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THE POLITICAL AND ADMINISTRATIVE ROLE OF PLANNING
AND BUDGETING IN SAUDI ARABIA: ADAPTATION
FOR RAPID CHANGE

DISSERTATION

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By

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This study examines the political and administrative role of planning and budgeting in Saudi Arabia. It demonstrates how they have contributed to lessening the political crises of distribution, participation, and penetration that confront developing countries. The study also investigates how these two bureaucratic processes have helped adapt rapid changes in a manner acceptable to the cultural milieu. In addition, the study explores the politics of planning and budgeting and identifies the roles various actors play.

The evolution and institutionalization of planning and budgeting are examined through printed materials and interviews with planners and budgeters in the Ministries of Planning and Finance. In addition, a number of the Ulama, businessmen, former government bureaucrats, officials of key ministries and agencies, and media were interviewed in an attempt to understand how they interact in the politics of planning and budgeting.

It was found that these two bureaucratic processes have opened the political process and have allowed greater participation, altered the means of income distribution, and enhanced the government capability to penetrate every segment of the society.

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CHAPTER I

INTRODUCTION

The major challenge to Saudi Arabia, as to all Third World countries, is whether it can politically develop fast enough to accommodate the rapid societal changes which arise concomitantly with modernization. Saudi Arabia, because of its extreme wealth and the dominance of religion in its society, is unique in the sense that it has the wealth to undertake any major change it deems necessary, but is resistant to any change which it perceives as threatening its cultural values. Conflicting attitudes toward change threaten either to prevent modernization or to cause societal upheavals as a result of the changes brought about by modernization. Either of these consequences could bring about chaos in the society and cause the downfall of the political system. The political system, therefore, faces the difficult task of developing political institutions strong enough to permit compromise between opposing views of change and which are capable of adapting policies to allow change, yet preserve the basic traditions of the society. In the past three and one half decades, Saudi Arabia has changed dramatically. Among the major developments has been the growth of strong administrative institutions. As the bureaucracy has grown, it has become, as in most developing

countries, a major actor in the political system. The question facing the Kingdom is how the evolution of administrative processes has affected political development. Have these bureaucratic processes provided the necessary flexibility to the system so the system can avoid the calamities predicted by many if political development fails to occur and the system fails to permit greater participation, distribution, and penetration.

Planning and budgeting, in particular, are seen as the administrative processes which may effect political development most directly. For the past three and one half decades planning and budgeting have evolved in Saudi Arabia, and this study will examine this evolution and its impact.

Statement of the Problem

In their quest for development, Third World countries increasingly have relied on the processes of budgeting and planning to manage their national resources. Planning and budgeting, therefore, have become major tools to achieve these countries' goals and aspirations. Increasingly, scholars and Third World leaders realize that sound planning and budgeting are not merely technical and administrative processes reserved for accountants, economists, and administrators. These processes are also vital political

processes essential for political development (Waterston 1965; Wildavsky 1986).

As political processes, planning and budgeting may serve essential political functions in the society. They may lessen the severity of the political crises delineated by the Social Science Research Council (SSRC) in "Crises and Sequences in Political Development" that appear and reappear in every political system. These political crises, namely identity, legitimacy, participation, penetration, and distribution are most severe in Third World countries, although they challenge even the first and second world countries (Binder, et al., 1971).

Some of the Third World countries inherited their political and administrative institutions from former colonial powers (Chapel 1982, 12-36), whereas others, such as Saudi Arabia, had to build from scratch their institutions for coping with these political crises. Since Saudi Arabia has had to build its basic political and administrative institutions, these political crises have been particularly more challenging.

Saudi Arabia was the product of a single ambitious leader, King Abdul Aziz, who, in the words of two western scholars, was "the greatest traditional leader of this century. He combined wit and physical courage with personal charisma and deep religious beliefs to consolidate a people and build a nation" (Bill and Leiden 1984, 182). Since its

emergence as a nation-state in 1932, Saudi Arabia has assumed major roles in domestic and international arenas. It literally has moved from the camel caravan to the jet age in its short 57-year history.

The two distinguishing characteristics of Saudi Arabia are religion and oil. Islamic religion permeates completely every aspect of Saudi society. Saudi Arabia is the birthplace of prophet Mohammed (Pbuh, peace be upon him--the traditional Muslem's means of showing respect and praise) and the site of two holy cities of Islam, Makkah and Almedinah. Oil has added another important dimension to Saudi Arabia since its discovery in 1938. The wealth from oil has enhanced the nation's power and prestige among the world's communities. It has provided the government with enormous and unprecedented wealth, making capital no longer the controlling factor of whether to develop or not. Distributing the huge income from oil, deciding who will participate in making the allocative decisions, and whether the government has the administrative capability to implement social, economic, and political programs are now the most significant issues facing the country.

Budgeting and planning are two bureaucratic processes which are viewed as being capable of lessening the acuteness of the three political crises of distribution, participation, and penetration. How budgeting and planning

institutions have evolved and how they have contributed in mitigating these crises is the focus of this research.

Purpose of the Study

It is the purpose of this study to examine the political and administrative roles of budgeting and planning in Saudi Arabia, and how they have helped abate the crises arising from lack of political development. Every country has to contend with the crises of participation, penetration, and distribution, but how various institutions help assuage these crises differs in each country. This study will discuss the evolution and institutionalization of planning and budgeting processes in Saudi Arabia in an attempt to demonstrate how they have become political and administrative instruments in the process of adapting to change in a fashion acceptable to a tradition-bound society. Furthermore, the study will explore the politics of planning and budgeting and the roles various actors and institutions play in this administrative politics.

Research Questions

I began the project by asking a series of questions which were proposed to guide the research.

- (1) Have planning and budgeting helped in allaying social conflict over proposed changes in Saudi society, and how?

- (2) Has Saudi Arabia expanded the base of participation in governmental decision-making processes and what roles did planning and budgeting play in this development?
- (3) Have the patterns of income distribution in the country been changed, and what were the roles of planning and budgeting in this process?
- (4) Has the government been able to penetrate all regions and segments of the society, and what have been the roles of planning and budgeting in this development?
- (5) Has a new method of making allocative decisions emerged, and who are the various actors and institutions influencing the new politics of planning and budgeting and how they interact?

Methodology and Data Collection

Once these research questions were prepared to give direction for the research, I prepared to gather data through open-ended interviews with the various groups listed in Table 1. A battery of questions were considered mainly to help the researcher to focus the direction of the open-ended interviews. The full battery of questions prepared for this purpose are listed in Appendix A. Since it obviously was not possible to ask all of these questions of these busy officials, I attempted to merge the entire

battery into a shorter set of essential questions focusing on the research questions. This shorter set of questions was devised to help guide the researcher in eliciting information during the open-ended interviews.

Table I
Summary of the interview schedule*

	<u>Subjects and Institutions</u>	<u>Number</u>	<u>Administrative Level</u>	
			<u>High</u>	<u>Middle</u>
I	Ministry of Finance & National Economy	15	7	8
II	Ministry of Planning	15	5	10
III	Bureaucrats from other Ministries and Agencies	20	10	10
IV	Former government officials	10	5	5
V	<u>Ulama</u> (religious scholars)	10		
VI	Businessmen	12		
VII	The Media	<u>8</u>		
	Total	90		

*The interviews were conducted during the summer of 1988 from June 28 to September 5, 1988.

The methodology of a research project must fit the purpose of the study and be able to provide answers to the basic questions raised by it. Since the fundamental questions of this study have to do with the processes of institutionalization and the interactions of various actors

in the politics of planning and budgeting, a qualitative method is most suitable method. Based on a thorough review of the literature there has been little or no research about the evolution and institutionalization of administrative processes in Saudi Arabia, and there are no established theories or models which provide a framework for using more rigorous quantitative methods.

Another reason for using a qualitative approach is that reliable data in developing countries, such as Saudi Arabia, are difficult if not impossible to obtain. Often vital data are unpublished or if they are published they may be distorted, and, therefore, unreliable. Furthermore, national security and bureaucratic secrecy prevent much information from being made accessible to the public. Also, the workings of the bureaucracy are most difficult to discover in all countries, especially in developing countries. These difficulties in obtaining accurate data make it most difficult to undertake rigorous quantitative studies in these countries. Therefore, it was decided that a qualitative methodology, such as the case study approach, would be more valuable for this research project since it is trying to explore bureaucratic and political processes.

The qualitative researcher, Wilson (1977) suggests, enters the study without a priori hypotheses. The qualitative approach allows the study itself to structure the research (Bogdan and Biklen 1982).

Qualitative research methods include case studies and ethnography. The purpose of ethnography is to provide rich descriptive data about the contexts, activities, beliefs, values, and inclinations of participants. Such data represents processes as they occur. These processes are scrutinized within the whole phenomenon. The outcomes of these processes are seldom considered in isolation (Goetz and Le Compte 1984).

A study of an object or system within its ecological or cultural setting is called ethnography. Ethnography as a research technique was developed by anthropologists and refined by sociologists (Wilson 1977). According to Wilson, two hypotheses underpin ethnographic research: (1) human behavior is understood by examining the setting in which it occurs, and (2) human behavior is understood by examining a person's thoughts, feelings, and actions.

A case study, on the other hand, is a detailed examination of one setting and a collection of documents or particular events. Generally, the researcher selects a single setting or event, begins collecting data, reviews the data and then decides what direction the study will take. LaPalombara (1974) distinguishes the case method from other methods in that it

involves exploring a hunch or theory or hypothesis about politics in a single situation, or perhaps in a few of them. These analyses presumably will permit careful observation in great depth. They will also permit the analyst to pay attention to a great number of variables, of perhaps a subtle nature that often

defy precise measurement but that are nevertheless important (21).

The case study approach focuses on processes rather than simply on outcomes or products. It utilizes induction to analyze data. Like a funnel, data are narrowed as they are being gathered (Bogdan and Biklen 1982). The findings of such studies may provide possibilities for forming generalizations which may later be more rigorously tested.

Qualitative research techniques include participant observations, in-depth interviews, document analyses, and field notes. Observations and interviews are described in detail in written field notes. Field notes are a "written account of what the researcher hears, sees, experiences, and thinks in the course of collecting and reflecting on the data in a qualitative study" (Bogdan and Biklen 1982, 74).

The premise of qualitative research is descriptive rather than predictive in nature. Qualitative researchers do not enter the observations or interviews with preconceived ideas. Instead, data are gathered and used developmentally as the researcher designs conceptual and categorical coding systems. These systems emerge from the data or are tested as the research proceeds. Thus, generalizations and theories that are formed by the researcher are said to be based upon the data (Glaser and Strauss 1967).

The qualitative research for this study is basically a case study of the evolution and institutionalization processes of planning and budgeting in Saudi Arabia and how they have become major aspects of the country's political and administrative processes. The techniques used for gathering information to answer the research questions which were developed to help guide the research include in-depth open-ended interviews with senior planning and budgeting officials and other key community leaders; examination of documents, publications, and other printed materials; and personal observations by the researcher, who was born and reared in Saudi Arabia. As a native Saudi Arabian, I have witnessed in the course of more than three decades the process of change and the growth of power and influence wielded by the country's administrative apparatus.

Armed with the research questions, I prepared to interview senior officials of the Ministries of Planning and Finance and National Economy (Budget Department) and other community leaders listed along with senior planning and budget officials in Table 1 (see Page 7). The questions that were prepared to guide the interviews were pre-tested on a number of individuals known by the author and who work or have worked with the government. This procedure was performed in order to determine the appropriateness of the wording of questions and to find out if they would elicit the kind of information needed. Modifications were made in

some of the questions and direction of the interviews changed slightly as a result of this pre-test experience. I then prepared to conduct the interviews which were in some respect constrained by the time and availability of those to be interviewed.

Despite the normal difficulties of obtaining interviews with key officials, I was able to interview fifteen top and middle level officials from each of these two ministries. In addition, twenty top officials from other key ministries and agencies (e.g., Ministry of Agriculture), ten former government officials who had experience in planning and budgeting, and thirty community leaders--Ulama, businessmen, and media--were interviewed in an effort to understand how they perceived the planning and budgeting processes and how they interact with Ministries of Planning, Finance and National Economy, and other ministries and agencies.

Building trust was an essential factor in getting these officials and key community leaders to discuss frankly these issues. It took a great deal of patience to get them to fully discuss information about administrative politics needed for this study. I began by asking general, planned questions, but as the interview opened up I attempted to let the interviewee discuss the matter freely with only an occasional question to try to steer discussion. Since many of the interviewees understand English, as they had studied abroad, both English and Arabic languages were at times used

in the interview process. Use of a recorder was considered but not used since it was felt that it would hinder the free flow of information, since the majority of those interviewed did not want to be "on record." I, instead, took brief notes and then recorded the complete interview into field notes as soon as possible after the interview in order to avoid memory problems.

The interviews went much better than was anticipated and the answers to the questions often gave insights which I had not known or expected and led to directions which had not been planned. The openness of these individuals was due in part to the trust that the researcher was able to establish. Much of the information on budget and planning evolution and institutionalization processes were gained from these interviews. The interviews then were supplemented with governmental documents and publications which have increased in recent years and are furnished by various ministries and agencies as annual reports about their operations and performances.

I have tried with utmost effort to maximize the use of sources written in English in an effort to make it easier for English speaking individuals to use these sources when pursuing similar research. In addition, I have tried to use the familiar spelling of Arabic names, otherwise names were spelled as they sound in Arabic. For instance, Faisal can be spelled differently, such as Fysal, Faysal, etc. It should

be noted that there is no comprehensive list of all Arabic names and how they are spelled in English.

Significance of the Study

This study is significant because there has been a dearth of research on how the development of administrative processes in Saudi Arabia have affected political development, even though there have been dire predictions about the fate of the country unless political development occurs (Heller and Safran 1985; and Islami, et al. 1984). This study hopefully will fill a vacuum in this area by investigating whether the evolution and institutionalization of planning and budgeting have in effect been a form of political development opening the system to greater participation, providing new means of allocating and distributing resources, and enabling the government to better penetrate the society.

Since no one has yet written about or explained administrative politics in Saudi Arabia, this study will help explain a process which needs to be understood. It will explore the nature of the administrative politics and the institutionalization processes in which the new administrative politics of planning and budgeting have evolved. Finally the study will provide a base for understanding how Saudi Arabia has been able to implement innovations, while at the same time preserving its values

and traditions and, thus, avoiding the serious social upheavals that have engulfed other countries in their pursuit for modernization.

Limitations of the Study

Although the study may have wide applications to other countries, it is a case study, confined to Saudi Arabia. The study will not deal with the two other political development crises described by the SSRC, namely, identity and legitimacy, for they are the "crises of the political culture...[and] are fundamentally problems of attitude and sentiment (more particularly, the differences between rulers and the masses)" (Pye 1971, 102). To undertake such an endeavor of measuring attitudes and sentiment would require a separate study and understanding of the implications of the outcomes. This study's sole focus is on the political and administrative roles of these two bureaucratic processes and how they have contributed to political development.

Organization of the Study

This dissertation includes eight chapters. The contents of each chapter are summarized below:

Chapter I, "Introduction," describes the purpose of the study, statement of the problems, research questions, methodology and data collection, significance of the study, and limitation of the research.

Chapter II, "Review of Related Literature," discusses the nature of planning and budgeting as political and administrative processes and how they may abate the political development crises outlined in SSRC'S research on this matter. Development vs. adaptation, as well as institutionalization are briefly explained. Participation, penetration, and distribution also are briefly discussed in an attempt to relate them to the planning and budgeting process.

Chapter III, "Social, economic, and political background of Saudi Arabia," briefly traces the social, economic, and political history of Saudi Arabia with emphasis on political and administrative events that took place from its inception in 1932 as a nation-state. The chapter focuses on events that are more relevant to planning and budgeting to help in understanding the evolution and institutionalization of these two bureaucratic processes which are discussed in the following chapters.

Chapter IV, "Evolution of the Budgeting Process in Saudi Arabia," delineates the events that occurred from 1902 to 1964 and led to reform in the budgetary process of the country. The chapter briefly describes the development of institutions such as the Council of Ministers and their influence in reforming the budgetary process of the country.

Chapter V, "Institutionalization of Public Finance in Saudi Arabia," examines the events of this critical period in the history of the country and how the budget became an essential instrument in achieving economic and social targets, thus alleviating political crises. The chapter discusses the increasing role of commoners in decisions concerning the allocation of the national wealth. It also describes the political aspects of budgeting and how various groups and institutions interact in this budgetary process.

Chapter VI, "Evolution of National Planning in Saudi Arabia," attempts to examine how planning in Saudi Arabia was born out of necessity. The chapter includes a brief discussion of some important incidents that have influenced the government to resort to planning. The chapter focuses on government's efforts to form a more vigorous planning body that would carry the task of charting the country's goals and objectives. It also discusses public credit institutions established to provide citizens with short and long-term loans for a variety of purposes. The chapter briefly discusses actors and institutions in the planning process.

Chapter VII, "Institutionalization of the Planning Process in Saudi Arabia," focuses on how planning has become a major political and administrative process where numerous groups, individuals, and institutions interact, attempting to shape the planning process. The chapter discusses how

resistance to proposed changes are dealt with by planners and decision makers. It also examines the roles of actors and institutions in all stages of the policy process of planning, from agenda setting to evaluation.

Chapter VIII, "Summary and Conclusion," discusses in brief the main findings of the research. It describes the new administrative politics of planning and budgeting and how this politics has mitigated the political crises described by SSRC.

CHAPTER II

REVIEW OF RELATED LITERATURE

Political Development, Modernization, and Change

Throughout the post World War II period, scholars of development have continually attempted to define and refine the terms development, modernization, and change. Development, like modernization, is widely employed although no one agrees on its meaning. Uphof and Ilchman refer to development as "probably one of the most depreciated terms in social science literature, having been used vastly more than it has been understood" (1972, IX). Modernization, on the other hand, has gained popularity among scholars of both developed and developing countries. Daniel Lerner describes modernization as a "systemic" process involving complementary changes in the "demographic, economic, political, communication, and cultural 'sectors'" of a society (1958, 401). In one sense, modernization is more comprehensive than development. Modernity, Huntington asserts, means stability, while modernization means instability. This results, he continues, from "urbanization, increase in literacy, education, and media exposure [which] all give rise to enhanced aspirations and expectations which, if unsatisfied, galvanize individuals and groups into politics" (1968, 43-47).

Development or modernization, whichever one chooses, means change in the status quo. The uneasiness about the myriad of definitions of development and modernization has been voiced frequently, but even the people who have called to abandon those definitions have not been able to succeed in so doing. The "abandonment" of the term political development was called for by Huntington in an article in 1971 entitled "The Change to Change: Modernization, Development, and Politics" but he did not object to having the book edited jointly by Weiner and himself published under the title Understanding Political Development (1987).

This confusion over these terms' definitions or their originality should not divert us from their significance. Demands for participation, more equality of income distribution, and the development of capable political and administrative institutions are major challenges facing all countries, but more severely the Third World, and recently Second World countries such as Poland, East Germany, etc. Meeting these challenges requires that the political and administrative institutions be more adaptive and receptive to change. The crisis presented by these demands for participation, distribution, and penetration are perennial problems that have caught and still attract the attention of scholars from various disciplines. The severity of these crises and how every country has dealt with them differs. Political participation

Political participation

The term "political participation" has been defined differently by many people. Weiner, for instance, presents ten behavioral ways in which "political participation" is used, and states that all these definitions of political participation "suggest that we are dealing with a continuum rather than a dichotomous concept, that societies and individuals differ in their conceptions of what constitutes a political act, and that most of these definitions have normative values associated with them" (1971, 164). He then defines political participation as:

[A]ny voluntary action, successful or unsuccessful, organized or unorganized, episodic or continuous, employing legitimate or illegitimate methods intended to influence the choice of public policies, the administration of public affairs, or the choice of political leaders at any level of government, local or national (Ibid).

His definition leaves us with numerous choices. One may then consider that making contact with unelected public officials is a type of political participation. Huntington and Nelson opted for a shorter definition of political participation by stating that it is an "activity by private citizens designed to influence governmental decision-making (1976, 4).

Participation in the decision-making process first appeared in developed countries. Its emergence coincided with the growth in education, the spread of communications, and the rise of democratic institutions. The opening

sentence of Huntington and Nelson's cited work on the participation process in developing countries reads, "Broadening political participation is a hallmark of political modernization" (1976, 1). The old assertion that "traditional society is non-participant....modern society is participant" (Lerner 1958, 50), is giving way to new trends in Third World countries where rulers and ruled are realizing that development, whether social, economic, or political, cannot be achieved successfully without broadening the base of participation. Development plans, as I will explain later in this chapter, for instance, are dependent to a large extent on how citizens as a whole participate in decisions that have major impacts on their lives.

Distribution

The concept of distribution has been the concern of numerous scholars from various fields and all concur that the problem of distribution is complex and difficult to solve. Lapalombara suggested that "all of the problems of governance may be considered distribution problems that may or may not reach crisis proportions" (1971, 233). However, David Easton's conception of distribution involves:

... authoritative allocations distribute valued things among persons or groups in one or more of three possible ways. An allocation may deprive a person of valued things already possessed; it may obstruct the attainment of values which would otherwise have been obtained; or it may give some persons access to values

and deny them to others (1965, 50).

The seriousness of the problem of distribution has been explained by a number of scholars (Alken and Russet 1966, 349-371; Adelman and Robinson 1978; and Lydall 1976, 15-46). There is "no easy choice" in rich or poor countries of facing the problems of distribution. How countries chart the courses of action to mitigate these problems varies from one country to another. Measuring the per capita GNP, which has been a yardstick for measuring the well being of individuals in a country, has proved to have serious pitfalls. The miseries of street people in the developed countries, and the starvation of large portions of Third World countries' populations, while their governments continue to spend billions of dollars on arms, are disturbing and paradoxical developments reflecting the difficulty of the distribution of national resources.

Looking at the income distribution from a religious angle, the Quran and the Sunnah have much to say on economic questions, as the prophet (pbuh) himself recognized that spiritual concerns could not be separated from everyday conduct. Hence, Islam specifies a code of conduct for interpersonal relations, which involves economic laws as well as social strictures more generally. Islamic teachings in the economic sphere are relevant to all the fundamental issues in development, including saving, capital accumulation, and investment finance while it also deals

specifically with income distribution through its teachings on alms giving and inheritance.

Penetration

The crisis of penetration indicates the capability of a political system to effectively rule and control all parts of its territories. In this regard, LaPalombara states that "When we speak of penetration 'demands' or 'requirements', we generally refer to the effective presence of a central government throughout a territory over which it pretends to exercise control" (1971, 207). Another leading authority in political development crises contends that "the critical problems of administration in the new states give rise to the penetration crisis, which involves the problems of government in reaching down into the society and effecting basic policies" (Pye 1966, 64). Administrative generalists, it is argued, are essential for meeting the crisis of penetration. LaPalombara states that "[A]ny adequate resolution of the penetration crisis rests primarily on the ability of national political leadership to create and to institutionalize organizations" (1971, 218).

This research examines how the administrative functions of planning and budgeting have evolved and institutionalized and served the political development in Saudi Arabia. Has this development helped to meet the political crises of development in Saudi Arabia? As of yet no one has examined

how the administrative development of planning and budgeting have mitigated the severity of the three political crises just discussed.

Planning and Budgeting as Political and Administrative Tools

The words "planning" and "budgeting" are not empty rhetoric and exhausted endeavors. They carry with them meanings and actions used for political, administrative, economic, and social purposes. One has to read objectives written in every country's planning and budgeting documents to understand the full significance of these tools.

Although planning and budgeting are different processes, they serve similar purposes. If one looks at the writings of prominent authors on these subjects, it is clear that they are used interchangeably to describe a process. For instance, Aaron Wildavsky says:

A budget is a record of the past. Victories, defeats, bargains, and compromises over past allocations are reflected in the items included and, by inference, those left out. A budget also is a statement about the future; it attempts to link proposed expenditures with desirable future events. Budgets, therefore, must be plans; they try to determine future states of affairs through a series of current actions (Wildavsky 1986, 7).

Planning and budgeting in the public sector concern the allocation of public goods as well as the extraction of resources in the form of taxes or other levies. These public goods are "those goods which a public consumes

collectively and which involve government expenditures. Typically, public goods include security, monetary and legal systems, highways, and education, etc." (Chaffee Jr. 1979, 19). Delivering these goods requires effective planning and administrative apparatus, that are capable of implementing the plans, in addition to an effective tax system able to provide sufficient public resources.

In some cases, these requirements are not in harmony. Planning may be effective, but administrative apparatuses are not always well equipped to implement the plan. In addition, resources may not be sufficient to fully finance the plans. All countries, whether rich developed, or rich or poor developing, may suffer from the lack of one or the other of these essential requirements. It is not surprising to find a developed country like the United States, for instance, facing similar obstacles in implementation that may be found in developing countries. David Bresnick lists the following major obstacles to implementation of public policies in the United States:

1. Lack of agreement about goals. The conflict over goals may be between those who decide, the formal decision makers; those who implement, the administrators; and those who benefit or are affected by the governmental actions, the clients or constituents.

2. Policy inadequacy. Lack of clear ideas in the Legislation, inadequate funding and support are factors often causing policy inadequacy.
3. Insufficient implementation planning. This may occur even in the best circumstances, because of the complexity of the situation, and the difficulty of forecasting future events. For example, planning to increase the literacy rate in a country may not work if the methods to carry it out are incongruent with the objectives.
4. Inadequate staffing. Even with adequate numbers of employees, programs may not succeed unless there is proper training and motivation. The size of the staff alone does not guarantee the accomplishment of the mission sought.
5. Resistance by those affected. Plans allocate "who gets what" and the adversely affected groups resist the passage of such plans and even more the implementation of these plans.
6. Inadequate analysis. Adequate projections, theories, and technologies are essential for implementing social and economic change and if these are faulty, the project will fail.
7. Ineffective review processes. Unless feedback is obtained during the implementation of policy,

corrections cannot be initiated to ensure success (Bresnick 1982, 158-160).

These are problems which hinder the implementation of change in the public sector in the both developed and developing nations. The thesis of this dissertation maintains that both the administrative institutions and policies must be adapted to the cultural prerequisites of a society if policies of change are to be effectively implemented.

Both rich and poor developing countries rely heavily on national planning. Unlike the developed Western capitalist countries, especially the United States, they do not leave planning to the market place. National development is far too important to leave to a weak and struggling private sector. Furthermore, many of the decisions which have to be made in national plans are basically political decisions pertaining to the allocation of resources. Over time the policy decisions on both revenues and expenditures have far reaching implications for the well-being of the people and their economy. In countries where a substantial portion of GNP goes to the budget, government plays a major role in the economy. But economic development is hampered in developing countries, according to Clarence Zuvekas:

Rigid social structures and lack of educational opportunities restrict occupational mobility; poor transportation facilities inhibit geographic mobility; and weak or nonexistent capital markets make it difficult to attract savings and channel them into

productive investments (Zuvekas 1979, 182).

Planning at times may generate unwarranted hopes--hopes that cannot be fulfilled. Serious problems arise in developing countries when desired plans cannot be attained. Frustrations and conflicts often are caused by such failures of the system. Wildavsky and Caiden (1985) argue that failures of planning in some developing countries are attributed to unrealistic plans. They state that plans often are built upon the assumption that they can lure outside donors and investors as a means of financing more than the domestic economy can finance. Wolfgang F. Stolper illustrates the points Wildavsky and Caiden stress in his study on the Nigerian Planning experience when he states that planning is politics.

It goes without saying that one cannot make policy without politics, and that politics quite naturally has priority: economic and economic development are only means to an end (Stolper 1966, 16).

He goes further to clarify a point that is of a major contention among social scientists by stating that:

A decision to develop [by a country] is itself a political decision. Once it is made, certain conclusions follow inescapably, and politicians find that their area of action is necessarily restricted by the economic implications of their political decisions (1966, 308).

Unfortunately, many of the writings on comparative politics do not deal adequately with the processes of planning and budgeting as tools for political, administrative, economic, and social development.

Comparative politics was late in discovering that sound planning and budgeting are important indicators of how well leaders in both developed and developing countries are governing. Wildavsky (1986) and Stopler (1966) agree that planning and budgeting are essential tools for political, administrative, economic, and social development. The latter stresses that:

Good economic policy and careful planning are essential to political stability, and austerity is an explosive idea. There is every evidence that people will undergo hardships to achieve ends where they see the results, but they are justifiably suspicious of general phrases and promises. It would be good if economists and politicians were also (Stolper 1966, 321).

National leaders are faced with two options: plan or resist planning, that is "stonewalling until forced by events" (Lippitt et al 1985, xii). Change is inevitable, and sometimes it is desirable to change in order to prevent what otherwise may occur. Gerald M. Weinberg suggests that leaders who opt for change to occur have at their disposal three ingredients, which he calls the MOI model of leadership: (1) Motivation, that is the incentive for both the ruler and the ruled to change; (2) Organization, well structured institutions that carry the tasks assigned to them, and (3) Ideas or Innovations, Static Systems never survive in a period of rapid change, but a well adaptive and innovative one can weather the hardship of change.

If leaders opt for no change or resistance to change, there also are three ingredients available: (1) to kill

motivation, (2) to foster chaos by encouraging high competition that prevents cooperation, and (3) to suppress the flow of ideas (Weinberg 1986, 19-20), that are essential for innovation. In addition to these, I must add a fourth factor which is the failure to adapt proposed policies to the cultural milieu. This is almost certain to cause failure of implementation.

Reforming or creating capable and competent institutions to perform the functions assigned to them is a major theme that runs in almost every writing about development. Social scientists believe that the absence of strong institutions is a contributing factor to difficulties encountered by Third World Countries (Jedlicka 1987).

Planning and budgeting are two processes that are stressed by those calling for the development of strong institutions. Planning and budgeting are seen as tools that are intended to achieve goals which could not be achieved otherwise. However, unrealistic planning and budgeting, sometimes referred to as "dreamboating," lead to failures which, in turn, may cause greater conflict and instability. But planning and budgeting are not always, as Wildavsky suggests, impossible dreams. The real challenge is not to come up with impressive sounding plans and budgets similar to those in other parts of the world, but to adapt these processes and policies which they are attempting to

accomplish to the external and internal forces on the nation, so that change will be an evolutionary process.

Planners and decision-makers in Third World countries, according to Shaukat Ali, must indigenize development. He states that "objectives of development must not be completely disengaged from the traditional and cultural roots of society" (Ali 1979, 75). The rapid changes that are still taking place in most developing countries entail "a vast amount of social, economic, political, and moral dislocation" (1979, 403). If the instability caused by this dislocation is to be avoided, these policy changes must be acceptable to cultural values and morals.

It is through administrative institutions that public policies concerning these changes are implemented. Development of capable planning and budgeting institutions are essential if Third World countries are to succeed in their development. Development of such administrative institutions is one of the major challenges facing these countries, and lack of capable institutions and competent public administrators are major obstacles to development.

Organizational and management problems are causes that hamper development. According to Coralie Brayant and Louise C. White, development does not happen, or is very uneven as a result of these problems (1982, 23). These two writers present what they call "a troubling paradox," where in one hand incapable and incompetent administration deepens

underdevelopment, on the other hand, strong administration can be an obstacle to political development (1982, 23), because it may prevent essential adaptation in the society. To get out of this dilemma, they suggest "a participatory developmental approach to management that takes into account the larger political system within which administration functions" (1982, 24). They warn that inept and corrupt bureaucracy may undermine political stability because it causes people to lose confidence and respect for the government (1982, 52).

The importance of management also is echoed by Albert Waterston, who states "few governments of less developed countries can cope with the range, variety and complexity of administrative problems which development planning brings" (1965, 249).

Development, which has become a universal goal in Third World countries, is not like a product that can be imported and consumed by the population easily. It is a difficult and sometimes painful process, a process that needs planning, resources, and above all, leaders who are capable of weighing costs and benefits of actions they undertake to transform their societies.

C. E. Ayres, a member of the economic school known as institutionalists, states that in order for development to take place "technology must triumph over ceremonialism."

Social institutions which include beliefs, values, and customs, Ayres believes, retard progress. Religion, according to this school of thought, stands in the way of development. Changing entrenched beliefs and customs, therefore, is essential for development (1987, 45-48). But planned change is not that easy according to Andrew Kakabadse. He presents the following steps for effective planned change: (1) map the issues, that is, consider the strength and reasons for resistance; (2) do not change too much all at once. Proceed one problem at a time; (3) provide for mediations in dispute arising from change. Use third parties as mediators; (4) encourage administrative adaptation by hiring for innovation and by rewarding for loyalty; (5) develop innovative and adaptive management institutions and style; (6) deal with opposition by avoiding conflict and only in rare cases, by crushing it; and (7) recognize when to stay or when to leave on pursuing some course of actions, (1984, 162).

Despite these warnings about the difficulty and painfulness of change, the 1940s, 1950s and 1960s witnessed a "rush to development" in newly created and independent countries. However, by the 1970s and 1980s the problems caused by change forced many of the developing countries to realize that these efforts must be adapted and indigenized if they are to obtain public support for the changes wrought by modernization. P.O. Agarwal states

[P]opular acceptance of the programs varies a great deal with the degree of popular appreciation of the benefits which they will confer to particular groups of people, such as farmers, technicians, or scheduled tribes (1973, 24-25).

In essence, development has costs and benefits, therefore benefits must outweigh the costs to be accepted by those affected by change.

Increasingly attempts have been made since the 1970s and 1980s to adapt traditional institutions to perform essential political and administrative functions. Bureaucratic tools such as planning and budgeting are adapted to channel the political, administrative, economic, and social changes into programs acceptable to societal standards (Hage and Finsterbush 1987, 1). To illustrate the importance of adapting and indigenizing institutions causing change and development in Third World countries, Manfred Halpren in The Politics of Social Change in the Middle East and North Africa, (1963), points to the dangers of sophisticated and overly competent bureaucrats acting in ways "detached from the cultural traditions" of their people (1963, 342). Furthermore, he states that bureaucracy in the Middle East not only faces obstacles such as the lack of effective and reliable data for planning and budgeting, but also the lack of agreement as to the goals to be sought.

Lack of agreement over goals frequently occurs when the more technologically advanced administrative elites push for rapid change of traditional ways (Ibid 1963, 346). Halpren

suggests that real development can occur only when the institutional structure and social beliefs and traditions are in harmony. In addition, he stresses the importance of "enterprising and enduring politicians" who are able to alleviate conflict by adapting ideas and institutions that meet both traditional and modern needs.

Planners are often accused of being insensitive to traditional values and beliefs. For this reason Albert Waterston urges planners to take advantage of other planners experiences and to adapt such experiences to their own cultural setting. He attributes some planning failures to lack of support by the populace. He suggests that popular support is best obtained by using incentives that are acceptable to the social values and morals rather than to rely upon administrative controls (1965).

Planners also are warned that "planning cannot succeed unless planners consider it an integral part of their task to establish the kind of administrative systems which can formulate and carry out development plans realistically," (Agarwal 1973, 17). Planning often fails as a result of poor coordination between planners and those agencies responsible for implementation. Planners often design beyond administrative capability by failing to recognize the extent of resistance to change when it is perceived as threatening to the social values, beliefs, and customs. These pitfalls call for adapting planning and budgeting

"from the bottom up" so the cultural imperatives will be adequately reflected in the plans for change (Waterston 1966, 85-91).

Development vs. Adaptation

Before looking at what scholars say about development and adaptation, it seems appropriate to consult a dictionary to resolve the hosts of disputes over the meaning of the words development, modernization, and growth. The American Heritage Dictionary of the English Language (1981) defines the meaning of the terms "develop", "growth", and "modernize" as follows: To develop means "to expand or realize the potentialities of; bring gradually to a fuller, greater or better state." To modernize is defined as "to make modern in appearance, style or character; to accept or adopt modern ways, ideas or styles." Growth means "full development; maturity; development from lower or simpler to a higher or more complex form, evolution."

One might conclude from the definitions of development, modernization, and growth that these terms are overlapping and intertwined. Which term one chooses depends mainly upon his taste.

According to C. E. Black, modernization is:

[The] process by which historically evolved institutions are adapted to the rapidly changing functions that reflect the unprecedented increase in man's knowledge, permitting control over his environment, that accompanied the scientific revolution" (1966, 7).

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definition. Obviously Professor Galbraith did not remember Woodrow Wilson's statement of 1887 on the subject of borrowing foreign ideas and procedures for administrative purposes when he stated:

We borrowed rice, but we do not eat it with chopsticks ...we can borrow the science of administration with safety and profit if only we read all fundamental differences of condition into its essential tenets. We have only to filter it through our constitutions, only to put it over a slow fire of criticism and distill away its foreign gases (Shafritz and Hyde 1987, 23).

Wilson obviously recognized that foreign ideas and procedures had to be adapted to fit the cultural conditions of a nation. This same concept is now being argued for the development of Third World countries, although he did not live long enough to witness the vast literature on comparative administration that has proliferated in recent years.

Proposals of what to do to achieve development for Third World countries came from both West and East. Many of these ideas were perfectly logical in theory and successful in their native habitat, so the assumption was "do what we did," to achieve the goal. Many of the Third World countries tried to follow this course of action with mixed results and with many outright failures.

During the "rush to development" and "stages of economic growth" era, human and cultural factors were not considered. But the very factors that were not considered in the 1950s and 1960s became the major focus of attention

of scholars and Third World leaders in the 1970s and 1980s. Admission of unanticipated events by contemporary scholars in "understanding political development" reflects Weiner and Huntington's statement that:

The rapid modernization of East Asia and portions of Southeast Asia, the growth of autocratic regimes in much of Africa, the emergence of fundamentalism as a major political force in the Middle East, and the failure of class based movements to replace ethnic movements were among the major political changes not anticipated by most scholars (1987, XIV).

Only recently have scholars of comparative politics begun to realize that what is good for one system is not necessarily appropriate for another. For instance, contemporary Muslim Social Scientists have begun to take "a critical attitude toward alien strategies, and have advocated adoption of development strategies based on Islamic values and principles" (Rahman 1987, 3). Such action requires that administrative institutions adapt plans and policies to the indigenous culture.

Adaptation--an increasingly used term in the studies of Third World political systems--is defined by The American Heritage Dictionary of the English Language (1981) as "anything that is changed or changes so as to become suitable to a new or special use or situation; change in behavior of an individual or group in adjustment to new or modified cultural surrounding."

In their book Planning and Budgeting in Poor Countries, Wildavsky and Caiden stress that "planning itself be

adaptive, a continuous process whereby planners constantly adjust goals and decisions as new circumstances unfold" (1985, 268).

S. P. Huntington in his Political Order in Changing Societies, discusses adaptation at length as a major component of what he calls "institutionalization." He asserts that adaptation is "in a rough sense, a function of environmental challenge and age. The more challenges that have arisen in its environment and the greater its age, the more adaptable it is" (1968, 13). Success brings success, according to Huntington, "Success in adapting to one environmental challenge paves the way for successful adaptation to subsequent environmental challenge," (1968, 13). Furthermore, he states that organizational adaptability is measured by its age, which is measured by three criteria: (1) chronological, the longer an organization or procedure is in existence and operation, the higher its level of institutionalization; (2) generational age, succession and replacement of leaders peacefully also is a measure of institutionalization; and (3) functional terms, organization is created to perform particular functions, but the dilemma comes when these functions are no longer needed. For that he states "an organization that has adapted itself to changes in its principle functions is more highly institutionalized than the one that has not," (1968, 13-15). In his discussion of the four essential functions

of every system--goal attainment, patterns maintenance, adaptation, integration--Talcott Parsons stresses adaptation as an essential element in tuning institutions to their environment (1969). Emphasis on adaptation is also stressed by Suzanne Keller who reworded Parsons' four essential functions and named the various types of elites who perform these functions. She states that goal attainment is performed by political elites; adaptation by economic, military, diplomatic, and scientific elites; integration by priests, philosophers, educators and families, and patterns maintenance and tension management by outstanding artists, writers, film stars and top figures in sports (1968, Vol.5, 17). Note that she did not include administrators among any of the elites.

National adaptation is stressed vigorously in the work of James N. Rosenau, The Adaptation of National Societies: A Theory of Political System Behavior and Transformation, who argues that "national societies everywhere are either readjusting their external activities to their internal needs or rearranging their domestic affairs to facilitate their foreign commitment," (1970, 1). In fact he likens the national societies with the single cell, the individual, group, or the organization that must adapt to their environment in order to survive and grow. He further stresses that an entity "must act toward the other entities in such a way to keep its essential structures intact,"

(1970, 2). Moreover, he states that there are three sources that cause fluctuations in the structures of a society: one emanates from international developments and the system's response to them; the second arises from internal events that take place at home and how the system is able to absorb them; and finally the internal ability to adjust to both external and internal forces to the cultural values of the society (1970, 2). He lists four patterns of national adaptation. The first one he calls "the politics of acquiescent adaptation" where the society attempts to keep its essential structures, but make them consistent with the changes emanating from its surrounding environment. The second is what he calls "the politics of intransigent adaptation" where the system forces its environment to be consistent with its structures. The third model of adaptation is "the politics of promotive adaptation" where the society tries to balance the demand between its environment and structures to "a desired equilibrium." The fourth and final one is "the politics of preservative adaptation," where the society tries to live with the limitations of its environment and structures (1970, 3-16).

Still another set of factors related to change are presented by Professor Christopher C. Hood in his Administrative Analysis: An Introduction to Rules, Enforcement and Organizations. He presents the following factors causing change in the public service that

necessitate adaptation. First, he discusses changes in the physical, or natural, world which he speaks of as the biosphere. Changes in resources obviously force change in the public service. Second, he discusses change in technological development, or the technosphere. Some technological development forces immediate change, others cause change over a period of time. The third source of change comes from changes in society or as Hood calls it the Sociosphere. Changes in the way persons interact causes change in the society, which in turn forces the public services to adapt to the new conditions. Professor Hood also presents some basic requirements for adaptation. He states that adaptation requires an ability to spot material and unmaterial changes in circumstances, and the capacity and the disposition to respond appropriately to those changes (1986, 138-150).

More directly applicable to this research is the study on the Saudi Arabian Council of Ministers by Summer Scott Huyette. She uses the term "political adaptation" rather than "political development" to explain the evolution of the Saudi Arabian Council of Ministers. She uses the term "adaptation" because it expresses a gradual change and response to the needs arising from environmental conditions, while development has been associated with Western model of political, administrative, and economic development (1985, 7).

This research will seek to explore how planning and budgeting in Saudi Arabia have responded to change over the years and how they have adapted. I will also attempt to see if this adaptation fits the patterns of adaptation described by Rosenau during the various eras of national development.

CHAPTER III

SOCIAL, ECONOMIC, AND POLITICAL BACKGROUND OF SAUDI ARABIA

Saudi Arabia, since its total unification 57 years ago, has experienced "a transition from camel caravans to the jet age" (Eglin 1984, 140). Comprehension of how dramatic this change has been requires an understanding of the history of the country. The purpose of this chapter is to present a historical sketch of Saudi Arabia, with special focus on the evolution of the political, administrative and economic institutions.

Modern history of Saudi Arabia may be divided into five major periods: the consolidation period from 1902-1932; the nation-building period 1932-1953; the economic crisis of the 1950s; the family feud 1953-1964; and the modernization period 1964-present.

The Consolidation Period 1902-1932

The year 1902 marks the beginning of modern Saudi Arabia when the founder, King Abdul Aziz with strong determination and a small band of dedicated supporters, captured the town of Riyadh and began the process of unifying the present Saudi Arabia.

For centuries, the Arabian peninsula had been torn between rival tribal groups. In the 18th century, one of

King Abdul Aziz's ancestors, a great-great grandfather, Mohammed Ibn Saud (r. 1742), had embraced and supported the call of Mohammed Ibn Abdulwahab to return to true Islam that the prophet Mohammed (Pbuh) proclaimed. This puritanical movement, which is often called by its opponents "wahabism," mobilized the tribal groups throughout most parts of the peninsula. The strength of this movement reached its zenith by the early 19th century when most of the Arabian peninsula fell under control of the first Saudi state (1745-1818). The Ottoman empire as a major contestor for power in the area felt the threat of this movement and spared no effort to defeat it, especially after the two holy cities of Makkah and AlMedinah were captured by the first Saudi state.

Later in the early 1900s, the struggle for unification was renewed by the young leader, Abdul Aziz (1876/1880-1953) who like his predecessor had a vision of a unified state. The capture of Riyadh in 1902 was the beginning of the struggle which lasted more than 32 years and culminated in what became the unified Saudi Arabia which comprises three-fourths of the Arabian peninsula, an area equal to the territory of the United States east of the Mississippi river.

History taught the young leader that the weaknesses caused by the shifting alliances of unsettled bedouin tribes would repeat itself if no actions were taken to prevent it. One of his priorities, therefore, was the establishment of

bedouin settlements, known in Arabic as Hejar--a name given to the journey made by the prophet and his companions from Makkah to AlMedinah to escape the harsh treatment of Makkahns when he proclaimed the call to Islam. Once founded these settlements served as a means for: (1) teaching the bedouins the proper Islam by the Ulama (religious scholars), (2) creating a sense of loyalty to the state of the diverse rival tribes, (3) providing a ready made army which could be called upon to fight anytime and anywhere, and (4) lessening the hostile relations between town people and hitherto unsettled bedouins.

King Abdul Aziz possessed two major leadership attributes which were essential in a tribal society. He had the traditional ties of family and religion and he was a charismatic individual. As Al-Yassini states, "He [King Abdul Aziz] utilized his charisma to mobilize the bedouins and invoked his family's traditional domination of the area and ties to [the puritan movement] to justify his conquest and the consolidation of his power" (Al-Yassini 1985, 36).

With the bedouins in these settlements, the King created a base of power, which became known as the Ikhwan--brethren--who professed loyalty to no one but to Allah, and then to those who served him and the cause of Islam. This relationship between the Ikhwan and King Abdul Aziz remained strong and cordial until the late 1920s when disputes over domestic and international issues arose.

Domestically, the Ikhwan abhorred and resisted the introduction of modern technologies, i.e., automobiles, telephones, radios, etc., which they feared would intrude and interfere with Islamic teachings and the traditions and customs of the society. In addition, they wanted more power and influence over the affairs of the newly acquired Hejaz, that western portion of the country in which Makkah and Al-Medinah are located, which was relatively more modern than the other regions of the country. Furthermore, the relations between the King and the Ikhwan began to sour when the King sent two of his sons on various foreign missions. Saud, the second eldest son visited Egypt, and Faisal, the third eldest was sent to Europe. The Ikhwan's hostility towards foreign countries stemmed in part from centuries of isolation and their rare contact with outsiders, even those from other Islamic countries (Kata Kura 1977, ix).

The vision of the King and his ambition for building a new nation also ran counter to the Ikhwan's desires to continue their expansion of the faith beyond the borders of the present Saudi Arabia. The decisive clash between the King's goal and the Ikhwan occurred in 1929-1930 when the Ikhwan failed to abide with his edicts. The King took decisive action and opted to fight them in order to curb their power and preserve the unity of the various parts of the country (Meulen 1957, 54-68).

Another major contention between the King and the Ikhwan was over the Hejaz region. The King wanted to benefit from the more developed administrative institutions that were left behind from Turkish and Egyptian bureaucracies. He wanted to keep them intact and eventually adapt them to the needs of the rest of the country. The Ikhwan, on the other hand, wanted to change the prevailing institutions at once to be compatible to their views of Islam. In the end, the King prevailed and the Ikhwan were defeated. Fortunately for the King, the Ikhwan were divided and many remained loyal to him during this conflict. This support, coupled with that of the Ulama, led to the waning of Ikhwan resistance. By subduing the Ikhwan, he was free to pursue his goal of nation-building (Habib 1978). This task occupied most of his life until his death in November 9, 1953.

Nation-Building Period 1932-1953

On September 23, 1932, the King proclaimed the Kingdom of Saudi Arabia--previously called the Kingdom of Hejaz and Sultan of Najid and its dependencies.

The challenges facing this new nation were enormous. The inherited administrative institutions were primitive or obsolete and incapable of meeting the challenges of nation-building. The administrative machinery during the period of unification was in no way suitable for the new era

of nation-building. Even the relatively modern administrative institutions operating in the Hejaz region had to be modified and expanded to meet these challenges.

Until 1932, there was little or no bureaucracy capable of helping a modern state. Decisions were made personally by the King to meet the most pressing problems. Foreign and domestic affairs were assigned to two separate "courts" consisting of a chief official and a few clerks who followed the King as he moved from place to place in the Kingdom (Huyette 1985, 51).

Local administration in each of the separate areas of the country was left in the hands of the traditional leaders. There were, therefore, different administrative practices throughout the country. The King not only avoided the impossible task of providing new administrative institutions but also avoided offending local elites by leaving local affairs in the hands of traditional leaders. The "... mobile administration that reflected the simplicity of his [King Abdul Aziz] rule and the absence of developed urban center" later changed as modernization progressed (Huyette 1985, 49).

Building modern bureaucracy proved to be a formidable task. Creating centralized administrative institutions capable of carrying out complex tasks of nation-building often clashed with the administrative, political, social, and economic conditions in the various regions of the

country. Many of the new administrative institutions were adapted from the Hejaz. The Hejaz region, which had benefitted from its position as the site of the two holy cities--Makkah and Al Medinah, had the most modern administrative structures. The influx of thousands of pilgrims each year served as an agent of change requiring a bureaucracy to administer services to these pilgrims. Also, the inheritance from the Ottoman and Egyptian bureaucracy helped in developing the region.

The King also administered it differently from other regions of the country for a number of reasons: (1) the special position of this region in the hearts of the Moslem world, and (2) the more modern administrative and political institutions which helped him in his daily affairs of that region and the rest of the country. Indeed, he appointed his second son, Faisal as Viceroy and left intact all of the administrative and political institutions that existed prior to his conquest.

Faisal's performances as Viceroy and later as a King (1964-1975) proved his father's trust in him. His success in this relatively more modern environment later enabled him to lead in the drive for modernization of the entire country.

Most administrative operations of the government from 1932-1953 were directed from the Hejaz. In fact, newly established ministries most frequently were headquartered in

this region. It was only in the mid 1950s that many of the present ministries and agencies began to be transferred to Riyadh, the political capital. Even then, a few ministries and agencies remained in the Hejaz until the early 1980s. Furthermore, until quite recently most government officials and bureaucrats were recruited from the Hejaz region. This practice continued until the late 1950s and early 1960s when other regions, especially the central region, gained a greater voice in the government (Al-Awaji 1971, 36-52). The shift of governmental activities to other regions reflected in part the modernization and the increase in the educational level throughout the country.

Numerous ministries were established in the nation-building period to meet the internal and external challenges. Dates of the establishment of these ministries to a large degree reflect their relative importance to national development. As can be seen from Table II, foreign affairs has been a major concern throughout the history of the country and, similarly, the Ministry of Finance, which occupied a prominent place in the nation-building period and still occupies an important position.

Table II

Names and dates of established Ministries during nation-building period in Saudi Arabia, 1930-1953.

<u>Name of the Ministry</u>	<u>Date established</u>
1. Ministry of Foreign Affairs	7/29/1349 12/19/1930*
2. Ministry of Finance & National Economy	5/20/1351 9/21/1932
3. Ministry of Defense and Aviation	12/16/1363 12/1/1944
4. Ministry of Interior	9/11/1370 6/15/1951
5. Ministry of Health	9/11/1370 6/15/1951
6. Ministry of Communication	12/28/1372 9/7/1953

Source: Summer Scott Huyette. (1985). Political adaptation in Saudi Arabia: A Study of the Council of Ministers. Boulder, CO: Westview Press, 139-145.

*Dates are given in both Islamic Lunar and Gregorian Calendars.

The government during the nation-building period was able to expand its activities and to create the essential administrative machinery because of the increasing revenues from oil.

Oil production, which began in 1938, became the major source of income, reducing the role of the traditional sources such as the Haj (pilgrimage) and Zakah (Alms from almsgiving by Muslims). Oil production, as can be seen from Table III, grew substantially throughout the period except

Table III

Annual Production of Crude Oil in Saudi Arabia, 1938-1986
(Millions of barrels)

<u>Year</u>	<u>Aramco</u>	<u>Getty Oil</u>	<u>Arabian Oil</u>	<u>Total</u>
1938	0.5	-	-	0.5
1939	3.9	-	-	3.9
1940	5.1	-	-	5.1
1941	4.3	-	-	4.3
1942	4.5	-	-	4.5
1943	4.9	-	-	4.9
1944	7.8	-	-	7.8
1945	21.3	-	-	21.3
1946	59.9	-	-	59.9
1947	89.9	-	-	89.9
1948	142.9	-	-	142.9
1949	174.0	-	-	174.0
1950	199.5	-	-	199.5
1951	278.0	-	-	278.0
1952	301.9	-	-	301.9
1953	308.3	-	-	308.3
1954	347.8	-	-	347.8
1955	352.2	4.4	-	356.6
1956	360.9	5.8	-	366.7
1957	362.1	11.6	-	373.7
1958	370.5	14.7	-	385.2
1959	399.8	21.2	-	421.0
1960	456.4	24.9	-	481.3
1961	508.3	28.7	3.7	540.7
1962	555.0	33.7	11.0	599.7
1963	594.6	33.1	24.1	651.8
1964	628.1	34.4	31.8	694.3
1965	739.1	32.6	33.1	804.8
1966	873.3	30.2	46.5	950.0
1967	948.1	25.1	50.6	1023.8
1968	1035.8	23.2	55.1	1114.1
1969	1092.3	22.7	58.8	1173.8
1970	1295.3	28.7	62.7	1386.7
1971	1641.6	33.7	65.3	1740.6
1972	2098.4	28.5	75.0	2202.0
1973	2677.1	23.5	71.9	2772.6
1974	2996.5	29.8	68.7	3095.1
1975	2491.8	31.2	59.5	2582.5
1976	3053.9	29.7	55.7	3139.3
1977	3291.2	32.0	34.8	3358.0
1978	2952.0	29.4	56.3	3038.0
1979	3376.4	30.2	72.6	3479.2
1980	3525.3	28.5	70.0	3623.8
1981	3513.2	27.2	45.6	3586.0

Table III (Continued)

<u>Year</u>	<u>Aramco</u>	<u>Getty Oil</u>	<u>Arabian Oil</u>	<u>Total</u>
1982*	2309437.0	23604.0	31819.0	2364860.0
1983*	1596620.0	14777.0	45484.0	1656881.0
1984**	-	-	-	1492942.0
1985**	-	-	-	1158859.0
1986**	-	-	-	1746160.0
1987-present	N.A.	N.A.	N.A.	N.A.

Source: Arthur N. Young, 1983, 127; and various issues of SAMA's annual reports, 1960/61-1986.

*Production in thousands of U.S. barrels

**No breakdown of production by each company was available by the source.

for the war years of 1939-1945 and is extracted by three major oil companies: Aramco (Arabian American Oil Company), recently fully acquired by Saudi Arabia; Getty Oil; and Arabian Oil.

Revenues from oil enabled the government to initiate long-needed developmental programs. As production of oil increased, revenues continued to grow. Table IV shows the tremendous growth in oil revenues accruing to the government since 1938 to 1985.

Table IV
Revenues from Oil in Saudi Arabia, 1938-1985
(Millions of U.S. Dollars)

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1938	0.1	1961	377.6
1939	3.2	1962	409.7
1940	1.2	1963 ^a	607.7
1941	1.0	1964	523.2
1942	1.1	1965	662.6
1943	1.1	1966	789.7
1944	1.7	1967	909.1
1945	4.3	1968	926.8
1946	10.4	1969	949.0
1947	18.0	1970 ^b	1,214.0
1948	32.0	1971	1,884.9
1949	39.1	1972	2,744.6
1950	56.7	1973	4,340.0
1951	110.0	1974	22,573.5 ^c
1952	212.2	1975	25,676.2
1953	169.8	1976	30,754.9
1954	236.3	1977	36,540.1
1955	340.8	1978	32,233.8
1956	290.2	1979	48,435.1
1957	296.3	1980	84,466.4
1958	297.6	1981	101,200.0 ^d
1959	313.7	1982	770,478.6 ^e
1960	333.7	1983	37,351.6
		1984	31,470.3
		1985	18,322.9

Source: Arthur N. Young, 1983, 125; and SAMA's annual reports 1960/61-1986.

^aIncluding 152.5 million from Aramco, payment in advance.

^b1970 marked the beginning of the five-year development plan.

^cThis dramatic jump in oil revenues showed its impact on the second five-year plan, 1975-1979.

^dSAMA reported \$101,813.00. Young reported \$101,200.00.

^eOil prices and production started to slow down.

The seemingly ever-increasing revenues from oil relieved the government from having to extract revenues from other sources. The political and administrative difficulties of taxing or levying user fees were avoided. Without the burden of taxation, however, demands proliferated as more and more groups internally and externally competed for these resources. Since internal groups called for more development to modernize the country, developing the economy occupied much of the attention of the founding fathers. Water, an essential and scarce commodity, especially in the early years, was a major concern of the King. Bedouins had long roamed the deserts in search of water, so water projects were high on the King's agenda for development. Numerous other demands for development sprang quietly to the fore. In addition, new external demands grew rapidly. Foreign countries, specifically Muslim countries, Arab and non-Arab, looked to Saudi Arabia as a source of aid and employment for their large unemployed masses.

Responsibility for managing the dramatic changes that were occurring in the country fell upon an emerging and immature bureaucracy. The growth of government revenues and the accompanying demands far outstripped the capability of the administrative and economic infra-structure. Money was squandered and economic difficulties worsened as the 1950s approached. These difficulties stemmed, in part, from lack

of capable economic institutions and the outmoded traditional practices of finance.

The Economic Crisis of the 1950s

The financial difficulties of the 1950s were inevitable. The traditional institutions dealing with financial matters could not meet the new demands. As more and more money flowed into Saudi Arabia, the lack of administrative and economic institutions capable of channelling them to the various needs of the young country caused many problems to the system. With an annual compounded rate of growth of 44.4 percent in revenues for the years 1950-1955, the immature administrative and economic institutions were swamped. A growth in government indebtedness and a depreciation in the value of the riyal occurred despite the increasing wealth of the country. The government was forced to borrow from the newly created Saudi Arabian Monetary Agency (SAMA).

The monetary system of Saudi Arabia itself is quite new. The first Saudi official currency was issued on a metallic base sometime in the late 1920s or the early 1930s. According to one source, silver riyal were first issued in 1927 (Omair 1976, 100), while another said that it was not until 1935 that the first riyal was minted (Holden and Johns 1981, 164). Despite the presence of these new national coins, foreign currencies continued to be the principal

medium of exchange. British gold sovereigns were circulating mostly in the Hejaz region where much of financial transactions took place. Indian rupees and Egyptian pounds also were widely used in the coastal areas, especially during the Haj season.

By the 1950s, the need for a Saudi Arabian central bank was evident. Foreign advisors from the United States were invited and sent under the American Point Four Program. Throughout 1951 and 1952, this group of American financial advisors, headed by Arthur N. Young, studied the needs of Saudi Arabia and presented recommendations that a central bank be established under the name "Saudi Arabian Monetary Agency", commonly known as SAMA. The word "bank" was deliberately not used since it implied the charging of interest which is not acceptable to the Saudi culture. It was stated plainly that the new agency would not engage in charging or accepting interest, for interest is prohibited in Islam (Young 1983, 61,145).

The new institution, which proved in later years to be an instrument assisting national planning and budgeting, was charged with the following functions: (1) maintaining the stability of the value of the currency, (2) holding and operating monetary reserve funds, (3) buying and selling gold and silver coin and bullion for the government, (4) advising the government about new coinage, (5) regulating the banking system and money exchangers, (6) aiding the

Ministry of Finance and National Economy in centralizing the receipts and expenditures of the government, (7) acting as the depository for all revenues accruing to government, and (8) collecting and analyzing data to aid the government and the agency in making financial and economic policies (Young 1983, 144-45).

A strong cultural resistance to paper money was finally overcome through the issuance of "pilgrim receipts" by SAMA during the Haj season of 1955. These "receipts" enabled pilgrims to exchange bulky gold and silver coins into the more convenient paper receipts which substitute for money. In turn, paper currency slowed the flight of gold and silver coins from the country. It also gradually helped to gain the trust of the citizenry in paper money backed by silver held by the government (Young 1983, 92-93).

One year after the creation of SAMA, King Abdul Aziz died, but even before his death the signs of economic difficulties were on the horizon. Expenditures continued to rise despite the fact that revenues had leveled off. This rise in expenditures was described by an observer as if "the Saudis had suddenly broken centuries of fasting to indulge their every conceivable appetite" (Peretz 1963, 406). Some might describe this binge of consumption of consumer goods by the wealthy Saudis as being like a "hungry kid in a candy store." Imports for both private and public sectors mushroomed. The government had to borrow from the newly

created agency, SAMA--although its charter did not permit lending--a sum totalling S.R. 700 (\$184) million in 1957, and the national debt owed by the government to SAMA and other institutions ultimately reached S.R. 1800 (\$480) million (SAMA 1960/61, 3; Edens and Snavely 1970, 21).

The financial crisis was brought on in part by the decline in oil revenues which decreased from \$340.8 million in 1955 to \$290.2 million in 1956 (see Table IV). This decline in income from oil did not pick up until 1961 when it finally exceeded the income of 1956.

The seriousness of the situation further was aggravated by the Suez Canal crisis of 1956. Shipments of oil to Britain and France were curtailed and it was not until 1959 that oil production resumed its increase, rising from 366.7 million barrels in 1956 to 421.0 million barrels a year. Since 1959 oil production has increased steadily, providing the government with ever greater amounts of revenues.

Conflict over the use of the revenues from oil surfaced as production recovered and revenues increased. The debate basically was over what direction the country should pursue and the separation of privy purse and public purse. What course of action and what direction the government should take were mainly debated among the royal family, specifically between King Saud, and his brother and heir apparent, Prince Faisal, who debated what course of action and what direction the country should take.

The Family Feud (1953-1964)

When King Abdul Aziz died in 1953, he left a power vacuum. He had dominated the scene for over 51 years. During this period, his two sons, Saud and Faisal, became major rivals, although Saud was formally heir apparent. The two brothers were appointed by their father as governors of two important provinces--Saud as governor of Riyadh and its central region, and Faisal as viceroy of the Hejaz region. Saud, who had been heir apparent since 1933, governed Riyadh under the shadow of his father "who was always so conscious of his personal responsibility for the commonwealth that he could never bring himself to make any real delegation of authority, even to those whose loyalty he could trust absolutely" (Philby 1954, 447-48). Since the King resided much of his lifetime in Riyadh, Saud was under the continuous scrutiny of his father and as a result never felt like he was in full control of the region. He had less latitude in discharging his duties, for people always had an easy access to petition the King.

Faisal, as viceroy of the Hejaz, had enjoyed more autonomy and was able "to make his own decisions." He also "mixed freely with pilgrims and diplomats..." (Gaskill 1967, 119). In essence, Faisal acquired more freedom in ruling the daily affairs of the region, with little interference from his father.

During his final illness, and in anticipation of future disagreement between his two sons over domestic and international issues, King Abdul Aziz summoned them to his bedside. There he told them, "Join hands across my body and swear that you will work together when I am gone. Swear, too, that if you quarrel, you will argue in private, you must not let the world catch sight of your disagreement" (Lacey 1983, 318).

After his death, Saud ascended the throne and confronted the formidable tasks of leading the nation. In essence, he inherited a kingdom that had been ruled by "a dominant, traditional, and charismatic" leader. Unlike his father, Saud did not have the charisma to lead a country beset with new problems created by the oil wealth, and with this new wealth came an outcry for social development (Butler 1961, 121). According to Carter, "All of the problems of Abdul Aziz' reign but few of his personal qualities were bequeathed to his son and successor, Saud..." (Carter 1985, 34).

Saud was soon faced with domestic and foreign challenges. Domestically, different groups raised issues over development and were even joined by some members of the royal family who advocated more rapid modernization. Other groups, including most of the Ulama viewed modernization as a threat to the society and resisted change. Still a third group supported slow and gradual change that was in harmony

with the belief and traditions of the society. What the brothers, Saud and Faisal, believed about governing and modernization was shaped by their experiences in governing the two different regions.

Discontent increased as King Saud continued to deal in a traditional way with the pressing problems of the time. Dissatisfaction, as Carter states, "...grew over wasteful expenditures, the lack of development of public projects and educational institutions, and the wages of the growing labor force" (Ibid). Philby, a long time observer and participant in Saudi Arabian affairs, states that Saud knew of "the grave defects which have developed in the administrative machinery of the country owing to the lack of skilled workers" but did not attempt to "root out the seeds of corruption, dishonesty, and inefficiency" (1954, 449). King Saud continued to rule as his father had in earlier years despite the fact that the challenge and the events of the 1950s were different and required different responses. Soon it became apparent that the Saudi institutions were as Alvin Toffler states, "too slow to keep up with the pace of change and too undifferentiated to cope with the new levels of social and political diversity" (1987, 410).

The Council of Ministers which had been created only one month prior to the death of King Abdul Aziz was not called into session by the new King until March 7, 1954, some five months after its establishment. Even though the

new council began to operate, it was largely overlooked and King Saud continued to rely most "heavily on his advisors, many of whom were only concerned with the personal acquisition of wealth and power" (Carter 1984, 34). In August 1954, King Saud appointed his brother and heir apparent, Faisal, as President of the Council of Ministers but retained full control, leaving Faisal with unclear undefined responsibilities. This arrangement lasted four years. During this period King Saud did not use the Council of Ministers to help him govern, even though he was unable "to defuse the threats against national security," and development proceeded at a slow pace (Bligh 1984, 59-60).

The Council of Ministers became a major actor as the financial crises of the 1950s grew worse. At that junction, King Saud was forced by circumstance and pressures from the royal family to turn more control over to the Council of Ministers. On May 11, 1958, a royal decree announced new regulations for the council, broadening its jurisdiction and power. Article 18 states:

The Council of Ministers shall draw up the policy of the state, internal and external, financial and economic, educational and defense, and in all public affairs; and shall supervise its execution; and shall have legislative authority, and executive authority, and administrative authority. And it shall be the arbiter in all financial affairs and in all the affairs committed to the other Ministries of the State and other Departments. And it shall be the factor deciding what actions it may be necessary to take therein. And international treaties and agreements shall not be regarded as effective, except after its approval. And

the decisions of the Council of Ministers shall be final, except such of them as require the issue of a royal command or decree, in accordance with the rules of this statute (Appendix C).

In tone these regulations were Magna Charta-like. They took the formal power of the King and placed it in the Council. The Council, and especially its president, was given final power to "Lay down the policy of the state...."

As a result of mounting criticisms from the royal council caused by internal and external problems Saud was pressured to agree to the drastic changes in these regulations and to give the powers of the presidency of the Council of Ministers to his younger brother, Faisal. Effective power thus shifted to Faisal, although Article 44 stipulates that "He" [the President of the Council] "signs the decisions of the Council of Ministers and orders their communication to the various quarters" (Appendix C). It soon became apparent that Faisal, as President of the Council, was far more powerful than the King who was "left with little more than ceremonial duties and a greatly reduced privy purse" (Huyette 1985, 70). As a result, relations between King Saud and his brother Faisal became increasingly strained and the King placed various constraints on Faisal in an attempt to regain his power. Faisal, dissatisfied with King Saud's actions, resigned the presidency of the Council of Ministers on 21 December, 1960, but was reappointed two years later as a result of pressures

from the royal family. Table V shows that Prince Faisal (later to be King) chaired the Council of Ministers from 1954-1975 except for the 1960-1962 period.

Table V

Dates of the Presidency of the Council of Ministers by King Saud and Prince Faisal (later to be King) 1953-1975

The Council of Ministers

<u>President</u>	<u>From</u>	<u>To</u>
King Saud	2/1/1373 10/9/1953	12/6/1373A.H.* 8/15/1954
Ameer Faisal	12/16/1373 8/15/1954	7/3/1380 12/21/1960
King Saud	7/13/1380 12/31/1960	10/9/1381 3/15/1962
Ameer Faisal	10/9/1381 3/15/1962	6/27/1384 11/2/1963
King Faisal	6/27/1384 1/12/1963	3/13/1395 3/25/1975

Source: Huyette 1985, 139.

*Islamic Hijri

Debate over modernization increased as did the criticism over the slow pace of development set by King Saud. The Royal family itself was divided by this debate. Leading the opposition was Prince Talal who resigned his post as Minister of Communications in 1955 in protest over Saud's slowness to modernize. Later in 1961, Prince Talal again became dissatisfied, this time over King Saud's

unfulfilled promises of more liberal policies. He then resigned his most important post as Minister of Finance and National Economy. Prince Talal led a group of royal princes, who became known as "Free princes," and defected to Egypt (Huyette 1985; Nyrob 1985; Shaker 1972).

Numerous ministries were established during this crucial period (see Table VI). These ministries, however, were headed mostly by members of the royal family who, beside their portfolios, had power as family members and thus played a major role in supporting Prince Faisal and convincing King Saud to abdicate the throne. In this way, bureaucratic politics was mixed with the struggles in the royal family.

Table VI

Ministries established in Saudi Arabia between 1953-1964

Ministry of Education	4/18/1373 A.H. 12/24/1953 A.D.
Ministry of Agriculture and Water	4/18/1373 12/24/1953
Ministry of Commerce and Industry	7/11/1373 3/16/1954
Ministry of Petroleum and Mineral resources	7/3/1380 12/21/1960
Ministry of Labor and Social Affairs	12/24/1380 6/8/1961
Ministry of Pilgrimage and Endowments	10/9/1381 3/15/1962
Ministry of Information	11/3/1382 3/29/1963

Source: Huyette 1985, 139-145.

The peaceful transfer of power from King Saud to Prince Faisal in 1964 demonstrated the cohesiveness and power of the royal family in time of crisis. Furthermore, three groups which played a major role in bringing about this peaceful transfer of power, as can be seen from Appendix D, became important elements in the politics of the country. These three groups are: (1) the royal family and its collateral branches, (2) the Council of Ministers, and (3) the Ulama who legitimated the transfer of power by issuing a religious opinion called Fatwa. The small and nascent domestic opposition to the system was squelched. The radical groups in neighboring countries, who long had called for an overthrow of the monarch and the creation of a republic similar to those in Egypt, Syria, Iraq, Libya, and Yemen, were dashed by these developments.

The family feud which had lasted for more than ten years raised new questions about modernization. The formal transfer of power to King Faisal in March 30, 1964, set the stage for the new period of modernization in Saudi Arabia.

The Modernization Period: 1964 to the present

Defining modernization or development in some respects is much harder than describing it or seeing the changes wrought by it in Saudi Arabia. Modernization has constantly changed the country since its total unification in 1932.

Writing in 1947, Richard H. Sanger pointed out that "King

Abdul Aziz Ibn Saud, ... has determined to embark upon a far reaching modernization of his realm" (1947, 180). As early as the 1920s when western technologies were first introduced, modernization began to leave its imprint in the country. Cars, radios, and telephone were present despite strong objections by the Ulama and Ikhwan toward these alien inventions.

To win the Ulama and Ikhwan over to these changes, King Abdul Aziz demanded that they show him convincing evidence in the Koran or the prophet's sayings (Ahadeeth) forbidding use of such items. The debate with the Ulama on the rightness of change has continued ever since then.

The pace and scope of development in Saudi Arabia cannot be compared to the development of other countries for the following reasons: (1) religion plays an extremely significant role in the daily life of each Saudi and everything is measured by a religious standard. Any change in economic, politics, or the society in general must be checked with respect to its compatibility to religion; (2) tradition is valued more than modernity. This fact presents a dilemma to the government. As former President Nixon points out, "The modernizing monarch faces an unusually difficult balancing act. The traditional ways he is trying to change are also those that support his right to rule" (1983, 317). The "balancing act" between tradition and modernity or solving the "King dilemma" as was depicted by

Huntington (1968, 177-91), has been a major challenge for each of the successors to King Abdul Aziz; and (3) the vast size of the country and its disparate regions with small but scattered population makes the task of modernization doubly difficult.

Rather than following Huntington's (1968, 177-91) suggestion of slowing down modernization, or that of Manfred Halpern (1963, 41-42) that the King become the chief modernizer or that the King establish a constitutional system with shared power, the rulers of Saudi Arabia have developed their own strategy for dealing with changes. As the present King Fahd once described it,

Our approach [to modernization] is exactly opposite to that of Attaturk of Turkey. Attaturk imposed changes on his people from the top. We try to act as a catalyst, giving the people a glimpse of change and letting them decide to accept it (Time, April 7, 1975, 21).

Evidence of this adaptive type of modernization may be seen in the case of radio and telephone which were introduced to the kingdom at an earlier stage. Koran verses were cited through these media to show those objecting to their introduction that they can serve Islam and are not "the work of Satan." TV, when first broadcast in the mid 1960s, was on a one year experimental basis, and during that year many religious programs were presented by prominent Muslim scholars to help allay the fear of its potential damage to the society. Women's education which started as a

government effort in 1960 met some resistance. Many people from various provinces, notably those from Buraidah in the Gaseem region, protested to the then Prince Faisal over the opening of girl's schools in their communities. The Prince assured them that attendance was purely voluntary and their daughters could remain at home. Despite the assurances, at one point the protesters blocked the students as they attempted to attend school. The government had to intervene to assure peaceful passage for the students. Faisal said, in regard to this incident, "Imagine having to send armed men to open a girl's school" (Gaskill 1967, 117-122). Gradually as the word spread that the school did not harm the values of the girls attending school, resistance subsided and the same delegation which had protested the establishment of the first schools, petitioned the Prince for additional schools to be built.

These instances, and many others which will be discussed and documented, reflect the high regard for tradition in the society and the difficulties of introducing change. As one observer puts it,

What makes the modernization of Saudi Arabia truly remarkable is not only the speed at which it is taking place but also the unshakable determination of the vast majority of Saudis not to sacrifice their traditional Islamic values in the process (Powell 1982, 184).

Change comes in Saudi Arabia only through a painfully slow process of adaptation. The real challenge to the country is whether it can adapt fast enough to avoid being

destroyed by the tidal waves of change being generated by the great wealth of the country.

Five major events have occurred in Saudi Arabia since 1975 which warrant brief discussion before proceeding to the next chapter. First, King Faisal was assassinated by his nephew, Prince Faisal Ibn Musad, on 25 March, 1975, and was succeeded by his brother and heir apparent, Prince Khalid, in a peaceful and smooth transition that cut short widespread speculation and rumor of strong rivalries among the royal family. Second, tremendous increases in government revenues from S.R. 100,103 million in 1974/75 to S.R. 368,006 million in 1981/82 have enabled the government to undertake major developmental projects (SAMA, 1976, 8, and 1984, 12). Third, in the November 1979 Holy Mosque incident, a group of Muslim extremists, composed mostly of Saudi citizens, entered with concealed weapons and forcefully occupied the holiest of all holy shrines in Islam, AlKabah, and had to be subdued by government forces. After several days a Fatwa from the Ulama permitted the storming of the stronghold where these extremists were hiding. Fourth, King Khalid died on 13 June 1982, and was succeeded by his brother and heir apparent Prince Fahd, who has been active in government politics since 1953 when he was appointed Minister of Education, Minister of Interior in 1962, and heir apparent and vice president of the Council of Ministries in 1975. And, finally, the nosedive in oil

prices in the 1980s from an official price of \$32 per barrel to less than \$10 per barrel in 1986/87. These were five of the most crucial events that may pave the way to understanding how the Saudi political system has weathered these turbulent years. Next we turn to the evolutionary process of the budget in the country.

CHAPTER IV
EVOLUTION OF THE BUDGETARY PROCESS
IN SAUDI ARABIA

As a result of the financial and political crises of the 1950s and early 1960s, major changes occurred in the nation's financial and political systems. The Ministry of Finance and National Economy, which had been created in 1932, gained greater power and influence over the government's financial and economical affairs. Recognition of the need for financial controls and for balancing the budget made it possible for the Minister of Finance to enhance his power over every ministry and department of government.

In this chapter, the growing political and administrative roles of the budget are examined. Materials for this chapter and the following rely heavily on interviews with senior officials in the Ministries of Finance and Planning during the summer of 1988, as well as governmental documents and literature.

These interviews provided me with insights into the planning and budgeting processes. Since the interviews were open-ended, but followed questions developed beforehand, I was able to gather materials to compare different eras of

budgeting. A number of senior officials had long years of services in the ministry, and they were able to trace the evolution of the budget from the time when the budget was in the millions of Saudi riyals (S.R.) in the 1950s and 1960s to the billions of S.R. in the 1970s and 1980s. In addition, these senior officials were knowledgeable about the politics of budgeting and were able to give an account of the different maneuvers and counter maneuvers in dealing with budget requests from various ministries, agencies, and individuals. They also were able to describe the different political strategies used in the lean and fat years.

The growing preeminence of the Finance Ministry may be seen in the prominent role its minister wields in the Council of Ministers. The power of the holder of the purse has been greatly strengthened since the landmark regulations of 1958 which gave the council authority over executive, legislative, and administrative matters. No issue may be considered without the involvement and approval of the finance minister. Indeed, the position of the Minister of Finance in the Council is generally recognized as being first among equals.

A substantial portion of the 1958 statutes pertained solely to budgetary and financial aspects, and the council became the ultimate arbiter in all financial affairs (See Appendix C). It arbitrates between Finance and other ministries and agencies when conflicts arise over such

matters as the transferring of budgeted funds or the enactment of supplementary allocations needed to cover expenditures beyond the regular budget. The Ministry of Finance, in most of these disputes, prevails. This dominance stems from the fact that the ministry not only has formal power to control expenditures but also is recognized as having the expertise in the vital area of finance (Field notes).

The Minister of Finance also gained additional power upon the establishment of SAMA in 1952 as the national regulatory agency over the monetary affairs of the country. The charter of the agency stipulates that the Minister of Finance chairs its Board of Directors; thus, the minister, in effect, influences all aspects of the economy.

The tremendous increase in governmental revenues and the accompanying growth of government in the economy further enhanced the power of the Ministry of Finance and National Economy. The budget has become one of the most important instruments in the hand of government, and it has evolved over the years from a purely technical or accounting tool into a major political and administration institution. Increasingly, the problems of distribution, participation, and penetration that plague every political system, both developed and developing, are lessened by the budgetary and financial processes.

Allocation of funds in the budget increasingly attracts more people to present demands on the government. As this form of participation, known in the United States as "citizen-initiated contacts with government agencies," (Thomas, 1982:504) have increased, government offices have had to be opened throughout the country, thus helping it to penetrate and reach into all areas and to all segments of the population.

Budgeting in the Early Period (1902-1953)

No national budget existed in Saudi Arabia during the unification period of the country from 1902-1930. During this crucial period, allocation of scarce resources was made spontaneously and personally by the king, whose primary priority at that time was to achieve total unification of the various parts of the present Saudi Arabia.

The cultural habits of generosity were deeply imbued in the King who used gifts as means of securing loyalty and support of his subjects and extended family. He distributed the newly acquired fortune from oil in the 1930s more or less haphazardly, rather than depending on a fixed budget (Mortimer 1982, 170). Apocryphal stories of the king's generosity are abundant. One such story tells of how the king in the pre-oil years, would not change a decision, mistakenly made, to give a large sum to one of his subjects. The story is, a man approached him to request aid. The king

intended to write a draft for fifteen hundred riyals, but he accidentally added one dot, which in Arabic means zero, so the sum became instead fifteen thousand riyals, a huge amount at that time. His finance manager brought the matter to the king's attention and asked him whether he intended fifteen hundred or fifteen thousand. The king replied, "I had meant fifteen hundred but let it remain thus. We shall not let the pen outdo us in generosity" (Kheirallah 1952, 164). At another occasion, he once was traveling in the desert and a bedouin met him. The king gave him a purse that was supposed to be full of silver, but instead it was full of one hundred gold pounds and fifty-four Saudi riyals. When this mistake was brought to his attention, he recalled the man, who was afraid that the king might change his mind. Instead, the king told him,

You thanked me for the purse I gave you. I had intended to give you a purse of silver, but Allah in his mercy gave you the gold purse, instead. Therefore, you do not owe me any thanks, but thank Allah, the Great Giver, for the gift. My advice to you is to choose a fertile spot, settle down, plant some palms, and better your condition, and that of your family through the gift of God." (Ibid)

Several lessons may be learned about the Saudi government from this review of early financial affairs. One is that the wealth of the country was considered to be the private purse of the king, and little or no distinction was made between the privy and public expenditures. The king alone decided how monies would be distributed. Second, the

lack of financial and administrative institutions, except in the western region of Al-Hejaz, handicapped efforts to channel available resources to the various sectors and individuals. Third, there was only one avenue to make demands on government, the open Majlis or "the desert democracy" where the King and royal princes held daily audiences with the people who came to pay homage or to bring their complaints and requests of any kinds. Finally, religious belief, to a large extent, limited and influenced how government expenditures were made. The belief that what you have, whether small or large, is a gift of Allah, affects decisions by individuals, groups, and government. The late king, Faisal, once told a reporter: "Oil is our bounty from Allah. Our coffers are full, and we are thankful" (Abercrombie 1966, 13). In fact, the yearly budget message, which has become similar to a state of the nation message by the king, always recites first that the blessing of Allah bestowed these funds on the country. In his message for the 1409/1410 AH (1989-1990) budget, King Fahd stated: "All that we enjoy in terms of a prosperous life, security and stability in all parts of the country...is in the first degree attributable to our adherence to the Book of God and the teachings of His Prophet" (Saudi Arabia 1989, 2). Also, the admonition to give the Zakat (almsgiving) to the poor, the needy, the slaves, prisoners, and debtors; those who are to be

conciliated; mosques for the ways of Allah; and those employed in the collection of the Zakat is a mandatory command in Islam and constitutes the third pillar of the faith. Governmental, as well as individual, actions in welfare matters are affected by this charitable religious precept.

After the total unification of the country by 1925, the need for creating financial and administrative institutions soon became imperative. Demands on government increased greatly, leading to the creation of the General Directorate of Finance in 1926 which was restructured two years later and renamed the General Deputy of Finance. This new bureaucratic entity prepared in 1930 the first national budget. In this first budget, expenditures only were shown. No mention was made of the sources of revenue. The size of the budget was very small in comparison to today's over ten million riyals were budgeted (Albatreeg and Othman 1976, 97-99).

Allocation of these expenditures, as can be seen from Table VII, shows the government's priorities at the time. The lion share went to the Al-Hejaz region (26.09 percent) followed by civilian departments (22.14 percent), expenditures of the royal family and the royal cabinet--(18.08 percent), i.e., general administration, personnel, translation, press, office of Bedouin Affairs and the political division, debt payment (15.5 percent), and the

Table VII

The First Saudi National Budget 1930/31
(Gorosh Ameriah Thahabiah)*

<u>Title</u>	<u>Amount</u>	<u>Percent of Total</u>
(1) Royal Family and related expenditures		
. Royal family allotments	6,600,000	6.2
. Royal cabinet	12,650,000	11.88
		<u>18.08</u>
(2) National Security		
. Coast Guard	3,850,000	3.62
. Public security	10,441,196	9.81
		<u>13.43</u>
(3) Religious Affairs		
. Justice and Courts	1,127,692	1.06
. Committee of Promoting Morality and preventing vice	165,070	0.15
		<u>1.21</u>
(4) Al-Hejaz region		
. Al-Hejaz share from defense welfare	22,000,000	20.67
. Public Viceroy	3,146,530	2.96
. Consultative council	577,310	0.54
. The two holy mosques	2,048,137	1.92
		<u>26.09</u>
(5) Major Civilian departments		
. Transportation and preparation	11,000,000	10.33
. Ministry of Foreign affairs & its dependencies	1,490,789	1.4
. Public health	2,734,240	2.57
. Public education	1,717,047	1.61
. Customs and fees	2,253,028	2.12
. Finance departments	161,820	0.15
. Royal printing	4,210,450	3.96
. Post, telephone, wireless, and telegraph		<u>22.14</u>
(6) Public Works		
. Water desalination	1,353,225	1.27
(7) Debt payment	16,500,000	15.5
(8) Others		
. Miscellaneous salaries	688,720	0.65
. Tariffs	1,240,832	1.16
TOTALS	106,442,832**	<u>99.53</u>

Source: Adapted from Albatreeg and Othman, 1976:98-99

An early currency circulated in Saudi Arabia
* An equivalent to 10,644,254.40 Saudi Riyals

national security (13.43 percent). Civilian departments, many of which were still in a rudimentary stage of development received only 22 percent of the budget. This diminutive size of expenditures on civilian departments indicates not only the condition of these departments, but also the lack of domestic programs for distributing the meager national wealth.

The new budget pointed up the serious financial and administrative weaknesses of the government. There were few possible sources of income available to the government. These sources generally were susceptible to great fluctuation, such as revenues from the pilgrimage, custom taxes, tariffs, and the Zakat, and there was no administrative apparatus in place to administer a tax system. Furthermore, charges on pilgrims and the Zakat offended the religious ethos, and there was little trade in the country to be taxed.

A national budget requires a host of administrative officials to design it and carry it out. Saudi Arabia, at that time, did not have the needed administrative institutions manned by a competent staff. It, therefore, had to rely largely on foreign consultants and employees.

Soon after the enactment of the first Saudi budget in 1931, a Dutch consultant was employed to advise the government on financial matters. His recommendations called, among other things, for the creation of a budgetary

and accounting system very similar to that of his native country. This report was never implemented, since it was not compatible with, nor relevant to, the Saudi Arabian political, social, and administrative setting (Milyani 1983, 41-42).

The government in fact did not publish another budget after 1930/31 for more than 16 years. It simply went back to dealing with financial affairs as it had done traditionally. During this period of no national budgets, however, several major events occurred that were to profoundly change and shape the country's future political, social, economic, and administrative environment.

Administration of the financial system went through several developmental stages in this period and culminated in the establishment of the Ministry of Finance in 1932. Major responsibilities were assigned to the new ministry, including collecting and dispensing the nation's resources. Branches of the ministry were established throughout the country. Its power and influence grew with the growth in governmental revenues. Although no published budgets were made until 1947-48, national expenditures were estimated to be substantially higher than the published budget of 1930/31 (Roosevelt 1949, 160; and Yale 1958, 136).

The appointment of Abdullah Al-Sulayman, a commoner and long-time confidant of King Abdul Aziz as Minister of Finance in 1932, marked the beginning of a period of great

innovation in institutional building. The king's appointment of a trusted and competent commoner to this key post, the second ministry created in the country, gave the new minister an extraordinary power which he skillfully exercised for more than 22 years (Lacy 1983, 276-306).

Ibn Sulayman, as he is often called in the country, "wielded considerable authority and was known as 'the minister' because of his far-reaching responsibilities" (Huyette 1985, 59). His power and influence in the financial affairs of the country were vividly described by Philby as follows:

The Minister of Finance, by reason of these multifarious activities, is by far the most important officer of state and maintains at all provincial and district centers a staff of officials responsible to himself and independent of the local governors. He alone enjoys the privilege of a body-guard and maintains a semi-regal state comparable with that of the King and the royal princes. And he alone by reason of his close understanding with the King enjoys a measure of administrative independence which even the viceroys do not aspire to. His regime is in every way comparable with that of the Barmecide Ministers of the time of Harun AlRashid; and the explanation of his power and independence is probably to be sought in the fact that he is entrusted with the administration of a department with whose intricacies and ramifications the King is not familiar (Huyette 1985, 59).

Evidence of Al-Sulayman's power and influence also may be seen in the fact that he represented Saudi Arabia in signing the historical concession given to Standard Oil Company of California for oil exploration in 1933 (Lacy 1983, 236-237). This beginning of the oil era represents

the second major event which has had a dramatic impact on Saudi Arabia.

Prospects of finding oil in Saudi Arabia in the 1930s were considered to be good, since oil had already been discovered in several neighboring countries. Earlier, in 1923, Saudi Arabia had given an exploration concession to Major Frank Holmes, a New Zealander representing a British firm. Explorations, however, never fully got underway, since the British firm was unable to generate sufficient funds to vigorously pursue the operation (Huyette 1985, 22; and Carter 1985, 32).

Discovery of oil in the neighboring country of Bahrain regenerated new interest in exploration by Standard Oil Company of California. Negotiations with the Saudi Arabian government were initiated and culminated in the agreement signed by Abdullah Al-Sulyman and Lloyd Hamilton, representing Saudi Arabia and Standard Oil of California (SoCal) respectively, on May 29, 1933. The agreement, which was to last for 66 years, stipulated that the explorations were to cover the eastern province of the country. Commercial quantities of oil were discovered in 1938, and the first shipment was made in 1939 (Twitchell 1947). The nation's financial conditions were forever changed by these events.

Revenues from oil immediately and irrevocably changed the composition of governmental revenues. Total oil

revenues increased from \$100,000 in 1938 to \$3.2 million in 1939. The rapid growth of national wealth then slowed in the war years of 1940-1944, only to resume at an ever-increasing pace in 1945 (Young 1983, 125). This new source of affluence relieved the government from relying on the traditional sources of income, such as charges on pilgrims which, prior to oil, had constituted 60% of the government's revenues. At the same time, demands on the government increased tremendously, and the needs for administrative operations became increasingly apparent (Al-Yassini 1985, 62).

The country entered this new condition of change and affluence without even a national monetary system. Several foreign currencies were used beside the Saudi riyals as a medium of exchange, and there were no national banks to perform the essential functions of a central bank. In fact, there were only a few commercial banks owned and operated by foreigners, mainly in the city of Jeddah, where goods and pilgrims traditionally enter into the country (Young 1983, 55-74).

The lack of financial institutions and the increases in governmental revenues led to financial chaos in the early years after the oil discoveries. The government was forced to seek a way out of this chaotic situation by creating a national monetary agency. In the late 1940s, with the aid of advisers from the United States under the Point Four

Program, the Saudi Arabian government began to consider the creation of an agency to perform the roles of a central bank (Young 1983, 52-54).

The Saudi Arabian Monetary Agency (SAMA) was created in October, 1952, to regulate and stabilize the monetary aspects of the country. Lack of nationals with experience in financial and monetary affairs necessitated the hiring of foreign experts to run this newly created agency. Despite some efforts to train native Saudis to operate this vital institution, it was not until the mid 1950s that nationals were able to take major responsibilities and a Saudization program aimed at a total Saudi staff was instituted.

The rapid accumulation of income from oil wealth after World War II, coupled with the increasing demands for governmental services, also led to the creation of an expanding bureaucracy. Numerous administrative agencies were created to perform all kinds of activities and programs to meet the new demands on government. In the 1950s alone, six ministries were created. Table VIII shows that there were only three ministries in the country prior to 1950. The six ministries, created before King Abdul Aziz died, became the nucleus of the newly created Council of Ministers.

Table VIII

Names and dates of Ministries established in
Saudi Arabia from 1930-1950

Name of Ministries	Date established
1 - Ministry of Foreign Affairs	07-29-1349 A.H. 12-09-1930
2 - Ministry of Finance & National Economy	05-20-1351 09-21-1932
3 - Ministry of Defense & Aviation	12-16-1363 12-01-1944
4 - Ministry of Interior	09-11-1370 06-15-1951
5 - Ministry of Health	09-11-1370 06-15-1951
6 - Ministry of Communications	12-28-1372 09-07-1953
7 - Ministry of Education	04-18-1373 12-24-1953
8 - Ministry of Agriculture & Water	04-18-1373 12-24-1953
9 - Ministry of Commerce & Industry	07-11-1373 03-16-1954

Source: Huyette 1985, 139-146.

The surge of the bureaucratic growth continued, growing--according to one account--from 189 employees in the entire country in 1945 to 22,217 by 1958-59, an increase of 117.5 fold (Al-Tawail 1986, 5-6). The newness of these agencies and the lack of experiences of these employees resulted in a great deal of administrative ineptness and

waste. The lack of coordination and control over this newly created bureaucracy was a major stimulus for the creation of the Council of Ministers in October, 1953. It was believed that the heads of the various ministries could better advise the King and coordinate the myriad of activities performed by these ministries if they regularly met together in the council (Harrington 1958, 5-6).

The creation of the Council of Ministers marked a departure from the traditional view that the king and his royal family alone were to dominate government. Sharing responsibilities of decision-making with administrators was an idea alien to the political culture in all parts of the country, with the exception of Al-Hejaz region. That region had inherited from the Ottomans some administrative and political institutions that were quite different from the rest of the country. These governmental institutions in Al-Hejaz had been retained and utilized by King Abdul Aziz until they were gradually assimilated with the rest of the country in the 1950s (Huyette 1985, 58-59; Harrington 1958, 1-19).

The inclusion of commoners along with the members of royal family in the Council of Ministers was a significant change, since the council was to decide vital political, administrative, and economic matters. Allocation of resources now was made as an outcome of debates over the

yearly budgets and the five-year development plans. A new era of politics was introduced by this development.

The Council of Ministers' powers were further enhanced and expanded during the period of rivalry between King Saud, who ascended to the throne in 1953, and his brother and heir apparent, Prince Faisal. Saud, who had been the first president of the council since its inception, appointed Prince Faisal to be the President of the Council in August, 1954 (Harrington 1958, 12). In this post, Faisal garnered sweeping powers over major internal and external matters. His earlier experiences in various governmental posts strengthened his roles and helped him in implementing financial and administrative reforms which he had long advocated. His major concern was the deteriorating financial situation of the country. The country was spending beyond its means, creating national deficits and debts mainly for luxury items. His top priority became balancing the budget and paying the accumulated debts which according to one source reached some 400,000,000 Saudi riyals (DeGaury 1967, 94-95).

As president of the Council of Ministers, Faisal took drastic measures to cut spending and to curtail imports of foreign luxury goods. One action taken to discourage consumption of luxury and unessential goods was to set two rates of exchange for the riyals against the U.S. dollar. One official rate was set at \$1 = 3.75 SR. This rate was

mainly used for essential consumer goods such as food grains, milk, textiles, medicines, vegetables, cattle and sheep, and capital goods. The other exchange rate, the free market rate of exchange, was much more costly and had to be used specifically for the purchase of unessential and luxury goods. These measures precipitated dismay among those members of royal family and those merchants seeking to import luxury goods. These measures also had a direct effect on the distribution of resources in the country, and by 1958-59, the national debts were paid and the budget was balanced. The holdings of gold and foreign exchange held by SAMA recorded an increase of S.R. 644.6 million for the two years ending 1959 (SAMA 1960/61, 4-5).

Despite Prince Faisal's successes in the economic sphere, his austerity programs caused dissatisfaction among some royal princes' who had previously supported Prince Faisal's reforms. These princes turned to King Saud and urged him to retake the powers to govern which they argued were being usurped by Faisal. Encouraged by the robust condition of the economy, King Saud indirectly followed this advice. Rather than directly removing Prince Faisal, however, it is reported that he "...continuously strove to undermine [Faisal's] position, promoting opposition to [Faisal] within the [Royal Family] cultivating the support of the so-called liberal princes, and lavishing supporters with the bounties of his office" (Huyette 1985, 70).

As a result of the pressures caused by the King's actions and in keeping with the promise made during his father's lifetime for unity in time of crises, Faisal voluntarily stepped down from the presidency of the council in December 1960. His resignation paved the way for King Saud to resume the position as president of the Council of Ministers and to repossess the powers of that office. King Saud formed an entirely new cabinet, with the exception of the Ministry of Foreign Affairs which continued to be held by Prince Faisal (DeGaury 1967, 99).

The three most important posts in the cabinet, Defense, Finance, and Interior, were filled by his two brothers, Prince Abdul Mohsen, and Prince Talal and the king's son, Prince Mohammed. The King's two brothers, members of the so-called "liberal princes", joined the cabinet in anticipation that constitutional reforms were to be undertaken by King Saud. Support for the promised reforms, however, almost immediately waned when Prince Talal, the Finance Minister

...attempted to seize the purse-strings by dominating the supreme planning council. By unilaterally controlling the allocation of funds, the planning council in effect usurped the powers of the Council of Ministers, thereby alienating the more moderate ministers who were not prepared to allow a small, self-appointed group to dominate the state finances (Huyette 1985, 70).

Fear of repetition of the 1950s financial crisis arose again in the royal family, and this time, King Saud's

prodigious spending was criticized. He responded by sacking the liberal princes, who later went into exile in Egypt and launched verbal assaults aimed at the regime (Shaker 1972, 178-181; and Rudolph 1985, 222-223).

The royal family in 1962 again rallied behind Prince Faisal. The family had insisted upon the enactment of a statute in 1958 placing all legislative, executive, and administrative powers in the Council of Ministers, and now they insisted that Faisal be reappointed as president of the Council (Lenczowski 1967, 100).

King Saud, whose health was deteriorating, sought medical treatment abroad in November, 1961; and Faisal was reappointed to the position he formally had held as president of the Council of Ministers. At this time, Faisal was urged by many princes and some of the Ulama to accept the throne, but declined the offer, citing a pledge he had made to his father to support his brother, King Saud (Carter 1985, 37). The royal family's support for Faisal enabled him during this period, in effect, to rule the country, while leaving King Saud as a figurehead king.

Prince Faisal's attempt to neutralize the power base of King Saud at home during this period, was accompanied by external events which threatened the stability of the country. Radical changes were occurring throughout the Middle East. The trauma of Iraq's revolution, which included the deposing and assassination of that country's

monarch in 1958 and the establishment of a republic dominated by a military junta, spread fear throughout the other monarchies (Huyette 1985, 69-74).

The breakup of the United Arab Republic, which had been formed by Egypt and Syria, occurred when the Syrians withdrew from the union in September, 1961. Egypt's President Nasir continued his drive for Pan Arabism and extended his support to the rebels that were attempting to overthrow the monarchy in Yemem. They eventually succeeded in overthrowing the monarchy in September, 1962. Also, Nasir seized upon the changes which were occurring in Saudi Arabia and used them to attack the country and its royal family in a massive propaganda campaign aired daily from the "Voice of the Arab" radio station in Cairo (Lenczowski 1967, 102-104; and Lacy 1983, 343-357).

These events prompted Prince Faisal to undertake a vigorous foreign policy. He, for the first time in the history of the country, appointed a second deputy and vice president of the Council of Ministers by naming his brother, Prince Khalid to the position. He also formed a new cabinet in October, 1962, consisting of three royal princes and eight commoners, and he personally retained the portfolio of foreign affairs (Huyette 1985, 69-77).

The new majority of commoners on the Council of Ministers marked a transformation in the makeup of the government and set a trend which continues today. Table IX

shows that, prior to 1962, the royal family outnumbered and dominated the commoners on the council, but since 1962, commoners have played an increasingly significant role and now far outnumber the royalty on the powerful council.

The important post of Finance and National Economy in the October, 1962 cabinet, however, was filled by Prince Musaid Ibn Abdul Rahman, an uncle who had much in common with Prince Faisal. Prince Musaid held that post for well over thirteen years and was instrumental in implementing much of Prince Faisal's reforms. His austerity and frugality became legendary, and how he handled requests for funds from royal and non-royal members continues to be told even today as apocryphal stories in the bureaucracy (Lacy 1983, 325).

Faisal's landmark reforms, known as the Ten-Point Program, were issued in November, 1962, partially to counter the internal and external criticisms of the country's slow pace in development. These reforms are an attempt to assuage both internal and external criticisms. Internally, they were meant to respond to the critics for the slow pace of national development. In fact, these reforms were so stated as to appease all groups: conservatives, moderates, and liberals. Externally, the reforms were attempts to silence those critics who claimed that the Saudi Arabian government was a reactionary government and had no program for development (Lenczowski 1967, 101-102).

Table IX

Royal and Non-royal Occupants of Various Ministries in Saudi Arabia since 1953

Ministry (Date of establishment)	1953			1960			1962			1975- present		
	R**	C***	R	C	R	C	R	C	R	C	R	C
1 Ministry of Foreign Affairs (1930)	X											
2 Ministry of Finance & N Economy (1932)		X					X				X	
3 Ministry of Defense & Aviation (1944)	X											X
4 Ministry of Interior (1951)	X										X	
5 Ministry of Health (1951)	X										X	
6 Ministry of Education (1953)	X						X					X
7 Ministry of Agriculture & Water (1953)	X						X					X
8 Ministry of Communication (1953)	X						X					X
9 Ministry of Commerce & Industry (1954)	X											X
10 Ministry of Petroleum & Mineral Resources (1960)			X				X					X
11 Ministry of Labor & Social Affairs (1961)							X					X
12 Ministry of Pilgrimage & Endowment (1962)											X	X
13 Ministry of Information (1963)											X	X
14 Ministry of Justice (1970)												X
15 Ministry of Housing & Public Affairs (1975)												X
16 Ministry of Municipal & Rural Affairs (1975)											X	
17 Ministry of Planning (1975)												X*
18 Ministry of Post, Telephone & Telegraph (1975)												X
19 Ministry of Higher Education (1975)												X
20 Ministry of Industry & Electricity (1975)												X

Source: Compiled from material in Summer Scott Huyette (1985), and Al-Yassini (1985).

* Until 5-2-83, two royal princes were occupying the position

** Royal

*** Commoner

Faisal's ten-point reforms were, in fact, a blueprint for governmental actions for the ensuing years. The ten points called for the following:

- (1) the promulgation of a basic law setting forth the relationship between the governor and the governed based on the Quran, the traditions of the prophet, and the acts of the orthodox caliphs.
- (2) the drafting of legislation reorganizing local governments in the various provinces.
- (3) the enactment of a law creating a supreme judiciary council to safeguard the independence and immunity of the judiciary. In addition, a Ministry of Justice was to be created, with a state public prosecutor attached to it.
- (4) the creation of a 20-member Judiciary Council chosen of distinguished Ulama members to consider all matters of the faith referred to it by the government and to issue Fataways (plural of Fatwa).
- (5) the adoption of means to continue to protect and strengthen Islam.
- (6) the reformation and strengthening of the Committees for Public Morality in accordance with the Shariah (Islamic Law).
- (7) the implementation of programs to raise the standard of living and well being of all citizens by extending governmental aid.

(8) the issuance of regulations concerning economic, commercial, and social development, with the creation of an independent body to enforce these laws.

(9) the establishment of a development program to accelerate the extension of infrastructure facilities and capital projects to serve all parts of the country.

(10) the abolition of slavery, with compensation to the former masters (See Appendix B) and (Lacy 1983, 345).

Before Prince Faisal could act on these plans, King Saud returned to the country in early 1963 and sought to regain his power. One of the first things he did after his return from Vienna was to reject the budget submitted to him by Prince Faisal, in part because the proposed budget no longer recognized the king's prerogative over the public purse, and it substantially reduced the King's allowances.

Angered by this refusal, Prince Faisal, relying upon his powers as president of the council, enacted the budget without the king's approval. King Saud reacted angrily and sent Faisal a letter on March, 1964 demanding the restoration of his full powers as king. This time, Faisal did not succumb to these not-so-thinly veiled threats and referred the matter to the royal family council (senior sons of King Abdul Aziz, uncles, and nephews) (Lacy 1983, 349-357).

The consensus among the family at the time was that King Saud should not interfere in the affairs of the state.

The Ulama were asked by the royal family council to consider the issue and to make a ruling on the dispute. A Fatwa was issued by the Ulama affirming Faisal's right to rule. Their ruling stated that King Saud already had entrusted and delegated the powers to Faisal, and that he could not now rescind the grant made to Faisal (See Appendix D). As a consequence, the Ulama issued on March 30, 1964 a Fatwa stipulating that

King Saud shall remain the King of the country with all due "respect and reverence," and that his brother, heir apparent and President of the Council of Ministers, Prince Faisal, assumes "all the internal and external affairs of the [Kingdom] without referring back to the King in this regard" (See Appendix D).

King Saud found it hard to accept this Fatwa and the royal family's consensus on transferring power from him to Prince Faisal. He would not accept the ruling that he was only to reign while Prince Faisal was to rule. "I am not Queen Elizabeth," the king was quoted as saying on this occasion (Lacy 1983, 355). From March until November, 1964, the king continued his arguments against the transfer of powers. The decisions taken by the royal family council and the Ulama, however, were unanimously approved by the Council of Ministries on November, 1964. All three of these power bases now were aligned against the king, and he had no option but to accept the new situation.

In the same month, the king left the capital in Riyadh to travel to Dahrán in the eastern portion of the country,

reportedly to take a physical examination. All of the royal family assembled at Riyadh airport to give a farewell homage, as they knew this was, in effect, Saud's last action as king. At this occasion, Faisal symbolized the unity of the family even in time of crisis by humbly bowing and kissing his brother's hand (Lacy 1983, 356). The King never returned to the capital again and spent the rest of his life in exile in Athens, Greece.

The bloodless transfer of power from brother to brother ended the long speculation by critics about the demise of the regime. Power was transferred peacefully and smoothly, and Saudi Arabia began a new era of transformation.

CHAPTER V

INSTITUTIONALIZATION OF PUBLIC FINANCE IN SAUDI ARABIA

Upon his ascendancy to the throne in 1964, King Faisal faced increasingly serious internal and external challenges. Demands for modernization multiplied as the wealth of the country increased, and the country's long-held traditions were threatened by the introduction of new technologies and their accompanying lifestyle. Tacit opposition between the proponents and opponents of change intensified. Those opposed to any change were very powerful and were adamantly against "westernization." In this more threatening environment, Faisal was forced to seek a balance between the forces of modernity and tradition to preserve and maintain stability.

The adamant resistance to modernization was not new. Even in the earliest history of the country, King Abdul Aziz had confronted similar fierce resistance to the intrusion of western technology. The King had to overcome strong resistance when he introduced radios, airplanes, pumps, oil drilling rigs, and technical expertise. In this struggle, he had always insisted that "Faith and Iron" could co-exist, whereas the opponents of change feared the erosion of beliefs and traditions (Eddy 1963, 257-263).

During Faisal's reign, the pace of change was rapid. Innovations in every field which could overwhelm the long-held and cherished traditions of the Saudis were readily available because of the country's wealth. It became harder to convince the Ulama and other conservatives that "Faith and Iron" could co-exist.

Despite the intensity of the opposition, Faisal was forced to modernize. Change was made inevitable by the nation's ever increasing wealth. Oil revenues acted as a two-edged sword. On the one hand, they enabled the government to pursue goals for modernization without the burden of taxation. On the other hand, they threatened to introduce changes the society was neither ready nor willing to accept. Faisal, therefore, faced a difficult political dilemma: he courted conflict and instability whichever path he chose.

At the heart of the debate among various groups was the financial system of the country. Allocation of resources to meet the growing needs and demands of the whole society caused open debate. In fact, for the first time in Saudi Arabia, the three questions posed by Gurr and McClelland in Political Performance: A Twelve-Nation Study were raised: Is the budget "on time"? Are budgetary procedures stable? Is there sharp elite dissension over budgetary issues? and Is the budget deliberated? (1971, 50-53). Therefore, the budget served as a mechanism for stimulating participation,

as well as a means for distributing resources and enabling government to reach all sections of the country. Citizens increasingly initiated contacts with governmental ministries and agencies, and a new politics for allocating resources of the state emerged. The institutionalization of the new politics of public finance with its adaptability, complexity, autonomy, and coherence is the theme of this chapter, and the roles, power, and influence of the various players in this not so easily perceived political process are described.

Faisal's Views on Development and Change

Soon after becoming King, Faisal spelled out his philosophy and the policies he proposed for the ensuing years in an interview with a Beirut-based correspondent. The interview occurred just a few hours after he was proclaimed King. The correspondent of Al-Haya asked him the provocative question about his views on the evolution of the monarchical regime. The King surprised the reporter and others by answering without hesitation as follows:

The important thing about a regime is not what it is called but how it acts. There are corrupt republican regimes and sound monarchies and vice versa. The only true criterion of a regime--whether it be monarchical or republic--is the degree of reciprocity between ruler and ruled and the extent to which it symbolizes prosperity, progress and healthy initiative. If a regime, be it one kind or the other, is unsound it will generate hatred and antipathy among the people whatever the circumstance. So, you see, the quality of a regime should be judged by its deeds and the integrity of its rulers, not by its name. . . . So you see that the question is not concerned with the type of regime, but

depends entirely upon its effectiveness and integrity (De Gaury 1967, 137-138).

The King's stated desire to be judged by deeds rather than by the type of regime in part worked to his disadvantage during his early years on the throne. Implementation of the Ten Point Program which he had previously proposed while heir apparent and president of the Council of Ministers in November 1962, and which had captured the aspiration of those desiring change, was difficult.

The King faced a new reality. The country had just emerged from a tribal society to the status of a wealthy and increasingly urbanized nation-state beset by new internal and external challenges. The changes proposed in the Ten-Point Program unearthed many new administrative and political problems. Lack of qualified personnel was a formidable block in achieving the proposed changes. On one occasion, the King described this problem succinctly:

It is well within our possibilities to find the necessary money and to build establishments, factories and so on. But what is not within our possibility at present is to find the qualified technical personnel to meet all the country's requirements (De Gaury 1967, 164).

The new reality of being King also forced Faisal to recognize the conflicting views about change and that the introduction of many innovations was fiercely opposed because they were perceived by the Ulama and other conservatives as threats to tradition. On the other hand, the wealth of the country enabled it to do practically

anything it desired. Therefore, the King's actions in introducing change had to be slow and deliberate in order "to be sure how one's steps affects another and to be entirely sincere in deciding what is truly in the public interest" (De Gaury 1967, 138).

Overcoming the resistance to providing public education for girls in 1960, for instance, required a great deal of patience and skill. Similarly, in the mid 1960s, King Faisal confronted strong resistance from the Ulama and other conservative groups when he proposed to introduce television into the country. Relying upon his earlier experience in introducing public education for girls, and following the example of his father of overcoming resistance to the introduction of photography, King Faisal resorted first to persuasion. Attempts were made to contain the resistance of the Ulama and other groups by showing that TV can serve Islam by spreading it more effectively. In addition, he attempted to co-opt influential members of the Ulama by coaxing them to read the Holy Quran and to cite the prophet (Pbuh) on TV during a one-year trial period (Rugh 1980, 125-144).

Despite the patience and skill used in co-opting the opposition, a riot broke out and force had to be used. In this conflict, a nephew of the King, Khalid Ibn Musaid, was killed in a skirmish with the police over the establishment of a TV station. Ultimately, this resistance to change was

to cost King Faisal his life because the deceased's disgruntled brother, Faisal Ibn Musaid, assassinated King Faisal in his office in the Capital on the 25th of March, 1975 (Lacy 1983, 424-428).

As a result of this kind of resistance to change, some propositions of Faisal's Ten-Point Program were never attempted. For instance, the call for drafting a basic law or a constitution for the country was rejected on the ground that a man made law cannot replace Allah's law revealed to his messenger, prophet Mohammed (Pbuh). On the issue of a constitution, Faisal once stated in an interview with F.A. Shaker in 1970, "given the present conditions of society and the human resources available, the people will not elect better representatives than the ones we have already appointed in our administration" (1972, 311). No more attempts have been made to implement the promise calling for the establishment of a basic law.

Similarly, the proposal to decentralize and strengthen the local governments in various regions of the country was slow to be implemented. This proposal was perceived by local elites and the King as a threat that might substantially erode their power (Abir 1988, 95). These examples show Faisal was forced to bow to the reality of the resistance to change and to the fact that all changes have to be adapted to the dominant cultural values.

The main success that Faisal had in modernizing the country was in the area of public finance. Many changes were made as a result of his obsession with eliminating public debts and balancing the budget. Whereas in the past the king had granted favors indiscriminately to those who pleased him, Faisal insisted that all expenditures be made according to standard operating budgetary procedures, thus reflecting the new reality that the country's wealth was the national wealth rather than the King's private purse.

King Faisal, in an effort to pursue his financial reforms, appointed his uncle, Prince Musaid to act as the state's exchequer. The frugality of Prince Musaid became legendary. During his administration, requests by the royal family and other influential people could be scrutinized and in some cases rejected outright without repercussion. Lacy (1983, 325) reported that King Faisal and Prince Musaid used a tactic to win time to replenish government funds by sending a requester for aid first to Prince Musaid who, in turn, sent that requester back to King Faisal for written orders. After an order was issued by King Faisal, Prince Musaid would then ask the requester to submit his request through the normal bureaucratic course, which would take even more time, during which funds could be made available, or the requester would grow tired of the effort and abandon his request. In this fashion, Prince Musaid served as a political buffer for King Faisal.

Institutionalization of Public Finance

The budget processes increasingly became more institutionalized and systematized in this period, leading in turn to a new politics of public finance. Commoners as administrators in the bureaucratic agencies and the Council of Ministers increasingly dominated the budgetary processes because of their technical expertise. As one Saudi student put it:

With the influx of wealth and the necessity to administer development plans, the role of the technocrats is expanding and their influence and power increases. Their administration of government tenders of billions of dollars make up their power base. Power among the technocrats tends to be concentrated in the hands of the Ministers (Al-Saud 1982, 115).

Members of the royal family also assumed new and significant roles. Some filled important ministerial and administrative posts in the central government, whereas others were appointed to local and regional offices throughout the country. Presently, nine descendants of King Abdul Aziz govern nine major provinces throughout the country. Table X illustrates the age, education, and regions these royal princes govern.

Under the emerging politics of public finance, these royal princes and their deputies, and in most cases royalty also, became spokesmen for their regions--a position somewhat similar to that of a congressman in the United States. From these posts, they often vigorously lobby the administrative agencies in general, and the Ministry of

Table X

Saudi Royal Governors: Name, Age, Educational Level,
and Region Governed as of October, 1989

<u>Name</u>	<u>Age</u>	<u>Education</u>	<u>Region</u>
Salman Ibn Abdul Aziz	53	Court	Riyadt
Majid Ibn Abdul Aziz	53		Makkah
Abdulillah Ibn Abdul Aziz	51	Not known	Al-Gaseem
Abdul Majeed Ibn Abdul Aziz	50	-	Al-Madinah
Mugrin Ibn Abdul Aziz	46	Air Force Academy	Hail
Mohammed Ibn Saud	55	Not known	Al-Baha
Khalid Al-Faisal	48	BS(U.K.)	Aseer
Mohammed Ibn Fahd	39	BS	Eastern Province
Fahd Ibn Sultan	38	BS	Tabouk

Sources: Adapted from Lacy 1983, 525-532; Al-Yassini 1985, 96;
and Samore 1983, 533-537.

Finance in particular, on behalf of their local clients.

Khalid Al-Faisal, Governor of Asir province, once put it
this way when questioned about his role as governor:

If you cannot put them [citizens] in touch with a
ministry or other authority, you may have to help
them yourself. By law the governor is responsible
for the welfare of his province and by religion is
"Sheik of Sheiks" who must see that all his flock are
fed, housed, and prospering under his care. People
expect this service and believe that the governor is

personally responsible for all--good or bad--that befalls them. He must, therefore, make sure it is good (Holden and Johns 1981, 462).

In fact, when he was asked lately of one habit he does not want to get rid of, his answer was "the majlis" (Al-Yamamah July 7, 1989, 84).

Many of these princes have become adept in the art of bargaining and persuasion, the two techniques most often used in the politics of budgeting. Some, according to one long-time senior official of the department and budget in the Ministry of Finance, will not leave Riyadh until they are assured that all of the requests for their regions are in the budget (Field notes).

These royal princes were partially motivated to assume these new roles and responsibilities because the King let it be known that he wanted them to be directly involved in the developmental process. He decentralized the implementation of all capital projects by appointing members of the royal family to regional and local offices. This had the effect of financially tying them into the developmental process and making them less resistant to the changes being introduced. In addition, their age, experience, and educational background help qualify them to be agents of change because many of them have been exposed to other cultures or have been educated abroad.

These governors readily have access to top governmental officials and are able to get most of what they deem

essential for developing their regions. Their frequent visits to the capital, especially at the height of the budget preparation stage, and their insistence in personally discussing proposed budgets with senior officials in the Ministry of Finance vividly illustrate the significant roles these regional princes have come to play.

The fact that regional governors in many cases are members of the royal family also enables them to bypass the formal administrative chain of command, which non-royal governors find harder to do. Furthermore, according to Prince Salman, Governor of Riyadh, because members of the royal family are more accessible to local citizens than non-royal governors, citizens "... come to the [royal] majlis even though they know in advance that they can solve their problems through some other government apparatus" (Al-Yamamah 1408 [1988], 49). In essence, the majlis gives citizens the opportunity to present their demands on any conceivable problems, including such issues as financial troubles, extension of public services, land disputes, grazing and water quarrels, requests for releasing a prisoner, or anything else.

Citizens also are encouraged by a combination of factors to initiate contacts with government bureaucracies throughout the country. In addition to the majlis, which provides easy access to the royal family, formalization of

the procedures within the administrative structures permit people to know what, how, and when they should act to get what they want from the government. The process of institutionalizing the administrative procedures is particularly evident in the budgetary process. Every agency has developed procedures for compiling estimates of needs for presentation to the Ministry of Finance.

The process of decision making within the Ministry of Finance has also become institutionalized, and citizens are encouraged to participate in the process. In fact, my interviews with senior officials at the budget department in the Ministry of Finance were interrupted several times by calls or visits by concerned citizens or by someone lobbying on the citizen's behalf and justifying his demands to see these officials.

Disputes sometimes arise between groups over the site or timing of proposed projects approved in the budget. To prevent such disputes from escalating, budget officials often delay or award these projects to other areas until the local interests resolve their disputes (Field notes).

The traditional open-door policy of governmental officials in Saudi Arabia, an offshoot of the majlis, influences senior governmental officials to be very accessible to citizens and to spend a great deal of time listening to the needs, demands, and complaints of these

citizens. One western visitor describes his observation of this process in this way:

A morning visitor to a senior official may find himself waiting for sometime with a large number of other callers, and most of the official's morning may be taken up in receiving individuals so that little other work can be accomplished during the five or six hours of the normal working day. But, if the visitor returns in the evening, when the office is closed to the public, he is likely to find the same official doing another five or six hours of uninterrupted work (Chapman 1974, 345).

This contact with citizens works to the advantage of both citizens and the ministry or agency being contacted. The citizens are more likely to get their demands answered, and the ministry or agency gains support from these clients or beneficiaries. Often ministries or agencies urge citizens to present their demands directly to the Ministry of Finance, and in some cases to the King in his majlis, in order to buttress a formal request previously submitted to the Ministry of Finance through the formal budgetary procedures. On some occasions, regional and local branches of ministries and agencies also encourage local citizens to present their demands to the regional governor who, in turn, presents and justifies their request to the central government (Field notes). In essence, individuals and groups serve as pressure groups helping ministries and agencies to justify their requests for funds and authority to the Ministry of Finance.

Another means of citizen contact is the new form of quasi-majlis, which is frequently reported in the country's daily and weekly papers, and may be dubbed the majlis of the intellectuals or elites. These majalis (plural of majlis) are held frequently in the homes of prominent intellectuals or businessmen, especially in the cosmopolitan city of Jeddah, and are attended by eminent persons in and out of government who discuss important social, economic, and political issues in an informal manner. Newspapers often report on the topics being discussed in their entirety when the subject touches major developmental issues. This type of elite contact, although exclusive, helps the government to know about and better foresee problems that may plague future development plans.

Still another form of citizen contact with government agencies and officials is through the media. Since the mid 1960s, the media, which Douglas Carter calls "The Fourth Branch of Government," have assumed major roles in informing the public about developmental plans and budgets, and in permitting the public to respond.

Television and radio stations, as publicly owned and operated institutions, present informational programs such as "With the People," "Conversation with a Responsible Official," and "Citizen and Responsible Official." These programs are aired regularly on both radio and TV stations and are heard throughout the country. In these programs,

citizens question governmental officials and the actions of their ministries and agencies. The responses of these officials come directly in interviews or written statements to the media. This question and answer format enables citizens to hold officials accountable for their actions to some degree. In "With the People" citizens and officials are brought together, and complaints are raised directly on national television. Lack or failure of government programs and services often is exposed in these programs. One such program called "Hello Riyadh" used a format which allowed citizens to call in and confer directly with governmental officials on the program. The complaints became so intensive and critical, and in some instances so personal, that the program was cancelled.

Similarly, in the printed media, which are privately owned but heavily subsidized by the government, columns such as "Voice of the Citizen," "Citizen's Message," "An Official Responds," and "The Issue of the Week" are regularly printed so that citizens may suggest programs and criticize the performance of government ministries and agencies.

In recent years, newspapers, especially the Okaz newspaper, a Jeddah-based publication, have begun intermittent surveys which ask citizens whether they are satisfied or dissatisfied with various aspects of governmental programs and their performances. Some of these surveys provide citizens an opportunity to telephone

directly the government officials responsible for various programs. Citizens may call and question these officials directly about the services or programs provided. These call-in surveys are publicly announced at least one week in advance to inform the public about who will be on line and what topic will be discussed.

The media also help government to test public opinion about potentially controversial socio-economic changes and developments which might incite violent opposition. This function of polling public opinion comes at a time when the country lacks western types of independent, self-serving, politically motivated pollsters (Wheeler 1976). It also helps ministries and agencies to identify potential supporters and opponents of certain programs.

Two examples illustrate how in recent years the media have fulfilled these tasks of testing public opinion. The issue of foreign labor in the country, for instance, has caused a great deal of debate. The huge size of the country, its sparse and scattered population, and the growing wealth which has enabled the government to undertake numerous development projects have increased the demand for skilled, semi-skilled, and unskilled workers, many of whom are foreigners. These expatriates, whose number varies from year to year, have offended nationals and raised fears in public and private circles because of their cultural differences and because nationals fear being overwhelmed by

a tidal wave of foreign laborers. The media, in essence, have served as a means of letting citizens release their fears and hostilities on this issue (Field notes).

The press has also served an important role in dissipating hostility over the issue of allowing women to drive cars in Saudi Arabia. Debate over this issue raged for weeks, drawing a wide spectrum of opponents and proponents. Each side presented its arguments and viewpoints on the subject. As might be expected, the Ulama vociferously opposed the change and proclaimed a Fatwa against women driving cars (Salome 1987, 321). As a result, the government finally rejected the proposed change. The Ulama and other opponents prevailed and the subject was shelved, although the division in the public opinion suggests that the issue may arise again in the future.

The development of these points of access to policy makers in Saudi Arabia has increased citizens' participation in government, and in accordance with the statement expressed by Huntington and Nelson in No Easy Choice: Political Participation in Developing Countries: "In theory, the tendency of individuals and groups to try to influence the government is affected by their access to alternative means of pursuing their goals" (1976, 16). Many individuals in Saudi Arabia with different needs and demands now express them through these various access points.

After attending a royal majlis, the Bureau Chief of Time magazine in Cairo, described citizens' participation in this fashion:

The hour-long majlis took place in an audience chamber big enough to accommodate a basketball court. . . . As the petitioners filed in, Fahd [the present King] stood to receive them. One by one, they greeted him, . . . they handed their written petitions to an aide standing beside [the King], these would be considered later and directed to the appropriate government agency for action. . . . Next came the turn of those who wished to present their petitions orally. . . . At last, a palace official asked, "Are there any more petitions?" There were none, and the majlis ended. Afterward the [King] and his assistants would go over the pleas presented that day (Time May 22, 1978, 46).

As demands on government ministries and agencies grew, the bureaucracy had to be expanded to provide essential programs and public services throughout the country. From a few hundred native and non-native employees working mainly in Riyadh, Jeddah, and Makkah in the mid 1940s, the civil service has expanded to more than 400,000 employees throughout the country. Table XI illustrates the increase in the number of governmental employees since 1960.

The tremendous growth of the bureaucracy has created major problems of training and educating personnel. The problems of training this huge number of new employees have, in part, been met by strengthening and upgrading domestic public administration programs in the universities, which have been expanded from one in 1957 to the present seven, plus the specialized Institute of Public Administration (IPA), which, since its establishment in 1961, has provided

Table XI
The Saudi Civil Service Employees 1960-1985

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
Saudi	n.a.	n.a.	100,000	137,000	175,000	299,738
Non-Saudi	n.a.	n.a.	17,000	40,000	72,000	129,281
Total	62,000	106,000	117,000	177,000	247,000	429,019
Budgeted Staff	n.a.	109,000	150,000	220,000	336,000	520,817

Source: Compiled from various Civil Service Bureau publications.
The tremendous growth of the bureaucracy has created

pre-service and in-service training programs to numerous governmental employees. Other Civil Service personnel have been sent abroad to pursue undergraduate and graduate degrees and diplomas. Personnel in public finance, and budgeting, in particular, have gone through rigorous training programs both at home and abroad.

The number of students pursuing education in the United States alone increased from approximately 360 in 1964 (Quandt 1981, 55), to more than 20,000 in late 1970s. Since the early 1980s, the number of students in the U.S. has been declining, and in 1986 totalled only 5,076 (Statistical Yearbook 1987, 87).

The increase in the number of young prospective civil servants who have been exposed to western culture and secular education presents an opportunity and challenge to

the political process of Saudi Arabia. In the words of William R. Polk, these "new men"

possess the skill, the discipline, the orientation, and the motivation to modernize society. However much they may differ among themselves in terms of income, education and ability, they are even more sharply differentiated, in politically more significant ways from the traditional elements of society (Polk 1967, 13).

Their exposure to open, pluralistic politics, especially in the United States, has infused them with a desire for change. In effect, they have the potential to become the agents of change for the Society. Normally, upon their return, they are placed in responsible governmental positions and usually are absorbed and co-opted into the system.

Stories abound of these "new men" who assume major roles in their society, but one example is especially noteworthy. In 1945, a young Saudi student, Abdullah Al Tariki, arrived in the United States to attend the University of Texas to pursue his education in Petroleum Engineering. After he obtained his master's degree in Petroleum Engineering and served an internship in an American oil company, he returned to Saudi Arabia and was appointed Director of Petroleum and Mineral Affairs in the Ministry of Finance and National Economy. Gradually he advanced until he became the first Minister of the newly created Ministry of Petroleum and Mineral Resources in 1960. His tough position toward western oil companies gained him

their hostility. He was one of the driving forces behind the creation of the Organization of Petroleum Exporting Countries (OPEC) in 1960 to countervail the power of the western oil companies (Duguid 1970, 195-220).

The Civil Service in Saudi Arabia has provided young Saudis income and prestige, and a means of distributing the huge oil revenues of the country in the form of salaries. A major problem is that as the upper grades become overstaffed, the system cannot work efficiently (Time June 6, 1970, XV).

The budget in Saudi Arabia over the years has evolved from a purely technical document dealing with the privy purse of the King, to a complex web of political and administrative processes for allocating the nation's revenues. It has served not only as a means of allocating and distributing resources, but it has permitted and encouraged citizens' participation in various ways. In performing these two essential political and administrative functions, namely distribution and participation, the government has been able to penetrate all regions and sections of the country.

The development of budgetary politics has been a continuous process of adaptation, and the values and traditions of the country have helped shape the budgetary structure and process. As the annual budgetary process developed, it became evident that it could not adequately

deal with the need to plan long-term capital projects. Thus, the need for national planning to prioritize such projects was recognized. The planning process in Saudi Arabia is the subject of the next Chapter.

CHAPTER VI

EVOLUTION OF NATIONAL PLANNING IN SAUDI ARABIA

As the budget and financial management of the country were being increasingly institutionalized in the period following the economic crises of the 1950s, national planning also began to evolve. This chapter traces the evolution of planning institutions, describes the planning process as it developed, discusses the plans which were made and the problems which were encountered, and discusses the credit institutions which were established.

In the late 1940s and early 1950s the lack of a sound national currency prompted the creation of the Saudi Arabian Monetary Agency (SAMA), which served as a central bank, planning and managing the country's monetary system. The task of stabilizing the economy led SAMA to have a more active role in the economy. SAMA, therefore, became increasingly concerned with national planning and advising the government about developing the economy since there was no planning body to prepare national plans. SAMA, therefore, assumed a wide range of responsibilities in its efforts to stabilize the economy and to help alleviate the economic difficulties facing the country.

In its first annual report, SAMA stated that "the task of development has just begun. A new set of problems connected with development of planning is emerging" (1960/61, 23). In time, it became evident that the agency had over extended its abilities and could not serve as both the national central bank and the national planning body. Its chairman, Anwar Ali, proposed in 1958 the formation of a three-man study committee to prepare a plan for future development of the country. Based on his recommendations, a committee of financial and economic advisors was formed in 1958 and became known as the Economic Development Committee (henceforth EDC).

The Economic Development Committee (EDC)

This committee, housed in the Ministry of Finance and National Economy, initially was composed of the Governor of SAMA, two economic advisors from the Ministry of Finance, and two other economic advisors, but was augmented in 1959 with seven additional members. The new members were administrative officials, normally of the ranks of deputy ministers and director generals. They were selected from ministries vitally affecting development, namely, Finance, Commerce, Agriculture, Communication, Health, Education, and Petroleum and Mineral Resources (Edens and Snavely 1970, 22-24; Al-Awaji 1971, 147-158).

The EDC's mission was to consider the planning needs of the country and to propose a mechanism for preparing national plans. It became obvious that the tasks of preparing a national plan was complex and that a committee composed of administrators from various ministries, whose first duty was to their respective ministries, would have difficulty in contemplating long-term national plans (Field notes).

Instead of preparing a long-term plan, the committee became more involved in activities dealing with specific projects planned by various ministries and agencies. Furthermore, the committee devoted much time handling customs applications, tariff exemptions, and trade licenses. In reality, the committee acted more as an administrative/political organ approving or deciding the implementation of various proposals, than as a planning agency (Edens and Snavelly 1970, 23).

In time, the competition, or bureaucratic politics, between these ministries and agencies intensified over resources and authority. Lack of power, inadequate number of professional staff, and paucity of statistical data compounded the problems of EDC and ultimately brought about its demise. As an interviewee and long-time participant in the planning process succinctly put it, "the EDC was charged with enormous tasks, but with little power and vague responsibilities" (Field notes). In its last meeting,

however, the EDC issued a recommendation proposing the creation of a more powerful national planning board.

The Supreme Planning Board (SPB)

The new planning entity, the High Planning Council, or the Supreme Planning Board as it is often called (henceforth SPB), was established in June, 1960 (Moharam 1380 AH), "in order to deal with problems of economic development in an expeditious and comprehensive manner" (SAMA 1960/61, 13). The Board of the new planning body was made up of the Prime Minister or his deputy, who was to serve as Chairman and the Ministers of Finance and National Economy (as deputy chairman), Agriculture, Commerce, Communications, Health, and Petroleum and Minerals Resources.

In an attempt to strengthen the SPB, an executive secretary with the rank of Minister of State without portfolio was appointed to head the professional staff and coordinate the work of the Board. He was given more access to the top echelon of power and reported directly to the Prime Minister, who at the time was Prince Faisal.

The SPB was charged with overseeing the creation of national development plans and for recommending "to the Council of Ministers the annual budgets necessary for the execution of economic development programs, and to approve . . . defined appropriations from allocated funds in the budget to the ministry or ministries concerned in the

execution of such projects" (Adam 1965, 14-15). In essence, the SPB was responsible for preparing long-term plans and overseeing their implementation.

Once operations were underway, the SPB, like its predecessors, was inundated with requests and proposals from various ministries and agencies, giving it little time to undertake long-term plans for the country. The Board became, in the words of a senior planner, "a very powerful agency charged with overwhelming tasks, but with very little time to accomplish its mission" (Field notes).

In addition, perhaps the most important factor hampering its abilities was the intensification of the feud between King Saud and Prince Faisal, heir apparent and prime minister. At the height of the feud, Prince Faisal resigned from the premiership in December, 1960, leaving King Saud to assume power as both king and prime minister. King Saud also formed a new cabinet, thus changing the composition of the board of SPB. King Saud's members of the board were also members of the Council of Ministers and became his chief economic advisors.

These developments led to a major change in the bureaucratic politics concerning the allocation of funds and authority. For instance, Prince Talal, who supported King Saud in the feud in anticipation of major constitutional reform was awarded the post of Minister of Finance and National Economy. In this post, he also assumed, as was stipulated

in the SPB charter, the post of Vice Chairman from which he "attempted to seize the purse-strings by dominating the supreme planning [Board] (Huyette 1985, 70). In this new bureaucratic environment, "King Saud was, in effect, left in the position of being his own chief planner" (Edens and Snavelly 1970, 24).

These difficulties facing the SPB might have been mitigated had the board had an experienced secretariat, but unfortunately the inexperienced planning executive was unable to deal effectively with the challenges of the political environment at the time. He was, in the words of a long-time participant in the planning process, more an administrator than a leader, who would anticipate bureaucratic politics and try to establish and maintain a cooperative and coordination relations with the power center of that bureau-politics environment (Field notes).

During this period of political in-fighting, the size of the staff serving the Board at no time exceeded more than four or five planning specialists. Attracting and recruiting competent technical staff was very difficult, and the staff turnover rate was very high. Many Saudis were lured away from the SPB for more tranquil and attractive positions in other governmental ministries and agencies or the private sector. Some were given planning positions in other ministries because of the experiences they had acquired while in the SPB, which would be invaluable to the

ministries when preparing and presenting plans to the SPB (Field notes).

This practice of employing budgeting and planning personnel from the Finance and Planning Ministries is commonly used by other agencies in an attempt to have a better chance of winning the approval of these two ministries when presenting them plans and budgets. Regarding the bureaucratic acumen about this practice, one of the interviewees in the Ministry of Finance said, "It's obvious that these ministries want to have someone who knows the numbers and strategies" (Field notes). His explanation is similar to Wildavsky's argument that, "It's not what's in your estimate but how good a politician you are that matters" (1988, 101). In a sense, these ministries and agencies hope that these former planning and finance personnel will follow Miles' Law which says that, "where you stand depends on where you sit," and become powerful defenders of their newly adopted ministries and agencies' proposals when presenting them to their former colleagues in the Ministries of Finance and Planning.

Throughout the 1960s, development planning also was hampered by a perennial paucity of reliable statistical data. The newly created Central Statistics Bureau, established within the Ministry of Finance and National Economy in 1960, did not publish a complete compilation of economic and other essential statistical data until 1965,

thus making it more difficult for the SPB to carry out its mission effectively.

The SPB, since its inception, functioned as "a subcommittee of the Council of Ministers," spending a great deal of its time on budgetary matters submitted by ministries and agencies. This budgetary function, which is usually entrusted to the Ministry of Finance, left little time for planning, the mission for which it was established (Edens and Snavely 1970, 24). In fact, the Board became "nothing more than a platform for the member ministries to practice a sort of mixed-up affair of 'you support my demand and I'll support yours' (Badr 1968, 168).

This essentially pork barrel type of politics, so prevalent in the United States, became the general practice in the SPB during this period. As a result, the Board, in all of its deliberation, was not able to prepare a comprehensive national plan encompassing both the public and private sectors. Recognition of its inability to move forward and come up with a national plan led to new proposals for reorganizing planning (Field notes).

At the time the reorganization of SPB was being considered, Prince Faisal issued his famous Ten-Point Program. These proposals, issued on November 6, 1962, were widely publicized and caused a great deal of interest in national planning. Points seven, eight, and nine of the program called for major socio-economic development in the

country and for planning to advance this end. Point seven called for raising the living standards and welfare of citizens and the continuation of providing free medical and educational benefits. Point eight called for the issuance of regulations for economic, commercial and social development. Finally, point nine called for building infrastructure projects by the government. Funds for these projects were set aside as follows: "Aside from state budget allocations for projects, all additional amounts the government will receive from Aramco. . . will be put into a special production budget for development." These programs were to be carried out through existing governmental institutions and other institutions that the government was to establish (Ministerial statement of 6 November 1962, See Appendix B).

Planning, as a result of these developments, became the most popular and widely discussed topic in the country. The planning units were strengthened by having Prince Faisal (later to become king) supporting the cause of planning. Having the spotlight of public attention on planning made the proposed reorganization of the SPB very visible. This visibility caused the government to seek advice about reorganizing planning from the Ford Foundation and the United Nations' team which had been working in the country since the late 1950s (Al-Awaji 1971, 147-155; and El Mallakh 1982, 138-145).

The Central Planning Authority (CPA)

The recommendations from these two consulting groups were finally received, and, although they differed in philosophy and emphasis, both stressed the need for clearly defining responsibilities for planning at the ministerial level. While these proposals were being considered, the political feud in the royal family culminated in King Saud abdicating the throne in favor of his brother Faisal on November 11, 1964.

The new King, Faisal, a long time advocate of national planning, accepted the recommendations submitted by the Ford Foundation, and on January 19, 1965, created the Central Planning Authority (henceforth CPA), superseding the four-year old Supreme Planning Board and ending reliance on ad hoc planning committees so prevalent since the late 1950s.

The main difference in this new planning body, CPA, was the absence of a board made up of ministers whose major concerns were focused on their ministries. Instead, the CPA was headed by a president of ministerial rank who was to report directly to the King. The charter of the CPA also called for twelve economic advisors, assisted by a professional administrative staff, to function as an independent planning entity. The functions of the CPA were spelled out as follows:

- (1) to prepare periodic economic report about the country,

- (2) to prepare an economic development plan for the ensuing five-years to be considered by the Council of Ministers,
- (3) to prepare forecasts of the costs of projects for implementation of the development plans to assist the Ministry of Finance in preparing the various budgets,
- (4) to conduct economic research on special projects,
- (5) to assist ministries and other agencies in their planning efforts, and
- (6) to provide technical advice on subjects demanded by the King (Hitti and Abed 1974, 280; Looney 1982, 99; and El Mallakh 1982, 143).

At the outset, the new CPA faced numerous difficulties encountered by its predecessors, the EDC and SPB. Chief among them was the difficulty in getting long term planning accepted by individuals and agencies "since many distrusted planning as a socialist scheme and the ministers had no prior experience in preparing a plan" (Huyette 1985, 75). The strong support by King Faisal for national planning and his personal friendship with the new president of CPA helped overcome the distrust of planning.

Other ministries and their planning units feared the loss of power to the new CPA and were reluctant to cooperate with it. As one senior planning official in the Ministry of Planning recounted, "Officials from other ministries would

come up with plans that were totally unrealistic in their estimates, and when we would propose adjustments in these plans, they would not budge and stalemate resulted" (Field notes).

These difficulties were somewhat abated by the concerted efforts on the part of CPA's president, Hisham Nather, who had learned from his early schooling in the United States (1953-1958) the art of diplomacy, or muddling through and compromise. He exerted much effort to cultivate cooperation and coordination and to build friendly relationships with those whom he feared would hinder his efforts. Huyette wrote of CPA's president's efforts to ride the storm:

At the start no one took planning seriously, and [Nather] required diplomacy and concerted effort to enlist the cooperation of the ministries. While he enjoyed the full support of King Faisal, he realized he would have to work closely with the finance minister, Amir [Prince] Musaid Ibn Abdal-Rahman . . . By winning Musaid's support, [Nather] succeeded in enlisting the cooperation of other ministries . . ." (1985, 75).

Nather gained authority and legitimacy for his agency, CPA, through these efforts to build relationships with the Finance ministry. Other ministries became aware that their budgets had to comply with the plan in order to win the approval of the Ministry of Finance. CPA's power, therefore, was strengthened by this tie to the Ministry of Finance. The national plans became the guidelines which all government ministries and agencies had to follow when

preparing their annual budgets for capital projects.

Preparing the first five-year development plan proved to be technically very difficult because of the lack of sufficient data about the national economy. Ministries lacked sufficient data about their operations to facilitate plans for major projects and often were not cooperative in furnishing CPA with adequate and reliable information. CPA requests for data from the ministries often were not answered or the answers were delayed so long that CPA could not use them. At times CPA had to seek aid from King Faisal by sending a copy of its follow-up requests to him in an attempt to let the ministries and agencies know the seriousness of the matter. "Such efforts paid off and planning moved forward gradually" (Huyette 1985, 75-76).

In addition to the scarcity of essential data, well trained native planners were a rare commodity. As a result, CPA sought help from the Ford Foundation staff and from the Stanford Research Institute (SRI), which helped prepare the first five-year development plan. In essence, the first plan was prepared mostly by foreign advisors. There was relatively little participation in making this plan. Interest in participating in the plan came mainly from ministries and agencies which had a stake in the plan. Citizens, in general, did not pay much attention to, nor participate in, the plan, believing that it was merely "ink

on paper" and would not carry as much weight as the annual budget with which they were more familiar (Field notes).

To help overcome the lack of qualified and well trained planners, many Saudis were sent abroad to pursue higher education in planning and related subjects. One of them, upon his return from the United States, told the story of this endeavor to a National Geographic magazine correspondent in this way:

In your terms I'm a great success, a symbol of all the potential of Saudi Arabia--barefoot Bedouin boy from barren desert goes to U.S.A. to find happiness and Ph.D. You're wrong. Sometimes I think I'm the greatest failure in the world. I, Faisal Saffoq Al-Bashir, of the Al-Sabaa tribe, was raised to be the next leader of my tribe . . . What am I now? A technocrat-deputy minister of planning. Trying to find a way to spend a five-year plan budget of 236 billion dollars. Dollars that will only speed up the disappearance of the nomads. I act against all the forces that created me (Azzi 1980, 286).

In reality, most of the impediments to planning grew out of and reflected an underlying fear of transforming the society. The cultural, administrative and personal challenges all reflected the difficulty of bringing about change in a society tied to the past and its traditions (Field notes). Despite the potential pain from change, however, King Faisal once said of the inevitability of change: "Like it or not, we must join the modern world and find an honorable place in it" (Gaskill 1967, 118).

The First National Plan, 1970-1975

In preparing the first national plan, CPA gained

tremendously from earlier experiences of the EDC and SPB.

"We tried to benefit from earlier experience by avoiding the avoidable and minimizing the effects of the unavoidable," commented a high senior planning official (Field notes).

Although the first plan was modest in size compared to later plans, it set the stage and helped to systematize the process of planning so that decision makers, planners, administrators and citizens alike knew the process and the roles each was to play in this allocation and goals setting process. Another main contribution of this first plan was that it stimulated citizen interest and influenced participation in the planning process. As one long time participant in the planning process put it, "At first, no one bothered to ask who we were or where we were, but all of a sudden, everyone had an interest in knowing who we were and what we were doing" (Field notes). People became aware that if their demands were not in the plan, they would find it hard to include them in the budget. It was imperative, therefore, that their demands are in the plan.

The first five-year development plan was sent to King Faisal on August 16, 1970, for his approval. In the transmittal letter accompanying the plan, CPA's president described the comprehensiveness of the plan and the cooperation CPA had received from the various ministries (Development Plan 1970-1975). The objectives and means of achieving them also were spelled out as follows:

- (1) to maintain and safeguard Islam and the moral values of the society,
- (2) to improve and raise the living standards and welfare of the citizens, and
- (3) to provide and maintain strong national security to insure economic and social tranquility.

Accomplishment of these objectives required:

- (1) an increase in the rate of growth of gross domestic product (GDP),
- (2) emphasis on development of human resources to enable them "to participate (emphasis is mine) fully in the process of development," and
- (3) diversification of the national resources of income to lessen the dependency on an exhaustible source, oil, by increasing the contribution of other productive sectors (Development Plan 1970, 23).

The plan of 1970-75 projected an outlay of S.R. 41,313.5 million allocated among eight parts of the public sector. Table XII shows the breakdown of expenditures for each section with the percentage each would get from the total outlay.

Table XII

Summary of Financial Outlays for the First
Five-year Development Plan 1970/71-1974/75
(S.R. million)

	<u>Recurrent</u>	<u>Project</u>	<u>Total</u>	
			<u>Amount</u>	<u>Percentage</u>
Public Administration	6,794.6	922.8	7,717.4	18.6
Defense	3,980.0	5,570.0	9,555.0	23.1
Education, Vocational Training and Cultural Affairs	6,150.2	1,227.5	7,377.7	17.8
Health and Social Affairs	1,612.9	308.2	1,921.1	4.7
Public Utilities and Urban Development	1,246.9	3,325.4	4,572.3	11.1
Transport and Communications	1,767.3	5,709.2	7,476.5	18.1
Industry	321.8	776.7	1,098.5	2.7
Agriculture	973.8	493.9	1,467.7	3.6
Trade and Service	83.5	43.8	127.3	0.3
Total	22,931.0	18,382.5	41,313.5	100.0

Source: Adopted from the first five-year development plan 1970/71-1974/75, p.43.

Each section of the plan had a major effect on the three crucial areas of political development, namely distribution,

participation, and penetration or the ability of government to carry out its policies in a rapidly changing environment.

Since government owns the most important source of income in the country, oil, it is incumbent on it to distribute its fruits prudently in order to assuage the severity of tensions resulting from inequality. Failure to include all segments of the population in the distribution of the country's abundance would hamper national integration and create imbalance in development. At the same time, care had to be taken so that the national affluence did not cause people to believe that government subsidies were a substitute for the hard work needed to achieve development. The veteran minister of planning, Hisham Nather, expressed this concern in this way:

We shouldn't give people the impression that they will always get handouts. The government will provide the essentials. Beyond that, the good life must be the prize that the individual's own work generates (Azzi 1980, 319).

The plan's objectives stressed the need for raising the living standard and welfare of the people. Achievement of this important objective depended in large part on how the government distributed the nation's wealth. Capable and responsive governmental institutions were essential to implement these policies. The plan called for reforming and expanding administrative institutions and provided for greater citizen participation in the decision processes of these agencies. Explicitly, the plan stated that:

Economic development is not sought after for its own sake; its only purpose is to improve human welfare. One of the primary ways of accomplishing this is to translate the fruits of economic gain into social improvements. In this way, people benefit from and participate in development and become better equipped to contribute to this process themselves (Development Plan 1970, 23).

As the planning process evolved, people began to recognize that their contacts with governmental ministries and agencies bore fruits and affected what they could gain from government (Field notes).

Implementation of the plan required the government to expand and decentralize its administrative apparatus and operations in order to better serve all regions and groups throughout the country. The plan specifically called for the following administrative reforms:

- (1) to improve the effectiveness of agencies undertaking centralized functions of government,
- (2) to achieve greater delegation of authority and responsibility for other functions to the specialized agencies of government, and
- (3) to attain clear definition within all agencies of their functions and to promote greater delegation of authority and responsibility at all levels (1970, 46).

Reorganization and reform of the administration followed, making it possible for the government to better serve all segments in the country, thus reducing the seriousness of the penetration crisis.

Each ministry, according to these objectives, was to expand its offices to all parts of the country. This in turn, permitted local citizens direct access to these offices. Evaluation of the performance of ministries began to be based on the attainment of these objectives. An official who participated in the formulation of these objectives described it this way: "We designed these objectives and set the targets knowing that some of them might not be attained in the near future, but they will be challenges to be overcome along the road" (Field notes).

Decentralization of governmental functions to regional and district levels also was emphasized as a major target in the plan. It was assumed that by delegating more power in making decisions to regional and district levels and by giving them more freedom to implement programs, these agencies would become increasingly responsive to local needs and demands. This decentralization scheme, in turn, would enable the government to permeate and serve all sections of the society more effectively.

Financial constraints limited the scope of the first plan of 1970-1975 to a total of S.R. 41, 313.5 million. Soon after the plan's first year of implementation, however, additional revenues began to flood into the governmental coffers as a result of the surge in world-wide oil prices. In just one year, the government's budget rose from S.R. 5,966 million in 1969 to S.R. 6,380 million in 1970/71, a

seven percent increase (SAMA 1970, 9). In the next year, 1971/72, national revenues skyrocketed to S.R. 10.8 billion and in the following year of 1972/73 to S.R. 13.2 billion (SAMA 1972, 1). The tremendous surge in revenues continued and by 1973/74 government revenues and expenditures reached S.R. 22,810 million, a 72.8 percent increase over the previous year's income (SAMA 1973, 11).

How to absorb this enormous influx of capital now became the country's main concern. The concern over financial constraints which had influenced the first plan no longer existed, and planners were forced to accelerate and expand projects for development. By the end of the first five-year development plan outlays totalled S.R. 56,223 million, 36 percent more than had been called for in the original plan (Second Development Plan 1975-1980, 529).

The Second and Following Five-Year Plans

These astronomical increases in revenues continued unabated in the following years and the second five-year development plan for 1975 to 1980 reflected the immense increase in national wealth. When the president of CPA was asked about the forthcoming 70-billion dollar second plan, he answered, "Seventy billion? That was last week. Now its 142 billion. [But] that too may become outdated" (Putman 1975, 519).

Decision making in the second and following plans was different from the first, and perhaps even more difficult. Planners and decision makers alike were confronted with a unique problem of having such a huge amount of money to spend. As can be seen from Table XIII, income increased from S.R. 5.7 billion in fiscal year 1969/70 to S.R. 100.0 billion in 1974/76, the end of the first five-year development plan.

Table XIII

Actual Revenues and Expenditures for the
Fiscal Years 1969/70-1974/75

<u>1969/70- 1974/75</u> (SR billion)	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>
Revenue	5.7	8.0	11.1	15.3	41.7	100.0
Rate of growth		38.6	39.6	37.9	172.1	140.0
Expenditure	5	6.3	8.1	9.9	18.0	32.0
Rate of growth		25.2	29.2	21.9	81.6	78.0
Surplus or deficit (-)	0.7	1.7	3.0	5.4	23.7	68.1

Source: SAMA 1980, 2.

With this enormous income, it was not a matter of how much to spend, but rather a question of what the country could accomplish to absorb this extraordinary inflow of capital. Attempts to do more than the country was capable of doing

would not only be wasteful but would be disruptive to the society as well. As one of the long time planners put it, "The extraordinary income accrued to government from oil became a reality at the end of the plan. We were free from financial constraints, but became perplexed on what to plan without antagonizing different groups in the society" (Field notes). Actual expenditures for the first five-year plan, as can be seen from Table XIV, exceeded the projected outlays by S.R. 18 billion.

The second plan was prepared prior to King Faisal's death on March 25, 1975, but was approved by the new King, Khalid, in less than two months on April 27, 1975. The prompt approval of the plan demonstrated the serious efforts by the new leadership to pursue the course set previously.

Later in October of the same year, five new ministries were established. Planning was one of these areas advanced to the rank of ministry, along with Higher Education; Housing and Public Works; Industry and Electricity; Municipal and Rural Affairs; and Post, Telephone and Telegraph. All these ministries had been either departments within another ministry or independent agencies. The establishment of these ministries reflected the enormous changes envisioned in the second development plan and the difficulties that had to be overcome to accomplish these proposals.

Table XIV

The Size of the First and Second Development Plans
in Saudi Arabia (S.R. millions)

	First Plan (1970-1975)		Second Plan (1975-1980)		Ratio Second Plan to First Plan
	Amount	Percent	Amount	Percent	
Economic resource development	6,033.3	10.7	92,135.0	18.5	15.3
Human resource development	10,198.7	18.1	80,123.9	16.1	7.9
Social development	2,443.0	4.4	33,212.8	6.7	13.6
Physical infrastructure development	14,086.8	25.1	1,112,944.6	22.7	8.0
Subtotal (Development)	32,761.8	58.3	318,416.3	63.9	9.7
Administration	10,466.5	18.6	38,179.2	7.7	3.7
Defense	12,994.7	23.1	78,156.5	15.7	6.0
External assistance, emergency funds, food subsidies and general reserve	-	-	63,478.2	12.7	-
Subtotal (other)	23,461.2	41.7	179,813.9	36.1	7.7
Total Plan	56,223.0*		498,230.2	100.0	8.9

Source: Second Development Plan 1975-1980, 529.

*U.S. Dollar = 3.75 Saudi Riyal (1989). At this time S.R. 3.52 = one U.S. Dollar.

A comparison of the size of the first and second plans in Table XIV reveals the new challenge to the country on how to distribute this huge bonanza of wealth without compromising the traditions and values of the society. The total outlays for the second development plan amounted to S.R. 498, 230.2 million (U.S. dollars = 3.52 S.R. in 1975), an increase of S.R. 442, 007.2 million over the actual spending of the first development plan.

Non-financial constraints arose in making and implementing the second and following plans. SAMA, in its 1978 annual report, stated that the non-financial difficulties were the main obstacles facing the kingdom's planning and development. Tremendous inflationary measures were created in the effort to absorb this huge amount of capital. The government, as a result, held its expenditures at the same level of S.R. 111 billion for three consecutive fiscal years from 1975/76-1977/78. It also expended the largest share of the expenditures, 22.7 percent, on the physical infrastructure in an attempt to ease the pressure on other sectors of the economy and to speed up development of that sector which was badly needed to promote growth.

Resistance to change increased as the second plan got underway. Conservative elements in the society, such as the Ulama, feared the rapid transformation of the society and what they saw as an aberration of Saudi traditions.

Implementation of the plan required the importation of a huge number of skilled and semi-skilled foreign workers which added to the fears and the resistance to change. There was increasing apprehension that this massive migration of expatriates would threaten the society and introduce an alien culture into the society (Field notes).

Despite the government's attempts to lessen the impact of change, tacit resistance arose even from those who were to implement the plan because the overwhelming demands at times seemed beyond their administrative capacity. Part of that problem was of their own making. As one senior planning official explained, "Ministries and agencies were asking for more than they can chew, but adhered to old administrative practices that were not conducive to the new demands and needs of the plan" (Field notes).

In essence, the second development plan perhaps had the most profound effect of any event on the country in its 57 year history. The achievement of total unification in 1932, the discovery of oil in 1938, the formation of the Council of Ministers in 1953, the death of the founding father of the country in late 1953; and the years of political and economic difficulties from 1954 to 1964 were all landmarks in the history of the country. But it was the years of the oil price boom (1973-1982) and specifically the seven "fat years of 1974-1981" that wrought the most profound changes in the Saudi's society.

The per capita GDP doubled during the period of the second five-year plan to reach S.R. 43,400 (approximately \$12,000) by the final year of the plan, 1980, an increase of \$11,460 over the 1971 GDP per capita \$540 (International Bank for Reconstruction and Development [IBRD], World Atlas, 1973). Much of the increase was due to inflation, but dramatic improvements were made in the standard of living. Social services were extended by government to help reduce the pinch of inflation. Subsidies, for the first time, were provided on food, travel, utilities, gasoline, and other items, amounting to a 29 percent of an average household income. For those people who were considered "deprived in certain aspects," the government introduced welfare programs (Third Development Plan 1980-1985, 155).

Governmental employment in its expanding bureaucracy in major cities, towns, and villages provided jobs for many (Ibid). The huge government expenditures on the infrastructure gave an opportunity for budding entrepreneurs to bid on government contracts. Real estate prices skyrocketed and some benefited greatly from having government appropriate their land for public use. Fabulous profits were made when the government gave land to some individuals and then decided to buy it back for public use. Some people became millionaires as a result of the increased land prices. Stories of the boom years, or as they became known

"Altafrah Years," tell of those who went from rags to riches and became instant millionaires or even billionaires.

Massive migration from rural areas to cities altered the demographic pattern in the country during this period of rapid change. As can be seen from Table XV, in 1980, 42 percent of the population lived in cities of 100,000 or more compared to only 20 percent who lived in such cities ten years earlier. Forty six percent of the population in 1980 lived in rural areas, a decline of 14 percent in one decade.

For a number of social, economic, and political reasons, the government took steps to slow down the migration from rural to urban areas. Employment opportunities for young graduates in these areas were developed. Jobs were created for even those with minimum or no job qualifications. Social security was provided in rural

Table XV

Distribution of Total Population (percent)

	<u>1970</u>	<u>1975</u>	<u>1980</u>
Percentage living in metropolitan center (population more than 100,000)	20	35	42
Percentage living in small towns	20	16	12
Percentage living in rural areas	60	49	46

Source: Third Development Plan 1975-1980, 56.

areas to many elderly or disabled people. Such incentives lured many to opt for the rustic life in rural areas over the attractions of the bright lights in urban areas (Field notes).

Development of Credit Institutions

As early as 1963, the government recognized the need for financial institutions to help channel the nation's growing wealth into productive fields. Lack of private lending institutions, coupled with the religious prohibition on charging interest, prompted the government to enter this field.

The increase in government income, especially after the oil price increases in 1973 and 1979, raised the expectations of the people that their financial needs would be met. A number of specialized lending institutions were established to provide interest-free loans for a variety of essential purposes. Banks--or funds, as these terms are interchangeably used--were established to provide funds for agriculture, low income people, real estate development, and industrial development. All of the banks and funds have helped to distribute the vast funds in the governmental treasury and were a supplement to the Five-year National Plans. The functions and the history of these institutions are discussed next.

Saudi Arabian Agricultural Bank (SAAB). This institution was established in late 1963, seven years prior to the first five-year development plan, with the objective of providing interest free loans to agricultural groups. These loans are designed to promote the development of the agricultural sector. They take the form of either short-term loans, extending up to 12 months, or medium-term loans, which may extend up to 15 years.

The total amount of loans since the Bank began lending monies in 1964 until 1987/88 were S.R. 22,344,869,677 (currently U.S. dollar = S.R. 3.75) million. Medium-term loans constituted the major part of these loans as can be seen in Table XVI.

In addition, subsidies on agricultural products are provided by SAAB. The total subsidies distributed by the Bank from 1973 until 1987/88 amounted to S.R. 8,413,640,942 (see Table XVII). The Bank also is a major source of employment to young Saudis in fields of agriculture and related agribusinesses, since it has seventy branches and offices throughout the country. In its latest annual report, 1987/88, the Bank reported that it employed as of 1987/88, 1,993 employees of which 1,856 were Saudi nationals. Non-Saudi nationals declined substantially from 25.6 percent ten-years earlier to 6.8 percent at the present. This decline in non-Saudi nationals stemmed from

Table XVI
General Credit Movement of the Saudi Arabian Agricultural Bank from
1384/1385 H to 1407/1408 A.H. (1964/65-1987/88) S.R.

Years	Loans		Short-Term Loans		Medium-Term Loans		Total Loans	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1384/1385	52	131,000	573	4,258,598	625	4,389,598		
1385/1386	141	294,864	1,781	8,632,561	1,922	8,927,425		
1386/1387	885	1,082,700	2,261	12,099,900	3,146	13,182,600		
1387/1388	1,232	1,542,000	2,500	10,477,800	3,732	12,019,800		
1388/1389	1,227	1,676,311	2,447	12,200,784	3,674	13,877,095		
1389/1390	1,793	3,008,854	2,563	13,127,273	4,356	16,136,127		
1390/1391	1,741	2,575,222	2,640	14,052,406	4,381	16,627,628		
1391/1392	1,234	2,265,666	2,631	14,292,441	3,865	16,558,107		
1392/1393	1,537	2,916,292	2,940	16,677,234	4,477	19,593,525		
1393/1394	1,741	3,544,710	3,673	32,759,095	5,414	36,303,805		
1394/1395	3,835	7,181,695	12,416	136,323,743	16,251	145,505,438		
1395/1396	3,073	8,243,773	16,629	261,189,393	19,702	269,433,166		
1396/1397	3,633	17,288,098	17,744	472,550,263	21,377	489,838,361		
1397/1398	3,572	43,713,341	16,726	541,954,927	20,298	585,668,268		
1398/1399	4,609	15,285,705	19,149	693,786,257	23,758	709,071,962		
1399/1400	3,557	22,734,376	16,225	1,105,951,731	19,782	1,128,686,107		
1400/1401	9,310	39,226,421	35,818	2,491,640,060	45,128	2,530,866,481		
1401/1402	5,556	29,456,399	31,890	2,903,445,663	37,446	2,932,902,061		
1402/1403	3,454	25,270,641	35,432	4,140,757,096	38,886	4,166,027,937		
1403/1404	1,759	18,510,587	22,085	3,477,252,612	23,844	3,459,763,199		
1404/1405	1,024	17,315,930	13,722	2,304,484,443	14,746	2,231,800,373		
1405/1406	305	3,901,791	8,904	1,547,323,962	9,209	1,551,225,753		
1406/1407	475	4,178,077	6,588	1,015,010,479	7,063	1,019,188,556		
1407/1408	253	2,548,177	4,539	838,728,127	4,792	841,276,304		
TOTAL	55,998	273,892,829	281,876	22,070,976,848	337,874	22,344,869,677		

Source: SAAB, Annual Report 1987/88, 31.

Table XVII
 Saudi Arabian Agricultural Bank Subsidies Disbursed Since
 1393/1394 A.H. to 1407/1408 (1973/74-1987/88) S.R.

Fields Years (A.H.)	Engines & Pumps	Agricultural Machinery	Animal Feed	Poultry Raising Equipment	Dairy Farm Equipment	Transportation of Cows Imported	Fishing and Offshoots of Date Palm	Total
1393/1394	1,084,427	2,082,737	6,518,969	-	-	-	-	9,686,133
1394/1395	20,453,635	8,987,576	15,034,776	1,189,242	679,257	-	-	46,344,486
1395/1396	56,849,105	42,713,456	35,015,672	-	-	-	-	134,578,233
1396/1397	67,646,913	42,632,254	65,946,117	4,647,986	-	1,313,071	-	182,186,341
1397/1398	101,562,424	45,312,917	81,745,235	3,426,261	1,287,532	3,362,072	4,876,500*	241,572,941
1398/1399	141,508,312	103,257,321	95,688,902	6,114,986	746,699	5,662,284	31,110,000	384,088,504
1399/1400	163,799,722	115,171,151	125,725,333	8,335,926	373,355	11,142,880	11,050,000	425,588,347
1400/1401	297,122,596	179,116,984	126,752,266	3,462,519	437,331	8,521,667	70,000	615,483,363
1401/1402	348,965,471	261,904,623	327,808,449	12,476,715	5,757,795	22,353,497	-	979,266,550
1402/1403	472,250,515	370,558,978	432,377,205	15,265,285	1,903,416	29,205,182	-	1,321,560,581
1403/1404	361,043,341	298,203,053	334,004,615	12,308,019	536,358	16,439,647	-	1,022,535,233
1404/1405	355,886,625	285,652,756	710,124,283	14,787,764	674,834	10,762,369	-	1,377,888,631
1405/1406	241,836,617	199,664,579	534,386,291	3,272,681	137,347	14,535,694	-	993,833,209
1406/1407	217,317,961	167,147,853	-	8,881,044	-	11,178,266	-	404,525,124
1407/1408	148,472,299	108,029,017	-	3,352,954	122,531	4,516,465	-	264,493,266
TOTAL	2,995,799,963	2,230,435,255	2,891,128,113	97,521,382	12,656,435	138,993,294	47,106,500	8,413,640,942

Source: SAAB Annual Report 1987/88, 47.

*Subsidy to Date Palm Offshoots Subsidy to Fishing

SAAB effort to Saudize the Bank's manpower (SAAB, Annual report 1987/88, 51).

Saudi Credit Bank (SCB). The Saudi Credit Bank, another of the lending institutions for distributing the national wealth, was established on November 9, 1971, to lend interest-free loans to people of small means who were unable to borrow from commercial banks (SAMA 1969, 23).

Loans may be obtained by citizens from SCB for a variety of purposes, such as:

1. Marriage: Loans for this purpose are designed to help relieve the burdens of the traditional dowry by providing loans with easy pay back provisions to citizens wishing to get married. A total of 106,684 marriage loans amounting to S.R. 161,015,250 have been made since the inception of this program (see Table XVIII).
2. Home repairs: Loans are extended to citizens who wish to remodel, repair or make home improvements. A total of 83,577 houses have benefited from these loans which amounted to a total of S.R. 1,204,940,150 as of 1987 (see Table XVIII).
3. Medical treatment: Prior to the development of medical facilities in all parts of the country, this program provided loans for those seeking medical treatment abroad. Loans for this purpose are no longer extended, for citizens can benefit

Table XVIII

Total Loans Extended by Saudi Credit Bank Since its Inception Distributed
by Purpose (1393/94-1300/07 (1973/74-1986/87) S.R.

Fiscal Year	Marriage	Value %	House Repairing	%	Medical Treatment	Trades	Total
93/94	6173	67%	2933	32%	22	65	9193
94/95	26622	67%	12893	32%	21	167	39703
95/96	55136	68%	25340	31%	80	501	81057
96/97	56870	36%	100368	63%	67	768	158073
97/98	28769	28%	73697	71%	4	779	103249
98/99	20777	38%	33202	60%	38	1130	55147
99/1400	14923	46%	17019	53%	-	300	32242
1400/1401	140681	39%	214364	60%	-	1823	356866
1401/1402	166717	50%	160056	48%	-	3531	330304
1402/1403	132605	55%	106577	40%	-	3507	242689
1403/1404	122936	53%	105190	45%	14	4379	232519
1404/1405	134071	53%	109530	44%	8	7566	251175
1405/1406	138229	50%	129520	47%	-	7555	275304
1406/1407	116506	49%	114251	48%	13	5814	239594
TOTAL	1161015	48%	1204940	50%	267	4088	2407107

Source: SCP Annual Report, 1987, 28

freely from medical facilities throughout the country (see Table XVIII).

4. **Trades:** Loans are provided for young Saudis wishing to open technical or vocational types of businesses, such as blacksmith, carpentry, and plumbing shops. A total of 2,359 loans have been made for these purposes as of 1987, amounting to S.R. 40,885,217 (see Table XVIII).
5. **Vocational training:** Loans are designed to encourage graduates of vocational schools to open their own technical workshops. A total of 268 loans amounting to S.R. 22,859,741 have been made as of 1987 (SCB Annual Report 1987, 38).

Real Estate Development Fund (REDF). The shortage of houses and the increases in the cost of homes at the beginning of the second development plan, led the government to intervene and provide interest-free loans for those wishing to build a home through the REDF in 1975, and this was extended to include building apartment complexes and commercial offices. The Fund provides loans for residential homes up to S.R. 300,000 for city dwellers and S.R. 200,000-250,000 for residents of small towns and villages (\$80,000, \$53,333, and \$66,666 respectively) payable in 25 years. Individuals paying the total loan early, or who are prompt in making payments, are rewarded with a 20 percent reduction

in the amounts they have to pay (REDF Annual Report 1985/86).

Non-interest loans up to 50 percent of the total cost, not to exceed S.R. 10 million, are provided for those investing in apartments, office buildings, and hotels. According to the fund's latest annual report, 324,460 loans have been made on 412,337 housing units, in addition to office and commercial centers with a total cost of S.R. 89,070 million (\$23.92 billion) (RSDF Annual Report 1985/86).

As the shortage of homes has been met, the process for borrowing from the fund has been slowed. It now takes up to four years from the day an individual files his request to obtain a loan. In the past, specifically in the boom years, one could obtain a loan almost immediately and always within a year. The Fund, like the country, is no longer so eager to distribute funds as a result of the recession caused by the decline in the price of oil (REDF Annual Report 1985/86).

Saudi Industrial Development Fund (SIDF). The Saudi Industrial Development Fund also was established in 1974 to promote private enterprise by making interest-free loans available for individuals and groups planning to establish industrial projects. The Fund was begun initially with S.R. 500 million, which was increased in 1980/81 to S.R. 8 billion to enable the Fund to extend extra loans. The Fund

has become one of the most successful lending institutions, and in addition to making loans, it provides consultant services to its potential customers in such technical areas as finance, management, marketing, and other related areas on a fee basis. By the end of 1985/86, the Fund had approved 1,110 loans with a total commitment of S.R. 14.1 billion for various industrial projects (SIDF annual report, 1985/86).

In addition to these major public lending institutions, other credit institutions were established. Among these are the Public Investment Fund which provides loans to public and quasi-public corporations such as public utilities, and the Saudi Fund for Development which extends loans to developing countries around the world.

The main challenge facing the government during the years the National Plans were being developed was how to prudently distribute the tremendous inflow of capital, which would result in progress without the disruptions that frequently accompany rapid change.

The national plans, and the concomitant public lending institutions, were major attempts by the government for meeting the challenge of income distribution. Fortunately, the first plan got underway before the flood of capital began in 1973/74, so the country had the experience of making plans under some financial constraints. By the time the second plan for 1975-1980 was made, the huge increase in

revenues presented policy makers and planners with both new opportunities and new challenges. The massive inflow of capital allowed them to expand the scope of the plans, to enlarge existing lending institutions and to create new ones needed for development. The tremendous change wrought by the plans raised concern among various groups about what they perceived as a threat to the long held and cherished values and traditions of the society, and serious resistance to some changes surfaced.

By the time the third plan, 1980-1985 was made, much of the essential infrastructure projects in the country had been completed and emphasis was placed on new targets to be achieved. To help reduce the country's dependency on oil, development of the private economic sector became a major concern of the government.

By late 1982, outside events again had an impact on the nation's planning process. Oil prices dropped precipitously and revenues accruing to government declined. Revenues from oil, for instance, dropped from \$21,905.1 million in the first quarter of 1982 to \$14,479.1 million in the fourth quarter of the same year. Oil revenues continued to decline and by the year's end of 1985 reached a low of \$18,322.9 million from a high of \$101,813.0 million in 1981 (SAMA 1983, 103; 1986, 185). The decline in governmental revenues forced measures to curb spending, including projects in the national plan. Expenditures declined from a high of S.R.

313,400 million in 1982/83 to a low of S.R. 141,000 million in 1988/89, a decline of 55 percent. Governmental spending fell in 1985/86 alone by 16.1 percent to S.R. 181.5 billion. In 1986/87 the government decided to postpone the announcement of the budget for two consecutive five-month periods. Spending for that period continued with a monthly ceiling equal to one-twelfth of the total actual budgetary spending of the previous year. A projected deficit of S.R. 52.7 billion was anticipated for the fiscal year 1987 which was to be financed from reserves (SAMA 1986, 9-12). The fiscal years 1988 and 1989 also were in the red by S.R. 37 billion and S.R. 25 billion respectively and were financed by drawing on reserves and by borrowing. This was the first time the government had resorted to deficit financing since the early 1960s.

These financial difficulties presented decision makers, budgeters, and planners alike with new challenges of having to plan for more and yet cope with less. These difficulties brought a new sense of reality and forced a slowdown in the "rush for development." A new politics for planners and budgeters emerged which differed greatly from that in the "seven fat years."

How the various actors in the planning process interact, and the nature of planning politics is the subject of the next chapter, which will trace the process of institutionalization of the planning process.

CHAPTER VII

INSTITUTIONALIZATION OF THE PLANNING PROCESS

In the previous chapter, I have traced the evolution of the planning process and how the various planning organizations came into being, culminating in the creation of a full fledged Ministry of Planning in October, 1975, which has wielded great power and influence in charting the course of the country. By 1989, the country will have completed four five-year development plans, and has just approved the fifth plan for 1990-1995 on 31 October, 1988.

This chapter identifies the various actors in the planning process and how they participate, as well as, describes the politics of planning in general. The major actors in the politics of planning include the Ministry of Planning (MOP), the bureaucracy, the royal family, the Ulama, the citizens, and the media.

Ministry of Planning (MOP)

Among the various actors in the planning process, MOP plays a decisive role in the administrative aspects of planning and in the inter agency decisions processes where planning policies are formulated. MOP has great influence even in the policy adoption process since it is seen as the

expert on planning. MOP is in the center of the politics of planning, and all actors must interact with it since the goals and means of achieving them are determined in its planning document.

Although some have asserted that MOP has lost power and prestige since it became a full fledged ministry and no longer has "the king's ear as was true in the days of [CPA]" (Ashshowwaf 1985, 163), this is not what I have found from my interviews and observations. I have noted that MOP has continued to gain influence and power since its establishment in 1975. Evidence of this may be discerned from the fact that three of the five-year development plans were prepared and implemented under the auspices of MOP. These plans called for spending many billions of Saudi Riyals on various development plans, and not only have had an impact domestically, but internationally, as well. In fact, the magnitude of these expenditures have led some to state that "An abandonment of development in Saudi Arabia would have more serious consequences for the outside world than did the collapse of Iran" (Birks and Sinclair 1982, 198).

The recent appointment of the Minister of Planning to the important post of Minister of Petroleum and Mineral Resource, one of the most significant in the cabinet, also seems to confirm the king's continuing support and confidence in the minister. Since his appointment Nather

has served in a dual capacity, as both the minister of petroleum and mineral resource and the acting minister of planning. Indeed, his transfer to the petroleum and mineral resource, as I was told by many of his long time associates, did not diminish his role in the planning ministry but rather enhanced his power generally (Field notes).

During the last 20 years, since the formal five-year plan started, MOP has grown in size from a tiny agency in one little building in the capitol, to a giant agency occupying numerous offices throughout the capitol and the country at large. Its active role in plan preparation and adaptation, implementation and evaluation has made it very visible and frequently in the news.

The composition of MOP has changed greatly over the years. Originally, most of the planners were foreigners with the greater majority coming from the Joint Commission on Economic Cooperation between the United States and Saudi Arabia, and the Stanford Research Institute (Young 1983, 105). Gradually, as the process evolved, an increasing number of Saudis have been drawn into the planning process as full-time or part-time planners. Today the majority of planners in MOP are Saudi nationals who have been educated at home in the major universities or have pursued degrees abroad (Field notes).

Recently, women have been included in the planning process and are assigned major posts in MOP. This stems, in

part, from the fact that women constitute a major portion of the population and have attained impressive achievement in all educational fields, qualifying them to participate in the planning process. MOP, in an attempt to protect itself from criticism from the Ulama and other conservatives groups, however, has been careful to follow the religious taboo about the mingling of female and male employees (Field notes).

The issue of participation of women in the labor force was raised again in the forthcoming fifth five-year development plan which states that "efforts should be exerted to increase women participation in the labor force, provided that this in accordance with the Islamic Sharia" (Ministry of Planning 1990-1995, 31).

MOP and its planners must be ever sensitive to the cultural milieu and recognize the power of those opposed to change, as may be seen in the issue of women in the labor force. Failure to be sensitive to traditions may cause serious resistance and set back planned changes for many years. Planners in MOP are acutely aware that they must stay within the bounds of what is culturally acceptable and that all changes must be adapted to the norms of the society.

A long-time planner related a story which, though it may be apocryphal, illustrates the importance of being sensitive to religious traditions. A foreign advisor was

participating in a committee seeking a solution to the perennial problem of traffic congestion in Makkah during the Haj (pilgrimage) season. Members of the committee were contemplating numerous solutions but none seemed feasible to him. At last, he jumped to his feet as if he had found the lost treasure and announced his proposal for splitting the Haj season into two seasons which would ease the traffic congestion. His reward for this remarkable solution was his dismissal and a one way ticket to his country. Planners in Saudi Arabia have learned a lesson from this story (Field notes).

The wide spectrum of clients placing demands on MOP makes it somewhat different from other service or distributive ministries, which have one or more clientele groups to which they must cater. It is unique also because it introduces changes into the society in a systematic and explicit way. These changes may be perceived by diverse groups in the society as a threat or as a promise. To minimize potential clashes of opposing views, planners have to consider carefully the impact of change and attempt to harmonize the differences between these groups (Field notes).

In a recent interview with a correspondent of The New York Times, the former and acting minister of planning succinctly stated the principle guiding the planning process in the country.

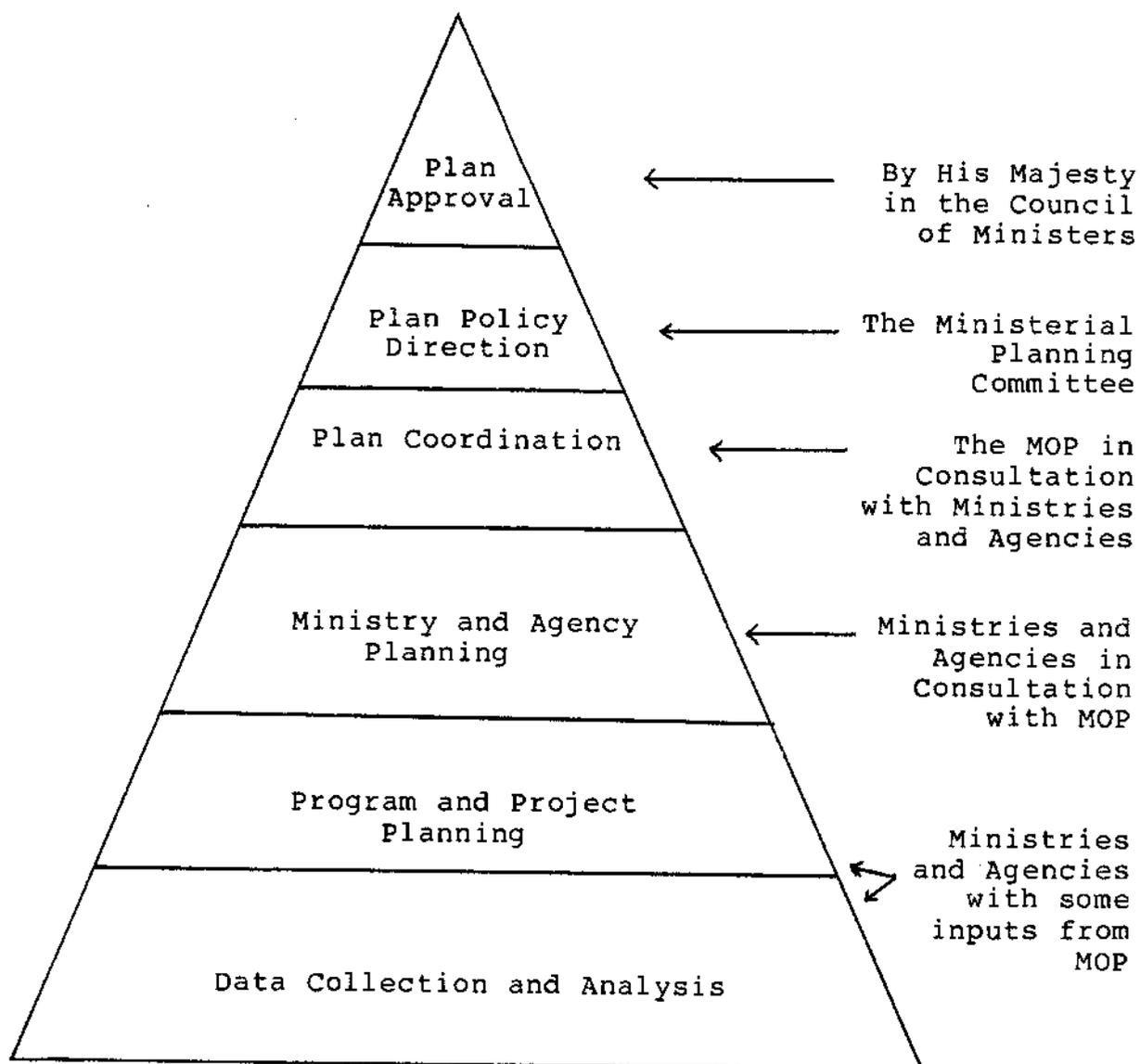
In charting the development of Saudi Arabia, we were very much aware that ours is and will remain a conservative religious Islamic society. That was the consensus from the king on down. We always had reservations about mixing things like modernization and westernization, a mistake that in my opinion many westerners make out of an ethnocentric view of the world (17 April, 1989, 7).

The planning process has evolved and been refined from experiences gained in preparing earlier plans. Obstacles were encountered and mistakes made, but MOP learned from these trial-and-error experiences. When asked about these obstacles and mistakes of earlier plans, a senior planning official replied, "Anyone engaging in planning has to expect and accept unforeseen obstacles and mistakes" (Field notes). His statement is similar to J. D. Douglas' argument that "He who never dares, never errs; he who dares, errs and lives to profit from it if he first recognizes how this error was made and then corrects for it" (1985, 41). MOP evidently has recognized past mistakes and obstacles and has grown from these experiences.

As it has evolved, the planning process has come to be seen as involving six major steps (see Figure 1). In each step, MOP has a major role to play, from data collection and analysis to plan approval by the King and the Council of Ministers. A number of different administrative actors are involved in the process of preparing the plan and inter-agency politics prevails.

Figure 1

The Structure of Planning in Saudi Arabia



Source: Second Development Plan 1975-1980, 563.

This formal planning hierarchy does not fully reflect the involvement of all interests (such as the royal family, the Ulama, the mushrooming bureaucracy, the citizens, and the media), who attempt to influence and shape the plan at various stages. Furthermore, planning does not end with the preparation and presentation of the plan, as the figure would imply (Field notes).

The politics of planning, where competing preferences are presented and allocation of values must be made, needs to be understood if one is to fully comprehend the planning process. One way to understand the politics of planning is to address the role of the bureaucracy in the planning process.

The Bureaucracy and the Planning Process

Saudi Arabia, perhaps as much as any country in the Third World, has had to build its bureaucracy from scratch. As has been discussed in earlier chapters, it did not inherit a colonial bureaucracy. Only the Al-Hejaz region in the western part of the country had a relatively well established bureaucracy when the country was first united. With the discovery of oil and the gradual increase of income, the government embarked on massive social and economic development. This inevitably meant building the administrative machinery to plan and implement development plans.

The importance of the bureaucracy has long been stressed. More than three decades ago the United Nations published a brochure which pointed out the importance of the bureaucracy in all countries as follows:

In every country ... any program of economic or fiscal improvement in education, health, labor and social conditions and of reform and reconstruction in any of the public services can only succeed if it is supported by machinery and methods established under sound principles of public administration (1951, 4).

As this new administrative structure emerged in Saudi Arabia it gained power, as bureaucracies in Third World countries generally do. As Monte Palmer pointed out, bureaucracies in Third World countries in particular gain more power than bureaucracies of First World countries since they are entrusted to build the economic and social infrastructure "from scratch." They design, implement and maintain the economic development plans. There are no strong competing institutional powers against them since the private sector and political institutions, such as political parties and interest groups, are non-existent or very weak. The bureaucracies in these countries have the ability to mobilize the governments and the masses. They provide an essential "communications link between the political regime and the masses." In short, they are "the nitty-gritty of the development process" (1989, 260-261).

Bureaucracy in Saudi Arabia has assumed a powerful position in all stages of the policy process. According to

Al-Awaji, this powerful position is attributable to two factors: (1) the absence of representative institutions which might curtail bureaucratic power and arrogance, and (2) the bureaucratic expertise and control over the media and all relevant information needed for public policy-making (1971, 24).

The proliferation of numerous ministries and agencies over the years, especially since the early 1970s, reinforced the bureaucracy's power and influence. The tremendous expenditures on all of the four five-year development plans enhanced the discretionary power of the bureaucracy. The rapidity of the unprecedented changes in the last 20 years left no chance to question, scrutinize, and curtail the power of these ministries and agencies (Field notes).

One outcome of this burgeoning bureaucracy was intensified interagency politics. The planning and budgeting processes have become the battleground for much of this bureaucratic in-fighting. Ministries and agencies, presenting various proposals, clash because their goals and the preferences of their clientele groups may differ. Individual ministries and agencies assume the role of spokesmen for their clientele groups and compete with other ministries and agencies for authority and resources by mobilizing all means of influence and power they can muster. A spillover of this type of bureaucratic politics also may be seen within agencies. Intra-bureaucratic politics occurs

within ministries when different divisions try to shape the direction of the ministry or agency and to secure the lion's share of authority and resources for their divisions (Field notes).

Goals and preferences of ministries and agencies frequently clash with each other, and MOP is caught in the crossfire since it has to formulate a plan. Each ministry and agency will spare no effort to sell its plan and may attempt a power play to pressure MOP to accept its position. In this process, clientele groups are frequently drawn to this bureaucratic politics when they are mobilized by ministries and agencies to support their position in this ongoing inter ministry and interagency politics (Field notes).

Interagency politics dominates much of the planning process. While much of this competition can be resolved at lower levels of the administration, when consensus or compromise cannot be achieved, the more controversial issues are passed to a higher administrative level. Deputy ministers of both the Planning and Finance and National Economy ministries serve as permanent members of appeal boards, who along with the deputy minister of the ministry or agency raising the issue attempt to arbitrate all unresolved issues. At this point, the meetings are still viewed predominantly as administrative, although the relative clout of the ministry or agency raising the issue

plays a part in any decision. If no compromise or agreement can be reached, the matter is referred to the ministerial level. Here the three ministries attempt to resolve the dispute. If no agreement can be reached, the matter goes before the entire Council of Ministers which has ultimate legal power to decide the issue. Several factors influence what the decision will be and how quickly it will be made in this process. These factors include: the importance of the issue, the individual power of the head of the ministry or agency involved, the personal relationships of ministers with each other, and the power of the clientele groups who are supporting the position of the ministry or agency (Field notes).

In addition to the interagency politics, planners in MOP, as has already been seen, must ever be aware of how the Ulama perceive certain planned changes. Some ministries and agencies may include in their plans projects that may arouse the Ulama to oppose such undertakings. An economically feasible project may not be socially acceptable and may prove to be very difficult to implement. To illustrate the point, two proposed changes were considered. The first involved a proposal to change the work week and hours. It could not survive the objections of the Ulama and the resistance of bureaucrats to adapt to new habits. The second proposal pertained to women riding the mass transit,

which demonstrated how planners must compromise to accommodate traditions of society (Field notes).

Planners proposed to lengthen the work day from 6 to 8 hours and to reduce the work week from 6 to 5 days, believing that such a change would have the following advantages: increase the productivity of the public sector, provide more accessibility of public offices for citizens, facilitate the work of the private sector, and improve the working conditions of employees generally. Under this proposed change, office hours would be increased from 8 a.m. to 5 p.m. instead of the customary 8 a.m. to 2 p.m., and include a break from 1 to 3 p.m. for the mid-day meal. Economically, this change was viewed the most rational way of organizing the work periods. But it did not recognize a number of unique aspects of the Saudi traditions, nor were the Ulama consulted in making the proposal. As a result, the Ulama objected because the proposed work schedule would interfere with two of the required five prayer periods a day, forcing a number of people to miss prayer time. The proposal was also resisted by many of the bureaucrats since it would change their traditional daily routine of eating their lunch with their family and friends between 2:30 to 3:00 p.m. Furthermore, the proposed new hours would accentuate the traffic congestion problem since there would now be two periods of coming and going to the office. The objections to the proposal were sufficiently strong to

prevent the proposed change. In fact, the opposition caused the government to modify the work day to 7:30 a.m. to 2:30 p.m. and to reduce the work week to 5 days rather than 6. The net result was that the normal work week was reduced from 36 to 35 hours per week, obviously not a method of increasing productivity as originally planned (Field notes).

The other example illustrating why planners must be aware of the views of the Ulama involved the development of a mass transit system and the issue of women using the new system: that is, should women be allowed to ride the new buses and where would they ride. Should married women sit with their husbands or be required to ride in a designated women's section? A decision was reached allowing women to ride the mass transit system in an exclusively women's section at the back of the bus (Field notes).

The bureaucracy, as a result of its growing expertise, its ability to mobilize and communicate with the masses, and its control over national resources, has evolved into a major power center in the Saudi society. But it is not all powerful, since there are other bases of power such as the Ulama and other competing centers in the society. But it plays a major role in shaping public policies. As its influence and power have increased, it has broadened the bases of citizen participation, altered the patterns of income distribution, and its power and influence are felt

throughout the country. In the next section the role of the Ulama as actors in the planning process will be discussed.

The Ulama and the Planning Process

The Ulama (religious scholars) have played a major role in governing the country since its total unification. The Saudi state was built on an eighteenth century alliance between the rulers and the Ulama, whose main concern was to safeguard and uphold Islam. The Ulama continue to be a dominant force in the society since Islam pervades every aspect of life. They are regarded by Muslims as learned men who bear the responsibility of interpreting and explaining the legal and ethical requirements of Islam to their local communities. In this capacity, their roles tend to be both judicial and theological. In Islam, unlike Christianity, it is less a system of theology and more a system of Law--divine Law. As a result the Ulama act both as Judges interpreting the Quran and the Sunnah, as well as preachers teaching religion to others.

The Ulama play a more dominant role in Islam than similar individuals in other major religions because there is no hierarchal structure in Islam. All believers are considered to be equal, although religious scholars may be recognized by the community and are shown respect and given titles of status. In turn this status becomes political power since Islam has no such concept as the separation of church and state.

The Ulama serve their communities as Judges (Guthah) of the Sharia Courts (Mahakim). These religious courts have broad jurisdiction over civil, criminal, and religious disputes, since Islam affects all aspects of life.

The Ulama, especially those who are recognized by the community as being most knowledgeable in religious matters, render legal opinions (Fatawies, plural of Fatwa) on a wide spectrum of religious issues. A Fatwa is rendered at the request of the king or, for that matter, any other muslim seeking a religious point of view from an acknowledged and authorized Alem (singular of Ulama) on certain issues. Some of these religio-legal opinions pertain to major political matters since all aspects of life, including politics, are religious concerns in Islam.

The feud between King Saud and his brother and heir apparent, Prince Faisal, during the years 1954-1964 may serve as an illustration of how the Ulama would engage in major political issues. After taking a neutral stand during that period, the Ulama were asked by the royal family council in 1964 to decide between the two brothers. A Fatwa was issued in favor of Prince Faisal, transferring the power from King Saud to him and, thus, legitimating the transfer of power in the country. That Fatwa was signed by twelve prominent Ulama citing the health of King Saud and the public interest as two of the major reasons for issuing that Fatwa (Appendix D).

Every Muslim, according to Islamic teachings, is to correct wrongdoing. The Quran and the Sunnah urge believers to use their hands, tongues, and their hearts to eradicate evil. The Ulama, as religious scholars, take this call seriously and decision-makers and planners are aware that they are susceptible to the scrutiny and criticism of the Ulama.

The Ulama also play a major role in education in the country which has an important impact on the planning process. The first two higher education colleges in the country were established in Makkah and Riyadh in the late 1940s and early 1950s respectively to educate and graduate members of the Ulama. The two colleges, which later became two major universities, taught mainly Islamic and Arabic language studies. In the 1960s these two educational institutions were joined by another Islamic university in Al-Medinah which provides educational opportunity for Muslim students from all over the world.

The Ulama also play a major role in women's education. As previously mentioned, the Ulama and other conservative groups first objected to the opening of schools for girls in 1960. To pacify them and to allay their fears of educating girls, the government appointed a prominent Alem to head the new presidency of the girls' schools. Since then all educational institutions for women are under the supervision of the Ulama (Al-Awaji 1972, 121-122).

The tremendous increases in government income in the 1970s and the massive development projects embarked upon by the government in its five-year plans raised the fear and concern of the Ulama over such rapid changes. To assuage their fear, the government enhanced their role in preparing each plan, and a Ministry of Justice was established in 1970 to coincide with the first five-year plan. The Minister of Justice is a representative of the Ulama in the Council of Ministers, although, in reality, he is one among equals in the council debating and approving the overall plan. The ease of access and the fact that there is constant contact with the king and other high government officials make it very easy for the Ulama to express their concern over a wide range of issues (Field notes).

Planners and decision-makers in Saudi Arabia may overcome administrative and political obstacles to planning but would find it very difficult to bypass the objections of the Ulama over some proposed changes. Objections by the Ulama, whether they are on government payrolls or not, must be settled before any plan is made (Field notes).

The influence of the Ulama permeates every step of the planning process from data collection to evaluation. Although the Ulama are part of the bureaucracy, they cannot be bargained with in the same way as other groups since they speak with religious authority. As one planning official put it:

When we review the plans of the Ministry of Justice, the General Presidency of the Schools for Girls, and the Islamic oriented universities, we listen more than we talk and rarely reject any proposals by the Ulama. Furthermore, we take all of their suggestions seriously (Field notes).

As can be seen, the impact of Islam in Saudi Arabia is so dominant it makes the Ulama an extremely powerful force in the kingdom. Their concerns cover all aspects of life and they serve as Judges (Guthah), preachers, moralizers, and community leaders (Al-Awaji 1971, 120). As a consequence, the king and those proposing changes face the classical "King's dilemma", the kingdom must change but must retain its traditions. They are in a situation where they are damned if they do and damned if they do not.

Despite the Ulama's concern over rapid change, they have helped to legitimize the changes that have occurred. They have caused planners and decision-makers to adapt all innovations to the cultural values and, by their acceptance of these adaptations, they have in effect helped lessen the crises of changes.

Two methods have been used to lessen the resistance of the Ulama and other conservative elements and to allay their fear of proposed changes. The first is to present evidence from the Quran and the Sunnah as to the virtue of the changes or ask the Ulama to bring evidence from the Quran and the Sunnah opposing such changes. The second method is

to attempt to coopt them as was done by King Abdul Aziz and his heirs upon the introduction of telephone, telegraph, radio, television, and the female's education (Rugh 1980, 125-144). The royal family, because of its power must be the catalyst for change but must act in such a way as to preserve major traditions and attempt to keep to a minimum the antagonism of opposing groups. Next we turn to the role of royal family in the planning process.

The Royal Family and the Planning Process

The royal family in Saudi Arabia lives on the razor's edge. It is threatened, as no other group, by the dilemma of change. On one hand, its ability to rule depends on bringing about change to modernize the country. At the same time, it must preserve the past. Failure to do so could put it in jeopardy and its fate depends to a large extent upon how well it adapts in this predicament.

Confronting the dilemma of change is not a recent phenomenon for the royal family. Throughout its history, resistance to change has threatened the regime. King Abdul Aziz, the founding father, for instance faced this dilemma when he first captured Al-Hejaz region in the early 1920s. His warriors, the Ikhwan (brethren), abhorred what they perceived as alien ideas and religious laxity in Al-Hejaz region. The king was confronted with either giving in to their demands and changing Al-Hejaz to meet their

opposition, or resist them and perhaps to fight his own troops. He decided to preserve the existing institutions in Al-Hejaz, causing him ultimately to have to fight the Ikhwan in late 1929 and early 1930 (Hudson 1977, 172-173; Habib 1978).

The threat caused by change intensified with the discovery of oil in the late 1930s. The new source of income introduced alien ideas, culture, and different ways of life as foreigners poured into the country to help in extracting oil. Some groups in the society did not welcome the new development, fearing that it would obliterate the traditions and customs of the society. Others welcomed it and perceived it as an opportunity for positive change. Again, King Abdul Aziz was threatened by this change. He had to decide the course of action for the development of the country and minimize resistance of conservative groups. In most instances, he fended off conservatives' objections by insisting that they back their positions with statements either from the Quran or the Sunnah. If no evidence could be found opposing change, he proceeded even if it meant direct confrontation (Lacy 1983, 243-245). In this fashion, he established precedents for his heirs to follow when confronted with similar situations.

Threat of change to the regime also has greatly increased since the 1960s. New groups pressuring for

modernization multiplied as the oil income soared. Conservatives became even more adamantly opposed to change. Even within the royal family, there was division between conservatives and liberals (Shaker, 1971). The dilemma stemming from so much change continues to threaten the country even today.

The royal family in Saudi Arabia, in comparison to ruling families elsewhere, is quite large, estimated to be between 2000-5000 members. The founder of the kingdom, King Abdul Aziz, used marriages into prominent families throughout the country as a means of building alliances. Huyette described these "matrimonial alliances" as an attempt by King Abdul Aziz to close "ranks with his former enemies, giving them status and a vested interest in the House of Saud" (Huyette 1985, 16). These "political marriages" produced 43 sons and an unspecified number of daughters (Lacy 1983, 526-529). His heirs and other members of his royal family throughout the years followed his custom of interfamilial and plural marriages (four wives at one time) to proliferate to its present size. In addition to the blood relatives, there also are numerous families into which members of the royal family have married, and these in-laws became as "family," increasing the total number of close royal supporters (Al-Awaji 1971, 119).

The family is quite diverse as a result of its size. Some of the royal members are direct descendants of King

Abdul Aziz, others are from the Al-Saud branch (descendants of Mohammed Ibn Saud, founder of the first eighteenth century Saudi state). Some hold national or regional offices while others follow other occupational pursuits.

Many of the younger princes have pursued their education at home or abroad "[in] order to compete with their countrymen" in the burgeoning bureaucracy or the flourishing private sector (Huyette 1985, 116). Their educational attainments and exposures to other cultures in many instances have made them more accepting of modernization, whereas many of the older princes who received "court or traditional education" are more leery of the changes that modernization introduces (Ibid, 94).

As a total group, the royal family acts somewhat similar to a single political party. The family decides within itself who shall be king, and it has an emergency power in maintaining the monarchical system, as was evidenced in the feud between King Saud and Prince Faisal in the 1954-1964 period. The family also acts as an "interest group" whose aim is to influence the decisions of the king, who has the ultimate power" (Al-Awaji 1971, 118). Furthermore, individual members of the royal family, who have interest in some policy issues, frequently approach the bureaucracy using their royal title instead of going directly to the king (Ibid, 118-119). The decision process within the royal family has not been fully researched and

documented and one can only speculate on how individual members influence the policy-making process (Huyette 1985, 94).

Since the 1970s a number of royal members have been appointed to various governmental posts as the government has grown and penetrated all regions. With the exception of the central, eastern, western, and northern provinces which have been governed by descendants of King Abdul Aziz or those of the Al-Saud branch, other provinces were governed by in-laws of the royal family or commoners. Members of the royal family, mostly descendants of King Abdul Aziz have assumed important positions in both the central government and the various provinces. Of the fourteen major and minor provinces of the kingdom, for instance, ten are governed by royal princes, nine of which are direct descendants of King Abdul Aziz. Their deputies are also direct descendants of the founder. All of these royal office holders perform major roles in the planning process the same as they do in the budgeting process discussed earlier. Their roles in the planning process, however, differ slightly (Field notes).

Although these royal governors are administratively linked to the Ministry of Interior, in most cases they carry out and deal with other government operations as if they were independent power bases. Since they have overall responsibilities of the provinces they govern, they represent citizens, oversee the performance of branch

offices of government, and maintain law and order of their provinces. They contact officials in the central government about the needs and problems of their regions. They pressure, bargain, and generally lobby for their clients in an effort to obtain projects or services for their regions (Field notes).

Their success in these endeavors depends on numerous factors. Chief among them are the seniority of the prince, closeness to the reigning king, the political skills of the governor, the size and importance of the province, and the number and influence of bureaucrats from that region in the central government who may follow up requests on projects or services for their regions through the bureaucratic corridors (Al-Awaji 1971, 240).

Citizens are able to participate in government through provincial branches and administrative agencies. Ministries and agencies prepare their five-year plans with input from the provincial branches. These branches often ask for the support of the regional governors when submitting their plans to headquarters. Governors utilize various maneuvers and strategies in supporting these requests, depending on the size and importance of the projects or services being planned. Governors may appeal directly to the king by a letter or by a visit, or may make their requests directly to the responsible ministry or agency, or pursue their ends in the budget or the planning processes (Field notes).

In recent years, meetings between regional governors and planning staffs from MOP have become the rule, not the exception. The governors frequently arrange meetings between local tribesmen and urban dwellers with the staffs of MOP in an attempt to convince the bureaucrats of needs in their region. In addition, governors often bring local delegations along with them to Riyadh to assist in presenting their case before the planning and budgeting officials. Ministries and agencies generally welcome such actions, and sometimes encourage the governors to marshal support for projects which help them sell their plans and programs to MOP (Field notes).

Those projects and services that have received more attention and support from governors are more likely to escape elimination from the deliberation process. Planners generally concurred that those projects and services receiving strong support from the governors were more likely to succeed, and they frequently learned of needed projects or services from governors before ministries and agencies present their proposed plans. This stems, they argue, from the intensive and extensive orientation they receive from governors on important projects or services in their regions (Field notes).

The battles over including projects or services for the various provinces in the plan do not end with their inclusion in the plan. Once projects and services are

included, the governors strive to make sure that those projects and services vital for their regions are in the first year of the plan (Field notes).

The governors also attempt to benefit from vagueness in the plan during the implementation stage (Field notes). Plans often do not specifically state in detail all aspects of projects or services to be provided. When the governors detect such ambiguity, they interpret it in favor of their regions. An example may be seen in the interpretation made by Prince Mugrin, governor of Hail, of a provision in the third plan.

The plan provided that five of approximately 500 villages in his region were to receive telephone service during the period. Since the plan did not specifically designate which villages were to receive the service, the governor chose five villages which were in the most distant area so the line would have to pass 12 more villages. Consequently, seventeen villages received telephone service during the period rather than the intended five villages (The Wall Street Journal June 10, 1981, 54).

Other members of the royal family, though not office holders, also are involved in the planning process. They frequently contact ministries and agencies either on their own behalf or on the behalf of other citizens seeking some kind of governmental actions (Field notes).

Frequently royal members who are in private business, like any ordinary businessmen, contact ministries and agencies to check on the status of the projects or services they are concerned with. Many royal princes, either alone or as partners with others, are vitally concerned about the plans. They contact ministries and agencies to push for development projects and may use their access to decision-makers at all levels to shape the planning process. The title alone gives these princes access to decision-makers, even the king. Many of these princes have thrived during the boom years (1974-1982) by bidding solely or in joint venture on governmental projects or services (Field notes).

As the new politics of the administration have evolved, the royal family has assumed new roles. Those who hold local and regional offices play a vital role in representing their local citizenry, and citizens now may contact these members of the royalty expecting to influence the decision process. The pattern of distribution has also been modified by this new system of administrative policies. Each governor now competes for a share of national resources for their regions. In this process, the government has been able to include all segments of the society and all regions of the country.

Citizens and the Planning Process

As planning procedures have become more institutionalized, more citizens make demands on government through

these channels. As previously discussed, citizens increasingly present their demands through contact with administrative agencies. These agencies may point them to higher authorities if they cannot meet their demands, and they may attempt to mobilize these citizens to press for programs which will strengthen the power base of these agencies (Field notes).

Frequently citizens' complaints are brought to the attention of regional governors, the media, or even directly to the King himself. Life Magazine, in an interview with King Fahd, reported how persistent citizens are in their demands to the King as follows: a tribesman approached the King in his Majlis asking for a dam to be built in his tribal area. When the king answered that "It's coming in the five-year plan," the tribesman insisted, "No, we need it tomorrow." The king answered him that he would have someone look into the matter (April, 1988, 96).

Citizen participation in the planning process comes mainly from business and community leaders who better realize the impact and importance of capital developments in their businesses and communities. Most ordinary citizens who have business with the government contact administrative offices or local representatives of the governors and tend to be more interested in current matters that may be satisfied from the yearly budget (Field notes).

Business interests are organized similarly to the Chambers of Commerce in the United States and have become potent actors in the planning process. The majority of these business firms depend to a large extent on government projects since the government in recent years has stepped up efforts to involve the private sector in the development process. Since capital projects and services may directly affect their business, businessmen are very aware of the importance of the planning process and, as a result, organize to influence the plan (Field notes).

Meetings between members of Saudi Chambers of Commerce, and planners, and other higher governmental officials are held throughout the country before plans are made. The business leaders organize and lobby individually or collectively for their pet projects in the same fashion groups organize in the United States and elsewhere. These meetings between leaders and government officials are reported in the media and frequently generate widespread interest and discussion in the community (Field notes).

MOP planners must constantly deal with politics since they have to make hard choices between competing proposals. They inevitably generate political controversy when they choose among competing projects from various localities and regions for the plan. Other ministries and agencies who are involved with these proposed projects or services may shield themselves from the fallout of this controversy by shifting

the blame for failure to take action to MOP. A ministry such as agriculture, for instance, will tell disappointed clients that it did all it could to include their requests in its plan but was unable to convince MOP's planners, so the failure to take the action the clients want is due to MOP's failure. As a consequence, disgruntled clients shift their ire to MOP's planners who, in the words of these planners, "become the whipping boy in this administrative game" (Field notes).

One can easily discern that the new administrative politics of planning, as well as budgeting, has enhanced citizens' ability to participate in governmental decision-making, which in turn has altered the methods of resource allocation. In turn, this greater citizen participation has caused the citizens to feel closer to the government, enabling it to more fully penetrate the society.

The Media and the Planning Process

As the modern media have evolved in Saudi Arabia they have aided government in the modernization process (Rugh 1980). The roles of the media in Saudi Arabia, as are clearly seen in the planning process, are similar to their roles elsewhere. They increasingly have become the main source from which people get information about what is happening in and outside of the country. Realizing this role, government ministries and agencies have established public relations

offices whose aim is to supply news releases on government programs and services. Reporters from newspapers, radio, and television cover important meetings and events of government. Television carries live programs, such as meetings for considering local projects in the national plans, which are of interest to the public. Since planning is inherently political with competing sides, it makes good news. Controversies are played up by the media and the public can vicariously participate in the politics of planning. Also the media help the citizenry evaluate governmental programs, since they express the action of governmental agencies. However, when the programs or actions of government are too controversial, the news media may be prevented from broadcasting or reporting such events since the press, television, and radio are owned or controlled by the government (Ibid., 135).

Although the Saudi media stimulate debate over public issues and help citizens to sort out opposing views, it also helps to reinforce social norms and modify norms as the society changes (Ibid, 136-137). The media, like the bureaucracy, however, must always be cognizant of the omnipresence of religious traditions. Editors or TV and radio commentators who offend members of the Ulama find themselves being rebuked. Despite cultural constraints, the media give people a new view of what is acceptable and unacceptable. In fact, the media help define what is

acceptable or unacceptable, and in this fashion help the society to accept change which occurs from modernization (Field notes).

The media also are used by the government to test public opinion on various issues. Often stories about proposed changes are released to learn how these proposals will be received. For instance, several years ago the media reported that the planning agencies in government were considering coeducation for elementary students. Boys and girls were to attend the same primary schools. This story created a great deal of public debate. The staunch conservatives were vociferously opposed, while those favoring changes believed that it was acceptable if it were adapted so as not to be offensive to the norms of the society. For instance, they proposed that only female teachers should be allowed to teach in coeducational classes. Because of the strong opposition, the issue was never formally presented by the government (Field notes). In the same fashion, MOP often tests proposed changes that are being considered in the national plan. It finds it advantageous to test the public reaction to certain proposals that may create future uproars in the society (Field notes).

One of the most important functions of the media is to provide entertainment. The media, particularly TV and radio, which are owned by the government, often help in

socialization by introducing social themes and ways of life through these programs. Numerous social issues are introduced through entertainment programs where social themes are a part of a drama or story. Dramas or stories with themes of women participating in the labor force, the value of manual labor, or the potential dangers of depending on foreigners are examples of how the media influence people's perceptions of social issues (Rugh, 1980).

The media also help the government implement changes. An illustration of this can be seen from the change in the method of timing the day. The Saudi tradition of telling time from sundown to sunrise, e.g. 12 o'clock when the sun is down and 12 o'clock when the sun rises, to the international time standard, Greenwich time (GMT) was a major change in the lives and habits of people. The government used the media to help persuade the public to use this new time. All TV and radio programs were scheduled according to GMT+3, so those who would enjoy these programs had to set their clocks accordingly (Field notes).

To lessen potential resistance in the implementation of potentially explosive programs, MOP frequently uses the media to help convince the public of the value of such programs. Prior to implementation of proposed changes, MOP explains the program and what is to happen in public meetings and/or in TV and radio conversation programs with

prominent individuals and leaders in an attempt to reduce the fears held by some citizens (Field notes).

The media, as can be seen, play a major role in increasing citizen awareness about what is happening in government and have enhanced their ability to participate in governmental decision processes. It has helped to socialize the people, enabling the government to better access the populace. They have also become major actors in the new administrative politics of planning and budgeting, modifying how the government allocates resources.

Roles of Major Actors in the Policy Process of Planning

In this section, we turn to the question of how the various actors--MOP, the bureaucracy, the Ulama, the royal family, the citizenry, and the media--participate in the policy process of planning. Planning is a vital part of the policy process, despite the long held view that it is only a part of administration and not political or involved in policy making. Contemporary scholars of public policy refute the notion of a politics/administration dichotomy, where politics and administration are presumed to be separate. These scholars have defined the policy process as being political and having to do with setting the purposive course of action by government (Anderson 1979, 3). Planning is a part of the policy process since it sets goals, targets, and means to achieve governmental actions.

Administrators, as well as other governmental and non governmental actors and factors, influence policy development. A combination of actors and factors are involved in every stage of the policy process. How the various actors are involved in the policy process of planning in Saudi Arabia was ascertained by asking probing questions in the interviews about the roles of these various actors in each stage of the policy process.

The policy process, as can be seen from Table XIX, is viewed as a sequential pattern of actions. In the sequential process, issues first are recognized as problems in the society and placed on the agenda to be considered by government. Next, various proposed courses of actions are developed for dealing with problems causing the public issues, then specified solutions to the problems are authorized and legitimated by formal policy makers, and the policy then is carried out and applied to the problems. Finally, the efforts to solve the problems are evaluated to see if the policy has worked or not, and why.

To discover how Saudi actors participate in the various stages of the policy process of planning, I first asked the senior planners in MOP about who had major input into the planning process and at what stage. A number of former high government officials, several members of the Ulama, and other influential citizens were also questioned about their roles in the various stages of the policy process of

Table XIX
The Policy Process Schematic

	1st Stage <u>Setting the Agenda</u>	2nd Stage <u>Policy Formulation</u>	3rd Stage <u>Policy Adaptation</u>	4th Stage <u>Policy Imple- mentation</u>	5th Stage <u>Policy Evaluation</u>
<u>Policy Terminology</u>					
<u>Definition</u>	Those problems which are of major concern to various actors.	Proposed causes of action for dealing with public issues.	Development of support for particular proposal so that policy can be legitimated or authorized.	Application of the policy by the government's machinery to the problem.	Efforts by the government to determine whether the policy was effective and why or why not.
<u>Common sense</u>	Getting the government to consider appropriate actions toward the problem.	What is proposed to be done about the issues.	Getting the government to accept a particular solution to the problem.	Applying the government's policy to the problem.	Did the policy work and why not if it did not work?

Source: Adapted from James E. Anderson, Public Policy Making. New York, NY: Holt, Rinehart and Winston 1979, 25).

planning. From these interviews, the roles of each actor in each stage of the process was determined.

MOP, and the rest of the bureaucracy in general, spend their full time considering the country's administration problems and are looked upon as "the experts" in the field of planning. As part of their responsibilities they are expected to foresee problems and to call them to the attention of the political leaders and the community at large. Planners must make the political leadership and citizens aware of problems which may not be readily apparent. Thus, much of the policy agenda of the country, that is the problems that are considered in political decisions, are raised by planners (Field notes).

The Ulama also play a vital role in setting the policy agenda. Recognition of their power and influence restrain the freedom of planners and other bureaucrats from discussing certain problems or proposing certain kinds of changes which may be perceived by the Ulama as an aberration from the norms of the society. The Ulama also may point to problems that they see in society and mentioning these issues makes them a part of the public agenda. The power and the influence of the Ulama, as has been alluded to earlier, stems from the omnipresence of Islam in Saudi society (Field notes).

The royal family also affects the policy agenda. Members of the royal family, as office holders or not, raise

issues about perceived problems. Their power and influence come mainly from the fact that they have easy access to the formal decision makers, the Council of Ministers, and the King, as well as being the heads of various parts of the bureaucracy (Huyette 1985, 116 and 128).

The media also play an increasingly larger role in setting the policy agenda in the country. As the politics of planning and budgeting have become more institutionalized, the media's role of informing both the citizenry and the government has gradually become more important. Although the media are refrained from criticizing the political leadership, they sometimes criticize actions or inactions of the bureaucracy and in some cases point the finger at bureaucratic flaws. Often problems are raised and put to the fore by the media and, thus, are put on the policy agenda. But despite their growing influence, the media are ultimately accountable to and controlled by the government. They are, as has been seen, used by the government as a tool for accomplishing its ends (Rugh 1980, 125-144).

The citizens play a relatively minor role in setting the policy agenda. Problems recognized by individuals may be presented to the various organs of government, but after that citizens have little interest or ability in forecasting the future or raising issues to the general public's attention (Field notes).

Once problems are recognized and become a part of the policy agenda, proposed courses of action for dealing with them must be sought. The policy formulation stage involves the development of pertinent and acceptable courses of action for dealing with public problems (Anderson 1979, 24). The policy formulation stage is to a large extent shaped by governmental administrators, for they are viewed as the experts in their respective fields. The public expects ministries and agencies in specialized areas to propose solutions to the problems they face. As a former and long-time government official put it, "When the public refers problems to the government, they expect that we [government bureaucrats] will come forth with some courses of action to solve the problems" (Field notes).

MOP, unlike the specialized ministries and agencies, is a general planning body, and it must choose among the policy alternatives proposed by the numerous ministries and agencies. At times, the bureaucracy and MOP may play passive roles in proposing alternatives and merely respond to the political leadership such as the Council of Ministers, the King, and the royal family. At other times, they must take a more active role and become an advocate of particular solutions and attempt to convince the leadership and the public about the merits of a particular alternative solution. In all instances, MOP has to make the choice of what goes in the plan; it has the authority to make the

decision in the allocation process. One planning official, when asked who would prevail when there is a conflict over courses of action in planning, said that generally MOP prevails since alternatives from all parties already have had a fair and full hearing and compromises have been reached in the process (Field notes).

Alternatives are also formulated and proposed by various members of the royal family. The large number of the royal family members and their pervasive presence in the political and bureaucratic hierarchies allow them to propose alternatives. Royal members holding regional governorships frequently develop plans for capital projects in their regions as a result of working closely with community leaders, local administrators of the various branches of government, and citizens in general (Field notes). These plans, as has been seen, are presented and lobbied for by these regional governors.

Members of the royal family who are not office holders also frequently propose alternatives in which they may have an economic stake. Since these members work closely with the country's chambers of commerce and other economic interests, they frequently become the champions of these groups and propose courses of action favorable to these interests (Field notes).

The other major actors involved in the policy process--the Ulama, the media, and the citizens--generally have

little or no role in the stage of formulating alternatives. The Ulama, however, may have a major role when the issue pertains solely to religious matters. The media also may on rare occasions propose courses of action for some issues or at least they may editorialize for their favorite alternative (Field notes).

The major actors in the adoption stage of the policy process of planning are the Council of Ministers and the King. The Council of Ministers perhaps play a paramount role in this stage since it performs legislative, executive, and judicial roles. Furthermore, ministers are heads of the various bureaucratic ministries and agencies which draft and prepare the formal plans. The King's role is mainly to legitimize and sanction the courses of action of the Council of Ministers. The King has the ultimate power, when he sees fit, but since the policy process of planning is very intricate and the planning document very complex, he normally makes relatively few changes since all major elements in the society have had an input into the plan (Field notes).

Administrators play a key role even in the adoption stage, which is primarily the domain of the political leaders, i.e., the Council of Ministers and the King. The political leaders are to a large degree dependent on administrative experts in drafting and preparing policy edicts passed by the council and the King. In addition,

advice of planning administrators is often sought in the enactment of laws or executive orders, since the policy process of planning is very complex. Furthermore, administrative officials are the dominant force in setting budgetary and planning policies since they prepare drafts of the budgets and plans to be considered by the Council of Ministers and the King. In these ways, the administrators, although often unwilling to accept the label, are involved in politics since they affect policy outcome (Field notes).

Policy implementation is primarily the responsibility of the bureaucracy. Once the plan is formally adopted, it is turned over to the various ministries and agencies for implementation. Although many of those interviewed claim that implementation is purely a technical activity, in practice it is part of the political process. Where, when, and how to build facilities which are called for in the plan affect people differently. The King and Council of Ministers' edicts are promulgated, but regulations defining and interpreting the meaning of these edicts are left, in most cases, to the bureaucrats who decide who will get what, when and how. For instance, a royal edict was passed to provide every Saudi University graduate a grant of 50,000 Saudi riyals. Once it left the corridors of the Council of Ministers, bureaucrats added several provisions that made it difficult or impossible for most to obtain this grant (Field notes). To a large extent, the administrative agencies have

discretionary power to make the basically political choices of who get what in the regulations. They, therefore, are lobbied and pressured in the implementation stage in the same fashion they are in the original planning stage (Field notes).

More than other ministries and agencies, MOP and the Ministry of Finance and National Economy are responsible for implementing proposed policies in the budget and the plan. The plan is perceived by them as a kind of five-year spending program or a combination of annual budgets. They, therefore, jealously guard their prerogatives (mainly through financial controls) to monitor the implementation activities of ministries and agencies. MOP spelled this out in its fourth national plan as follows:

Because implementation is the task of all government agencies and also of the private sector, the appropriate responsibility is diverse and requires coordination. The Ministry of Planning has overall responsibility to ensure that the control and information systems are effective and comprehensive (Fourth Development Plan 1985-1990, 434).

None of the other actors in the planning process have direct roles in the implementation process, although they may influence it in a number of ways. The royal family may, for instance, criticize and suggest courses of action to the bureaucracy about the implementation of the plan, and these criticisms and suggestions affect the process. Similarly, criticisms by the Ulama are taken seriously by ministries or agencies which are implementing public policies. The media,

too, are frequent critics of the way various ministries and agencies implement public policies. Although those bureaucratic officials may object to the exposure by the media of flaws in their ministries and agencies and consider them personal attacks which demand rebuttal, these criticisms do influence the actions of bureaucrats. Individual citizens, when negatively affected by actions of a bureaucratic agency, may create minor difficulties for that agency by confronting administrators or appealing to higher authorities and, thus, may have some effect on implementation (Field notes).

Evaluation is the final stage of the policy process. Ideally, evaluation takes place after policy has been implemented. Evaluation of the policy process is a joint responsibility of the bureaucracy in general and MOP and the Ministry of Finance and National Economy in particular. It may seem paradoxical that those who implement the policies are also responsible for evaluating their own work. But the bureaucracy is the only institution which possesses the know-how and experience needed for evaluating the effectiveness of programs.

Obviously, bureaucrats tend to put the best light on their actions, and attempt to conceal their mistakes and failures. The media may expose some mistakes and failures of agencies but are limited not only by the difficulty to get beyond the secrecy of administrative agencies, but also

by the reality of power. They may criticize what may be termed "the soft politics," that is low level bureaucratic performances, and issues which are not sensitive. But as Monte Palmer put it, "It is impolite to criticize most leaders of the Third World directly. More often than not, the press is allowed open season on the bureaucracy" (1989, 281).

Flaws in implementation which are concealed for bureaucratic reasons may be evaluated through the media. Radio and television programs are frequently aired which evaluate governmental projects and services, and many use a format pitting irate citizens against responsible government officials. Daily and weekly papers also provide opportunities for citizens to raise their concerns about certain policy issues.

The Council of Ministers and the King himself may become involved in the evaluation process. When criticism becomes widespread and serious, these political leaders may step in and evaluate a program. When this occurs new policies normally ensue and the responsible agency's official may be reprimanded and in some cases replaced. The ministries and agencies, in these instances suffer politically and financially (Field notes).

The Ulama, who perceive themselves as upholders of Islam, continuously evaluate every action undertaken by various government organs. Their criticisms of a program

are taken even more seriously than those of the political leaders. Their criticisms of a program may lead to the abandonment of the entire proposed project. Monies invested in such projects do not deter them from calling for the abandonment of a project if it is not conforming to the norms of the society (Field notes).

Table XX sums up the role each actor plays in the five stages of the policy process of planning. There are, as can be seen, some overlapping roles among the various actors. The bureaucracy performs a dominant role in all five stages of the policy process although responsibilities are shared with other actors such as the Council of Ministers, the King (who also is the president of the Council of Ministers), the royal family, the Ulama, the citizens, and the media. The bureaucratic power is further enhanced by the fact that there are no western type political institutions, such as political parties and interest groups to check their powers. In addition, the private sector is relatively weak and dependent on the public sector. As the administration has evolved it plays an increasingly significant role in the society by allocating resources, affecting the distribution of goods and services, and even by opening new avenues for citizen participation.

Table XX
 Relative Influence of Major Actors in the Policy Process
 Planning in Saudi Arabia

<u>Agenda setting</u> *MOP and the bureaucracy	<u>Formulation</u> Bureaucracy and MOP*	<u>Adoption</u> The Council of Ministers and the King*	<u>Implementation</u> The bureaucracy*	<u>Evaluation</u> The bureaucracy*
The royal family	The royal family	The bureaucracy	The <u>Ulama</u>	The <u>Ulama</u>
The <u>Ulama</u>				The Media
The Media				
The Citizens				

*Actor or actors with dominant role

CHAPTER VIII

SUMMARY AND CONCLUSION

Saudi Arabia, in one sense, is unique as a developing country since it possesses the wealth to undertake practically any development projects it desires. The very fact it has such wealth, however, creates its major challenges. Can the young fifty seven-year old tradition-bound nation-state absorb and adapt to the rapid change that inevitably results from modernization and development? Can the traditional culture accept and adapt to change so as to not abandon its heritage and thus cause social upheaval, as rapid change did in Iran? Can it politically develop fast enough to meet demands for modernization and meet the political crises that inevitably arise as the result of rapid societal change?

Many say no, that Saudi Arabia cannot modernize without causing social upheaval. They claimed that, "In the past fifty years, the Saudis have not developed any viable institutional support for their regime," and "no organization exists at the moment to channel such political demands [distribution of economic goods] in an orderly institutionalized manner" (Islami and Kavoussi 1984, 35 and Hottinger

1979, 14-17). Some have even gone so far as to forecast the time of the downfall by asserting that "the chances that one of these crises will erupt and produce upheaval within the next ten years are considerably greater than even" (Heller and Safran 1985, 27).

Others were more optimistic about the viability of the system. John West, a former United States ambassador to Saudi Arabia, answered his rhetorical question "Can Iran repeat itself in the Kingdom":

My answer would be no. The culture here [in Saudi Arabia] is stronger than most people give it credit for, and although modernization has brought strains and tensions, the system has been flexible enough to adjust to the tensions of the time. There is a commitment to stability, tradition, and continuity" (New York Times 25 March, 1981, A8).

Despite the recognition of the tremendous changes that have occurred in the country and its relative stability, another former United States ambassador to the country, Hermann F. Eilts, asserted that superficial observers of the Saudi society often "conclude that the state is out of place in the twentieth century world" (Eilts 1988, 62).

The purpose of this study was to investigate how the evolution of two administrative processes, budgeting and planning, have affected political development in Saudi Arabia. Has the evolution of budgeting and planning institutions changed the politics of allocation of resources, and how has this change affected the distribution of income? What is the new politics of budgeting and

planning? Who participates and how do they participate? How has this new administrative politics affected the ability of government to carry out its policies throughout the country? All of these issues are among what the Social Science Research Council suggested as the political crises that plague every country (Binder et al., 1971).

To undertake the study, I first traced the evolution of budgeting and planning institutions in the country from governmental documents and other printed materials. Next I explored the institutionalization processes in these two bureaucratic institutions in an attempt to understand the new politics of budgeting and planning which has emerged. Also an attempt has been made to identify who participates and how they participate in these processes.

Much of this information was obtained through interviews with senior budget and planning staffs who provided invaluable information about the politics of budgeting and planning. A number of former high government officials who are now in retirement also were interviewed to gain insights about how the politics of budgeting and planning has evolved. Interviews also were conducted with other influential actors in the budgeting and planning processes, such as the Ulama, businessmen, and some of the media staff in an effort to find out how they influence and perceive their roles in the budgeting and planning processes.

I also drew from my own observations of the society. As a native Saudi Arabian, I have witnessed the changes and experienced the joy and pain of change that have taken place in the last three decades. Furthermore, several members of my family and close relatives and friends have worked and still work with the government in various positions and parts of the bureaucracy; this gave me the opportunity to gain insights about the bureaucrats' actions and their perceptions about change.

Findings

The most obvious finding of this study is that change is very difficult and at times very painful in Saudi Arabia. Change has not come easily. Different groups perceive change differently. Some clamor for rapid modernization, while others vehemently attempt to hold onto the past. Change for this group is seen as a threat. Proposed changes, therefore, have to be introduced gradually and to be adapted to the cultural milieu of the society. Every major change has to have the approval of the Ulama, since they "see themselves as guardians of the conduct of the community of believers" (Eilts 1988, 75).

The close and intimate relationships between the king and his royal family, and the Ulama, the religious scholars, have enabled these religious scholars to "vent their concerns about what they perceive to be the de-islamization

of Saudi society because of pernicious western or other non-muslim influences" (Ibid). Regular sessions are held between the king and the Ulama which help to prevent the deep alienation between rulers and these religious scholars that occurred in some countries, such as Iran, in their drive for modernization.

As a result of the close relationships between the political and religious authorities, a leading member of the Ulama was quoted by the New York Times as saying:

We do not see a fundamental contradiction between religious values and modern development, mainly because a substantial part of the development in Saudi Arabia is directed by and toward Islamic values.

Another Alem in the same article was quoted as saying "Cooperation between the rulers and the Ulama is good" (25 March, 1981, A8).

In addition, there has been a major political development in the country since the 1950s, despite the denial by others that political development has not occurred in the kingdom (Islami and Kavoussi, 1984, 35). With the creation of the Council of Ministers in 1953, a new policy-making body has been established which permits many commoners who formerly were not part of the policy process to participate. Huyette asserted that,

The creation of the Council of Ministers inaugurated a new era in the evolution of the Saudi political system, the first step in the transition from [King Abdul Aziz's] informal and patrimonial style to a more formalized bureaucratic government (1985, 65).

The feud between King Saud and Prince Faisal, his brother and heir apparent, as has been illustrated, culminated in the issuance of Magna Charta-like regulations in 1958 strengthening and transferring more power to the Council of Ministers. The council has become the main executive, legislative, and judicial body within the country. All laws, budgets, plans, treaties, and other domestic and international matters must be passed by the council before being acted upon by the king, although since 1964 the reigning king assumes a dual capacity as king and president of the Council of Ministers.

As the Council of Ministers has evolved, an increasing number of commoners have held ministerial posts and have continued since to make up the majority of its members. Of the twenty ministers with portfolios today, there are sixteen commoners. In addition, there is a number of commoners who are ministers without portfolios, but hold membership in the council. Thus, the base of participation in the policy process has been broadened (Huyette 1985).

Other evidence of political development in the kingdom in the last several decades may be seen from the fact there have been four smooth and peaceful transfers of power since the death of the founding father in 1953. Also, during the feud between King Saud and Prince Faisal, the royal council, which is composed of senior relatives of the king, was able to deal effectively with this most difficult issues which

may have caused open conflict in less stable countries. Furthermore, that peaceful transfer of power was in the face of mounting external challenges from neighboring countries which had overthrown monarchies and established republics.

Development of the budget and the financial system of the country were a major source of contention between the two brothers, King Saud and Prince Faisal. Their quarrels and differences of opinion over spending the national resources led to a new view of allocating national resources. Prior to the institutionalization of the budget, as has been illustrated, national resources were viewed as the privy purse of the king. As the new politics of budgeting evolved, resources came to be seen as the national resources, the public purse, and all expenditures were to be made according to provisions of the budget act.

Another finding is that as new administrative institutions for budgeting and planning have emerged, they have helped to mitigate the political crises of distribution, participation, and penetration. The new budgeting and planning politics have opened the political process and have permitted more people to participate. Not only do bureaucrats compete in these processes, but various interests and individuals now have new means to present their demands on the government.

A number of means is now available for citizens to make demands on government. The traditional Majlis has become a

mean for citizens to present demands not only to the king, but to all local and regional governors, who are in most cases members of the royal family. The Majlis, as has been illustrated, provides a sounding board whereby the king, his principal deputy premiers, and governors of the various provinces learn of and assess public opinion, and receive informal advice on a variety of issues from the rank and file citizens.

The spirit of the open Majlis also has influenced governmental administrators who are expected to be accessible to citizens' demands and complaints at all times. The tradition of the Majlis also has been adapted to permit the involvement of a wide spectrum of the intelligentsia and business leaders through the quasi Majlis where governmental officials informally meet and discuss with these segments of the population major socio-economic and political issues in the society.

Still another means for citizens to present their demands on government has developed as regional and local governors have assumed roles more similar to representatives of their respective regions. Increasingly more members of the royal family have been appointed as governors of the various provinces, thus providing a new role for the royalty. These governors have assumed a representative role for their regions. They now represent interests and citizens of their regions and lobby the bureaucracy, the

council of ministers, and even the king on their behalf. Many have become adept in the political skills of bargaining and compromising. Frequently they confer with high government officials, especially budgeters and planners, on matters pertaining to their regions.

These developments also have opened the political system so that citizens may make their demands on government through administrative agencies in their local communities throughout the country. In the new administrative politics of budgeting and planning, hearings are held in the administrative offices throughout the country where regional governors and other influential interests may make presentations to delegates from MOP and the Ministry of Finance and National Economy in assessing regional needs. Increasingly, administrative agencies also hold public meetings to determine what local citizens see as their major needs. Ministries, agencies, and their branches now recognize the importance of dealing promptly with citizens' demands, and the possibility of mobilizing these clients to enhance their bargaining position when presenting their budget and plans with MOP and Ministry of Finance and National Economy.

Also the media increasingly have assumed a major role as communication channels between citizens and the government, and tends to hold administrators accountable by publicizing bureaucratic flaws. The media, as has been

seen, convey citizens' complaints and criticisms of bureaucratic performances. Oftentimes governmental projects or services are bombarded with criticisms raised by citizens through the media. The issues that draw widespread interest from large audiences may be put on the national agenda leading to major changes in the ministry or agency incurring the popular wrath. Other widely publicized issues, such as the issue of allowing women to drive, may decide its fate and prevent proposed change from being considered.

Evidence of political development in the country also may be seen from the way national resources are distributed. Prior to the institutionalization of the budgeting and planning processes, Saudi Arabia lacked the administrative infrastructure to supervise development expenditures, and a development philosophy to guide investment. As a result, much of the increase of government revenues were expended on extravagant projects and luxurious consumer goods. Since the economic crises of the 1950s, the administrative infrastructure has been strengthened, and distribution of national resources was made in a much more systematic and political process.

The growth of the bureaucracy itself has helped to distribute the vast wealth of the nation by giving employment to an increasingly large share of the population. Also, the establishment of the various types of credit institutions has enabled the government to distribute the

increasing revenues broadly throughout the population. But perhaps even more significant, the method of distributing the country's wealth was altered by the institutionalization of the budgeting and planning process. Decisions in the allocative process now are made politically with an increasing number of participants in the competition. Not only the royalty, who used to predominate the process, but now the bureaucracy, the regional governors, the Ulama, business leaders, the media, and the public all play important roles in the politics of allocation of resources. The processes of budgeting and planning have increasingly become political. Parties in the processes mobilize their available power resources, plan strategies, bargain, and compromise before entering the political arena of budgeting and planning.

The national budget and the five-year development plan now allocate and distribute the national resources in a manner different from what previously was practiced. Since the processes are relatively open, individuals and interests throughout the country now have a means of acquiring a share in the wealth of the nation. Even the process of evaluating performance of the budget and plan serve to broaden participation since it shows progress or lack of progress for various groups or regions which are not getting an adequate share of the national wealth. New needs and demands even spring from these evaluations.

The development and institutionalization of the budgeting and planning processes has caused the government to establish administrative machinery throughout the country. These local branches of Ministry of Finance and National Economy and MOP, along with other ministries and agencies, have helped the government to penetrate all aspects of the society. Citizens initiate contacts with these branch offices, as we have seen, providing major means for citizens participation in government. Also, regional governors interact directly with local administrators and frequently arrange for influential community leaders such as the Chamber of Commerce to make presentations of the needs of their regions. In all of these contacts and interactions, both the citizens and the government are better able to influence each other, and local interests have more influence on governmental decision processes.

There has been much more political development in Saudi Arabia than other scholars claim. Also, much of the development has grown out of the institutionalization process of budgeting and planning, which are vital functions of all modern governments. Budgeting and planning have served as a means for expanding opportunity for citizens' participation, for changing the patterns of distribution of national wealth, and for enhancing the administrative capability of government so that it can reach all segments of the population. As a result of these political

developments, Saudi Arabia has better been able to meet the challenges of change and to preserve stability while striving to meet the demands for development and modernization.

Despite these optimistic conclusions, the rapidity of change caused by the tremendous wealth continues to threaten to swamp the country. Its future, to a large degree, depends upon its capability to mollify the different groups in the society--those who want no change, those who want rapid change, and those who believe that innovations are inevitable but must be adapted to the Saudi cultural milieu. Budgeters and planners will be playing a crucial role in making these adaptations possible.

APPENDIX A
QUESTIONNAIRE

APPENDIX A

QUESTIONNAIRE FOR INTERVIEWS

- I. The following questions were asked of the Planning Officials in the Ministry of Planning.
 1. How do you perceive the roles of a Planner?
 2. Do you normally explain the political and administrative implications of technical advice given to decision makers?
 3. How many plans have you participated in preparing?
 4. How would you explain the differences in these plans in which you participated? How have the processes of planning changed over the years?
 5. Did the same administrative and political problems present themselves in each of the plans? What were these administrative and political problems? What were the major societal issues for each of the plans you worked on?
 6. To which formal decision makers are you responsible?
 7. In planning, do you work with bureaucrats from other agencies or institutions? Describe these relationships.

8. Do you encourage citizen participation in the planning process? Describe how citizens are involved.
9. When two groups compete or disagree over what should be in the plan, what do you do? How often do you experience such competition or disagreement over plans? How are decisions made in these cases? What role do you play in deciding who gets what?
10. How frequently do citizens lobby for the programs of other ministries or agencies? How do the clientele supporters lobby the Planning Ministry?
11. Do citizens sometimes appeal to other authorities about their demands on the plan? Whom do they go to? Does this happen frequently?
12. When you have to say no, how do you convince citizens or groups that what they demand is not possible in the plan? Is this accepted without dismay? What other actions do people take?
13. How do other ministries attempt to influence the plans of the planning ministry? How frequently does such lobbying occur?
14. Modernization means change and changes sometimes threaten individuals and groups. Have you witnessed groups threatened by change? How do you deal with these groups and convince them that

- change will not be a threat to them? What do you do if the plans are not working as you expected? How often do you amend or alter plans?
15. Do you ever change the plans because you expect or discover that they would cause opposition from certain groups? How frequently does this occur? Which groups are most likely to object to proposed changes?
 16. What do you do to implement the plan? Do you monitor other agencies with primary responsibility for development under the plan? What are the problems you have with this arrangement? Do implementing agencies ever object that the plans are unrealistic and beyond their capacity to carry out? What do you do when they make such a complaint? Is such an issue turned over to the formal decision makers?
 17. If something went wrong in implementing the plan, what is your responsibility? Do you get blamed?
 18. How do you get information about how well a plan is working? Do you rely mainly on written reports from administrative agencies as to the success of the plan or are field trips used to consult with citizenry affected by the plan? Describe the process you use to determine how plans are proceeding. What do you do if the plans are not

working as you expected? How often do you amend or alter plans?

19. Do you attempt to co-opt individuals or groups which you suspect might resist the changes or plans that you are making? How do you do this?
20. What is the makeup of the staff in the Ministry of Planning? What percentage are Saudis and what percentage are non-Saudis? What types of functions do each of these groups of employees perform? Which group is most influential in making the plans? Has this changed over the years in different plans?
21. Is there frequent conflict between the plans of other ministries and agencies and the Ministry of Planning? Explain. Who usually prevails?
22. How would you describe the main activity in your job? Would you say you mainly bargain, persuade, and compromise? Who do you bargain with, persuade, compromise with?

II. The following questions were asked of the Budget Officials in the Ministry of Finance and National Economy.

1. How do you perceive the roles of a budgeter?
2. Do you normally explain or have an idea of the political and administrative implications of technical advice given to decision makers?
3. What role do you play in deciding who gets what? In this process, do you bargain, persuade, and compromise?
4. To which formal decision makers are you responsible?
5. In budgeting do you work with bureaucrats from other ministries and agencies? Describe these relationships.
6. Do citizens present demands directly on the budget? How frequently does this occur? Is there a formal procedure where such demands can be made?
7. Do you encourage citizen participation in the budgetary process? Describe how citizens are involved.
8. How frequently do citizens lobby for the programs of other ministries or agencies? How do the clientele supporters lobby the Ministry of Finance and National Economy?

9. How do other ministries and agencies attempt to influence the budgetary process?
10. Do citizens sometimes appeal to other authorities about their demands on the budget? Whom do they go to? Does this happen frequently?
11. When you have to say no, how do you convince citizens or groups that what they demand is not possible in this year's budget? Is this usually accepted without protest? What other actions do people take?
12. Is it difficult to implement the five-year development plan, since the budget is the yearly implementation of the five-year plan? How closely must you follow the national plan?
13. What do you do to implement the budget? Do you monitor with other ministries and agencies how the budget is implemented? What are the problems you have with this arrangement? What if they did not comply with the guidelines accompanying their budget? Whom do you resort to to solve this issue of non-compliance?
14. If something went wrong in implementing the budget, what is your responsibility? Do you get blamed?

15. What is the makeup of the staff in the Ministry of Finance and National Economy? What percentage are Saudis and what percentage are non-Saudis?
16. Is there frequent disagreement between the Ministry of Finance and other ministries and agencies? Explain. Who usually prevails?
17. Do the same administrative and political problems present themselves in each yearly budget? What were these administrative and political problems? How many budgets have you participated in? How do you deal with these administrative and political problems? How has the process of budgeting changed over the years since you have been working in the ministry?
18. How frequently do citizens come to the Ministry of Finance instead of the ministry or agency that should answer their questions? Why?
19. Do you notice an increase in citizen contacts to your department in recent years? What do you attribute that to?
20. Approximately what percentage of those citizens who contact your department get what they are after?

III. The following questions were directed to the Ulama.

1. Do you believe that the National Plan as currently carried out in Saudi Arabia is aiding the social, economic, and political processes?
2. Do you get involved formally or informally in the preparation of the Plan? How?
3. Whom do you contact when you are not pleased with some policy outcomes?
4. How often do you meet the highest authority in the country, the King? Do you express your concern over some development issues?
5. How would you describe your role in certain issues that were proposed in the plan or through the media but never took place?
6. As an official, do you discuss your plan with planners from the Ministry of Planning? Have they ever rejected some of what you proposed?

IV. Leading questions for former high government officials.

1. How important were citizen contacts to your ministry or agency in agenda setting?
2. Have you designed a plan that you had to reconsider before it reached the implementation stage because there were mounting pressures from various groups and individuals?
3. How would you describe the inter- and intra-bureaucratic politics at the time of your service? Do you see any change in this bureaucratic infighting?
4. Did you mobilize clientele support for your ministry or agency? How?
5. What would you suggest as the most important improvement for planning and budgeting in the country?

- V. The following questions were among the questions asked of current bureaucrats in various ministries and agencies.
1. How do you view citizen contacts to your ministry or agency?
 2. Do these contacts enhance your ministry's or agency's position when discussing your plans or budgets with Ministries of Planning and Finance?
 3. Is it true that you urge your clientele to contact these two ministries, Planning and Finance, in an attempt to enhance your bargaining position with these two ministries?
 4. How do you view the wave of criticism about the performance of the bureaucracy? Do you take this personally?
 5. Have the media helped or hindered your ministry or agency performance? How?
 6. How important is the training you have received at home or abroad in altering your perception on certain things?

VI. The following questions were asked of businessmen.

1. Do you believe that National Plans, in the past and in the present, carried out in Saudi Arabia have aided the process of economic development?
2. How much is your business dependent on government activities?
3. To whom do you complain when you are not pleased with some bureaucratic actions?
4. Do you contact government ministries and agencies as an individual or member of a Chamber of Commerce?
5. Do you feel that your inputs are reflected in the plan? How?
6. Do you meet planners from the Ministry of Planning and other ministries?
7. Do you receive assistance from the various regional governors when you deal with their respective provinces?
8. Would you say that you have more interest in planning and budgeting processes than before? Why?

VII. Leading questions with some media personnel.

1. How would you describe the role of the media in the past as well as the present?
2. Do you investigate some bureaucratic actions?
3. Some bureaucrats accuse media people of making up some stories; do you agree with this accusation?
4. How do you tackle some important issues such as the women driving cars or the labor force?
5. Do you believe that some debated issues through the media have helped in agenda setting, generating alternative solutions, and evaluation for some public policy issues?

APPENDIX B
MINISTERIAL STATEMENT OF 6 NOVEMBER 1962 BY
PRIME MINISTER AMIR FAYSAL OF SAUDI ARABIA
(THE TEN-POINT PROGRAM)

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MINISTERIAL STATEMENT OF 6 NOVEMBER 1962 BY
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(THE TEN-POINT PROGRAM)

1. In order to achieve a unified system of government based on the principles of the Shari`ah, a Basic Law will be promulgated, drawn from the Qur'an, the Traditions of the Prophet, and the acts of the Orthodox Caliphs. It will set forth the fundamental principles of government and the relationship between the governor and the governed, organize the various powers of the State and the relationship among these powers, and provide for the basic rights of the citizen, including the right to freely express his opinion within the limits of Islamic belief and public policy. The Consultative Council, developed during the previous Cabinet as a legislative authority, together with the additions and modifications made thereto, will become part of the Basic Law.

2. Draft legislation based on studies in the local government of the provinces will soon be promulgated.

3. A law will be promulgated to safeguard the immunity of the Judiciary. It will be directed by a Supreme Judiciary Council. A Ministry of Justice will be created,

and attached to it will be the office of the State's Public Prosecutor.

4. A Judicial Council will be created, consisting of 20 members chosen from among the outstanding jurists and 'ulama' to look into matters referred to it by the State and to consider all questions and requests for advice from individual Muslims, pertaining to problems arising from conflicts between the Qur'an and Traditions versus the constantly changing experience of people in worldly affairs.

5. The government has adopted and will continue adopting means necessary to spread, strengthen and protect Islam by word and by deed.

6. The Committees for Public Morality will be reformed in accordance with the Shari`ah and Islam's lofty goals for which they were originally created, and in such a way as to extirpate to the greatest extent evil motives from the hearts of the people.

7. The government feels that one of its most important duties is to raise the nation's social level. The state has provided free medical and educational benefits. Recently the Social Security Regulations were promulgated for the aged, the disabled, orphans, and women who have no means of support. The state will present to the working class a law protecting them from unemployment.

8. Regulations for economic, commercial and social development will be issued gradually. These will, before

long, constitute a complete body of laws that will make for progress and greater activity and attract capital.

Independent bodies to sanction the various regulations will be set up.

9. Measures for reform that will continuously spur economic activity will continue to be adopted. Among these are: an extensive road program to link all parts and cities of the Kingdom; the study of water resources for agricultural and drinking purposes; the construction of dams for the preservation of rain waters and the creation of pasture lands; help to heavy and light industries. Aside from State budget allocations for these projects, all additional amounts the government will receive from Aramco in satisfaction of the rights it claims from that company for previous years will be put into a special production budget for development. 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, together with other private agencies, will take part in this development plan.

10. The government announces the absolute abolition of slavery and the manumission of all slaves. Those who prove to be deserving of compensation will be compensated by the government.

APPENDIX C
THE 1958 STATUTE OF THE COUNCIL
OF MINISTERS

APPENDIX C

THE 1958 STATUTE OF THE COUNCIL OF MINISTERS

Royal Decree No. 380, dated 22 Shawwal 1377

(May 11, 1958)

After putting our trust in God: We, Sa'ud ibn 'Abdal-'Aziz Al Sa'ud, King of the Saudi Arabian Kingdom:

Considering what the interests of the country necessitate in the matter of the revision of the Statute of the Council of Ministers in accordance with the provisions of our Decree No. 37, dated 2 Ramdhan 1377 (March 22, 1958);

And desiring to fix responsibilities and to delimit authorities, and having regard to the progress and development of the country:

And in accordance with the decision of the Council of Ministers No. 120, issued on 15 Shawwal 1377 (May 4, 1958):

Have ordered as follows:

General Rules

1. This Statute shall be called the Statute of the Council of Ministers.
2. The headquarters of the Council of Ministers is Riyadh, while it is permissible for its meetings to be held in another part of the Kingdom.

3. Nobody but a Saudi (national) shall be a member of the Council of Ministers; nor shall anyone be a member who is of ill repute, or has been convicted of crime or trespass harmful to religion and honor.

4. After the issue of this Statute the members of the Council shall not proceed with their work except after taking the following oath:

"I swear by God Almighty that I will be loyal to my religion and my sovereign and my country, and that I will not reveal any of the secrets of the Government, and that I will protect its interests and its laws, and that I will perform my functions with integrity and honesty and loyalty."

5. It is not permissible to combine membership of the Council with any other Government office, except if the President of the Council should consider that to be necessary.

6. It is not permissible for a member of the Council of Ministers, during the currency of his membership, to purchase or rent any property of the Government whatsoever, either directly or through an intermediary or by public auction.

Likewise it is not permissible for him to sell or lease any of his own property to the Government; and he may not engage in any commercial or financial operation, or accept membership of the Board of Directors of any Company.

7. The Council of Ministers is a statutory body, and shall hold its meetings under the presidency of the President of the (Council of) Ministers or his deputy; and it shall conduct its work and its functions in accordance with this Statute and its internal Statute.

8. Every Minister is responsible for the work of his Ministry to the Chief Minister; and the Chief Minister is responsible for his work and the work of the Council to His Majesty the King; and the Chief Minister may request His Majesty the King to relieve any member of the Council of Ministers of his work; and the resignation of the Chief Minister shall involve the resignation of all the members of the Council.

9. A Minister shall be regarded as the immediate chief and final resort in the affairs of his Ministry; and he shall perform his functions in accordance with the rules of this Statute, and the internal Statute of his Ministry.

10. Only another Minister shall deputize for a Minister: and that in accordance with a royal command issued on the recommendation of the Chief Minister.

Constitution of the Council

11. The Council of Ministers shall consist of: (a) the President of the Council of Ministers; (b) a Vice-President of the Council of Ministers, who shall be appointed by royal command on the recommendation of the

President of the Council of Ministers; (c) the Departmental Ministers, who shall be appointed by royal command on the recommendation of the President of the Council of Ministers; (d) Ministers of State who shall be appointed members of the Council of Ministers by royal command on the recommendation of the President of the Council of Ministers; and (e) Advisers of His Majesty the King who shall be appointed members of the Council of Ministers by royal command on the recommendation of the President of the Council of Ministers.

12. Presence at meetings of the Council of Ministers is the personal right of its members only, and the Secretary General of the Council of Ministers; but it shall be permissible, on the demand of the President or any of the members after approval by the Council of Ministers, to allow any of the officials or experts to attend the sittings of the Council, to communicate any information or explanations they may have: provided that the right of voting is exclusive to the members only.

13. A meeting of the Council shall not be regarded as effective except in the presence of two-thirds of its members, while its decisions shall not be valid unless they are passed by a majority of those present; and in the event of equal voting, the vote of the President shall be regarded as preferred.

14. The Council shall not make a decision in any matter affecting one of the Ministries, except in the

presence of its Minister or whoever deputizes for him: unless circumstances make it necessary.

15. The activities of the Council are secret; but its decisions and action thereon shall be public, except such of them as are regarded as secret by decision of the Council.

16. Members of the Council of Ministers shall be prosecuted for offenses committed by them in connection with their official functions in accordance with a special Statute, which shall comprise a statement of offenses, and lay down the procedure for the prosecution and trial, and the manner of the composition of the court.

17. It is permissible for the Council of Ministers to form committees of its members or others to investigate a matter entered on its agenda, in order to present a special report thereon. And the internal Statute of the Council shall contain a list of the number of the committees with the procedure for their activities.

Functions of the Council of Ministers

18. The Council of Ministers shall draw up the policy of the State, internal and external, financial and economic, educational and defense, and in all public affairs; and shall supervise its execution; and shall have legislative authority, and executive authority and administrative authority. And it shall be the arbiter in all financial affairs and in all the affairs committed to the other

Ministries of the State and other Departments. And it shall be the factor deciding what actions it may be necessary to take therein. And international treaties and agreements shall not be regarded as effective, except after its approval. And the decisions of the Council of Ministers shall be final, except such of them as require the issue of a royal command or decree, in accordance with the rules of this Statute.

Legislative Matters

19. No laws or agreements or international treaties or concessions shall be issued, except in accordance with royal decrees, drafted after the approval of the Council of Ministers.

20. It is not permissible to alter laws or agreements or international treaties or concessions, except in accordance with a Statute issued in conformity with clause 19 of this Statute.

21. The Council shall debate the projects of laws submitted to it, clause by clause; and then it shall be voted on as a whole: and that in conformity with the procedure prescribed in the internal Statute of the Council of Ministers.

22. Every Minister has the right to present to the Council a project of law within the scope of the functions of his Ministry, with a view to its approval; and the Council may agree thereto or reject it; and, if the Council

rejects a proposal, it is not permissible for it to be raised again before it except if circumstances demand it. Similarly, every one of the members of the Council of Ministers has the right to propose any matter which he may consider expedient for discussion in the Council.

23. If His Majesty the King does not approve of any decree or order put forward to him for his signature, it will be returned to the Council, with a statement of the reasons leading thereto, for discussion thereof. And, if the decree or order is not returned by the secretariat of His Majesty the King to the Council of Ministers within thirty days of the date of its receipt, the President of the Council shall take such action as he may think appropriate: informing the Council thereof.

24. All decrees must be published in the Official Gazette, and they become effective as from the date of their publication, unless a term is specified therein.

Executive Matters

25. The Council, in its capacity as the direct executive authority, has full supremacy over executive matters, and it possesses the real power to take any action which it considers in the interests of the country: and the following matters are within the scope of its powers: (a) supervision of the execution of decisions and laws; (b) establishment and organization of the public departments and

official posts, and the appointment, dismissal and promotion of departmental directors and officials occupying the third grade and upwards, and their retirement on pension; and (c) the Council of Ministers shall decide the creation of committees of investigation to undertake the inspection of the progress of work in the Ministries and Departments in general, or of a particular case; and the committees of investigation shall report the results of their inspection to the Council within the period prescribed for them; and the Council shall debate the result of the investigation according to the Statute.

Administrative Matters

26. The Council of Ministers is the direct authority for the administration of the country, and it has full supremacy over all administrative matters, while the different areas in the whole extent of the Kingdom shall be administered in accordance with Statutes enacted for them.

27. Municipal affairs shall be administered in accordance with a special Statute, to be called the "Statute of Municipalities," which will fix the grades of municipalities and their obligations, and the creation of municipal councils, and so on to matters affecting the functions of the municipalities.

Financial Matters

28. The Council of Ministers is the authority for the financial affairs of the State.

29. It is not permissible to impose taxes or duties except in accordance with a Statute.

30. The payment of duties and taxes shall be according to the rules of the Statutes; and it shall not be permissible to exempt therefrom, except in accordance with the Statute.

31. The sale of State property, or the lease thereof, or the enjoyment thereof, shall only be in accordance with the Statute.

32. It is not permissible to grant a monopoly or concession or the exploitation of any resource of the country, except in accordance with a special Statute, and with due consideration of the public interest.

33. It is not permissible for the Government to incur any debt except after the approval of the Council of Ministers, and the issue of a royal decree conferring on it permission therefrom.

34. Every contract entered into by the Government, and involving the payment of funds from the public treasury shall be only in accordance with the rules of the budget approved in conformity with the principles; and if the clauses of the budget do not make room for it, it must be in accordance with a special Statute permitting it.

35. All receipts of the State must be handed over to the unified public treasury, and their entry and disbursement must be in accordance with the principles laid down by Statute.

36. It is not permissible to allocate a salary, or grant compensation, or spend any sum out of State funds, except in accordance with the Statute and by decisions of the Council of Ministers.

37. The Council of Ministers shall annually approve a Statute of the State budget, comprising estimates of the receipts and disbursements for that year, and it shall be submitted to His Majesty the King for his approval; and the approval of the budget shall take place at least one month before the financial year. But, if the financial year has begun, and urgent reasons have prevented the approval of the budget, the budget of the preceding year must be acted on in the proportion of one-twelfth (per mensem) until the issue of the new budget.

38. Every extra whose inclusion in the budget may be desired shall only be in accordance with the Statute and by decision of the Council of Ministers.

39. The proceedings for the approval of the budget shall be in accordance with the principals prescribed for the issue of Statutes, and it shall be voted on section by section.

40. The financial Statute shall remain effective immediately and operative until the issue of regulations for its modification.

41. The audit of State accounts shall be by the examination of all the accounts of the Government, and the verification of the correctness of the entries concerning its receipts and disbursements in accordance with the rules of the Statute of this Department.

42. The Ministry of Finance shall present to the Council of Ministers the final account of the financial administration for the past year with a view to its confirmation, within the first three months of the new financial year.

43. The budget of departments independent of any of the Ministries, and their final accounts shall be dealt with under the same rules as apply to dealing with the State's budget and its final account.

Presidency of the Council of Ministers

44. It is the Chief Minister who directs the general policy of the State, and ensures the direction and ordering and cooperation between the various Ministries, and guarantees the uniformity and unity of the operations of the Council of Ministers, and receives the high directions of His Majesty the King, in order to work in conformity therewith; and it is he who signs the decisions of the

Council, and orders their communication to the various quarters. And his is the supervision of the Council of Ministers and the Ministries and the Public Departments; and it is he who controls the execution of the laws and decisions which are issued by the Council of Ministers.

Administrative Arrangements of the Council of Ministers

45. The arrangements of the Council of Ministers comprise the following departments: (1) the office of the President of the Council of Ministers; (2) the secretariat-general of the Council of Ministers; and (3) the branch of the experts. And the internal Statute of the Council of Ministers will contain a statement of the arrangements of these branches and their functions and the methods of their procedure in their operations.

46. Responsibility for the Office of Complaints and the Audit of the Public Accounts lies with the President of the Council of Ministers, in accordance with their special Statutes.

Final Orders

47. The Council of Ministers will approve this Statute, and refer it to His Majesty the King in order to obtain his high approval; and it shall be published, signed by His Majesty and the Chief Minister.

48. After the promulgation of this Statute, the Council of Ministers shall begin to frame the following

Statutes: (1) the internal Statute of the Council of Ministers; (2) the internal Statute of each of the Ministries; (3) the Statute for the administration of the provinces; (4) the Statute of the Municipalities; (5) the Statute for the trial of Ministers; and (6) the Statute for the sale and lease of State property.

49. This Statute shall come into force with effect from its issue and publication in the Official Gazette.

50. This Statute cancels the Statute of the Council of Ministers issued on the date of Rajab 12, 1373 (March 14, 1954), and all laws and other decisions which conflict with its provisions and any other provision conflicting with it.

The royal signature: Sa'ud.

APPENDIX D

TRANSFER OF POWERS FROM
HM KING SA'UD TO HRH AMIR FAYSAL

APPENDIX D

TRANSFER OF POWERS FROM
HM KING SA`UD TO HRH AMIR FAYSAL

ROYAL DECREE NO. 52, DATED 17 DHU AL-QI`DAH 1383 (30 MARCH 1964):

With the help of God Almighty;

We, Faysal ibn `Abd al-`Aziz Al Sa`ud, Viceroy of the Kingdom of Saudi Arabia;

Pursuant to Royal Order No. 42, dated 9 Shawwal 1381 (15 March 1962); and

After reviewing Article 20 of the Regulations of the Council of Ministers; and,

On the basis of Decision No. 753 of the Council of Ministers, dated 17 Dhu al-Qi`dah 1383 (30 March 1964); and,

On the basis of what has been submitted to us by the Vice President of the Council of Ministers;

Decree as follows:

Article 1: We approve Decision No. 753 of the Council of Ministers, dated 17 Dhu al-Qi`dah 1383 (30 March 1964), attached to this decree of ours.

Article 2: The President of the Council of Ministers and the Ministers shall put this Decree of ours into effect as of the date of its publication.

Signed: Faysal

DECISION OF THE COUNCIL OF MINISTERS NO. 753, DATED 17 DHU
AL-QI`DAH 1383

The Council of Ministers,

In its capacity as executive authority in accordance with Articles Nos. 19 and 20 of the Regulations of the Council of Ministers; and, (its) right to prepare or amend regulations; and, after reviewing the present circumstances and the dictates of the necessity to put an end to whatever diminishes the blessing of stability which the country is enjoying or obstructs the reform movement which is taking its rapid course; and, pursuant to the legal fatwa issued on 16 Dhu al-Qi`dah 1383 (29 March 1964) by twelve of the religious scholars of this nation, which stated that, in view of the state of the King's health and his present circumstances, and since His Majesty is not able to carry out the affairs of the State, they (the religious scholars) have issued their decision, in accordance with the dictates of the Shari`ah text which observes the public interest, that His Royal Highness Crown Prince Amir Faysal shall carry out all the internal and external affairs of the State in the King's absence and presence, without referring back to the King in such matters; and, after reviewing the decision taken by members of the Royal Family, according to which those present agreed unanimously on the need to have His Royal Highness Crown Prince Amir Faysal exercise all the powers provided for by the Regulations that are exercised by

His Majesty the King; and, pursuant to Royal Order No. 42, dated 9 Shawwal 1381 (15 March 1962), according to which His Royal Highness Crown Prince Amir Faysal became the Viceroy of His Majesty the King in the affairs of the State during (the King's) absence and presence; and, in realization of the grave responsibility shouldered by (the Council) in this historic situation through which our beloved country is passing;

(The Council of Ministers) decides as follows:

1. While His Majesty King Sa`ud ibn `Abd al-`Aziz remains as King of the country, all the responsibilities and the regulatory, executive, administrative, and judicial powers enjoyed by His Majesty in accordance with the glorious Shari`ah and the Regulations in force in the country are transferred to His Royal Highness the Viceroy of His Majesty and Crown Prince, Amir Faysal, who shall be considered the sole person responsible for carrying out these responsibilities and powers.

2. All of the provisions of the Shari`ah and of the Regulations which grant authority to His Majesty the King in his capacity of Chief of State and Commander-in-Chief of the Armed Forces shall be considered by virtue of this decision as granted to His Royal Highness the Viceroy, Amir Faysal. This (decision) shall be considered an amendment to all the pertinent provisions in all the Regulations and in

particular to Articles Nos. 8, 11, 23, 37, and 44 of the Regulations of the Council of Ministers.

3. His Royal Highness the Crown Prince and Viceroy is asked to approve the Royal Decree attached to this decision, in his capacity as Viceroy.

Signed: Vice President of the Council of Ministers
Khalid ibn `Abd al-`Aziz

* * *

TEXT OF FATWA AND ROYAL FAMILY DECISION ON TRANSFER OF KING'S POWERS TO FAYSAL

In the Name of God, the Merciful, the Compassionate.

Thanks be to God, the Lord of the Worlds, and peace be upon our Prophet Muhammad, his House, and his Followers.

We, the undersigned, have met at the house of His Royal Highness Amir Muhammad ibn `Abn al-`Aziz in Riyaldh and have read the fatwa of the Shari`ah issued by Their Reverences the religious scholars, under the chairmanship of His Reverence the Mufti of 16 Dhu al-Qi`dah 1383 (29 March 1964), which reads as follows:

(The Fatwa)

"Thanks be to God, the Lord of the Worlds, and peace be upon his faithful Prophet.

In view of the differences between His Majesty King Sa`ud and his brother His Royal Highness Amir Faysal,

particular to Articles Nos. 8, 11, 23, 37, and 44 of the Regulations of the Council of Ministers.

3. His Royal Highness the Crown Prince and Viceroy is asked to approve the Royal Decree attached to this decision, in his capacity as Viceroy.

Signed: Vice President of the Council of Ministers

Khalid ibn `Abd al-`Aziz

* * *

TEXT OF FATWA AND ROYAL FAMILY DECISION ON TRANSFER OF KING'S POWERS TO FAYSAL

In the Name of God, the Merciful, the Compassionate.

Thanks be to God, the Lord of the Worlds, and peace be upon our Prophet Muhammad, his House, and his Followers.

We, the undersigned, have met at the house of His Royal Highness Amir Muhammad ibn `Abn al-`Aziz in Riyaldh and have read the fatwa of the Shari`ah issued by Their Reverences the religious scholars, under the chairmanship of His Reverence the Mufti of 16 Dhu al-Qi`dah 1383 (29 March 1964), which reads as follows:

(The Fatwa)

"Thanks be to God, the Lord of the Worlds, and peace be upon his faithful Prophet.

In view of the differences between His Majesty King Sa`ud and his brother His Royal Highness Amir Faysal,

because of which we met during the month of Sha`ban (17 December 1963-14 January 1964) and which we hoped at that time to be decisive in ending and

Since it has recently become apparent to us that decision did not end these differences; and,

(In view of the fact) that civil strife and chaos could almost have occurred as a result of them, thus exposing the country to dangers the extent of whose resultant harm and corruption God alone knows; and,

Since there is no way out but to find a decisive solution to these differences and disputes, which recur from time to time and which bring nothing but harm to the faithful and to the country;

We, the undersigned, have held several meetings and have studied the situation in the light of the development of events and have reviewed the state of the King's health and his present circumstances; and,

In view of (the fact) that His Majesty the King is unable to carry out the affairs of the State;

We have decided, pursuant to the dictates of the public interest, the following:

1. His Majesty King Sa`ud shall be the King of the country, who has the right to respect and reverence.
2. His Royal Highness the Crown Prince and President of the Council of Ministers Amir Faysal shall

carry out all the internal and external affairs of the King without referring back to the King in this regard.

This is what we have decided in accordance with the Shari`ah text which observes the public interest. We ask God to protect this Muslim nation and to unite its word on that which He likes and on that in which He finds satisfaction. (We ask) that He grant success to the legal guardians of the nation in whatever may lead to its welfare and righteousness. May peace be upon our Prophet Muhammad, his House, and Companions."

(Signed)

(Note: The 12 signatories have been identified insofar as possible.)

1. Muhammad ibn Ibrahim (ibn `Abd al-Latif Al-Shaykh, Grand Mufti of Saudi Arabia)
2. `Abd al-Latif ibn Ibrahim (ibn `Abd al-Latif Al-Shaykh, Director, Bureau of Institutes and Colleges)
3. `Umar ibn Hasan (Al-Shaykh, Head of the Public Morality Committees in Najd, the Eastern Province, and the Northern Frontiers Area)
4. `Adb al-Malik ibn Ibrahim (ibn `Abd al-Latif Al-Shaykh, Head of the Public Morality Committees of Saudi Arabia)
5. `Abd al-`Aziz al-Thatri
6. `Abdallah ibn Humayd (Former Chief Qadi, Shari`ah Court of Appeals, Mecca)
7. `Abd al-`Aziz ibn Baz (Vice President, Islamic University, Medina)
8. `Abd al-`Aziz ibn Salih (Chief Qadi, Medina)

9. Muhammad ibn Harakan
10. Sulayman ibn `Ubayd (Former Head of the Shari`ah Court in the Eastern Province)
11. `Abd al-`Aziz ibn Rashid (Chief Qadi, Shari`ah Court of Appeals, Riyadh)
12. `Abd al-Rahman ibn Faris (Deputy Chief Qadi, Riyadh)

(End of Fatwa)

In view of all this, we (the undersigned members of the Royal Family) have unanimously decided the following:

1. Full support of the fatwa of Their Reverences the religious scholars.
2. We request His Royal Highness the Crown Prince and President of the Council of Ministers Amir Faysal to expedite the execution of this fatwa and to take the necessary measures to amend the Regulations so that His Royal Highness may exercise all the powers granted to His Majesty the King of the Regulations in force. We ask God Almighty to grant success to all those working for the welfare of our religion and nation. May peace and blessing be upon Muhammad, his House, and his Companions.

(Signed)

Uncles of the King

`Abdallah ibn `Abd al-Rahman

Musa`d ibn `Abd al-Rahman, (Minister of Finance and National Economy)

Brothers of the King

Khalid ibn `Abd al-`Aziz, (Vice President of the Council of Ministers)

Muhammad ibn `Abd al-`Aziz

Fahd ibn `Abd al-`Aziz, (Minister of Interior)

`Abdallah ibn `Abd al-`Aziz, (Amir of the National Guard)

Sa`d ibn `Abd al-`Aziz

Bandar ibn `Abd al-`Aziz

`Abd al-Majid ibn `Abd al-`Aziz

Badr ibn `Abd al-`Aziz, (Former Minister of Communications)

Turki ibn `Abd al-`Aziz

Majid ibn `Abd al-`Aziz

Salman ibn `Abd al-`Aziz, (Amir of Riyaldh)

Muqrin ibn `Abd al-`Aziz

Mashhur ibn `Abd al-`Aziz

`Abd al-Ilah ibn `Abd al-`Aziz

Hamud ibn `Abd al-`Aziz

`Abd al-Mushsin ibn `Abd al-`Aziz, (Former Minister of Interior)

Mish`al ibn `Abd al-`Aziz, (Amir of the Mecca Area)

Mit`ab ibn `Abd al-`Aziz, (Former Amir of Mecca)

Sultan ibn `Abd al-`Aziz, (Minister of Defense)

Nawwaf ibn `Abd al-`Aziz, (Former Minister of Finance and National Economy)

`Abd al-Rahman ibn `Abd al-`Aziz

Mishari ibn `Abd al-`Aziz

Fawwaz ibn `Abd al-`Aziz, (Former Amir of Riyadh)

Nephews of the King

Faysal ibn Turki, (Former Minister of Labor and Social Affairs and former Minister of Interior)

Sa`ud ibn Nasir ibn `Abd al-`Aziz

Bandar ibn Khalid ibn `Abd al-`Aziz

`Abdallah ibn Khalid ibn `Abd al-`Aziz

Khalid ibn Nasir ibn `Abd al-`Aziz

Fahd ibn Muhammad ibn `Abd al-`Aziz

Bandar ibn Muhammad ibn `Abd al-`Aziz

Sa`ud Al Faysal (ibn Faysal ibn `Abd al-`Aziz

Khalid ibn Faysal ibn `Abd al-`Aziz

Turki ibn Faysal ibn `Abd al-`Aziz

Cousins of the King

Faysal ibn Sa`d

Khalid ibn Faysal ibn Sa`d

Fahd ibn Sa`d

Bandar ibn Fahd ibn Sa`d

Bandar ibn Muhammad ibn `Abd al-Rahman

Bandr itn Muhammed ibn `Abd al Rahman

Muhammad ibn `Abdallah ibn `Abd al-Rahman

Khalid ibn `Abdallah ibn `Abd al-Rahman

`Abd al-Rahman ibn `Abdallah ibn `Abd al-Rahman

Fahd ibn `Abdallah ibn `Abd al-Rahman

Sa`d ibn `Abdallah ibn `Abd al-Rahman

Fahd ibn Muhammad ibn `Abd al-Rahman

`Abdallah ibn Muhammad ibn `Abd al-Rahman

Sa`d ibn Khalid ibn Muhammad (ibn `Abd al-Rahman)

Yazid ibn `Abdallah (ibn `Abd al-Rahman)

Al-Jiluwi Branch

`Abd al-`Aziz ibn Musa`d (ibn Jiluwi)

Muhammad (ibn `Abdallah) ibn Jiluwi

Fahd ibn Mishari (ibn Sa`ud) ibn Jiluwi

`Abd al-`Aziz (ibn `Abdallah) ibn Jiluwi

Muhammad ibn Turki (ibn Jiluwi)

`Abdallah ibn Turki Branch

Khalid ibn Turki (ibn `Abd al-`Aziz)

Muhammad ibn Turki (ibn `Abd al-`Aziz)

Sa`ud al-Kabir Branch

Sa`ud ibn `Abdallah (ibn Sa`ud al-Kabir) Al Sa`ud

Salman ibn Muhammad (ibn Sa`ud al-Kabir) Al Sa`ud

`Abdallah ibn Muhammad (ibn Sa`ud Al-Kabir) Al Sa`ud

`Abdallah ibn Muhammad ibn `Abd al-`Aziz Al Sa`ud

Sa`d ibn Muhammad ibn `Abd al-`Aziz Al Sa`ud

Abdallah ibn Muhammad Al Sa`ud

`Abd al-Rahman ibn Muhammad (ibn Sa`ud al-Kabir) Al Sa`ud

Muhammad ibn `Abd al-`Aziz Al Sa`ud

Fahd ibn Khalid ibn Muhammad

Turki ibn `Abd al-`Aziz ibn Turki

Faysal ibn Turki ibn `Abdallah

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