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Ministry of Commerce and Industry
Kingdom of Saudi Arabia

A stylized map of Saudi Arabia in green and orange, set against a background of a green and orange gradient with a pattern of small green circles.

INDUSTRY 2020

A Prosperous and Diversified Economy

Strategic Directions



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

National Industrial Strategy

Kingdom of Saudi Arabia

Ministry of Commerce and Industry

Industry 2020

A Prosperous and Diversified Economy

Strategic Directions

The Government of the Kingdom of Saudi Arabia pledges in its Vision 2020 to strive for a diversified and prosperous economy that guarantees rewarding job opportunities and higher levels of economic welfare for Saudi citizens, providing education and health care to the population, and to equip the labour force with adequate skills, while preserving the Kingdom's religious values and cultural heritage.

United Nations Industrial Development Organization (UNIDO)

This document is a summary of *Industry 2020, Industrial strategies to enhance diversification and competitiveness in the Kingdom of Saudi Arabia*, prepared by UNIDO for the Ministry of Commerce and Industry, 2006.
The summary focuses on the strategic directions in the main report.

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Industry 2020: Strategic Directions

During the last decade GDP growth has been closely correlated with fluctuations in the price of oil, leaving the Saudi economy vulnerable to outside factors. There has been large-scale investment in oil-related industrial activities, but this highly capital-intensive sector offers limited employment opportunities for a rapidly growing labour force. Exports are overwhelmingly dominated by the oil sector, and markets are insufficiently diversified.

The challenge facing the Kingdom of Saudi Arabia (KSA) is to use oil revenues to stimulate sustainable growth in other productive sectors. The industrial sector—including mining, downstream oil processing activities and industry-related services—should emerge as the platform for sustaining high growth because of its dynamic interrelation with new technologies, innovation and knowledge, the key drivers of global economic growth.

Transforming the Kingdom's economic base from a resource-intensive economy to a knowledge-based industrial economy, triggered by innovation, is ambitious. It is also achievable with an appropriate institutional and policy framework, supported by broad stakeholder consensus and involvement and a detailed programme of actions based on thorough assessment of current capabilities and future needs.

Global experience spotlights manufacturing as the main engine for deploying new technologies and increasing innovation, essential for success in the emerging world economy. Manufacturing is a

dynamic force, crucial to enhancing exports and moving from low-value-added products to higher value, skill- and technology-intensive products that can sustain faster income growth. Manufacturing is also vital to creating new skills as well as inducing growth and technological change in other sectors, notably agriculture, finance, construction and modern services, including the management of environmental quality.

Skills and capabilities develop faster and better if they can draw on the knowledge, technologies and quality standards provided by foreign direct investment and export markets and if they are exposed to global competition. Manufacturing is also far more labour intensive than the financial sector and thus a more attractive source of economic growth.

The Saudi national industrial strategy is based on the vision of “a globally competitive industry based on innovation, acting as a base for transforming the Kingdom's natural and human resources into sustainable wealth and employment creation”.

The overarching goal of that strategy is to accelerate the rate of growth of manufacturing output and to transform the sector towards technology and knowledge-intensive activities. The Kingdom could expand oil-related industries by building on existing resource endowments. It can also go beyond those industries through diversification, innovation and technological upgrading. This broader course is strongly favoured by this report to meet the goals and targets set for Industry 2020.

The five pillars of the Kingdom's Industry 2020 strategy:

- *Building capabilities in industry and in manufactured exports.* The key actions are to raise the standards of technical and scientific education, enhance the managerial and innovative capabilities of firms and encourage the expansion of technology-based skills.
- *Improving the business environment, especially for smaller enterprises.* The key actions are to further develop industrial cities in different parts of the country, ease Saudization in labour legislation and complete the expansion of infrastructure of transport, gas and railroads.
- *Establishing a national and subnational (regional) system of innovation.* The key actions are to ensure commercialization by building on existing assets and shifting to oil-related industries (such as plastics and biotech) within national and subnational (regional) innovation systems that complement each other.
- *Promoting industrial clusters integrated in global value chains.* The key actions are to foster public-private partnerships, develop five clusters in different parts of the country and provide technical and financial support (while avoiding subsidies and protection).
- *Strengthening the system of industrial governance.* The key actions are to design the governance system, set up the Industrial Development Authority and establish the Fund for Industry 2020.

Such a reorientation of economic strategy would also generate new employment opportunities for the growing labour force and address unemployment, particularly among the younger generation of Saudi nationals.

The new global setting for Saudi industry

Industry is becoming more globalized as transnational corporations locate their operations not only in the most cost-efficient locations but also where there is a pool of knowledge-intensive talent. Building industrial capabilities is becoming the key driver for achieving competitiveness, with sustained productivity growth representing the main source of industrial growth and competitiveness. Technological innovation and upgrading are also becoming more important.

Stricter global norms require compliance with environmental agreements (Montreal and Kyoto Protocols), intellectual property rights and international product and process standards. Networking, business practices, enterprise collaborations, and innovative enterprise structures are emerging within industry and in cross-border enterprise cooperation. Greater importance is attached to good public governance and efficient corporate governance, especially in trust-based public-private partnerships for development, including corporate social responsibility arrangements. And widespread liberalization of international trade, markets and capital flows—as well as deregulation and privatization—is enhancing the role of the private sector.

These multifaceted trends in the international setting and the intensity and speed of change pose formidable challenges to the Saudi industrial economy, especially after its entry into the WTO. The bilateral and multilateral free trade agreements that the Kingdom plans to sign as part of the Gulf Co-operation Council (GCC), including the agreements now being negotiated with the EU and Japan, will further increase competitive pressures.

Saudi industry thus needs to continually adapt to the new industrial realities to compete in the global industrial economy. This requires continual improvement in the performance of Saudi industry in accelerating manufacturing value added (MVA), expanding manufactured exports in relation to GDP and to total exports and deepening the technological content of MVA and manufactured exports. It also requires investing in and continually upgrading the industrial capabilities to meet the new challenges in skills, knowledge, technology, foreign direct investment and modern infrastructure.

The new demands on industrial strategy

Industrialization strategies followed with considerable success in the past, especially by the East Asian Tiger economies, cannot be replicated in other countries. They relied on a top-down approach with government agencies taking the lead in picking winners and setting targets, often deliberately using market-distorting policies to favour selected sectors. They relied on competitiveness building behind protected barriers. They often focused on economies of scale, creating “national champions” and designing the policy

environment to favour these industrial giants without paying sufficient attention to the role of small and medium enterprises (SMEs) in building a dynamic industrial sector.

Today, a contemporary competitiveness-building strategy requires a flexible, consensus-led set of evolving policies and strategies, adapted to changing circumstances. Adaptation requires a continuing dialogue between stakeholders within an institutional framework for the results of dialogue to play out. Potential diversification opportunities need to be continually monitored and evaluated, identifying ways of pursuing them and assessing their requirements. Strategy today calls for an effective industrial governance system for communicating changing opportunities and needs to stakeholders and coordinating responses, both prerequisites for the design and implementation of appropriate policies. Continual monitoring of the KSA's performance in both international and domestic benchmarks is thus of vital importance for policy flexibility. That is why this report stresses the mediating role of the Ministry of Commerce and Industry (MCI), at the hub of the KSA's industrial nexus, in designing and implementing appropriate strategies, policies, programmes and packages.

The need for stronger industrial performance—and the potential

Saudi Arabia has improved its position on the global map of industrial performance during the last 20 years, with its competitive industrial performance rank rising by 18 places in 1980–2000. More recent data suggest that Saudi Arabia is well positioned on the UNIDO technology advance index, ranking 38 out of 99 countries, with the highest rank among its neighbouring countries and above such countries as India and Indonesia.¹ But the rank on the industrial advance index was lower and declining, confirming the need for accelerated diversification towards industrial development.

Despite a favourable level of manufacturing value added (MVA) and manufactured exports per capita, the degree of industrialization as measured by the share of MVA in GDP is low by area and international standards, reflect-

ing the oil sector's dominance. Moreover, the favourable technological structure in MVA has yet to penetrate the export structure, as is evident from the small share of medium and high-tech products in manufactured exports. Although the economy is going in the right direction, it is not going fast enough in research or in innovation-induced products.

There is, however, a fast-growing export base in dynamic groups of products—such as organic chemicals, glass, pigments and paints, perfumery and cosmetics and plastic products. Analysis of the KSA's manufactured export structure suggests niche opportunities in several medium- and low-technology product categories, which could launch it on a new course of industrial diversification.

Reorienting industrial strategy—innovate and diversify

Industry 2020 sets out broad targets for the growth and changing technological structure of MVA. In the light of past performance and current priorities, it seems reasonable for the KSA to aim to reach the top 30 countries in the league of industrial excellence over the next 14 years. The overarching goal is to accelerate the growth of manufacturing output and to transform the industrial structure by moving towards technology and knowledge-intensive activities.

There are two major industry scenarios to consider. The first is to expand oil-related industries by building on existing resource endowments. The second, strongly favoured by this report to meet the goals and targets set for Industry 2020, is diversification. This would involve technological upgrading based on in-depth assessments of the prospects for national and global value chains, maximizing the benefits of supra-national integration, building industrial capabilities, building industrial trade capacity, creating an enabling business environment, establishing a national and subnational (regional) innovation system, promoting industrial clusters and integrating into global value chains.

Such a reorientation of economic strategy would also aim to generate new employment opportunities for the growing labour force and address unemployment, particularly among the younger generation of Saudi nationals. Past growth has been both too slow and too capital-

¹ United Nations Industrial Development Organization (UNIDO) (2005). Industrial Development Report 2005: Capability building for catching-up: Historical, empirical and policy dimensions. Vienna: UNIDO.

intensive to absorb the rapidly growing number of new entrants into the labour force. Moreover, a proportion of the labour market is dependent on expatriates and migrant workers, partly reflecting an imbalance between the skills of Saudi nationals and the skills that domestic private industry requires. Improving employment opportunities means not only creating jobs, but also providing nationals with skills suitable for rewarding, high-value-added work.

Positioning the Kingdom's industry in the global economy

Implementing Industry 2020 will accelerate the development of a more diversified and competitive industrial economy, leading to new industrial horizons and prosperity. Efficient industrial governance will position Saudi Arabia in the global league of industrial excellence. But it will be vital for the Kingdom to monitor international developments to benchmark its performance against that of key comparators—both in the MENA region and the world—and to learn from relevant experiences in other countries.

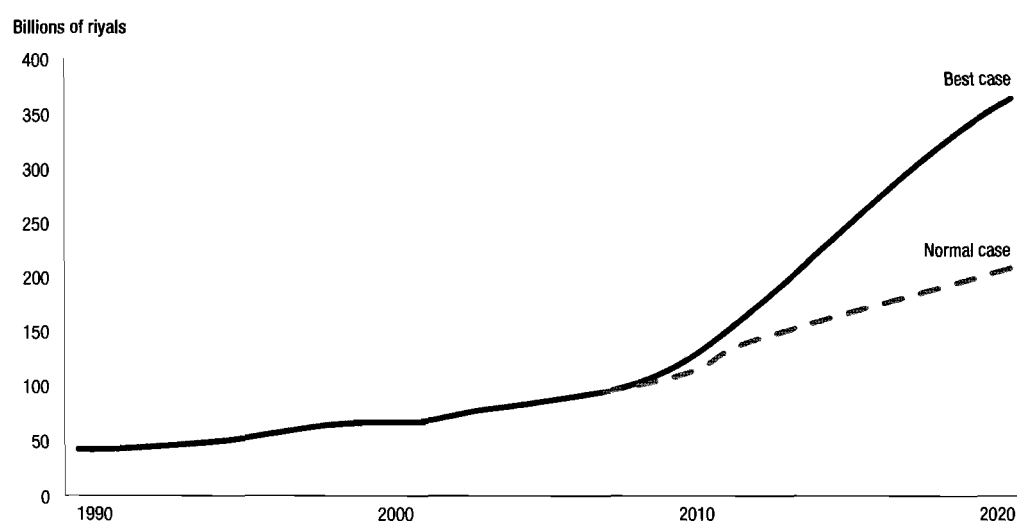
The strategy aims to position the country among the world's leading industrial economies. There is inevitably some uncertainty over the progress in the rankings, since a country's relative position is also affected by changes in the performance of other countries. The Saudi Arabia General Investment Authority aims to position the country within the top ten best

performers in the World Bank's "Doing Business" league table of competitive business environments.

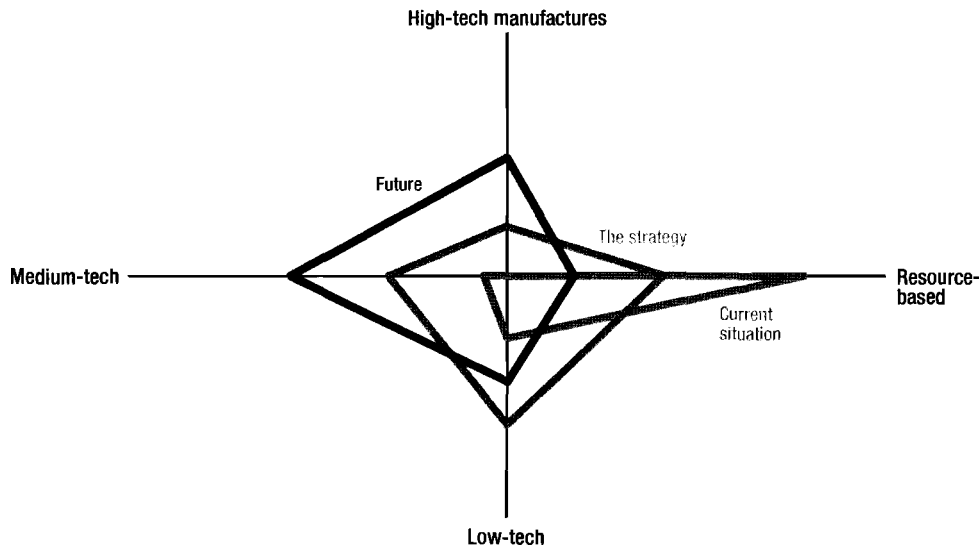
This ambitious but achievable target calls for a commitment to excellence in improving industrial capabilities, creating a sustainable business environment, establishing a dynamic innovation system and promoting cluster-based industrial development (four fundamental pillars of the Industry 2020 strategy). It also requires substantial investment in follow-up programmes and institutional efficiency in the plan of action. The Kingdom is fortunate in being able to stimulate economic diversification and competitiveness and to leapfrog in the global competitiveness race because of its substantial financial resources (see figure 1).

The strategy is to restructure industries towards activities higher in the value chain through clustering, founded on both natural and technological bases. The suggested target is to achieve a ratio of manufacturing value added to production of at least 45 percent. To reach this, the level of higher technology activities (involving medium to high technology) is to rise to 60 percent (figure 2), accompanied by a 30 percent share of these activities in industrial exports. The restructuring of production should rely both on local innovation and on industrial trade-capacity building. Establishing a national and subnational (regional) system of innovation is crucial to fulfilling all the targets.

Change in the industrial trajectory as a result of the strategy, 1990–2020



Note: The black (upper) line represents the trajectory of MVA with the strategy implemented; the gray (lower dotted) line without any strategy.



Over the 20 years between 1980 and 2000, the KSA improved its position on the UNIDO scoreboard of industrial performance by 18 places. (Data constraints prevent updating its score to 2006.) In the light of past performance and current priorities, it seems reasonable for the KSA to aim to reach the top 30 countries on the scale of the UNIDO industrial-cum-technological advance index (ITA) over the next 14 years. The ITA index is an assessment of the role of industry and technology in production and trade. The ITA value for an economy is expected to help gauge the impact that industrial and technological advance is likely to have on its development. Although assessing the compound weight of industry and technology is of prime interest here, another goal of the analysis is to disentangle the contributions made separately by industrial and technological advance, as well as to appraise the respective parts of production and trade.

Table 1 depicts the Kingdom's standing in relation to the top 30 countries on the UNIDO ITA index in 2002. Given the speed and spirit with which the Kingdom is creating the required capabilities, a better positioning seems a realistic goal.

Guiding principles and priorities

The National Industrial Strategy—Industry 2020—aims to achieve unprecedented growth in industrial value added and to position the Kingdom in the top 30 in the league of industrial excellence.

The Government has determined the following major parameters for the National Industrial Strategy:

- Launch a continual process based on constructive dialogue between the public and private sectors.
- Remain flexible enough to ensure adequate industrial response to the rapidly changing global realities.
- Provide a framework for coordination of national policies and initiatives related to the competitiveness, diversification and innovation of national industries.
- Be national-owned and driven by commitments and partnerships of the major stakeholders.
- Have implementation mechanisms based on the modern system and tools of industrial governance.
- Address supranational, national and subnational levels of industrial innovative development and diversification.

With these parameters, five strategic pillars were selected, based on the extensive dialogue between national stakeholders and leading national and international experts:

- Building capabilities in industry and in manufactured exports.
- Improving the business environment, especially for smaller enterprises.
- Establishing a national and a subnational (regional) system of innovation.

Top 30 countries on the industrial and technological advance index, 2002

Ranking	Country	ITA index	Industrial-advance indicator	Technological-advance indicator
1	Singapore	0.520	0.625	0.832
2	Malaysia	0.457	0.646	0.707
3	Japan	0.456	0.590	0.772
4	Korea, Rep.	0.439	0.652	0.674
5	Taiwan Province of China	0.410	0.632	0.649
6	Germany	0.407	0.589	0.690
8	Hungary	0.396	0.626	0.633
9	Ireland	0.389	0.593	0.657
10	Switzerland	0.389	0.604	0.644
11	United States	0.371	0.529	0.702
12	Sweden	0.370	0.570	0.649
13	Philippines	0.362	0.602	0.601
14	United Kingdom	0.353	0.509	0.694
15	Finland	0.334	0.597	0.560
16	China	0.324	0.631	0.515
17	Mexico	0.320	0.533	0.599
18	France	0.315	0.525	0.600
19	Thailand	0.311	0.605	0.514
20	Austria	0.311	0.550	0.565
21	Netherlands	0.308	0.515	0.599
22	Italy	0.308	0.586	0.527
23	Israel	0.307	0.564	0.545
24	Spain	0.297	0.522	0.568
25	Belgium	0.291	0.522	0.558
26	Canada	0.284	0.484	0.587
27	Brazil	0.252	0.478	0.528
28	Denmark	0.250	0.451	0.555
29	Hong Kong SAR	0.247	0.518	0.477
30	Poland	0.236	0.554	0.426
<i>Average</i>		<i>0.345</i>	<i>0.566</i>	<i>0.608</i>
66	Saudi Arabia	0.060	0.144	0.420

The following benchmark indicators may serve as a point of reference, based on the underlying data of table 1:

	Average of Top 30	Rank 30 (Poland)	Saudi Arabia
Manufacturing value added (MVA) per capita (\$)	4,480	885	846
Manufactured exports per capita (\$)	6,390	782	723
Share of manufacturing in GDP (percent)	23.5	21.0	8.7
Share of manufacturing in total exports (percent)	89.7	89.6	20.0
Share of medium- and high-tech in MVA (percent)	57.3	38.7	65.3
Share of medium- and high-tech in manufactured exports	64.2	64.2	18.7

This suggests that the Kingdom needs a major strategic effort to improve all indicators, particularly the share of manufacturing value added in GDP, the share of manufactured exports in total exports and the share of medium- and high-tech manufactured exports in total exports.

Source: Based on UNIDO (2005) *Industrial Development Report, Capacity Building for Catching Up*, Vienna.

- Promoting industrial clusters integrated in global value chains.
- Strengthening the system of industrial governance.

The strategies and a well-coordinated and managed implementation process will allow the Kingdom to achieve the ambitious development goals of Industry 2020.

Building capabilities in industry and in manufactured exports

The key structural drivers affecting competitive industrial performance are:

- Human resources, domestic technological effort and financial support for industrial establishments.

- FDI and technology transfers.
- Digital infrastructure and information and communications technologies (ICTs).

Domestic drivers: skills

Despite high literacy rates, secondary and tertiary enrolment ratios remain low relative to both MENA and international comparators. Enrolments in technical and vocational programmes at the secondary level are modest in comparison to other comparator countries, and available indicators indicate a preference for specialization in studies related to education and humanities and a neglect of technical and business-related fields. These last two fields are of paramount importance in equipping the labour force with the capability to undertake indigenous technological effort and nurture the entrepreneurial spirit in the private sector. Saudi industry cannot compete in low-tech market segments where labour costs are the main source of competitive advantage. Focusing on technology-intensive and innovation-driven industries in the long term requires a significant overhaul of the education and training systems—and of labour market institutions—to send the right signal to educational establishments.

The quality of education, and its relevance to job opportunities, is another key issue. Recent studies suggest that a major problem in the MENA region is a sharp disconnect between the outputs of the education and training systems and the demands of the labour market. This imbalance is the case in the KSA as well, evidenced by the relatively high unemployment level of Saudi nationals despite sizable labour demand, which is then supplied by non-nationals.

There is an ever-rising need for advanced technical skills, particularly those required in new technologies, such as ICTs and biotechnology. Educated workers are essential for the introduction of new technologies. Modern business organizations need multi-skilled workers to operate in teams and take responsibility for improving quality and raising productivity.

Data on overall research and development (R&D) spending are not available, but business enterprise expenditure on R&D, both in absolute terms and as a percentage of GDP, is less than that in most neighbouring comparators. Patent applications (filed nationally) also indicate a comparatively modest performance both among neighbouring countries and internationally.

ISO certification covering ISO 9000 and ISO 14000—an indication of increasing conformity to international quality and product-safety standards—improved from 2001 to 2005 and compares quite favourably with regional comparators. The position of the KSA in the Innovation and Technological Capabilities Index indicates its advantageous position over Egypt, Syria and Oman, but the fact that it scored lower than other comparators suggests that more investment is needed in domestic capabilities in technology and innovation.

To convert comparative advantages into competitiveness and to enhance domestic capacity to absorb imported technology and skills, a major endeavour is needed to enhance industrial trade capacity-building. This requires building the industrial capabilities, removing supply-side constraints for industrial exports and establishing the infrastructure and facilities to meet global norms for product and process standards. In this regard, the WTO agreements on the technical barriers to trade and on the sanitary and phyto-sanitary measures are critical in international trade—and require trade capacity-building measures for competing successfully in international trade for industrial products.

External drivers: FDI and technology transfers

The KSA has the highest stock of foreign direct investment (FDI) in the MENA region, but this is primarily directed to energy. Very little goes to export-oriented projects in the non-oil sector. Effective integration into global manufacturing value chains is yet to be realized, depriving the country of one of the most important drivers of industrial performance in the developing world. Innovating firms will be readier to license their technology to KSA firms if the intellectual property rights regime is strengthened. There is a need, as noted, to enhance the KSA's trade capacity to absorb cutting-edge technology. It is also important to channel FDI into non-energy sectors and to increase imports of non-energy related technologies, partly by improving institutional support for such imports.

Supportive drivers: digital infrastructure and ICT indicators

The physical infrastructure base compares favourably in the MENA region, a strong base

for future industrialization initiatives. The digital infrastructure is also fairly strong, but Internet access and ICT spending as a proportion of GDP remain low, so the KSA is missing out on possible productivity gains. The extent and quality of the digital infrastructure shapes overall competitiveness, especially in export-oriented economies relying on innovation- and technology-intensive sectors. They also provide access to information and statistical data, which are key inputs into the decision-making processes of modern business organizations. But after the oil price boom, most government expenditure went into the transportation network, housing facilities, water, electricity, schools and hospitals.

The KSA has a competitive edge in the MENA region for the number of telephone mainlines, mobile telephones and personal computers. It also compares well internationally. But the ICT expenditure-to-GDP ratio is low, reflected in data on Internet users, broadband subscribers and international Internet bandwidth. Roughly one in five of the world's people now uses the Internet. The Kingdom does well in secure Internet servers both in the MENA region and internationally.

Industrial strategies for enhancing industrial capabilities are needed in the following areas:

- Improving human resources and skills base.
- Upgrading innovation and technology.
- Channelling FDI and domestic financing towards the private manufacturing sector, especially private SME sector industrial development.
- Enhancing industrial trade-capacity building.

These will be reinforced by strategies for innovation and cluster-based industrial development.

Building skills for industrial development

The strategy for the development of skills for industrial development consists of:

- Giving priority to skills associated with specific industrial needs, including all stages of education and training and R&D. Urgently required is an assessment of skills needed by the industrial sector, both currently and for future industrial diversification and competitiveness, based on the national industrial strategy.
- Developing skills consistent with the overall vision for the industrial sector proposed

in the national strategy to maximize the use of such skills in industry.

- Ensuring long-term continuity by building an institutional structure to enhance the skills of employees in a flexible way to meet the emerging needs of existing and future industrial activities.
- Developing training opportunities and programmes to meet the requirements of industry in the short term.
- Establishing a two-way process of public-private sector dialogue and partnership to dovetail industry's need for human resources with the output of the education and training system through an assessment of skills needs by the private industrial sector.

Strategies for enhancing human resources for accelerated industrial development will focus on:

- Raising the standards of technical and scientific education.
- Enhancing managerial competence and the innovative capabilities of existing firms through industrial learning by producing for competitive markets.
- Encouraging the expansion of technology-based skills needed by SMEs.
- Developing a national innovation system to support technological learning, innovation and the exchange of technological knowledge between R&D centres and private firms.
- Providing support for firms to establish strategic alliances and to network with international technology leaders, domestic technology centres, especially KSA universities, and domestic and foreign consulting services.

A special priority area for human resource development is enhancing ICT skills for wider application in competitive industrial development:

- Enhancing access to knowledge, technology, innovation and learning.
- Introducing new management and organizational systems for improved industrial efficiency and productivity.
- Improving access to markets, distribution channels and global value chains.

To achieve these goals, the government should also aim to broaden access to ICT facilities, particularly personal computers and the Internet, from the current rather low levels. There is great potential to increase the use of ICTs in schools.

Improving the business environment, especially for smaller enterprises

The general objective is to bring the Saudi economy in line with current OECD practice for domestic competition and the role of the public sector, subject to exceptions that relate to cultural and religious practices. The main issue is the efficiency and speed of realizing these plans and objectives. In the longer term, the speed of adjustment to the globalizing world economy will depend on dovetailing the educational system with the needs of the changing patterns of industrial development.

Current business environment

Table 2 shows Saudi Arabia's rankings on key business environment indicators relative to key international comparators, drawn from the World Bank's "Doing Business" survey.

Although Saudi Arabia compares favourably with averages of key business indicators in neighbouring countries, it is seeking to compete on the world stage and the analysis considers other successful emerging-market economies as international comparators (table 2). By comparison both with OECD averages and with most of the international comparators, Saudi Arabia does reasonably well on the following indicators, which the report does not discuss further:

- Dealing with licenses
- Hiring and firing workers
- Registering property
- Getting credit

- Protecting investors
- Paying taxes

Physical infrastructure in the KSA, advanced by area and international standards, is a key source of strength.

Activities for which it compares less favourably with OECD countries and Singapore and Malaysia include:

- Starting a business
- Trading across borders
- Enforcing contracts
- Closing a business

The business environment and SME development

SME development is crucial to rapid job creation and the diversification of industry in general, with the potential to support innovation and economic activity in the regions as well. The rationale for supporting SMEs is therefore based on their potential contribution to economic growth and new job creation. However, special policies for SME development are needed to ensure the realization of this potential. Access to finance is being improved and further necessary policies could be organized along the following major axes:

- Improving the business environment
- Offering business development services
- Increasing access to business and technological information
- Improving access to finance

Government and private sector strategies for SME development should involve:

- Facilitating SME access to markets.

Rankings of Saudi Arabia on doing business activities in 2006

Activity	Saudi Arabia	United Arab Emirates	Singapore	Malaysia	Mexico	Venezuela	China
Ease of doing business	38	77	1	25	43	164	93
Starting a business	156	155	11	71	61	129	128
Dealing with licenses	44	79	8	137	30	98	153
Employing workers	21	57	3	38	108	165	78
Registering property	4	8	12	66	79	75	21
Getting credit	65	117	7	3	65	143	101
Protecting investors	99	118	2	4	33	162	83
Paying taxes	6	3	8	49	126	167	168
Trading across borders	33	10	4	46	86	116	38
Enforcing contracts	97	112	23	81	87	129	63
Closing a business	87	137	2	51	25	144	75

Source: World Bank data from www.doingbusiness.org/EconomyRankings/.

- Enhancing information flows and developing instruments for risk management for investment capital and operating finance.
- Investing in public goods that improve SME competitiveness, including infrastructure, education and technology development.
- Reconsidering regulations that result in higher costs for SMEs and setting up e-governance regulation of SMEs.
- Mobilizing the private sector to provide entrepreneurship and general business training.
- *Infrastructure:* Industrialists believe that investment in infrastructure by the government as an enabling condition for private investment does not contradict WTO regulations. But to be certain, specific plans would need to be checked against WTO regulations.
- *Labour legislation:* Industrialists would like the government to ease Saudization regulations, especially for industries that are labour-intensive or high-technology based.
- *Logistics:* Industrialists would like the government to promote a better business environment by completing infrastructure development in the transport sector, gas networks and railroads throughout all industrial areas. This will boost mining, downstream activity and many other industries.

Ongoing initiatives

The Saudi Arabian General Investment Authority (SAGIA) reports the following measures, which address some of the needs identified in the previous sections:

- Judicial reforms are in progress.
- The KSA is committed to reducing customs duties on a large number of goods, particularly industrial products. Plans are also underway to exempt a range of raw materials and intermediate imports from customs duty.
- Laws relating to commercial policy, state participation in the economy, capital flows, foreign investment and the financial sector are being reviewed.
- Plans are being prepared for the privatization of ports, the upgrading of operational capacity, the use of state-of-the-art security procedures, the simplification of port entry permit procedures and the extension of railroads.
- Measures are being implemented for simplifying the regulatory procedures related to inward investment.
- Special incentives are being set up to encourage investments in less developed regions.
- Intellectual property rights protection is being streamlined, with patent applications adjudicated in less than 2.5 years.

Expected initiatives

The private sector expects the following additional initiatives to improve the business environment in the KSA:

- *Industrial cities:* Further development of industrial cities in different parts of the country.
- *Rental rates:* Industrialists asked that rental rates for such new developments not exceed rates for existing sites such as Jubail and Yanbu.

Actions for improving the business environment

The strategies recommended for improving the business environment for enhanced industrial performance comprise the following:

Trade policy and administration

- The trade administration system should be modernized, streamlined and made transparent to facilitate imports and exports—by cutting down unnecessary delays in customs, for example.
- Tariff reform should continue in line with WTO commitments.

Ease of doing business

- Regulations for starting and closing businesses need to be simplified and made transparent, to bring the KSA in line with competitor nations. Other regulations pertaining to the operation of businesses could be modernized along the lines already identified by SAGIA.
- Business law relating to investment and the resolution of business disputes should also be streamlined and explicitly codified.
- The ICT infrastructure would need to be upgraded and more e-governance introduced into the regulation and administration of business to further facilitate and improve the business environment. The government has recently taken some positive steps by allocating a sum of some SR 3bn to introduce e-governance over the next few years.

- An observatory for measuring the attractiveness of the national and subnational (regional) business environment for industrial investment should be set up. This would measure the ability to attract industrial investment through global benchmarking.
- A project to facilitate the use of mineral resources and mining should be set up to enhance the formation of new industrial clusters.
- An industrial legislation package to review all laws relating to industry should be designed along with the activation of new industrial legislation in the areas of intellectual property, antitrust, competition and liberalization of the labour market.
- SAGIA has already launched the 10-by-10 projects, which are being implemented in cooperation with major public and private stakeholders.
- Infrastructure should be further developed, and the network of industrial cities extended into different regions of the country.
- Promote innovative entrepreneurship training programmes.

Establishing a national and subnational (regional) system of innovation

National and subnational innovation systems comprise the whole complex of public and privately owned physical infrastructure, institutions and systems that support and develop productive-sector innovation at the national or subnational level. National systems for technology development and innovation recognize that technology development and innovation stem from a complex set of relationships among actors in the system, where knowledge and skills constitute factors of production and the actors include universities, research institutions and enterprises.

For policy and decisionmakers, understanding the national innovation system can help identify leverage points for enhancing the innovative performance of firms and competitiveness of products. Sustained efforts for strengthening science and technology systems can convert industrial operations into horizontally and vertically integrated manufacturing, with ever-increasing manufacturing-complementary service activities. The process enables developing countries to integrate the local value chain into the global value chain. In addition to creating a pool of technically trained personnel, the government should formulate and implement strategies and policies that encourage intense innovation by institutions and enterprises.

The new industrial geography is characterized by integrated international sourcing, technology, manufacturing and service networks. This system encompasses large international firms and multi-faceted subcontract linkages between large and small enterprises, enabling countries to insert their industrial sectors into local and global value chains.

The role of the Ministry of Commerce and Industry (MCI) should be strengthened in all matters related to industrial R&D and innovation. Stakeholders involved in fostering industrial development—MCI, SAGIA, Ministry of Petroleum and others—will need to reach consensus on the subsectors to be promoted. The MCI should take the lead and build consensus on a specific vision for those subsectors. Importantly,

Access to business information, services and collective learning

- Public provision of business information and services should be improved.
- A strong public-private partnership would help in the identification of problems as they arise and in the expeditious working out of solutions.
- Data collection and publication should be improved in line with international standards.
- Capabilities and networking of providers of business development and sector-specific services should be strengthened.

SME development

- Improve access to finance for SMEs, building on the steps already in place.
- Set up a single authority for SME development along the lines described above.
- Establish a mechanism and foster greater dialogue within and between public agencies and SME institutions and associations.
- Improve business and technical advice to SMEs.
- Promote business partnerships between universities, large companies and SMEs to enhance horizontal and vertical linkages.
- Launch programmes to support SME cluster development in the regions.

the technical and economic feasibility of large projects should be ensured before they are approved for implementation. Any industrial strategy should specify criteria for screening viable projects.

It is important for industrial strategy formulation and implementation to be strictly controlled by one entity, preferably the MCI, which is currently in charge of industrial licensing. The new Industrial Policy Board at MCI should be involved in much more than the process of licensing industrial projects. New initiatives should include restructuring the MCI within the framework of a long-term consensus vision. It is important to identify the core capabilities and potential of the KSA; a notable source of comparative advantage is the Kingdom's ability to benefit from foreign expertise. In addition to energy-intensive industries, the potential for developing products through industrial clusters is important.

Another key issue is how to take better advantage of the interrelationship of science and technology. The National Innovation System in the KSA should become a creative space in social learning for the exchange of knowledge and information flows among national, subnational and sector agents. The main institutional structure for science and technology policy in the KSA should be revamped. All major policies for industrial innovation will need to be formulated and implemented by a specialized agency, Industrial Innovation Coordination and Development Board (IICDB).

Increasing the supply of technically trained human resources

Long-term initiatives

The educational system will need to be continually restructured, with an emphasis on technical and vocational education below tertiary level to provide a growing pool of skilled workers and technicians—and to rapidly expand engineering, business and computer education at the tertiary level. More university graduates should be trained in engineering and technical areas. The proportion of students enrolled in engineering, science, management and mathematics at the universities should be targeted to reach at least 60 percent of university enrolment by 2010.

Incentives may be offered to world-renowned universities and institutions to encourage them

to establish campuses in the Kingdom, offering courses that contribute significantly to the strengthening of the national and subnational industrial innovation systems.

When the density of scientists and engineers engaged in R&D and innovation has been increased, efforts should be initiated to disseminate scientific information with commercial potential and to commission research projects. Linkages between basic research, applied research, industrial activities and national objectives should be encouraged among scientists, technical personnel and entrepreneurs, as well as among policymakers.

The KSA will need to adopt an incentive system that unleashes entrepreneurial zeal. Currently, the country is not creating enough jobs for Saudis, largely owing to the system failure in meeting the skills and knowledge needed for rapidly changing production systems. The KSA needs to formulate a long-term vision to create a strong skill base capable of supporting the country's industrial innovation system, which in turn is likely to contribute significantly to industrial diversification.

Short-term initiatives

A graduate reskilling programme should offer crash knowledge and skill-enhancement programmes for unemployed graduates. High-quality vocational training and quality learning can boost technical and vocational specialization, while focusing on meeting the skills needs of many sectors. To produce technological capacity and innovation capabilities, the first task is to reduce the gap between best local practice and best international practice. The KSA will have to acquire foreign technological and innovation capabilities. It will need to put in place a host of essential support systems and instruments to foster some adaptive R&D and to adapt imported technology to local conditions.

Institutional set-up

The main institutional structure for innovation policy in the KSA should be revamped by establishing the following institutions:

- An Industrial Innovation Commission within the Industrial Competitiveness and Diversification Board, to be coordinated by the MCI, with the task of coordinating the activities of all agencies involved in industrial innovation.

- An Industrial Research Network and Consulting Centre, operating as a “laboratory without walls”, to generate and transfer industrial technology and to network with international institutions and firms to enhance innovation capabilities.
- An industrial innovation window in the Fund for Industry 2020 to finance innovation and R&D.
- An industrial innovation branch within the Industrial Development Agency, affiliated to the MCI, to disseminate knowledge through seminars and workshops and other means of communicating with the broader community.

Strategic tasks for the national innovation system:

- Facilitating knowledge dissemination and industry/university/institution linkages.
- Promoting state-societal arrangements that promote international competitiveness, with public institutional arrangements to facilitate the upgrading of skills in cooperation with the private sector.
- Encouraging multi-stakeholder partnerships.
- Promoting venture capital.
- Developing internal linkages and networking.
- Establishing and managing subnational industrial development agencies in the newly created economic zones.
- Increasing positive spillovers to local companies from foreign companies.

Role of the national and subnational levels of the innovation system

In the context of the KSA Eighth Development Plan, subnational (regional) innovation systems can be policy frameworks for long-term development of different regions within the country. The governance structure of subnational innovation systems is more formal, usually with an intergovernmental body with policy responsibility and resources to facilitate system coherence by providing services and other mechanisms that facilitate the interlinkages between various stakeholders.

Recent studies show that the majority of innovation systems have a subnational (regional) focus. Even the typical proponents of the national innovation systems approach accept that a particular location or a region is where industrial

upgrading takes place through networks of innovative enterprises, clusters and research institutions.

Differences in economic performance between more and less successful subnational regions can be explained by looking at the mix of subnational innovation policies and institutions that foster economic dynamism. Policies pursued by regional governments can enhance the cultural and economic identity of a region. The key to the success of subnational innovation systems is in institutional innovations (governance) that facilitate the creation of dynamic comparative advantage. These institutions promote cooperative practices and collective entrepreneurship among actors in the economic and industrial system and this can result in collective gains in regional economic development. European experience is that subnational innovation systems are “strategic drivers” in promoting innovativeness and competitiveness.

One assumption of the subnational innovation system approach is that many innovative firms operate regional networks, cooperating and interacting not only with other firms such as suppliers, clients and competitors, but also with research and technology resource organizations, innovation support agencies, venture capital funds and local and regional government bodies. Innovation is a process that frequently benefits from the proximity of organizations that can trigger this process. Furthermore, regional authorities support innovation processes by offering services and other mechanisms that strengthen the interlinkages among all these actors.

A subnational innovation system consists of interacting knowledge systems linked to global, national and other regional systems for commercialising new knowledge. It involves the interaction of three subsystems:

1. *A regional production structure.* The regional production structure (knowledge exploitation system) consists mainly of firms, often displaying clustering tendencies.
2. *A business support system.* The subnational innovation system supports infrastructure (knowledge generation system) and consists of public and private research laboratories, universities and colleges, technology transfer agencies and vocational training organizations. It is responsible for satisfying knowledge, skills, finance and other needs that

markets fail to provide. This business support system can play a crucial role in linkages between local enterprises and global value chains and global knowledge networks.

3. *Coordination entities.* At the national level various institutions can be entrusted with the overall coordination of national, subnational and local levels. They can be public, such as a national innovation agency, or private, such as an industry association or chamber of commerce. They can also be subnational development agencies, offering services to augment the interlinkages among the foregoing agents.

The subnational innovation system stakeholders could be divided in three main groups: the knowledge generation subsystem—university leaders, research institutes (non-university) and other knowledge institutions; the intermediaries between knowledge generation and knowledge commercialisation (or exploitation)—knowledge transfer experts, innovation lawyers (patents), investors (venture capital) and business services representatives, and local politicians; and the knowledge commercialisation (or exploitation) subsystem—firms, both large and small.

Promoting industrial clusters integrated in global value chains

Clusters are groups of companies linked by geographic proximity and the production of related products or services. They can improve competitiveness and productivity through sharing training, best practices and labour and management pools, as well as driving the direction and pace of innovation. Clusters can thus become a source of regional competitive advantage. In subnational (regional) innovation systems, innovative firms and their clusters operate in regional networks, cooperating and interacting with suppliers, clients and competitors and with research and technology resource organizations, innovation support agencies, venture capital funds and local and other national government bodies.

Cluster initiatives are often joint initiatives, involving companies, educational and research institutions and relevant government agencies. The evidence suggests that mobilizing and strengthening the potential of existing clusters that have not yet reached their full potential has the best likelihood of success. But focusing only

on existing clusters is not a viable strategy for diversification. It is crucial to identify industrial areas for new clusters to emerge.

Successful clusters in dynamic industrial locations seem to work well within well-established institutional contexts, formed by local institutions of education, training and research. The strategy should favour the convergence of factors that make the local environment conducive to networking both at local and transnational levels, with appropriate policy and institutional support to encourage the emergence of clusters as a way of maximising spillovers and learning effects and maintaining an evolving consensus on goals and progress.

A successful cluster policy builds on sound overall economic policies targeting areas like education, labour market regulation and competition law:

- Government should be open to support all clusters that show a willingness for cooperation and have the required strength to build on.
- Government should engage in cluster initiatives as a facilitator and participant.
- The most successful cluster initiatives are public-private partnerships.
- Government should not provide subsidies or protection or relax competition laws to develop clusters.

The KSA faces challenges in improving the business conditions affecting cluster development. One is upgrading human skills. Another is the existence of large business groups. Over the last few decades the business environment has not provided a supportive context for clusters, and there is little evidence of clusters outside the oil and gas sector. But there is some geographic agglomeration, suggesting scope for merging clusters in:

- Basic food products in Riyadh, Mekka, Eastern Province, Medina, Gassim, Asir, Jisan and Najran.
- Other food products in Riyadh, Mekka, Eastern Province, Medina and Gassim.
- Paper, printing and publishing in Riyadh, Mekka, Eastern Province and Gassim.
- Pesticides and similar products in Riyadh, Mekka, Eastern Province, Medina and Gassim.
- Plastic products in Riyadh, Mekka, Eastern Province and Gassim.

- Non-metallic mineral products in Riyadh, Mekka, Eastern Province, Medina, Gassim, Asir, Jisan and Najran.
- Structural and fabricated metal products in Riyadh, Mekka, Eastern Province, Medina, Gassim and Asir.
- Furniture, transport equipment, glass products, machinery and equipment in Riyadh, Mekka and Eastern Province.

There may be particular scope for clusters to emerge producing relatively non-tradable goods and services—those that tend to serve the local market. These products and services could include retail, finance, construction, health and agro-related services, alongside other products targeting domestic or supranational demand. Oil and gas related intermediates and downstream chemical and speciality chemicals, as well as agro-business, inorganic chemicals, cosmetics, pharmaceutical and knowledge-based industries may also offer scope for cluster-based development. The nexus between competition in the domestic market and export-oriented industrial development is particularly important following the KSA's WTO membership.

Cluster-based strategies and policies in the KSA currently suffer from weaknesses that undermine their potential to move the economy towards a more diversified industry structure. First, many efforts are largely focused on real estate development and the creation of physical infrastructure. Second, where a specific industry focus exists, there is insufficient clarity on the specific value that the regional cluster or the cluster-specific business environment will provide. Third, there are competing, or at least insufficiently co-ordinated, cluster efforts by different agencies. Fourth, there is a limited appreciation of the different roles of the private and public sectors in a cluster.

Strategies for cluster-based industrial development

To overcome the current constraints, industrial strategies and policies for promoting cluster-based industrial development need to focus on five main avenues.

The first is the creation of a sound factual and knowledge base to guide cluster-based policies.

- Mapping existing clusters.
- Evaluating regional business environments.
- Creating an observatory to track competitiveness and cluster development over time.

- Providing financial and technical support for cluster initiative administration.

The second avenue is defining a cluster development action agenda to set realistic objectives, focusing on:

- Oil and gas clusters.
- Emerging export-oriented clusters, including oil-related sectors such as plastics as well as transport and logistics.
- Clusters serving the domestic market (retail, finance, construction, health, agro-related services).
- Other potential clusters, such as high-tech and other knowledge-based industries.

The third avenue involves benefiting from improving existing economic policy programmes through a cluster focus. Four areas have significant potential:

- Attracting foreign direct investment.
- Branding clusters as industrial platforms, such as economic and industrial cities and valley and industrial and technology zones.
- Upgrading skills.
- Supporting SMEs with finance and technical assistance.

The fourth avenue is creating a business environment more supportive of cluster development. The following policy areas are particularly important:

- Infrastructure and logistics capabilities.
- Competition law.
- Business regulations.
- Financial market.
- Trade policy.
- National cluster development plan.

The fifth key avenue is the formulation of regional strategies and policy instruments to support economic diversification and build regional comparative advantages.

The way forward

The industrial strategies proposed for cluster-based industrial development for improved competitiveness include three major programme components for follow-up action:

- Providing technical and financial support for cluster initiatives.
- Developing subnational industrial clusters (beginning with five pilots).
- Replicating the cluster-based approach in other regions of the Kingdom.

Strengthening the system of industrial governance

The governance of the implementation of the National Industrial Strategy includes steering implementation, managing the implementation of the platform of programmes and evaluating the implementation and making recommendations for revisions and new programmes.

Figure 3 shows the institutions of the system of governance that will steer, execute and monitor the implementation of the National Industrial Strategy.

The MCI is the focal organization of the governance system. Its role will be

- To promote the National Industrial Strategy and to support collaborations and partnerships between the government, the private sector and the institutions of the national and subnational innovation systems for its implementation.
- To formulate and propose measures and policies to improve the framework conditions: industrial capabilities, business environment and private sector development.
- To promote and support the development of competitive and innovative industrial clusters of subnational innovation systems.
- To monitor and evaluate the overall implementation process of the National Industrial Strategy and the platform of policies and programmes.

The Industrial Strategy Commission will include core economic ministries and other

important government agencies and institutions. Chaired by the Minister of Commerce and Industry, its role will be

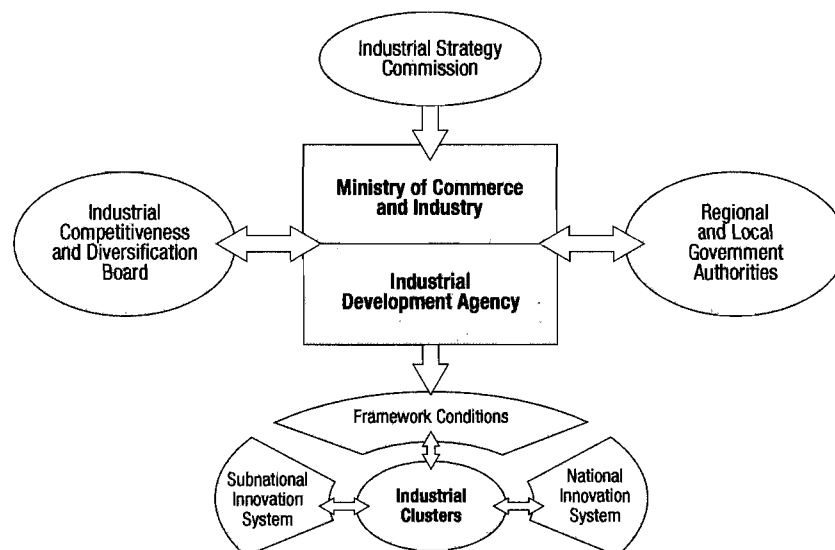
- To monitor and decide measures to improve industry's contribution to the overall economic development of the KSA.
- To decide on policies and programmes.
- To decide on implementation of strategy.
- To evaluate the implementation of the National Industrial Strategy.

Subnational and local government authorities will collaborate with the private sector and support institutions for regional industrial development strategies. They will cooperate with the MCI and the Industrial Development Agency in the development of subnational clusters and innovation systems.

The Industrial Competitive and Diversification Board will be co-chaired by the Minister of Commerce and Industry and a representative of the private sector. Its role will be

- To identify and develop a consensus position between the private sector and the government.
- To recommend measures to enhance industrial competitiveness, speed up the diversification process and support the development of industrial clusters.
- To advise on and recommend revisions to policies and programmes.
- To organize systems of consultations.
- To contribute to regular reports on industrial performance and capabilities.

Figure 3 Organization of the governance system



The Industrial Policy Office, which managed the formulation of the National Industrial Strategy, will be strengthened and become the Industrial Development Agency, with particular responsibility for implementing the Industrial Cluster Development Programme and programmes to support the development of national and subnational (regional) innovation systems. It will also cooperate with the agencies responsible for clusters and subnational and national innovation systems.

The Agency has four divisions—Information and External Relations, Regional Industrial Development, Industrial Cluster Development and Innovation Systems—and an observatory, which will monitor global trends, assess the competitive performance of national industries and evaluate the results and impact of the National Industrial Strategy (figure 4).

Process of implementation

Implementation of the National Industrial Strategy will include:

A *national campaign* of the MCI will promote and explain the strategic vision and goals, the Industry 2020 Industrial Strategy and the platform of policies and programmes. It will aim at building awareness of the private sector, support institutions and subnational governments and at encouraging their participation in the implementation process.

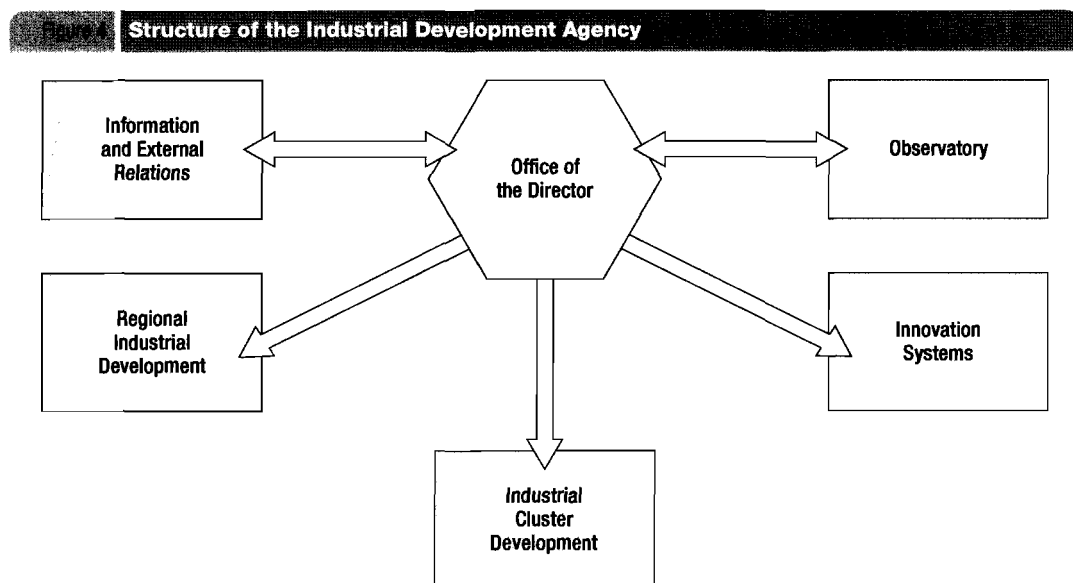
An *Industry 2020 Fund* will be established to contribute to the financing of the platform of programmes of the industrial strategies, and

particularly collaborative projects between the Government, the private sector and support institutions.

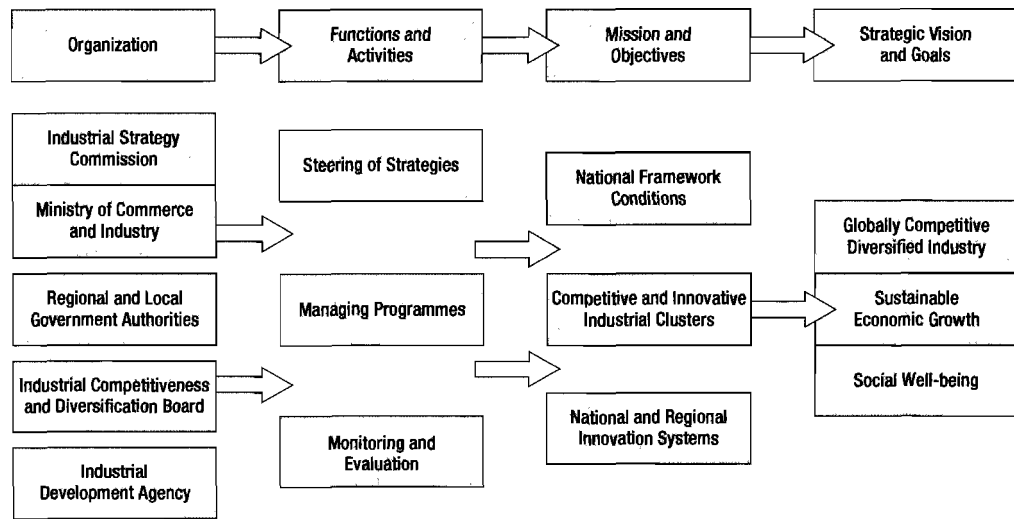
The MCI, in conjunction with the Industrial Development Agency, will then start to *implement the programmes* to develop the national and subnational innovation systems and will introduce the Subnational Industrial Cluster Development Programme in three or four parts of the country. The first group will be selected by the Industrial Strategy Commission on the basis of the presence of competitive subnational industrial clusters and a good industrial capabilities base. The Industrial Development Agency will help the regional governments to formulate and implement a collaborative strategy with the private sector and support institutions for the development of a regional innovation system and of competitive and innovative industrial clusters.

The results will be assessed and the lessons learned used for improving implementation of the programme in other regions. The implementation of the strategy will be at three major levels: supranational, national and subnational.

At the supranational GCC level, the strategic initiative of the Kingdom will focus on enhancing cooperation of the member countries to strengthen a GCC intra-regional innovation platform through a GCC Technology Foresight initiative. It will also initiate the development of a joint learning platform on cluster development for the subnational regions of the GCC member states.



The governance system



The strategy implementation at the national level will focus attention on building domestic capacities, improving the business environment and strengthening the national innovation system, particularly the system of industrial governance (figure 5).

Special attention shall be given to the subnational regions of the Kingdom, focusing on sustainable industrial development and growth through improving the local business environment especially for SMEs, promoting cluster-based development and subnational (regional) industrial innovation systems to ensure industrial diversification. Implementation of the subnational industrial development strategies will tentatively be organized on a pilot basis in Riyadh, Jeddah, Eastern Province, Gassim and Hail. Final selection of the regions will be decided by the Government in the course of strategy implementation.

After one year, the strategy and the platform of policies and programmes will be evaluated and the lessons used for the overall improvement and development of the strategy and platform of policies.

Given the paramount importance of industrial diversification and dynamics of global

development, the Strategy proposes the programmatic framework to guide and drive the Strategy implementation process. To this end, five clearly defined programmes, each containing a number of project concepts, are coined with a view to highlighting the expected outcome of respective project activities and budgetary guesstimates (table 3). The ideas in the programme and project concepts are subject to a thorough review by Saudi authorities and industrial stakeholders in the course of Strategy implementation. The duly approved project concepts will be developed into full-fledged project documents for implementing a three-year crash programme.

Based on the lessons learned from the implementation of the fast-track programme, substantive industrial sector inputs will be prepared for the next Five-Year Plan commencing in 2010. The programmes will be financed by the Fund for Industry 2020 and managed by the Industrial Development Agency under the supervision of the MCI and with guidance from the Industrial Strategy Commission and the Industrial Competitiveness and Diversification Board, with unique blend of vision and action.

Programmatic framework for Action Programme Industry 2020

Industry 2020 Vision: A globally competitive industry based on innovation and acting as a base for transforming KSA natural and human resources into sustainable wealth and employment creation.

Strategic Drivers	Private Sector	Innovation	Cluster Development	Domestic Capacities
Programmes	Private Sector SME Development	National, Subnational and Supranational Innovation Systems	Cluster-Based Industrial Development	Domestic Capacities
Projects	PSD 1. A coherent SME policy framework linked to broader economic and social goals	NRIS 1. Supranational (GCC) Technology Foresight	ICDP 1. Building up awareness and a knowledge base to guide cluster-based development policies	DCB 1. Upgrading of skills for industrial development
	PSD 2. Competitive Business Environment	NRIS 2. National and Subnational Technology Foresight	ICDP 2. National roster of cluster brokers and managers	DCB 2. Entrepreneurship development (concentrating on youth and women)
	PSD 3. Capacity building of business membership organizations	NRIS 3. Innovation policy	ICDP3. KSA Clusters Mapping	DCB 3. Enhancing FDI for technology transfer
	PSD 4. Reforming the legal and regulatory framework for SME	NRIS 4. Institutionalisation of the National Industrial Innovation System	ICDP 4/IGS3. Financing regional cluster initiatives from Fund for the Industry 2020	DCB 4. Enhancing trade capacity-building and related services
	PSD 5. SME division and Observatory in new Industrial Development Agency Note: Refer to IGS2	NRIS 5. Creation of a Technology Development Centre and Networks	ICDP 5. Coordination between IMPD and other cluster initiatives under Industry 2020	DCB 5. Promotion of Export Consortia arrangements
	PSD 6. SME Consultative Council within National Competitiveness Board	NRIS 6*. Building up the Riyadh Regional Innovation System for Industrial Development	ICDP 6. Cluster-based industrial development in Eastern Province, focusing on petrochemicals and traditional and agro-industries	DCB 6. Developing modern industrial infrastructure
	PSD 7. Network of business incubators	NRIS 7*. Building up the Jeddah Regional Innovation System for Industrial Development	ICDP 7. Cluster-based industrial development in Gassim region focusing on traditional and agro-industries and SME	
	PSD 8. Business Partnership Programmes		ICDP 8. SME cluster development in Hail region focusing on traditional and agro-industries.	
	PSD 9. Promotion of Corporate Social Responsibility arrangements in the context of KSA		ICDP 9. Joint learning and cooperation platform between regions of KSA, GCC and MENA	
Management of Implementation Industry 2020	Industrial Governance System			
Projects	IGS1. Design of the Industrial Governance System and setting up decision-making bodies			
	IGS2. Establishment of Saudi Arabian Industrial Development Agency (SAIDA)			
	IGS3. Fund for Industry 2020			
	IGS4. Training of the leaders, managers and national consultants of the institutions in the national industrial strategy's governance system			
Budgetary Guesstimate (Including investment in the infrastructure USD 3,5 billion)				\$3,9 billion

*The projects in Riyadh and Jeddah region will also address cluster-based principles and approaches to the development of the industrial sector.



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