

TRANSFERRING SAUDIA ARABIA DIVERSIFYING ECONOMY AND FOSTERING GROWTH

Oil-exporting Arab countries face three-pronged policy challenges that are creating jobs in line with rapidly growing population, sheltering their economy from volatility of oil prices and ensuring sustainable growth once oil resources are depleted.

Hydrocarbon resources in some Arab countries may run out in the near future, despite the fact that several have large reserves. However, in many Arab countries that export oil, even non-oil activity rely to some degree on funding from oil profits. Changes in the cost of petroleum resources thus have an immediate effect on these rentier nations, weakening the foundations of their traditional institutions, as was shown when oil prices began to fall precipitously in 2015 and 2016 [3].

Subsidies, along with low domestic oil prices, increased local energy resource use to the point where domestic demand started to put pressure on GCC oil exports. Therefore, the task is to develop genuinely self-sufficient non-oil sectors that will continue to thrive and create jobs long after oil reserves are exhausted. Furthermore, in order to encourage greater intergenerational justice, even nations with sizable proved reserves must set aside a higher portion of their present oil income.

An area like the GCC, which imports around 98 % of its needs, would benefit greatly from export diversification. By focusing on exporting manufactured goods and industrialized products rather of just crude oil and natural gas, the GCC countries will lower the risk of dependence on oil and gas and promote private sector participation.

Saudia Arabia GDP consist of 43 % oil export and other 45 % and the revenue of oil is about 80 while non-oil revenue is 30 [2].

Saudia Arabia is a country which has rich oil reserves it is an oil based economy and it posses 16 % of the world petroleum reserve and is the largest exporter and a leading country in OPEC in the last few years Saudia Arabia has tried to to decrease their dependance on oil. The government has implemented several initiatives and policies aimed at ensuring sustainable economic growth and development in the country.

Saudi Arabia's fiscal policy revolves around its oil-dependent economy, with oil export revenues constituting about 90 % of its budget. Over the years, the country has adopted a countercyclical fiscal stance to mitigate the impact of fluctuating oil revenues on domestic growth. With improvements in the oil market since 2003, Saudi Arabia has increased fiscal spending, leading to significant budget surpluses. Part of these surpluses has been used to pay off government debt, which was reduced from over 100 % of GDP in 1999 to about 10 % by the end of 2010 [5]. Saudi Arabia aims to diversify its economy and stimulate private sector growth through fiscal measures.

The Saudi Arabian government established key development goals to diversify the country's economy following the first oil price spike in 1970 [4]. It is anticipated that the growing involvement of the private sector will result in additional economic diversification, for instance, through the privatization process and Public-Private Partnership (PPP) initiatives which would introduce capital into the economy from non-energy sources. Through foreign direct investments, the private sector would also introduce foreign currency into domestic markets.

One of the most significant initiatives is the Saudi Vision 2030 that was launched in 2016 to combat these problems, a comprehensive plan that outlines the government's roadmap for diversifying the economy and reducing its dependence on oil exports. The government has committed to investing \$500 billion in infrastructure projects over the next decade to support the vision.

The government is developing new sectors such as tourism and entertainment, which have the potential to create numerous job opportunities and attract foreign investment. To support this goal,

the government has relaxed certain restrictions and developed new infrastructure. The implementation of this vision has already yielded positive results, with the non-oil sector's contribution to the GDP increasing significantly

The country has been actively investing in various attractions and developing giga-projects, including the Red Sea Project, Amaala, and Neom, the mega project with the highest value of construction contracts awarded.

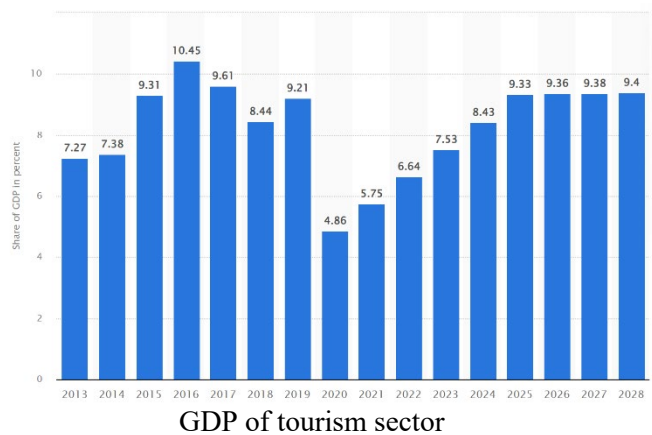


Figure [1] shows tourism will increase from 1.9 % from 2023 to 2028. Due to Covid-19 which happened in 2020 the tourism rate fell from 9.21 % to 4.86 % due to the restrictions on travel but progressively increased back after the restrictions were taken off and it is expect to increase more

In 2022, the spending of inbound tourists in Saudi Arabia amounted to 98.3 billion Saudi riyals, marking a sharp increase compared to the previous year's spending. The tourism industry in Saudi Arabia was affected by the lockdown measures imposed by the government in 2020 amid the COVID-19 pandemic.

Another critical policy in Saudi Arabia is the National Transformation Program (NTP), a five-year plan that aims to achieve the objectives of the Saudi Vision 2030. The NTP focuses on improving the efficiency and effectiveness of government services, promoting private sector growth, and developing human capital. To improve the business environment, the government has streamlined the process for starting a new business and reduced the time and cost involved in obtaining permits and licenses. The Agricultural Development Fund provides financing and technical assistance to farmers and agribusinesses, while the Saudi Industrial Development Fund provides support to industrial projects.

Improvements in the business and regulatory environments have been the driving force behind diversification. A new set of legislation aimed at protecting investors' rights, encouraging entrepreneurship, and lowering operating expenses caused a 95 % increase in new investment deals and a 267 percent increase in licenses in 2022. Furthermore, money has been allocated by the Saudi Investment Fund (PIF), partly to support private sector investment.

The government has also taken steps to address social issues such as unemployment and housing. The government has launched several programs to create job opportunities for young Saudis and has provided financial support to low-income families to help them purchase or rent homes. Additionally, the government is investing in education and training programs to develop a highly skilled workforce that can support the country's economic diversification efforts. This resulted into a total unemployment rate to drop to 4.8 % by end 2022 from 9 % during Covid.

In 2016–2017, Saudi youth unemployment reached 25 % overall, with female youth unemployment reaching 46.3 % [4] the percentage of youth unemployment fell to 16.8 % in 2022, and the percentage of women in the labor force increased to 36 % in 2022, over the 30 % goal established by the government's Vision 2030 reform strategy.

At the same time, Saudi Arabia has made efforts to increase budget transparency. The government now prepares and publishes a range of budget documents, which include:

1. for the last three years, a pre-budget statement outlining the medium-term fiscal strategy;
2. the annual budget statement with progressive improvements in its content;
3. a citizen's budget along with enhanced social media coverage of related budget reports and issues;
4. an end-year report comparing budget forecasts and outturns and explaining the main reasons for deviation; and
5. quarterly budget performance reports providing timely information on fiscal developments.

As a result of these initiatives, Saudi Arabia's performance on the International Budget Partnership's Open Budget Index (OBI) has improved, with the country's transparency score rising to 18 in 2019, up from 1 in 2017 and 0 in 2015.

Despite these efforts, there are still challenges facing the macro environment in Saudi Arabia, such as the country's dependence on oil exports and a shortage of skilled labor in some sectors. To overcome these challenges, the government is implementing several programs to promote entrepreneurship and innovation, which would help drive economic growth and development.

In conclusion, strong policy responses that prioritize economic diversification, sustainable growth, and job creation are important in light of the challenges confronting oil-exporting Arab nations, especially Saudi Arabia. Strategic measures and long-term planning are needed to address the three policy issues of assuring post-oil sustainability, protecting the economy from volatility in oil prices, and creating jobs. Saudi Arabia wants to change its economy and build a more sustainable future. Some of the measures it is taking to achieve this include expanding its tourism and entertainment industries, improving infrastructure, and encouraging the expansion of the private sector.

With the unemployment rate falling and the non-oil sector's GDP contribution rising significantly, significant progress has already been made. Enhancements in regulatory frameworks, corporate operations, and budget transparency have also resulted from the implementation of Vision 2030, creating a favorable atmosphere for investment and economic expansion. There are several obstacles persist, such as the necessity to decrease reliance on oil earnings, tackle joblessness, and improve the workforce's proficiency levels. In order to guarantee long-term economic development and accomplish the goals set forth in Vision 2030, ongoing efforts and reforms are required.

Going forward, it will be crucial to keep an eye on important metrics like economic diversification, job creation, and budget transparency. The attainment of these metrics will not only signify advancements in economic diversification but also guarantee a more robust and affluent future for Saudi Arabia and other economies in the region that rely heavily on oil.

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