Third Development Plan, 59.
- ¹⁶Ministry of Municipal and Rural Affairs (MOMRA), By-Law for Developing the Kingdom's Villages and its Internal By-Laws (Riyadh: AL-Esha'a Press, undated), 12.
- ¹⁷Ibid.
- ¹⁸The Third Development Plan, 59.

- 19 Ibid., 108.
- 20 Ministry of Planning, The Fourth Development Plan (Riyadh, 1985), 422.
- 21 The Third Development Plan, 107.
- 22 Ibid., 108.
- 23 Ibid., 109.
- 24 Ibid., 109.
- 25 Mohammed S. BaJenaid, "Development Strategy and its Relation to Regional Development," paper delivered at The Symposium on Regional and Rural Development Strategies and Programs in Saudi Arabia (Riyadh: King Saud University, April 11-15, 1987).
- 26 Abdullah A. AL-Ibrahim, "Regional and Urban Development in Saudi Arabia" (Ph.D. diss., University of Colorado, 1982), 329.
- 27 The Third Development Plan, 59.
- 28 MOMRA By-Law for Developing the Kingdom's Villages, 15.
- 29 The Third Development Plan, xxxv.
- 30 The Fourth Development Plan, 423.
- 31 An interview with Mr. Mohammed BaJenaid, January 1988.
- 32 Tariq A. Fada'q, "Challenges of Development Centers in the Kingdom of Saudi Arabia," paper delivered at The Symposium on Regional and Rural Development Strategies and Programs in Saudi Arabia (Riyadh: King Saud University, April 11-15, 1987).
- 33 BaJenaid interview.
- 34 MOMRA By-Law for Developing the Kingdom's Villages, 25.
- 35 AL-Riyadh Newspaper, 14 July 1988, 2.

³⁶Sulaiman H. AL-Mosalam, "Municipal Services Programs for Villages and Their Role in Achieving Rural Development," paper presented at The Symposium on Regional and Rural Development Strategies and Programs in Saudi Arabia (Riyadh: King Saud University, April 11-15, 1987), Table 3, 14-16.

³⁷Ibid.

³⁸An interview with the General Director of Rural Affairs at MOMRA, January 1988.

³⁹Telephone interview with the Deputy Minister of MOMRA for Town Planning, June 26, 1988.

⁴⁰MOMRA, Deputy Ministry for Town Planning, Hail Regional Plan for Comprehensive Development, Technical Report #3 (Riyadh, February 1984); and MOMRA Municipalities Journal, no. 2 (Riyadh, 1985): 32-44.

⁴¹Telephone interview with Deputy Minister of MOMRA for Town Planning.

⁴²Ibid.

⁴³Interview with the Assistant Deputy Minister for National Planning, January 1988.

⁴⁴Ministry of Industry and Electricity, Industrial Statistical Report (Riyadh, 1985), Table 2, 16.

⁴⁵Ministry of Industry and Electricity, Industrial Cities (Riyadh, undated), 35-37; and SAMA Annual Report (1986), 119.

⁴⁶Ibid.

⁴⁷The Fourth Development Plan, 180.

⁴⁸Ibid.

⁴⁹See for example Ministry of Agriculture and Water, Agricultural Development in the Kingdom of Saudi Arabia 1975-1984 (Riyadh, undated), 20, 30.

⁵⁰Ministry of Agriculture and Water, The Comprehensive Agricultural Survey 1981/82 (Riyadh, undated), Table 13-1, 33.

CHAPTER VI

CONCLUSION: SUMMARY AND RECOMMENDATIONS

Saudi Arabia has five major planning regions: the central, the western, the eastern, the southern, and the northern. Studies sponsored by the Ministry of Planning, conducted in the early 1970's, indicated that there were socio-economic disparities among these five regions. The southern and northern regions, according to the studies, were lagging behind the other three regions, and rural areas in general were characterized by low productivity and income, and outward migration.

The purpose of our study has been to examine the role of the Saudi bureaucracy in dealing with the issue of regional disparity after it was formally recognized in the mid-1970's. First, the study analyzes the policies that have been initiated to tackle the problem by using a policy cycle composed of issue and agenda building, policy and program formulation, policy form and content, and policy and program implementation. An interregional comparison of economic and social conditions was also provided to assess the status of the lagging regions as of the mid-1980's, about a decade after the issue was

recognized. In order to highlight the context of this issue, the study also included two chapters describing the institutional setting of the country and the experience of its national planning for development.

Until recently, areal administration had not been given adequate attention by scholars in the field of public administration, although, as Heaphey noted, there were some intellectual debates, on the question of centralization versus decentralization.¹ As James Fesler put it:

We appear to have neither a term that embraces the full continuum between the two poles nor a term that specifies the middle range where centralizing and decentralizing tendencies are substantially in balance.²

In the field of development and development administration, emphasis was placed on national development and central planning and administration. It was during the 1970's that a major shift in the meaning, scope, and strategies of development occurred, showing more sensitivity to the regional and rural dimensions of development and administration. This shift was the result of the poor record of earlier development strategies that had focused solely on economic growth with a strong belief in the "trickle down" proposition. In the words of Adelman and Morris:

The record of economic intervention in underdeveloped countries, good as it is in terms of economic growth, has been dismal in terms of

social justice. Indeed, economic growth, whether planned or unplanned, has only made things worse.³

Nowadays, there is a growing concern in Third World countries on how to spread growth and development (at least in countries that have achieved some prosperity) throughout the national space rather than concentrate it in a few urban enclaves. In fact, this challenge is not limited to developing countries alone--developed countries have had to face it as well. But in developing countries the issue of regional imbalance is usually critically wide, and it is further complicated by the fact that these countries are not often well equipped to deal with such a complex issue. Not only are they usually facing economic difficulties, but their political and administrative institutions are often lacking in many respects.

Although classical and neo-classical economists consider regional disparity only a temporary disequilibrium in the economy that the "invisible hand" of the market forces will correct on its own, the experience of both developed and developing countries indicates that economic policies are essential for the improvement of the lagging regions. Writers like Myrdal, Hirshman, Friedman, and many others have argued that growth does not take place evenly, but rather occurs in a few growth points that usually prosper at the expense of the rest of the country.⁴ They also add that market forces, if left

alone, tend to reinforce the concentration of development in the growth centers by attracting capital and labor from the backward regions in a search for high return on investment, employment opportunities, and better living standards. These writers and many others have convincingly argued that state intervention in the process of regional development is not only predictable but necessary in order to facilitate the spread of growth from core regions to the hinterland.

The rationale for regional policies is threefold: economic, political, and social. Economically, regional policies are essential for better resource allocation, since private decision makers, motivated by private gains, very often do not take into consideration the external economies and diseconomies of the location decisions they make. Regional policies are also essential for the full utilization of human and natural resources in the lagging areas, which will benefit both the underdeveloped regions themselves and the country as a whole. Politically, the argument for regional policies stresses the importance of national cohesion and political stability, which might be threatened by political tensions resulting from inequality of economic opportunities as economic gaps between regions widen. And socially, backward regions usually have poor social conditions, including poverty and a low standard of living because of low income and unemployment. Therefore,

regional policies are essential to help improve the conditions of the population of the lagging regions.

Many developed and developing countries, regardless of their political ideologies, have adopted some sort of regional policy to deal with their spatial economies. These policies include the transfer of capital and technology to the lagging regions, promotion of modern industries in peripheral areas, transfer of public investment to the depressed areas, and many other policies that have been formulated depending on the nature and scope of the issue and the conditions and resources of the regions in question.

SUMMARY OF THE FINDINGS: A CASE OF DEVELOPMENT BY BUREAUCRACY

Development in Saudi Arabia can best be described as development by bureaucracy, since there has been no political institution in the country other than the state bureaucracy, and the private sector is very small, operating in the shadow of the public sector. In fact, Saudi Arabia has been labeled a bureaucratic-prominent political regime where the state bureaucracy enjoys a monopoly over both the policy-making process and policy implementation. The Saudi bureaucracy has sprouted into specialized institutions responsible for planning and administering development programs that have increased

significantly since the beginning of the five-year development planning in 1970. It is characterized by centralized, powerful ministries and agencies, and generally weak regional institutions, especially in the two lagging regions.

The issue of regional disparity was formally recognized at the beginning of the Second Development Plan (1975-1980) as a result of regional socio-economic studies sponsored by the Ministry of Planning. The issue came on the national agenda because of its significance, which cannot be easily ignored, and its importance not just for the lagging areas but for the country as a whole. There is no evidence that it came on the agenda because of organized political pressure since there are no formal mechanisms to channel such pressure; neither did it come about because of foreign influence since Saudi Arabia does not receive foreign aid that may have some strings attached to it, as is the case in many developing countries.

The policy formulation process has been limited to the top central institutions with little input from regional institutions or affected people. After the issue was brought before the Council of Ministers, a select committee of the council was formed to look into it. Two ministries then became directly involved, with some overlapping between them. The Ministry of Planning (MOP)

assumed the responsibility of incorporating comprehensive regional planning into the five-year development plans, for which it proposed the Development Services Centers; and the Ministry of Municipal and Rural Affairs (MOMRA) was assigned the responsibility of village development, for which it sponsored the By-Law of Village Development.

As to policy content, while the overall goal of the planning strategy stresses balanced development, economic diversification of the regions, and elimination of regional disparities, the two policy initiatives designed by the ministries do not match that goal. The Development Services Centers initiative proposed by MOP calls for the designation of certain towns throughout the country as national, regional, and local centers where each class of center has certain services to provide. The initiative sponsored by MOMRA calls for the formation of provincial and local committees that will advise the central bureaucracy, through MOMRA, on how to provide services to the villages and coordinate these services in their communities. It also calls for the extension of municipal services to rural areas. Thus, the bureaucracy sees service provision as the solution to regional disparity; in other words, the issue of regional imbalance, with its socio-economic dimensions, is reduced to an issue of servicing.

However, with regard to policy implementation, despite the fact that the MOP's initiative appeared in the Third and Fourth Development Plans in 1980 and 1985, it remains, to date, a proposal. Both development plans give the impression that the initiative is being implemented, given the fact that the plans were approved by resolutions of the Council of Ministers, but in reality nothing has been done. On the other hand, the implementation of MOMRA's initiative has been underway.

The comparative description of the current conditions of the regions showed that although there have been some improvements in some public services, wide disparities still exist among the regions. The two lagging regions have a very low base of industry and commercial activities compared as to the other three regions. In the southern region, agriculture, which is the main economic sector there, is declining in real terms and in comparison to other regions. There has been a significant improvement in agriculture in the northern region, but the impact of this improvement on the average citizen is expected to be minimal because the agricultural boom in the country has been characterized by large-scale, capital and technology intensive commercial farms, which greatly limits the number of beneficiaries in terms of both ownership and labor. The lagging regions also have a lower share of civil service employment, and their share

has a higher percentage of low level jobs. At the same time, the two lagging regions receive almost half the social assistance provided by the government, which indicates their low living standards.

In short, the state bureaucracy has not been able to deal with the issue of regional disparity in an effective way. Such an outcome is predictable because bureaucracy as a complex organization has the tendency to centralize and routinize its practices, which is exactly what has happened in this case. While centralization and routinization may be appropriate in the provision of some types of public services, it is inappropriate for dealing with regional development in an economic sense. Regional development requires a policy-making process and administrative methods that appreciate the uniqueness of each region and its sub-level areas; it cannot be dealt with through the kind of universal policies that bureaucracy is accustomed to. So, despite the complexity of the issue, the state bureaucracy redefined and simplified it in order to fit its way of functioning. Therefore, the issue of regional disparity was reduced to mean service provision only, an outcome that leaves the core of the issue untouched.

Our findings certainly have important implications for the practice of public administration and for Public Administration as a field of study. A major reason is

that development planners and administrators have fixated upon comprehensive national planning managed through central, top-down decision making processes. As indicated throughout this study, this kind of planning has become increasingly ineffective and less relevant as development policies shifted to address sub-national issues and priorities. Consequently, many managerial procedures and practices, as well as the elitist attitude that is largely held by central bureaucrats, are becoming detrimental to the achievement of development goals and objectives.

One of the challenges now facing public administrators, especially in developing countries, is to appreciate the complexity of their reality; they must be able to cultivate a flexible and innovative attitude that allows for more effective interaction in administrative processes instead of relying on universal and rigid rules and regulations. As Rondinelli argued, effective development administrators will be those

...who can facilitate rather than control the interaction of those individuals and groups who have the bits of knowledge and resources needed to change undesirable conditions, and the experience and judgement to define what the undesirable conditions are.⁵

Public participation in development planning and administration is both legitimate and indispensable for the success of development policies and programs; therefore, development planners and administrators should facilitate it at all levels of public institutions,

possibly with heavier input from agency-level clients. Likewise, the spatial aspect of decision making and administration is very important for developmentalists; they cannot afford to discard it if the new developmental policies are to succeed.

Public Administration as a field of study has wrestled with the subject of development and development administration, but unfortunately the spatial dimension of policy making and administration has been mostly neglected. While the knowledge that students of Public Administration acquire in traditional topics like budgeting, organizing, staffing, policy analysis, supervision, coordination, and so forth, is very important, the incorporation of regionalism in the field will increase its scope and utility. The field of Public Administration must respond to the new opportunities and challenges brought about by the new focus and priorities of development strategies, otherwise, as Esman argued, "other more alert professions will occupy the field of development administration under other names."⁶

RECOMMENDATIONS

Although this study has discussed regional economic conditions and provided comparative economic data on the regions, it has not proposed specific economic policies that should be adopted to deal with the issue of regional

disparity. The search for appropriate regional policies is very important, but we argue that the current centralized bureaucratic institution, by its nature, is incapable of making such a search. As suggested in the previous chapter, the central bureaucracy has not been able to deal effectively with regional issues, partly because of its remoteness; therefore, for us to argue in favor of specific economic policies would be a clear self-contradiction, despite the fact that, theoretically, there are many economic policies that can be suggested.

Instead, the great emphasis of this study has been, from the start, on the institutional arrangements that can or cannot enable the country to deal with the issue by producing remedial policies. In other words, our focus has been on the institutions that formulate the policies, directly or indirectly, rather than on the policies themselves.

However, some administrative specialists, upon hearing our conclusion that the Saudi bureaucracy has been unable to deal effectively with the issue of regional imbalance, might advise that the logical thing to do would be to reform the Saudi bureaucracy. In fact, previous commentators on regional administration in Saudi Arabia have gone in that direction, suggesting various ideas such as reorganization, training of personnel, improving coordination, and so forth.⁷ Although administrative

reform is very important, and indeed there are many shortcomings in the Saudi bureaucracy that need to be improved as we will see later, we sincerely believe that political reform as it relates to the conduct of the bureaucracy and policy making is indispensable if regional imbalance is to be effectively encountered. However, if we adopt Montgomery's definition of administrative reform as "a political process designed to adjust the relationships between a bureaucracy and other elements in a society, or within the bureaucracy itself,"⁸ then our recommendations might be seen as an administrative reform.

As we saw in Chapter III and Table 5-24, regional administration in Saudi Arabia is weak and poorly organized, especially in the lagging regions. The southern region, which has about 22 percent of the population, is divided into four provinces; similarly, the northern region, with about 11 percent of the population, is divided into five provinces, creating very small administrative entities. Meanwhile, there is incongruence between the provincial directorates of the central ministries and agencies in terms of number and organizational level. The demarcation of the provinces was, as Saleh noted,⁹ influenced by historical, geographical, and social factors, and also, in our view, by security considerations, especially with regard to border provinces. Some of these factors and considerations are

probably outdated and less significant in the light of the changes that have taken place in the country and the improvements of infrastructures and communication facilities.

We therefore recommend that the provinces be redefined by combining two or more together wherever possible in order to create provinces that will justify the establishment of relatively high-level institutions in these provinces. After doing this, as has been recommended by previous commentators, the number of provinces should be the standard for central ministries and agencies in the distribution of their regional general directorates. For example, the general directorates of health or agriculture in one province should not also be in charge of health or agricultural affairs in another province. At the same time, the capacity of provincial directorates should be enhanced, not only in jurisdiction but also technically. In other words, these institutions should not be merely a liaison between the provinces and the central bureaucracy, but rather should be involved in policy analysis, evaluation, and formulation under the supervision of the provincial governor and a provincial council, when such a council comes into existence, and in coordination and consultation with the central ministries and agencies.

While this recommendation suggests more decentralization in favor of empowering the provincial institutions, total delinking is neither possible, as AL-Hamdan noted,¹⁰ nor advisable. To be sure, total delinking might aggravate inequality among the regions rather than reduce it. By the same token, there should be a province-based planning institution with the technical capacity not merely to collect data based on the direction of the central planning ministry but with the ability to evaluate the province's socio-economic and demographic conditions, and analyze different strategies and policies. Again, this would occur under the direction of the provincial governor and the provincial council with coordination and consultation with the central ministry of planning to ensure congruence between provincial and national plans.¹¹ It should be understood here that in such coordination the provincial planning institutions would not always be the ones making the compromises and adjustments--sometimes the national policies should be altered and adjusted to fit provincial strategies and priorities. Current regional planning is grossly inadequate and the central Ministry of Planning is very remote from the provincial and local conditions and issues; its snapshot survey every five years will not keep it adequately informed and will not detect the changes, either for better or worse, in the regions.

However, such administrative reform, if implemented, still would not be sufficient to cope with the challenge of regional disparity. Political reform that ensures participation and oversight at the provincial level and, most important, at the national level is essential if the issue of regional disparity or any other complex issue is to be properly dealt with. In other words, the development of legislative institutions is a necessary prerequisite for dealing with such important and complex issues. We should, however, point out that the development of legislative institutions does not necessarily guarantee the solution of the issue of regional inequality, but it certainly has an advantage over total reliance on the administrative system to do the job.

The role of a legislature in development is very important, even when it is not at the power center, which is often the case in Third World countries.¹² Even if policy making is dominated by the executive branch, a legislature can reduce the ignorance of the bureaucracy and enrich the policy making process, not only by better articulating the needs of the people but also by injecting their values into the process--values that might otherwise be ignored or misunderstood by the central planners. Central bureaucracies usually have a passionate love for huge and extravagant projects such as an impressive airport or stadium, which is often at the expense of the

hundreds of villages whose needs for smaller projects remain secondary and less exciting. These lavish projects, though prestigious and serving as national symbols, are very often criticized as being used as vehicles for kickbacks to government officials. The existence of a legislature, such as the one described by Morell in the case of Thailand in the early 1970's, can help shift the government's development effort away from extravagant projects to village-level development.¹³ In describing the role of his colleagues and himself in this regard, one legislator said: "We trimmed the budgets of big projects and shifted the funds to smaller ones."¹⁴ It is this kind of role that is necessary for regional and rural development.

The individual legislator may also play a constructive role in creating a viable link between rural areas and the central bureaucracy. An interesting assessment of such a role was made by Joel Barkan:

...legislators constitute the only group of political actors whose explicit task, both formally and informally, is to link the periphery and center by representing the periphery at the center and by mediating the respective demands of each. While civil servants posted to the rural areas provide substantial feedback to the center on the needs of these areas, the primary purpose of such feedback obviously is not to facilitate demands by the periphery on the center but to enhance the success of central government programs and¹⁵ reinforce central control at the local level.

To be sure, data provided by bureaucracies is often unreliable and mainly self-serving, presented to promote the image of the respective institution. Not only do bureaucracies exaggerate in describing what they have accomplished, but they never mention what they fail to do. Furthermore, bureaucracies have the tendency to ignore many important issues until these issues become impossible to hide or ignore. In contrast, legislative institutions often help crystallize the issues, sometimes before they appear, thereby enabling society to avoid them or deal with them in their early stages when they are easy to overcome.

The role of legislators is not limited to conveying the grievances, demands, and priorities of their rural constituents to the central institutions. They also play a significant role in facilitating the implementation of well-intentioned policies and programs in their communities--a role that is especially important in conservative, backward rural areas where the population is very often suspicious and resistant to change. Rural people usually have their own rationale and perspective, which differ radically from those of educated, urban-based planners and their foreign surrogates. As summed up by Barkan:

Where legislators engage in entrepreneurial activities to foster rural development, progress can be achieved. On the one hand, community development efforts raise the social welfare of the populations concerned, or at least mitigate

the hardship of underdevelopment. On the other, rural populations become more receptive to other government-initiated efforts at changing their condition. The net result is that rural development is likely to proceed at a faster rate than if guided by civil servants alone.¹⁶

Jain also found that in India, for example, despite the complexity of five-year planning in a federal system, the legislature plays a positive and important role.¹⁷ Similarly, Baaklini and Abdul-Wahab, in their study of the role of the Kuwaiti Assembly in the country's oil policy, found that the deep involvement of the legislature in this important issue did help the executive branch deal with the oil companies. They concluded:

The debate in the Parliament and the wide-spread press coverage it received actually mobilized popular political support that the executive was able to capitalize on in dealing with the oil companies. Thus, rather than conceive of the Parliament as an adversary to the executive, it is more appropriate to look at its activities as having been complementary to the work of the executive in extracting additional concessions from the oil companies.¹⁸

A more general statement on the positive contribution of legislatures to development was made by Musolf and Smith after reviewing the experiences of legislatures in many developing countries:

What all this suggests is that the grim context in which development occurs (or at least is pursued) places a premium upon the adaptability of political institutions. It suggests, further, that legislatures have at least a potential advantage over other institutions in achieving adaptability. Adaptability implied an openness to receive informational inputs as well as to act upon them. . . . Whether or not it is at

the center of political power, a legislature has the potential to meet these requirements.¹⁹

These are some of the advantages of the existence of participatory political institutions in a developing country that we have in mind when recommending the development of such institutions in Saudi Arabia--institutions that, we believe, will enhance social integration, political cohesion, and economic prosperity for all parts of the country and all segments of the society.²⁰ This notion is supported by interrelated and important factors. First, Saudi Arabia, by Third World standards, is blessed with a political stability that, as a "national asset," can be and should be used to further democratic participation rather than allow it to depreciate as a result, in large part, of intentional and unintentional bureaucratic biases to work for some and not for all. Second, Saudi Arabia does not suffer, as do many Third World countries, from severe controversies generated by multiple ethnic groups, religions, and languages that usually tear a country apart. A relevant statement was made by Soliman Solaim in his assessment of the relative ease of adapting a written basic law compared to other Muslim countries:

Many of the controversies regarding the Islamic character of a basic law, which proved so difficult to solve in those [other Muslim] countries, would be avoided in the Saudi case. Such questions as the rights of non-Muslim minorities, the official religion of the state, and that of the head of the state, and the Sahri'a as the primary source of legislation would not even arise.²¹

Third, as a rich country, with the existence of the right institutions, the state can cater to the needs of all segments of the society and thereby eliminate the causes of social and political turmoil that are common in many developing countries. Fourth, illiteracy in the country has been sharply reduced, and a significant new middle class has emerged, which indicates, in our view, the existence of a majority that values political institutions and can utilize them in a constructive and responsible way.²²

In conclusion, it might be appropriate to suggest that a look beyond the state bureaucracy is warranted and indeed long overdue for the sake of coping with the challenges of development in general and regional disparity in particular.

NOTES

¹James J. Heaphey, ed., Spatial Dimensions of Development Administration (Durham, N.C.: Duke University Press, 1971), 4.

²Quoted in Heaphey.

³Irma Adelman and Cynthia Morris, Economic Growth and Social Equity in Developing Countries (Stanford, Cal.: Stanford University Press, 1973), 199.

⁴See Chapter II of this study.

⁵Dennis A. Rondinelli, "The Dilemma of Development Administration: Complexity and Uncertainty in Control-Oriented Bureaucracies," World Politics 35 (Oct. 1982): 71-72.

⁶Milton J. Esman, "Development Assistance in Public Administration: Requiem or Renewal," Public Administration Review (Sept/Oct 1980): 430.

⁷The first one was probably Yousef A. Al-Hamdan, quoted in Nizar H. Samman, "Saudi Arabia and the Role of the Emirates in Regional Development" (Ph.D. diss., Claremont Graduate School, 1982). See also Ibrahim M. Al-Awaji, "Local Administration in Saudi Arabia," a paper presented to The Symposium on Local Administration in Saudi Arabia (Riyadh: Institute for Public Administration, June 6-9, 1981); Samman; Hani Y. Khashogji and Abdulmuatti Assaf, Principles of Local Administration and its Application in Saudi Arabia, 2nd ed. [in Arabic] (Riyadh: AL Noor Model Press, 1983); and Mohammed S. BaJenaid, "Development Strategy and its Relation to Regional Development," a paper delivered at The Symposium on Strategies and Programs on Regional and Rural Development in Saudi Arabia (Riyadh: King Saud University, April 11-15, 1987).

⁸Quoted in Gerald E. Caiden, Administrative Reform (Chicago: Aldine Publishing Co., 1969), 9.

⁹Nassir A. Saleh, "Provincial and District Delimitation in the Kingdom of Saudi Arabia," in J. Clarke and H. Bowen-Jones, eds., Change and Development in the Middle East (London: Methuen and Co., Ltd., 1981), 307.

¹⁰AL-Hamdan, quoted in Samman.

¹¹Babaier and others proposed the establishment of regional development authorities in the regions that combine physical and economic planning; Ali I. Babaier, T. Elguindi, and A. Khan, "In search of an institutional framework for comprehensive regional and rural development planning in Saudi Arabia," a paper delivered at The Symposium on Regional and Rural Development Strategies and Programs in Saudi Arabia (Riyadh: Kind Saud University, April 11-15, 1987).

¹²See, for example, Joel Smith and Lloyd Musolf, eds., Legislatures in Development: The Dynamic of Changes in New and Old States (Durham, N.C.: Duke University Press, 1979); and Weston H. Agor, ed., Latin American Legislatures: Their Role and Influence (New York: Praeger Publishers, 1971).

¹³David Morell, "Thailand's Legislature and Economic Development Decisions," in Smith and Musolf, ch. 13.

¹⁴Ibid., 350.

¹⁵Joel D. Barkan, "Legislator Behavior, Rural Development and Political Change in East Africa," in Smith and Musolf, 269.

¹⁶Ibid., 286.

¹⁷R. Jain, "The Role of the Indian Parliament in Economic Planning," in Smith and Musolf, 232.

¹⁸Abdo Baaklini and Alia Abdul-Wahab, "The Role of the National Assembly in Kuwait's Economic Development: National Oil Policy," in Smith and Musolf, 329.

¹⁹Smith and Musolf, 371.

²⁰See, for example: Abdo I. Baaklini, Legislative and Political Development: Lebanon, 1842-1972 (Durham, N.C.: Duke University Press, 1976); Albert F. Eldridge, ed., Legislatures in Plural Societies: The Search for Cohesion in National Development (Durham, N.C.: Duke University Press, 1977); Jassim M. Khalaf, "The Kuwait National Assembly: A Study of its Structure and Function" (Ph.D. diss., State University of New York at Albany, 1984); and Michael L. Mezey, Comparative Legislatures (Durham, N.C.: Duke University Press, 1979).

²¹Soliman A. Solaim, "Constitutional and Judicial Organization in Saudi Arabia" (Ph.D. diss., Johns Hopkins University, 1970), 160-61.

²²On the growth of the middle class, see, for example, Mark Heller and Nadav Safran, The New Middle Class and Regime Stability in Saudi Arabia (Cambridge, Mass.: Harvard Middle East Papers, 1985).

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