

**THE ROLE OF REGIONAL DEVELOPMENT POLICIES IN
LOCAL ECONOMIC DEVELOPMENT:
THE CASE OF ARRIYADH, SAUDI ARABIA**

By
Abdullah Ahmed Althabt

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School of Architecture, Planning and Landscape
Newcastle University

Thesis Supervisors
Prof. Frank Moulaert
Dr. Susannah Gunn

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Abstract

This research was initially concerned with the delivery of balanced development to localities from central development planning and strategies. The scope of the study targeted the regional level as a medium that may facilitate the delivery of development, and as an instrument for national development planning to reach localities. The aim of the research was to make recommendations on optimizing regional instruments for the spatial allocation of development resources in Saudi Arabia.

The research is centred on Saudi Arabia. The critical studies of spatial development in this country have revealed the current situation, of a central planning system that is organized in a governance structure that assigns to regional bodies the basic role of progressing socioeconomic development. The studies are in almost complete agreement regarding the absence of an active role for regional planning, which is supposed to complement national policies and allow them to be delivered to localities. This has confirmed the need for in-depth investigation into the role of regional level intervention in facilitating local development.

Intellectual studies undertaken have been based on regional development theories as well as regional development planning and policy. These studies formulated a conceptual framework for the research, which has emphasized the necessity of detailing the enquiry on regional development to be inclusive and to reflect actual local conditions. This includes the setting of factors for local economic production and the platform upon which the processes of development take place. They should be arranged to allow for the outcomes of economic development to reach all spaces and utilising all sectors, which takes place through the governance system.

Accordingly this research has included an empirical enquiry, with interviews to gather detailed information regarding the practice of development in the field and to uncover the difficulties and deficiencies as perceived by the practitioners. The interviewees comprised key officials of the main governance and development institutions on national, regional and local levels. Arriyadh region was selected for this mission, including the Almajmaah County as representative of its localities. The study has produced results around two major foci: the first studying and analysing the current establishment and instruments for delivering regional development policies, the second exploring the institutional structures through which the available development resources are utilised in the planning system and activities: currently and prospectively.

The results have revealed a lack of coherence in the governance system which has led to the disintegration of the institutional network in the country. The governance structure appears to lack the balanced distribution of devolution, administratively and financially. It also ignores the development of human resources in a way that reflects real needs and intended outcomes. Thus, the research confirms the need for a more coherent institutional arrangement at each spatial level and on the governance structure existing between the various spatial levels, while remaining consistent with the political system. The end result should be more autonomy for regional authorities, while maintaining national consistency.

Dedication

This thesis is dedicated to:

- My parents.

- The souls of relatives and friends who passed away while I was away from my home country working on this research to achieve my dream.

- The community of learners to whom I belong, and am proud to contribute back to them with this thesis.

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Abbreviations and Acronyms

FYDP	: Five-Yearly Development Plans
GDP	: Gross Domestic Production
HEI	: Higher Education Institution
NSS	: National Spatial Strategy
YOP	: Yearly Operational Plans
ADA	: Arriyadh Development Authority
CCI	: Chamber of Commerce and Industry
HCDA	: High Commission for the Development of Arriyadh
MODON	: The Saudi Industrial Property Authority
MoEP	: Ministry of Economy and Planning
MoF	: Ministry of Finance
MoI	: Ministry of Interior
MOMRA	: Ministry of Municipal and Rural Affairs
RCJY	: Royal Commission for Jubail and Yanbu
SAGIA	: Saudi Arabian General Investments Authority
WTO	: World Trade Organisation

Chapter 1

Introduction

Chapter 1

Introduction

1 - 1 Background

Ensuring the impartial spatial distribution of development resources around a nation is as important as finding ways to generate these resources in the first place. Nations face a great many issues in their active pursuit of development: these include the identification of fruitful areas for growth, as well as the realisation of development in its most comprehensive form, which means delivering growth outcomes to the residents to improve their standard of living. While economists concentrate on the former as they seek to determine the best means of generating economic growth in a particular territory, the latter is a focal point for spatial planners as they seek to utilise determinants of development¹ to reach everyone fairly and efficiently. To deliver the benefits of development to a society in its entirety means considering the distribution of resources across the national space, as well as within regional and local areas. The instruments to achieve that could come in the forms of strategies, plans and policies, and might take conceptual approaches that aim to govern the spatial relations of human settlements, providing an effective model for their activities.

Various studies have sought to analyse and develop ways to measure the relationship between economic growth and aspects of development, such as economic well-being and income distribution (Atkinson, 1970; Fields, 2001), the quality of educational attainment (Schultz, 1988; Birdsall *et al.*, 1995; Strauss and Thomas, 1995; Wilson and Briscoe, 2004) and of health services provision (Strauss and Thomas, 1998; Schultz, 2005; Baker, 2008). The UNDP has produced a major reference of development indicators in its series of Human Development Reports, mainly measurements of health and education (UNDP, 2011). Other international organizations, such as the World Bank and UNICEF, provide studies on the reciprocal impact between human development and economic growth (Birdsall, 1993; Mehrotra *et al.*, 2000). These

¹ Determinants of development may include natural resources as well as capital resources and institutional environment.

aspects of development, along with the social changes involved, need to be identified by researchers and compared across territorial units for policy makers.

The setting and approach to spatial development is determined to a great extent by the polity and the quality of governance which host it (Rajkumar and Swaroop, 2002). The institutional capacity and governance structure, which include societal interaction and private sector performance, are major factors influencing the liveability and productivity of a place (Berger, 2003). A similar, though more specific, line of argument holds that “the spatial planning system needs to be built on a clear legal basis, one which provides a framework for solutions to be designed at the local level.” (United Nations, 2008, p. 38). This particularly links the process of planning for development in a territory, with legitimate foundations and clear roles for development institutions, together with procedures to regulate development to ensure consistent methods of accountability.

This process of betterment and delivering development raises the importance for spatial planners to address issues of disparity that may exist within a single institutional system. Spatial development planning should take a comprehensive approach, and consider the regulatory framework for both structure and processes of governance (Pierre and Peters, 2000). The underlying concepts within spatial development planning may comprise various thoughts around spatial development, such as theories and models for regional and local development, as well as deliberation about implementation policies. This study will consider the case of spatial development in Saudi Arabia. This research is concerned with the problems of extending development across the inhabited area of the country. It tackles, specifically, the role of regional development policy as instrumental in the delivery of both the principles and the machinery of national development to local areas.

1 - 1 - 1 Spatial levels of development (region and locality)

Spatial planning requires a certain ordering of spatial scales. These may include hierarchical levels depending on geographic size, human density and intensity of activity. The levels could be regional, local or more detailed categories. The region is recognised as the first sub-national level, and several conceptual frameworks have provided theories of spatial development on this level. Examples of these theories include the Central Place Theory (Lösch, 1954; Christaller, [1933] 1966) and the concept of the “nodal” region (Brown and Holmes, 1971). However, these theories have found no consensus regarding the definition of a region in terms of the size and activities involved. Conceptual definitions differ about the purpose of spatial

categorisation, e.g. geographic, social, market etc. (See section 3-2 for more details). It could be said, though, that the determining characteristic in the various categories of 'region' is that it is a politico-administrative subdivision of a country with some form of representative government.

In turn, 'locality' is recognised as the spatial level that is closest to residents, meaning it is the first institutional framework that represents a community. As with regions, localities may take different forms, following a common institutional organisation that is affected by the political and administrative system or even by the social structure. The categorisation of this local level may also be affected by demographic, geographic and economic characteristics. Research methodologies address localities in different ways. Some take the neighbourhood to be a suitable spatial unit within which to measure and analyse human interaction, preferences and limitations; accordingly, some studies have adopted the "neighbourhood" as the typical locality when discussing approaches to development planning (Moulaert and Nussbaumer, 2005a; Christiaens *et al.*, 2007). In contrast, given the institutional framework of a particular country, local planning studies may have to treat the whole urban area plus its surrounding countryside as one locality. Such is the case in Saudi Arabia, where the administrative structure and official planning documents have adopted this classification.

Regions in Saudi Arabia vary widely in their size and population density, but are generally substantial with large areas of empty space. Saudi Arabia (an area of 2.2 million km²) is divided into 13 administrative regions. The size of these regions ranges from 15,000 km² for *Albaha* to 710,000 km² for the *Eastern Province*, which makes the latter double the area of Germany. The total population is 27.1 million (Department of Statistics, 2010), half of whom live in the two regions of *Arriyadh* and *Makkah*. These, together with the *Eastern Province*, hold two thirds of the total population (Department of Statistics, 2010). These three regions contained 74% of private enterprises in 2007 and 86% of industrial plants in 2008 (MoEP, 2010-2014b). Saudi Arabia has a low average population density, among the lowest in the Arabian region, but its population is mostly urbanised; about 77%² live in urban settlements of 2500 persons or more (Alribdi, 2005, p.343).

² This percentage is taken from the 1992 national census. More recent statistics, such as Population Reference Bureau, (2010) point to an 81% urbanised population in 2010, but without a clear definition of urbanity.

The local level in Saudi Arabia is most often represented by the sub-regional administrative classification of territories, the counties (*muhafazat*)³. The number of counties in a region varies, based on how densely they are populated as well as the history of the area and its political significance. There are currently between 3 and 20 counties in each of the regions. There is also a third administrative level, the districts, but these are mainly rural villages that are administratively attached to the main counties. The population within regions is also concentrated in a limited number of large cities. Statistics from 2008 show 82% of the population in Arriyadh region living in two counties, the remainder in 17 counties. Similarly 73% of the population in the region of Makkah live in two counties, and the remainder in nine counties.

1 - 1 - 2 Spatial development in Saudi Arabia

The regime in Saudi Arabia consists of an absolute monarchy that was first established as a nation-state in 1932. During the early stages of its establishment, legislation was gradually introduced as was deemed necessary. The initial municipal statute was established in 1937 and two years later, a ‘Law of Governors’ was put in place. However, structured government was not established until 1953, when the first council of ministers was created. Since the late 1950s the government has made several attempts to organize the development structure in Saudi Arabia (Al-Kahtani, 2003), but it was not until 1970 that a comprehensive, programmed, rolling socio-economic development plan was produced (see section 2-2 for the detailed historical background). This represented a significant milestone, being the first in a series of comprehensive plans to cover the foreseeable future (Al-Hathloul and Anis-ur-Rahmaan, 1985). These plans are produced at five-year intervals, and are based on sectors of economic development with consideration gradually being given to spatial aspects.

As a newly-established country, Saudi Arabia has faced the common difficulties of a skilled manpower shortage (Mashabi, 1988; Al-Hammad, 1995; Berch et al., 1995), a strongly centralized system of governance with little local autonomy (Mubarak, 1995, 2004b) and the absence of an effective institutional framework to meet its urban problems (Al-Hathloul and Edadan, 1995). However the high and increasing revenue from oil production, along with the systematic development work of the more structured government since the 1970s, have opened opportunities for Saudi Arabia to invest massively in modern infrastructure and the provision of public services (Mashabi, 1995;

³ The ‘county’ is the official English translation of the Arabic term *Muhafazah* by the Saudi Government, while regions are called ‘province’ (Bureau of experts at the council of ministers, 1992).

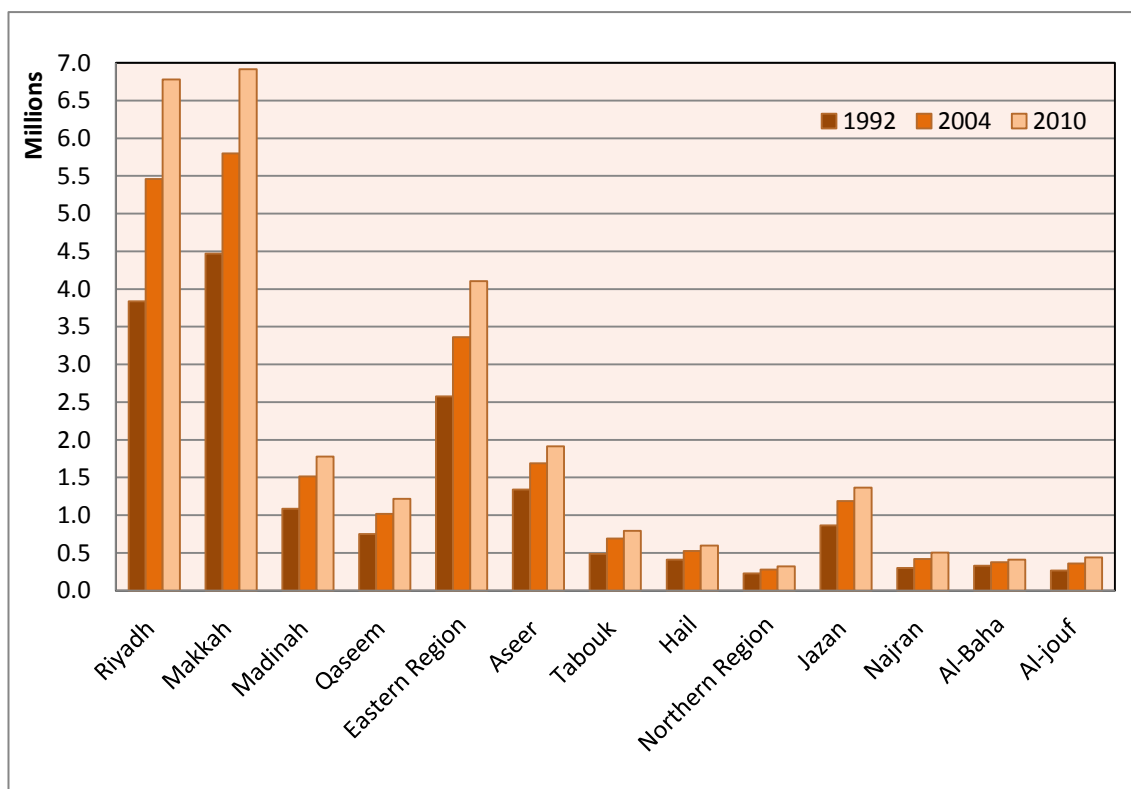
Mubarak, 1999). These have been concentrated in the major urban areas, creating many attractive employment opportunities (Al-Ankary and El-Bushra, 1989; Mubarak, 1995).

This historic pattern of development in Saudi Arabia has witnessed severe internal difficulties and external challenges during the four decades since its establishment: see Heller and Safran (1985), Al-Mobarak (1993), Al-Khalifah (1995), Brown (1999), and Mubarak (2004a) for more detailed descriptions. The government's handling of development has led indirectly to some restructuring of social and economic systems. The tribal system has disintegrated in correspondence with the migration from desert and rural areas to cities and major urban centres, which has also coincided with a pattern of abandoning traditional employment, mainly agriculture and seasonal trading (Mubarak, 2003). The alternative was employment provided by the evolving bureaucratic system of government which was taking over the hitherto rather patchy local power bases (Al-Said, 1982).

The move to large cities, and especially the major urban centres in the three best serviced regions, became increasingly seen as a means to gaining a better quality of life (Al-Yemeni, 1986). Such aspirations for a new life in one of the primary cities might well seem natural for those seeking higher education, which was until recently (2005) limited to seven universities in four regions. The other motivator for migration is to find work with the government or its oil-based industries (Arishi, 1991). "There has certainly been a vast change in the physical environment of all the cities and many of the villages of the kingdom, in the material standards of living, some changes in the life style, and there have been significant changes in the distribution of population, with a high rate of urban drift and consequent rural depopulation." (MoP, 1980-1984, p.67). The distribution of population in the regions (Figure 1-1) shows its persistent concentration in the three favoured regions⁴.

⁴ There was no reliable information about the pattern of population distribution across the settlements and regions in Saudi Arabia until the second official census in 1992, this being the first one to be based on the new layout of provinces and counties.

Figure 1-1 : Distribution of population in the regions of Saudi Arabia



Source: Department of Statistics (1992, 2004, 2010)

The growing gap in the provision of development among regions as well as among urban communities has driven central government to produce strategic plans, with the aim of achieving a more balanced and efficient pattern of development. This may be seen in the emergence of the regional level of development, and its adoption as a basic strategic policy starting with the third Five-Year Development Plan (FYDP) (MoP, 1980-1984). As part of this endeavour the Ministry of Municipal and Rural Affairs (MOMRA) launched a comprehensive spatial study that was developed into a dedicated National Spatial Strategy (NSS), adopted by the central government in 2000. It comprises a layout of the national space in hierarchical urban development centres, with linking development corridors. Chapter 2 provides details of the pattern of development in Saudi Arabia, together with an overview of its plans and strategies.

1 - 2 Purpose of the study

The central government of Saudi Arabia has been making significant efforts to plan for comprehensive development. These are represented in studies and national strategies, as well as variable policies for their implementation. These efforts have taken a significant amount of money and time; despite the progress towards achieving national

development goals, the current situation remains well behind the government targets (MoEP, 2010-2014b). Development indicators show small and medium cities, as well as peripheral regions, to be lagging badly (Alkhedheiri, 2002).

This doctoral study follows previous critical studies that point up the role of regional development planning as an instrument to facilitate the spatial distribution of development resources: see section (2-4-2). Several analysts (Berch et al., 1995; Mashabi, 1995; Al-Kahtani, 2003; Mubarak, 2004a) believe that the absence of planning at the regional level in Saudi Arabia has affected the validity of the State's efforts at development, and weakened the level of development in the localities. They find regional development planning a useful instrument for distributing resources between the governance system at the centre and in localities. Accordingly this research is oriented to the study of regional development policies and their role in local development.

1 - 2 - 1 Research problem

Despite the official enactment of a hierarchical system of governance that involves administrative bodies for regions, sub-regions and localities, central government remains in control of most of the financial and administrative power. However, central government works extensively on planning for the development of the whole country. It produces national development plans, strategies and specialised policies for service provision, mostly to be applied at the national level. The government is clearly aiming for development to reach all regions, and to be balanced among cities and towns, but as yet does not seem to have created the proper instruments.

Various sub-national forms of governance are assigned a role in promoting local development (Royal Decree, 1992b, article 7d and 23). The regional and local councils are structured to work for the development of the region in social, economic and urban terms. The Law of Provinces implies that the governors and their councils are responsible for the management of development within their territories. The details of the Law do not, however, provide these spatial governing bodies with authorities over sectors of development neither the financial resources to conduct the work for development. Therefore, each government department pursues development of its sector in an independent financial and management manner. This situation has affected the validity of the spatial management of development. There would be expected waste in the resources allocated for development nationally and more potential to disparity in

development among regions. The current situation shows evidently a substantial gap in development between the limited number of major urban areas and other localities (Al-Hammad, 1995; Al-Buthie and Eben Saleh, 2002; Al-Kahtani, 2003). The effect of neglecting the spatial management of development is seen in the following:

- Medium and small cities lack some of the basic services that their residents expect (Alkhedheiri, 1998). Public services are mostly minimal, e.g. primary to secondary education and general health service. Consequently, job opportunities are limited both in numbers and in quality. Even business opportunities are limited given the shifting population towards large urban centres and, hence, low population growth rates.
- People find it necessary to move to a location that will provide for their level of aspiration (Frisbie and Al-Khalifah, 1991); for example, many families move to large urban areas when their children start higher education. This is particularly significant for a social structure where extended families living closely together represent the traditional norm. When young people enter the labour market, especially after graduating from university, they cannot afford to return to their hometowns where they will be overqualified. The disconnection between national policies of development and societal goals at the local level, such as access to jobs and services, is a sign that such policies are failing. “The key to successful and effective national urban policies is the integration of their spatial elements with national macro and sectoral economic and social policies.” (Richardson, 1987, p.240)
- The government has had a national strategic goal of diversifying the economic base of the country since its first FYDP (CPO, 1970-1974) but the contribution of the non-oil sector to the national budget grew only from 10.3% in 1970 to 10.5% in 2005 (Saudi Arabian Monetary Agency, 2010). The spatial development strategy for the country has not produced a balanced structure that would enable better use of the various indigenous resources. Such an arrangement could also provide a more stable basis for an interconnected urban network, with integration for improved productivity.
- With the increasing population in Saudi Arabia, with an average annual growth rate of 3.04%⁵, and the relatively high provision of basic services that the government

⁵ Based on the two most recent National Censuses, of 2004 and 2010.

has been able to achieve in a short period of time, preserving these achievements has become a challenging and growing burden on the public sector. The availability of valuable natural resources has allowed the implementation of many large and advanced projects in the main cities, such as specialised hospitals and high technology in education (Niblock and Malik, 2007). Yet the management of these facilities, including human resources and maintenance operations, is not well supported in the planning phases. This has caused decision makers in central government to hesitate before providing resources to the peripheries, i.e. regions and small towns.

1 - 2 - 2 Research aim

In response to the problem stated earlier, this research aims to provide a critical understanding about the mechanism of spatial development in Saudi Arabia, with a view to making recommendations for optimizing regional instruments for the spatial allocation of development resources in the country.

1 - 2 - 3 Research strategy

In the light of the problem identified for this research, together with its aims, the research has been designed to go through the following steps which together draw the research strategy for this study. It begins with explaining a main goal, which is to look at the effectiveness of the current administrative sub-divisions and development agencies in delivering regional and local development policies in Saudi Arabia. To that end, the research will look at the existing system of institutions and practice of regional development policies in Saudi Arabia; and in particular in Arriyadh Province as a regional example. The research will also examine the available instruments for regional development policy, and check their ability to guide and implement regional and local development.

Other steps include adding specifications to the process of analysing the current establishment and delivering of instruments of regional development policies. One area to consider when examining the system of institutions which are supposed to deliver a regional development policy is to understand what the constituents of the institutional network at the regional level are. Another is to understand better how the functional relationships between the regional development sectors, and possibly actors, work; see section (5-3-4) for more details about the framework of analysis.

1 - 2 - 4 Analytical questions

The characteristics and pattern of development in Saudi Arabia presented earlier hold important challenges. At the same time, they demonstrate the potential for a better and more comprehensive distribution and use of economic resources and activities. Given the aims of this study, examination of the policy and planning context raises fundamental questions about the factors adversely affecting a development approach that should be able to combine more balanced distribution with a proper use of the country's resources. These questions appear necessary to understand the compatibility of structure and applied policies relating to spatial development. In addition, the questions address the relevant theoretical perspectives concerning spatial development in general and regional development in particular:

1. The initial set of questions is to identify the context in which the empirical enquiry will be made. This orients the investigation towards the governance system and the administrative subdivisions of the country, and examines its effectiveness in delivering regional and local development policies in Saudi Arabia.
 - a) What are the decreed criteria and the practised application of administrative spatial subdivisions, nationally and regionally?
 - b) How coherent is the current spatial subdivision among all development sectors that are provided by the government such as public services?
 - c) What are the theoretical models of spatial arrangements that have inspired modes of local governance?
 - d) What are the conceptual bases of the spatial - including local - delivery of existing development policies in Saudi Arabia?

The pursuit of these enquiries should allow for an analysis to the bases of the current spatial layout and to compare that with the regulative governance system and its conceptual basis for development delivery.

2. The following set of questions aims to evaluate the existing practice of regional development policies in Saudi Arabia:
 - a) What is the constituted and practised structure for regional administration?
 - b) What policies are presently available, and what approaches are applied to economic development in localities (within regions)?

- c) What local institutions are available to deal with the requirements of development?
- d) What is the economic base of localities?

These questions seek to examine the coherence of those regional development policies with their administrative, social and economic bases.

3. The third set aims to identify the constituents of the institutional network at the sub-regional level:

- a) What is the governmental structure for regional development?
- b) Who are the officially recognised stakeholders in sub-regional development?
- c) Who are the potential stakeholders in sub-regional development?
- d) What is the relationship between governing bodies and the stakeholders of development at sub-regional level?

These enquiries should bring out the functional structure of the institutional network, and assist us to understand the hierarchy of the developmental process for policy-making, delivery and evaluation.

4. Further enquiries aim to determine the functional relationships between sectors involved in regional development:

- a) What are the internal relations within each development sector across the national, regional and local levels?
- b) What are the inter-relations of the development sectors within a region?
- c) How are services and infrastructure projects delivered within a region?

The documentation of relationships among development sectors within and between regions should be obtained from these enquiries, to evaluate the functional structure and validity of regional development policies.

1 - 2 - 5 Scope of the study

The nature of enquiry in this research is strongly attached to the spatial aspects of managing and distributing development sectors, with a focus on the regional system for delivery of spatial development policies in Saudi Arabia. Moreover, some of the above questions require the detailed study of a specific example of a region within which to conduct research; accordingly, one region out of the 13 has been selected to allow a thorough examination of structures and to conduct empirical enquiries. For this

purpose, Arriyadh Province was selected as an example of the regions in Saudi Arabia. This research investigates the relations between development sectors in this region operating at both national and local levels, in terms of their function and process of work. The investigation will be limited to the institutional structure that manages development within its territory, i.e. the intra-regional delivery of development policies.

1 - 3 Methodology

As stated above, empirical enquiries will be conducted in the region of Arriyadh as an example. Although each region will have had its own socio-historical evolution, which might indeed be worth investigating individually, they are all governed today through a 'one for all' central system with its typical instructions for all regions. The focus in this thesis will, then, be on exploring the current practice of delivering national development policies to localities, with emphasis on the role of regional planning. This includes understanding the history underpinning current practice, by reviewing available documentation together with a literature critique. Clearly the spatial aspects of this research will also require covering the three main levels of governance, i.e. national, regional and local.

The theoretical framework that guides this study is based upon the aims and analytical questions set out earlier. A study of regional development such as this will require a review of the theories that postulate concepts and models for generating economic growth, while balancing the uses of that growth in terms of well-being (Chapter 3). The study is also concerned with approaches to planning for spatial development and establishing policies for its implementation (Chapter 4). The exploration of both theory and policy is intended to bring together knowledge of the machinery of development with the practicalities of bringing that into effect. The theories and models will be used to assemble conceptual themes that will, in turn, guide the empirical study and analysis.

To gain a proper understanding of all these dimensions, as well as the various development agencies involved, the empirical investigation will concentrate on interviews with some key officials working within the governance system at the three spatial levels, in addition to considering independent views garnered from experts. Their inputs are expected to vary considerably, based on the nature of their involvement and the scope of their interests. Semi-structured, in-depth interviews were chosen as the method of information collection during the main field investigation. More details of the research design are provided in Chapter 5.

Chapter 2

The Rise and Transformation of Regional Development Planning in Saudi Arabia

Chapter 2

The Rise and Transformation of Regional Development Planning in Saudi Arabia

2 - 1 Introduction

It is important to review the literature of regional development in Saudi Arabia to gain a fair understanding of the past and present practices that relate to developmental work there. The critical review of a practice should be based on the given or available instruments throughout the course of its existence; new regulations or changes in practice might make any criticism void. This is an intrinsically important consideration in the case of regional development in Saudi Arabia, as a developing, newly established and fast growing country⁶.

The establishment of planning schemes emerged in Saudi Arabia in 1970 along with the beginning of the economical renaissance, social transformation and institutional constitution in the country. A national planning system was established as a socioeconomic development tool, which was represented in the sector-based five-year development plans by the Ministry of Economy and Planning. Local physical planning systems are by now also well instituted, and planning is regularly practised by local municipalities. Regional development planning, however, lacks a defined and authorised development body. Hence there is a lack of coherent structure in development delivery (Mashabi, 1988).

This chapter starts by providing a background to trace the progress of national and regional development planning in Saudi Arabia, and highlights the political progress since the early stages of building the nation-state (section 2-2). The conditions that accompanied the political progress have influentially shaped some of the early development policies in Saudi Arabia. The background covers also the institutional evolution in the country, which explains the approaches that have been attempted for development planning, leading to the currently adopted one along with the gradual rise of regional level of development. This background facilitated a conclusive synthesis to the rise and transformation of regional development planning and policy in Saudi

⁶ Specially growing in terms of urbanisation and modernisation.

Arabia into three distinguishable phases. The three phases begin with the ‘establishing-phase’ (1902-1970) during which the principles of the current development approaches were established alongside their practice mechanisms and policies (section 2-3). It was important to identify this phase to draw the attention to the underpinnings of spatial development in general, considering the basis political, social and economic conditions.

The second phase (1970-1992) is when the transformation took place (section 2-4). It includes the initial institutionalised development planning policies, which established the government practice as a main contributor to development. The focus was mainly on the use of industrial development as a main practiced instrument. In terms of planning, the adoption of Five Year Development Plans (FYDP) approach has shaped not only the format of development planning but also the shape of government bureaucratic practices.

The third phase (1992-current) continues the practiced national development planning approach but with a significant progress in regional governance (section 2-5). The enactment of the Law of Provinces was a milestone that should be considered when evaluating national development planning and policy. Additional progress is found in this phase which is the National Spatial Strategy (NSS) and should also be considered in the analysis of regional development.

2 - 2 Background to development planning in Saudi Arabia

2 - 2 - 1 Historical background to the political progress towards national development

The baseline for national development in Saudi Arabia may be drawn to reflect the political movement that established the first nation-state in the Arabian Peninsula. The capture of the central city of Arriyadh on January 15th, 1902 by the late King Abdulaziz is recognised as a major event in the history of the current modern state, only surpassed by the official announcement of the establishment of the state on September 23rd, 1932⁷. During this period of establishment some development efforts accompanied military activities, both aiming to consolidate the territory’s political components with their various loyalties which had long been scattered and isolated (Sanger, 1947).

One of the major factors influencing the stability of the area was the presence of nomads, reported to comprise 75% of the population at that early stage (Mubarak,

⁷ Royal Decree No. 2716

2003). The new ruler launched a programme to build nomadic settlements, starting in 1912 (Al-Hathloul and Edadan, 1993). This was significant in the promotion of security and political stability, and also in initiating the socioeconomic transformation of the acquired regions (MOMRA, 2001). This sedentarisation⁸ process has been successful in reinforcing the evolving state by fragmenting tribal loyalties and promoting central authority (Shamekh, 1975). Such policies represent the early steps of using spatially planned actions for political as well as socioeconomic development purposes.

By late 1925 the emergent ruler had managed to gain the loyalty of the principal inland tribes, as well as the major urban centres that used to have foreign affiliations. At this point, the ruler directed his attention to the management of the country and started by establishing the 'Basic Instructions' of August 1926, which is considered the first constitution of the kingdom (Mubarak, 2003). The structure and institutions of the state have been developing ever since, although prior experience in this vast country has also been taken into account. This included a mix of traditional tribal rules with the civilised governance models of the Ottomans, as practised in the western regions where the holy cities of Makkah and Madinah, as well as the major port of Jeddah, are located (Mubarak, 2004a).

Following the official establishment of the state in 1932 the management of the regions was initially localised, giving their governors full power. The central ruler was concerned with establishing the position of the country within the international community. Over time, the central region has gained in power and has recouped authority from the regions, in a typical autocratic approach to development (Huntington, 1968). The discovery of oil, which took place concurrently with the official establishment of the state, helped the ruler to gain the power through which he extended his central governance.

Documentary and survey studies have observed that the flow of wealth, which came after the commercial production of oil in 1938, gave rise to economic development in Saudi Arabia (Knauerhase, 1974). The gradual development of the administrative structure of the country culminated in the issuing of the first national budget in 1948. The state, then, started to arrange areas of development for which resources were to be allocated. Structurally, the state gained its first central government in 1953. The ministries could present proposals for their projects on an individual basis to the prime minister (Knauerhase, 1977). In practice, economic management was dependant on the

⁸ Settling nomadic population.

royal will, as the King identifies the projects that the government adopts. This approach was consistent with the rudimentary nature of the economy then (Edens and Snavelly, 1970), which was a single-crop depending on oil production (Knauerhase, 1974).

Not long after, in 1956 the government faced a major financial deficit due to the slowing growth in oil prices while government spending continued to increase. By 1958, government debt exceeded its annual income. This led to political unrest, and resulted in the recognition of a need for better institutional and financial organization. “Steps toward formal planning in Saudi Arabia began as an outgrowth of the exchange crisis of 1956-57.” (Edens and Snavelly, 1970, p. 21). Initial efforts to deal with the financial crisis focused on controlling state expenditure, and there were several attempts at institutional restructuring for planning purposes during the 1960s (Knauerhase, 1977).

2 - 2 - 2 Progressive evolution of the institutional organization for development planning

The first signs of an organization to the institutional planning in Saudi Arabia appeared in a proposal by an expert⁹ from the IMF to the prime minister in August 1958, recommending the establishment of a committee for economic development (Edens and Snavelly, 1970). The function of this committee would be to study and evaluate the feasibility of proposals from ministries to compile a comprehensive report for the Prime Minister on projects that could be implemented during the next five years. The PM adopted this proposal, and the Economic Development Committee was established on November 26th 1958 to include the head of the central bank, two economic experts and two other persons appointed by the King. The Committee was later extended to include representatives from the relevant ministries¹⁰. As it turned out, however, the Committee was overwhelmed by the work necessary to organize trading rules and charges that it never managed to achieve any real development planning.

The government adopted another suggestion by the International Bank for Reconstruction and Development (IBRD) to form a more comprehensive planning organization. A Royal Decree (No.50) was issued in January 1961 that established a Supreme Planning Board at a higher structural level. The board was to have the Prime

⁹ Dr Anwar Ali.

¹⁰ Ministries of Commerce, Agriculture, Education, Health, Petroleum and Communications were included in May 1959.

Minister as president, together with the ministers of petroleum, communications, finance, agriculture and health: rather like a miniature version of the council of ministers. Its tasks included planning, coordinating economic development strategies of the various ministries and controlling the implementation of the coordinated plan. Any decision it proposed was ratified through the Council of Ministers.

Edens and Snavelly (1970) criticized the structuring of the Board in terms of its ability to serve the function of development planning. When the King, who is also Prime Minister, heads the board he becomes the chief planner as well. Members of the Board are also part of the Council of Ministers, which creates a conflict of interest and puts them in competition to support their own ministry's budget. Therefore, the Supreme Planning Board was not the appropriate format for an advisory body that would independently assist the executive Council of Ministers. The Board also suffered from difficulties such as the shortage of qualified staff and the lack of information required for planning. The result was that the Board was occupied with reviewing and managing the government's budget. Moreover, ministries lacked adequate means to plan their activities, which affected the quality of their proposals and called into question their productivity and, indeed, the benefits of their very existence.

Dissatisfaction with the performance of the Supreme Planning Board led the government to seek advice again from the UN and the Ford Foundation. Their advice was to support the planning function within each ministry, given that their outputs were to be reviewed and incorporated in a comprehensive plan by central planning staff reporting to the Prime Minister. Following these recommendations, a Royal Decree established the Central Planning Organization (CPO) in January 1965. This organization was supported by experts and staff who worked on restoring the concept of five-year planning. Its function was to prepare periodical reports to analyse economic circumstances in the country in order to establish a foundation upon which to prepare a Five-Year Plan. The staff were also asked to assist ministerial planning units in drawing-up their plans and programmes. The organization was asked to estimate the resources required for the phased implementation of the projects being planned.

The new structure of national planning allowed for a process that began with the ministries where project proposals were created. The CPO would then prepare a general plan that gained power from its adoption by the Council of Ministers and the endorsement of the King. Edens and Snavelly (1970) considered that the institutional and administrative framework of this organization was adequate as a development

planning body, though its results were only partly successful. They attributed the lack of technical quality in plans to the shortage of expertise across government departments, which adversely affected the quality of their output.

The first national plan was produced by the CPO in 1967: *Planning for Growth*. This was a descriptive report that provided useful policy guidance for development sectors, although it did not include any detail of the project components that would be necessary to achieve the objectives. It was thus not enough to guide budget formulation between the resources required and the expected income. Edens and Snavelly (1970) found this to have been an important step, but more was needed to develop the official planning machinery to achieve the most efficient use of national resources.

The government gave additional support to the CPO by recruiting experts, with the cooperation of the UN and the Research Institute of Stanford University, and they began by producing the first FYDP starting in 1970. This first in a series of plans has been responsible for stability in the approach to national development planning in Saudi Arabia. The CPO was upgraded and became the Ministry of Planning¹¹ (MoP) in 1975. At the same time, the Ministry of Municipal and Rural Affairs (MOMRA) was established to tackle urban development and spatial planning in general.

During the successive periods of intensive restructuring in the 1960s the welfare of people was steadily improving (Edens and Snavelly, 1970; Knauerhase, 1974, 1977). This is clear from the documentation of the Central Department of Statistics, established within the Ministry of Finance in 1960, and which had begun to produce statistical reports by 1965. It also appears in the economic report of the CPO in 1965¹². The rapidly changing economic levels have helped in transforming cultural patterns in Saudi society. Urbanisation shifted massively from an estimated 16% in 1950 (Frisbie, 1995, p.46) to 73% in the census of 1974. Oil revenues have “fostered a feeling of euphoria, which has made many Saudis unwilling to work on anything but governmental or a few selected service jobs.” (Al-Hegelan and Palmer, 1985, p. 139). The economy was expected to remain some way from a sustained structure with diversified economy (Knauerhase, 1974). However, these remarkable growth indicators emphasized the need for the government to sponsor national development in order to deal with the

¹¹ The function of economy was transferred later in 2003 from the Ministry of Finance and National Economy to this Ministry to become the Ministry of Economy and Planning (MoEP).

¹² Central Planning Organization (1965) *An Economic Report*. Riyadh: Kingdom of Saudi Arabia.

constraints resulting from rapid growth such as the lack of infrastructure and human resources (Mashabi, 1995).

2 - 2 - 3 The rise of regional level of development planning

The preceding review of the evolution towards establishing the nation-state in Saudi Arabia, including its political procedures, governance structuring and development policies, reveals distinctive features for the actual conditions that produced the current reality. This reality involves the status of development as well as approaches of its progress. Regional development has evolved both as a result of such progress and as a mechanism that was adopted in a certain point within national development procedures. From analysis of the chronology of relevant incidents and actions, it can be deduced that there have been three distinguishable phases around specific milestones in the country's experience of regional development:

The first phase was the period before 1970: The initial step of recapturing the rule over the city of Arriyadh in 1902 by the current royal family resembles the beginning of a new era of governance that has developed gradually to take its current form. We saw how some early political actions have involved spatial development policies during the early establishment steps, i.e. building nomadic settlements starting from 1912. Following the country's official establishment in 1932, there were several attempts by the Government to establish a national planning system. Consultations were sought from international organisations in order to structure a proper system of planning that could work for the country's distinct conditions. Meanwhile, the regions had been ruled autonomously for some period to allow the central government to become well established (Mubarak, 2004a). There were various obstacles to be faced in the effort to organise long-term strategies and policies for economic development. These were mainly due to conflict between the central planning agency and other public departments, lack of planning competence and qualified personnel within public departments, and the chronic shortage of reliable information (Al-Kahtani, 2003); see section (2-3).

The second phase was between 1970 and 1992. This phase began with the remarkable production of the first national development plan of a five-yearly series (FYDP). The national plans concentrated on programmes for building basic utilities and infrastructure in the country, with a focus on a limited number of major urban settlements; see section

(2-4). These development efforts were supported by the economic boom which started in the 1970's as a result of the high revenue from oil sales (Alkhedheiri, 1998).

The third phase was from 1992 until the present. The beginning of this phase was marked with the launching of the Law of Provinces, which is considered by law and administration specialists as one of the most important political decisions and one that has had direct affiliation with the regional planning concept (Khashquji, 2002; Mubarak, 2003). This law has structured the administrative and geographic framework of regions and their development in the country. This period also witnessed the launch of the NSS (2000). This strategy provides the institutional framework within which regionalisation should take place; see section (2-5).

2 - 3 The establishment phase of regional policy development in Saudi Arabia [1902 – 1970]

2 - 3 - 1 Underpinnings of spatial development

This initial phase, which could be traced back to 1902 and up to 1970 is considered to be the period of formalising of the modern country's foundations. It shaped the approach and structuring process which formed the government system and its various sectors and regions. A large proportion of the resources, however, were devoted to establishing security and alleviating social problems, rather than being allocated to development. Therefore government activities during this period were focused on structuring the national governance system and establishing management agencies (Garba, 2004). Among the governance strategies at this phase was localising the rule of regions through the devolution granted to regions' governors until the establishment of the first central government in 1953.

Al-Hathloul and Anis-ur-Rahman (1985) have provided a description of the overall evolution of urban and regional planning in Saudi Arabia, and identified a phase of planning practice that started in the early 1930s as the beginning of development activities. This phase was characterised mainly by the daily-basis handling of matters of the nation due to the emerging social, economical and political requirements following the establishment of the country. The pressing needs during that period directed most development work to concentrate on physical planning (Felemban, 1976; Bin-Obaid, 1992).

The first comprehensive regulative act that dealt with regions and local governance was the Law of Governors and Administrative Councils (*nizam alomara'a wa almajalis*

aledariah) that was established on 24th February 1940. This regulation was meant primarily to support the administration of remote areas in the newly established country. The management of the regions and localities at that time pursued various forms of institutional organization, which added to the fragmentation of development efforts (Reshoud, 2000). Accordingly, explicit enforcement of the regional governance system followed in 1963 with the Law of Counties (*nizam almuqata'at*), which expanded the responsibilities of governors of regions and localities to include economic and social development (Royal Decree, 1963; Al-Hawati, 1986).

Along with the progress of the administrative organization that shaped the basis for regional development in Saudi Arabia, there have been some efforts and initiatives to support local development. These included some local experiments in projects concerned with development and social services to target rural development in small towns, where health, education, social and agriculture services were clustered in one service centre. These were then organized through the Development and Social Service Centres Act (1966)¹³. Despite the limitation of sectors involved in these development centres as well as their limited spatial diffusion, the concept was important for the overall effort that was directed towards rural and community integration and development (Khashquji, 2002).

A comprehension of the historical background during this period is important if we are to understand the progression of administrative and overall socioeconomic development (Chapman, 1974; Saleh, 1975; Abussuud, 1979; Saleh, 1981). Conclusively, the initial phase (from 1902 to 1970) may be distinguished as the period underpinning and shaping spatial development. Most of the regulations and development concepts that have been adopted subsequently have their roots in this formation period. Principles have been built and lessons learnt from experiments that took place during this time.

2 - 3 - 2 A review of the early practices of national and spatial development

The scenarios of initial establishment of any planning system usually carry a fundamental impact on the resulting spatial framework and the adopted planning practice. The case of Saudi Arabia is no different. It started planning for development after the establishment of the first nation-state of its kind on its own territory in 1932, by utilising the immense and highly valuable oil resources to distribute wealth over the country's vast territories (Mubarak, 1995). However, the engagement of development

¹³ Amended later in 28/5/2007.

efforts could be traced back to the early stages of the unification of the country that started in the 5th of September 1902 by capturing the capital city of Arriyadh. This point of departure was followed by a concurrent process of building small, scattered settlements for nomads wherever they are located.

The Central Government, as a holder of the nation's main wealth source, has taken responsibility for developing urban settlements and creating job opportunities for the population, thus making it the direct sponsor of urban development. For this reason decision making in the country became restricted to central agencies beginning from the mid-1950s. This, as Mubarak describes, was considered a transformation of the prevailing traditional forms of local governance in urban settlements. Consequently, the central institutional structure has expanded at the expense of local institutional and economic structures in cities and regions.

In his deliberative study, Mubarak (2004a) reviewed national developments during the growth of the modern country of Saudi Arabia, and pointed out how this impacted upon spatial development. He explained how various local and international conditions have affected the way that the government has chosen its development policies. Some of these conditions were logical, when considering the natural setting of the country and its social structure. Other conditions were enforced, either by constantly changing political requirements or the availability of financial resources. The economic conditions showed a pattern of 'commercial dependency', while there was a form of 'subsistence economy', depending on traditional activities such as agriculture. After the discovery and exploitation of the oil reserves, this dependency took the form of an 'enclave economy'¹⁴. The author argues that this structure was due to dependency by the national economy on oil production (Mubarak, 2004a).

In (1995), Al-Hathloul and Edadan reviewed the early development process in Saudi Arabia, and showed that the Kingdom was facing challenges that are common in developing countries, such as the need for a suitable institutional framework to meet its urban problems. They also analysed the challenges that faced the country exclusively, and commented on the centralisation of collecting and distributing resources which has been a brake upon the financial and administrative independence of localities, and prevented them from balancing their resources and requirements. Evidently, as Othman

¹⁴ An "enclave economy" is an economy that is based on a commodity or activity isolated from the surrounding circumstances, including other economic activities.

(1995) emphasised, the successful instances of urban development are, usually, those backed by special political support.

2 - 4 Transformation phase for regional policy development in Saudi Arabia [1970 – 1992]

The country's long-term strategic development objectives were first formulated during the preparation of the First FYDP in 1970, which established planning as the principal tool for development in Saudi Arabia (Al-Salloum, 1995). Following several attempts of organizing national development efforts, the government settled on adopting the five-year plan as proposed by the UN experts. This model of planning for development is based on combining each sector's needs and priorities in order to produce collective programmes that achieve national development goals. The application of this approach was initially undertaken by the Central Planning Organization (CPO), but was soon replaced by the Ministry of Planning (MoP)¹⁵. The new approach of development planning, as well as the restructuring of the government by establishing new ministries in the 1970s, comprised a transition point to the government in Saudi Arabia. Given the importance of the FYDPs in the formation and guidance to development process in Saudi Arabia, the following discussions explain further the mechanism and contents of these plans both generally and specifically about regional development.

During this transitive period the country gained a perception of comprehensive development planning; it was also a time that saw the first generation of regional plans (Al-Hathloul and Anis-ur-Rahmaan, 1985). As one implication of the implementation process of the first national FYDP (1970-1974) and as part of the preparation for the second FYDP (1975-1979), the Ministry of Planning launched projects to undertake regional development studies for the five regions then extant (Al-Kahtani, 2003).

Mashabi (1988) has provided a critical review of regional planning in Saudi Arabia covering the 1970s and 1980s. He showed that regional planning experience in Saudi Arabia started with physical regional planning in the early 1970s for all the regions, comprising only five at that time. The next phase of regional planning was the metropolitan plans of the late 1970s, intended for seven major cities. These seem to have been driven by the need for more focused plans that could encompass the massive development in urban areas, particularly due to the boost in government expenditure stimulated by high oil revenues in the mid 1970s.

¹⁵ Established in 1975 and changed later (2003) to become Ministry of Economy and Planning (MoEP).

These two national planning experiences raised awareness of spatial planning, and this led to the establishment in 1975 of the MOMRA, which was a deputy ministry within the Ministry of Interior. However, there were many limitations to its planning performance:

“These included a lack of coordination between physical planning and socio-economic planning, a piecemeal approach, inadequacy of public participation, difficulties in the implementation process, lack of vertical and horizontal coordination, lack of enthusiasm from local authorities and shortage of skilled manpower.” (Mashabi, 1988, p.113)

As a result, after the establishment of MOMRA and by cooperation with the United Nations Development Project (UNDP), a new series of comprehensive planning emerged consisting of two main planning activities: the National Settlement Strategy¹⁶ and the Regional Comprehensive Plans. The National Settlement Strategy was launched to cover the period 1980-2000, in an effort to integrate all relevant aspects of development within the settlements’ geographical settings in order to achieve development of the country at the national, regional and local levels.

The Regional Comprehensive Development Planning projects were launched in 1982 as one of the implementation tools of the National Settlement Strategy. The aim of these plans was to facilitate the achievement of the national development goals to integrate sectoral and spatial development, make maximum utilisation of all the resources of the country, and to eliminate or at least alleviate regional disparities. The boundaries of the regions were adopted from the available administrative divisions. However, only five out of the 14 administrative regions had, by then, produced regional development plans.

Further, Mashabi (1988) concluded his research with a set of proposals for further action. The two most relevant were:

- 1) The introduction of a Spatial Planning Act. Such an Act was necessary to define the planning components, organise the relationships between them and establish the relationship between the planning sectors.
- 2) The definition of planning regions. This was considered a major issue that needed to be examined: whether the current administrative divisions of the country were useful as a basis for defining planning regions. It would be the basis for the necessary regional development authorities, aimed to organise all regional development and to supervise local activity.

¹⁶ Adjusted and reproduced in the form of National Spatial Strategy.

2 - 4 - 1 The role of industrial development

The concept of growth poles and development centres has provided the main tools of policy adopted in the strategy for national development in Saudi Arabia. Industrial development has been seen as the basic activity in proposed growth centres, and various industrial activities have been introduced as part of the industrial development strategy covering regional and urban space. These activities can be summarised in three categories based on their type, as shown in (Table 2-1) below:

Table 2-1: Strategic features of different types of industries

Level	Type	Characteristics
First	Basic Industries	Use the comparative advantage of the national natural resources (such as raw materials, crude oil and heavy metals).
		Products aimed for worldwide export more than the local market.
		Their location depends largely on the location of raw materials, though it could be located for national developmental purposes (an example being the city of Yanbu ¹⁷).
		They are strategic leaders as a growth pole or development centre (a major example is SABIC ¹⁸).
Second	Secondary Industries	Depend for their raw materials on the products of the basic industries, or agricultural products.
		They mainly target consumers across the national regions to provide an alternative for imports. They also export to specified international markets.
		Their agglomeration areas work as an urban diffusion factor.
		The support and sponsorship of such industries lies in the Saudi Fund for Industrial Development. This is the main financial support.
Third	Service Industries	Their raw materials, if required, are mostly imported or obtained from the products of secondary industries.
		Target the local market directly.
		Represent job creation centres, and are service providers more than the product sector.
		The financial support and sponsorship of such industries comes from the Saudi Fund for Investment.

¹⁷ The industrial city of Yanbu was created as part of an ambitious national development project that included building two industrial cities. The other twin city is Jubail on the eastern coast of the country near the oil fields. In contrast, on the western coast and 1400km across the desert, where it is linked by three major oil pipelines from the oil fields, Yanbu is home to three oil refineries and several petrochemical plants. In addition, it has strategic importance as a substitute port for the crude oil export outlets on the eastern coast. It also uses the location advantage of being close to the Suez Channel which gives it excellent access to European markets.

¹⁸ SABIC (Saudi Basic Industries Corp) is a diversified manufacturing company, active in chemicals and intermediates, industrial polymers, fertilisers and metals. It was founded in 1976 to exploit Saudi Arabia's natural hydrocarbon resources. It is the largest public company in Saudi Arabia, in which the Government owns 70% of the shares. SABIC's establishment has transformed the small fishing villages of Jubail on the Arabian Gulf and Yanbu on the Red Sea into modern industrial cities. It now has a total worldwide employment of 16,000 people.

Source: Adapted from Bena and Awad (1995).

These three levels of industrial activity are actually practised in different levels of space, and therefore the scale of their impact on spatial development varies. This is built upon the concept that economic polarisation has the capability to lead spatial polarisation. Hence the result of the development of the first and second levels of industrial activity in Saudi Arabia has been regional concentration¹⁹. The third level, in contrast, has an impact on urban diffusion depending on where it is located.

At the conclusion of their study, Bena and Awad (1995) confirmed that the industrial strategy was successful in the early stages of development in Saudi Arabia, and could be further used to support the growth strategy and to encourage development within regions. They suggested that boosting the dynamism of industrial activities within urban centres would allow other activities, with concomitant economic development, to spread throughout the region and support less developed areas. Modern technology and creativity could certainly be used for the same developmental purpose (Bena and Awad, 1995).

The current pattern reveals that industrial development is concentrated in the major cities that lie within the most developed regions of the east-west axis. The concentration on this axis employs the link between the ports on the east and west coasts through the administrative capital city of Arriyadh (Abdelrahman and Al-Muraikhi, 1986), which encompasses the head government agencies where the majority of citizens work. Industrial development was poured into areas with naturally rich resources, like the eastern region, as well as historically and culturally enriched urban areas like the western region, or politically supported metropolitan areas such as Arriyadh (Osailan and Sogreah, 1984).

Consequently, one justifiable result of this regional concentration of industrial development has been the high ratio of job opportunities in the three regions medially crossing east-west. Early urbanisation activities, including population and municipal services, were concentrated where these new and higher quality jobs were located. The numbers show that 75% of the budget allocated to municipalities between 1975-1988 went to urban areas within this axis (Al-Ankary and El-Bushra, 1989).

¹⁹ I would argue that the first level of industrial activities in Saudi Arabia, although having a high potential, has a limited regional impact. I refer this to the poorly structured or practised coherence between economy and administration on the regional level; i.e. the highest national programmes of industrial development have a large potential role in balancing regional development, but in reality this is wasted due to the lack of a coherent administrative structure and economic planning.

2 - 4 - 2 General Attributes and Intentions of the FYDPs

2 - 4 - 2 - 1 First Development Plan (1970-1974)

The initial recognized development efforts in Saudi Arabia began with the first FYDP (1970-1974). This plan concentrated on building the basic infrastructure by creating water, electricity, telecommunications and health services, which consumed 50% of the national budget. To facilitate the planning process, this plan divided the country into five regions. In practice, planning efforts concentrated on three major cities: Arriyadh (middle region, and the capital), Jeddah (a port in the western region) and Dammam (a port in the eastern region).

2 - 4 - 2 - 2 Second Development Plan (1975-1979)

The strategy of the second FYDP (1975-1979) paid more attention to the development of all the regions across the nation. Development programmes in the regions were more obviously linked to the country's overall development through the government's developmental sectors, and the consequence was that developments were accelerating at a pace sufficient to create an obvious gap between urban and rural areas. An organized effort was proposed to ease the differences between the regions, and specifically to promote a regional development strategy through the work of a ministerial committee that asserted the government's commitment to develop all the regions and rural areas in particular. The government instigated a programme to provide basic services to all the regions, especially health, social and transport services. The goals of the second FYDP were expanded, thanks to the increase in the country's revenues from oil exports. During the life of this plan the budget doubled nine times, 49% of it being used to complete the basic infrastructure. During this period many studies of the country's requirements took place, with recommendations for the establishment of new governmental agencies to manage development programmes such as housing, industrial development and development funds.

2 - 4 - 2 - 3 Third Development Plan (1980-1984)

The third FYDP (1980-1984) was rather oriented to generate changes in the national economic structure. After providing for the appropriate development infrastructure, the plans turned towards production, alongside the completion of the required public services. More specifically, this plan expressed an intention to develop productive sectors other than the oil industry. During the course of this plan the country witnessed the expansion of educational, health, social and municipal services. It also saw the

building of dams, seawater desalination plants, massive national highways, urban road networks and civil aviation utilities, in addition to initiating production from petrochemical factories, furthering the establishment of oil refineries and other national industries. The government supported these developments, as well as others, either directly or through dedicated funds for housing, industrial and agricultural development.

2 - 4 - 2 - 4 Fourth Development Plan (1985-1989)

The fourth FYDP (1985-1989) included a new set of goals to promote the development of human resources, and concentrated on enhancing the economic level of production, services and utilities provided by the government directly, such as education and security services, or indirectly, for example electricity, transport and basic goods. In addition, this plan aimed to reduce dependency on producing and exporting oil as the main source of national income, and instead to continue efforts to make a real change in the economic setting to a more diverse and productive base by concentrating on agricultural, industrial and mining activities.

2 - 4 - 2 - 5 Fifth Development Plan (1990-1994)

The fifth FYDP (1990-1994) was a special case, because of the circumstances of the Gulf War and the severe drop in oil prices. The situation led to huge constraints on development, and adversely affected results. This is demonstrated by the fact that the sixth FYDP (1995-1999) included, with only minor changes, the same goals and policies as the fifth FYDP. Therefore we can proceed straight to the next FYDP period without missing any significant additions to the development policies or achievements.

2 - 4 - 3 Regional Development in FYDPs

2 - 4 - 3 - 1 Regional Development in the First FYDP

The first FYDP (1970-1974) concentrated heavily on recommending basic studies or programmes to implement specific projects providing basic services in a limited number of major cities. The programme gave high priority to matters such as developing sources of potable water and the provision of power supplies. The role of municipalities was limited to keeping urban areas clean. The shortage of information and previous studies, lack of experience and a long list of priorities were all significant reasons for the absence of any proposals determining regional development.

2 - 4 - 3 - 2 Regional Development in the Second FYDP

In the second FYDP (1975-1979), one of the three elements of the development strategy was industrial development throughout the country by distributing productive investment based on the natural and human resources in each area, applying social programmes as required. It was at this stage that the planning agency divided the country into sub-national regions (central, northern, southern, eastern and western regions). This subdivision was merely for the industrial development strategy. In general, the first two FYDPs encouraged population migration towards a limited number of major urban centres, to provide a concentrated distribution of resources to these localities.

2 - 4 - 3 - 3 Regional Development in the Third FYDP

Regional development has been clearly stated as a strategic policy since the third FYDP (1980-1984). It first appeared as a strategy to increase citizens' participation in the development process, and to secure their wellbeing. The objective of the regional development strategy in this plan was to provide a subordinate level to the national level of development, which was the only level of planning on which the government was working. The regional strategy was intended to achieve more specialised development, by organizing the activities of central government departments in the regions. It was designed to be a framework to apply the national goals equally in rural and urban areas, through linking development policies spatially.

In order to achieve the goals of the regional development strategy, the third FYDP proposed a policy to create a system of national, regional and local centres. These centres were meant to provide development services, and to collaborate effectively in a hierarchical system to spread the benefits of development. This was also meant to be a flexible system affording an upgrade to each centre demonstrating the potential for it to become a higher-level development centre, interacting with development opportunities and developing its resources.

Based on this system, local centres provide the services and organizations that local communities require frequently. This centre is assigned according to the existence of certain services and their capacity. The services here are exclusive of those considered basic, such as electricity, water, sewage and transportation utilities, or even primary schools and the local mutual society. The regional centre has the task of serving several local centres, as it includes administrative and specialised economic organizations. The

national centres, on the other hand, make available those economic and administrative functions that concern the whole nation, and provide many specialised services but in limited places. The national centres represent a focus for growth that is of national importance.

2 - 4 - 3 - 4 Regional Development in the Fourth FYDP

The importance of regional development and planning in the fourth FYDP (1985-1989) refers to one of the main goals of the overall development plan, which is strengthening and supporting the regulatory framework and making plans based on the principalities at regional level, improving the distribution of opportunities for production, and making available the services that will help each region to foster its potential. One of the issues raised in the plan was the importance of physical planning, for both urban centres and regions based on the evolving administrative system (13 Principalities). The method of regional development in this plan adopted as one of its main goals the necessity for continuing to make changes to the basic structure of the state's economy, in order to establish a diverse economic base.

The Fourth FYDP, however, recognized that the objectives of a national economic policy and those of regional development are not always compatible. Three potential sources of conflict were identified in that period:

- 1) Conflicting development policies: the national strategy recognizes that industrial growth is more efficiently achieved by concentrating industrial activities together, to generate benefits in the form of common services and the development of support industries. On the other hand, concentration of industry contributes to regional imbalances.
- 2) Conflict because of the size of services: due to the population distribution across the nation's vast area, the provision of even the minimum level of a particular service may create substantial excess capacity and result in very low levels of productivity. This would directly conflict with the national strategic goal of ensuring efficient use of existing and new facilities.
- 3) Conflict because of time-span planning: short-term regional variations may be the necessary consequence of pursuing a long-term development strategy in the national interest.

While the fourth FYDP recognizes the potential conflicts between national and regional policy objectives, it still looks to regional planning as a solution.

The development plan linked the reasons behind the apparent disparities among the regions to the scarcity of natural resources, and their concentration in limited areas of the nation, which adversely affect the potential for development. In addition the rapid progress achieved in specific places, through concentrating the investments of development sources and then migration of affluence from rural areas towards certain urban centres, has quickened the growth of unequal development between urban and rural settlements on one hand, and between central and peripheral regions on the other. As studies by the planning agency have shown (MoP, 1985-1989), the migration pattern from rural settlements to urban centres within a region is greater than that of migration between the regions. Accordingly the government determined the use of technological enhancements to develop the agricultural sector, completing the infrastructural utilities to support the industrial sector and expanding the coverage of public services to include rural and peripheral regions as core strategies for development.

The main policies of regional development in this plan set out to expand and accelerate the application of the development centres system, proposed in the previous plan as urban growth centres. Another policy was to support the programme of village clusters that was initiated by the MOMRA. The village cluster was meant to coordinate services and help minimise costs, by collecting a group of villages into one cluster to integrate with the development centres in terms of structure and role. Also among the regional development policies was the continuation of urban planning work instigated at the level of the administrative regions by MOMRA, in addition to surveying the regions by the Ministry of Economy and Planning as a direct way of ascertaining the economic potential and requirements for each of the main and subordinate administrative levels.

2 - 4 - 3 - 5 Regional Development in the Fifth FYDP

Regional development was prominent in the fifth FYDP (1990-1994) which stated plainly that the achievement of balanced development and growth throughout the country's regions was a main goal of this plan, among the 13 main goals that directed the plan's policies and strategies. It also serves directly for one of the ten major strategic foundations of the plan. The plan pointed out that the regional level of development is the junction point of socioeconomic planning for the nation as a whole, with urban planning for the local environment. It also stated that it was time to change the previous approach of planning for sectors, which was affected by the extreme centralization of financial and administrative responsibilities, and that the spatial

dimension²⁰ should be given increasing importance in order to enhance the local environment.

By this stage, the national government had increased the importance of regional planning by spreading branches of public agencies throughout the 13 regions as an evolution to the governance of the state's territories. The public agencies, including the municipalities, in each province became under the supervision of a principal governor who should lead the organization of projects and determine their priorities. In addition this FYDP activated the concept of development centres and village clusters, and the adjustment of their boundaries to fit with the new administrative classifications.

2 - 5 Current phase of regional policy development in Saudi Arabia [1992 – current]

The consecutive FYDPs have been progressing in terms of their exposure to wider aspects of socioeconomic development in the country. Moreover, spatial development has taken on increasing attention and regional development has become a constant major element since the third FYDP. However, there was not a clear mechanism that would allow such growing interest in these national plans to be implemented. Then came the major evolution in the national government that brought into existence a new layout for a regional form of governance, which could fill the gap of implementation mechanisms. Among the major promulgation of the three constitutional laws²¹ in Saudi Arabia, adopted March 1992, the Law of Provinces is prominent in structuring the governance system that controls spatial development. It establishes a clear regional level of governance that includes a set of localized institutional arrangements for the purpose of achieving regional and local development.

The Law of Provinces (1992b) is considered to have been the most comprehensive organising system for local governance in Saudi Arabia (Reshoud, 1999). It organised governance into three main tiers, each with supervisory duties over development progress. The most significant progress brought through this law is developmental decentralisation, which allows principals of regions to contact central government agencies directly over issues related to the development of their region. The law has also widened the field of public participation through regional and local councils, which

²⁰ Spatial dimension of development builds upon the territories as basis for the strategies and policies, as well as upon a dedicated governance system that highlights the significance of space variations.

²¹ These laws are: the Basic Law of Governance, Law of the Consultative Council (*Majlis Alshura*) and the Law of Provinces.

decide the development needs of the region and play the role of advocates for localities against central government agencies. In practice such decentralisation is limited to “socioeconomic development, i.e. not a political devolution” (Reshoud, 1999, p. 122). Moreover, financial issues remain firmly with the central government agencies.

Despite these limitations of power, the new responsibilities of regional and local councils required advanced technical and human resources. The requirements of the Law of Provinces have been gradually adopted into practice as the new concept has become understood by local personnel, and authority devolved by central agencies. Mubarak (2003) considers the law to have been one of the most important political decisions that have direct relation with the concepts of regional planning, as it provides constitutional support for balanced regional development. The current arrangement of regional development that is structured by the Law of Provinces²² divides the country into 13 regions, which are then further divided into 103 classified (A & B) districts (*Muhafadhah*).

Based on the new framework of governance brought by the Law of Provinces, central government sectors have been ordered to rearrange their local branches in accordance with the new division and classifications. The administrative arrangements establish three tiers of development centres through which government and planning agencies work:

- National centres, which contain central government agencies that supervise services within each sector. This is also where national policies are produced and the financial budget is decided.
- Regional centres, consisting of a regional branch for each services sector. These are meant to be the main planning and executive units. The regional level also provides a clustering unit for economic activities. The distribution of economic activities within the regional space depends on feasibility, based mainly on the volume of settlements and relations with other sectors.
- Local centres, which contain local services that people need on a daily basis. Each might serve several human settlements, including any rural clusters within reasonable proximity.

The size of local and regional centres varies, based on the available activities and the social interaction in each centre. These activities may increase, leading them to expand

²² As amended in 17/9/1993

and be upgraded to the higher level; this upgrade adds to a centre's importance, gaining it greater power and additional funding. This stimulates the social movement to upgrade settlements, putting pressure on central government.

The other major evolution in the field of regional planning and development in Saudi Arabia was the adoption of the NSS in 2000. This spatial strategy was intended to provide a comprehensive framework for development policies in the national space (MOMRA, 2000). As a spatial strategy, it tackles national development issues that have been raised by the main national planning framework of FYDP and are related to balancing development. It could also be considered an instrument to coordinate sectoral goals of the national development plans on one side, and to link them with regional and local plans on the other.

Nevertheless, there has been ongoing support from the UNDP²³ especially for the MOMRA in the preparation of national and regional planning. This has included updating the NSS to conform with the 2025 national strategic plan, as well as drawing regional strategies to activate and strengthen the role of regional councils (Sarrouh, 2003).

2 - 5 - 1 The Current Planning System

Over the past four decades development planning in the Kingdom has developed individual characteristics, with each plan being tailored to adapt to prevailing conditions and to deal flexibly and efficiently with developments in the coming stage, thereby paving the way for the next plan. Moreover, the MoEP added a long-term development strategy in 2005 to provide a framework incorporating four successive FYDPs. The concept of FYDPs is to draw up programmes for national development based on a set of general goals and strategic principles provided by the government, while each plan adopts objectives, programmes and policies to achieve substantial development at each stage. "This approach combines the directive planning of government activity and indicative planning of private activity within a framework of developmental paths and the future vision defined by the long-term strategic planning." (MoEP, 2010-2014a, p.7).

Each individual plan encompasses the basic dimensions of development, which are:

²³ United Nation Development Programme

- 1) The *social* dimension, with emphasis on developing human resources and improving the social welfare of citizens through upgrading the health, educational and cultural aspects of their lives;
- 2) The *economic* dimension, focusing on supporting the economic base, diversifying sources of income, realizing balanced growth of the various economic sectors, seeking optimal utilization of economic resources and realizing high productivity within human and economic resources;
- 3) The *institutional* dimension, directed at increasing the efficiency of government services by amending inadequate administrative regulations and rules, restructuring some government agencies and establishing new ones in order to enhance government performance and improve the productivity of government agencies entrusted with serving the economy and society.

To realize the aspirations of its development processes the Kingdom employs both directive and indicative approaches. The FYDP that provide guidelines for the plan implementation processes represent the general framework for economic and social development. The planning system in the Kingdom involves four major functions:

- Preparation of a long-term vision to direct the development process.
- Preparation of a regulatory framework to coordinate the development efforts of both public and private sectors.
- Allocation of government resources according to the priorities of the socioeconomic development plan.
- Support for macroeconomic management through periodic reviews of the development plans' policies and programmes, with assessment of their impact and output.

The FYDPs are prepared according to General Objectives and Strategic Bases approved by the Consultative Council²⁴ and the Council of Ministers. The major components of planning documents comprise the following:

- *Plan Document*: This includes the quantitative and qualitative objectives of the plan and the executive policies required to achieve them, as well as the programmes and key issues at the national and sector levels of the economy over a five-year timeframe. It represents a link in the long-term vision of the development process.

²⁴ A council of 120 qualified members appointed by the King.

- *Operation Plan*: A detailed plan for individual government agencies, which comprises the objectives, policies and targets, provides analysis of the needs, key issues and programmes, and identifies the financial and human resource requirements.
- *Regional Reports*: Describe the socioeconomic conditions, the strategic alternatives and the future development needs of the regions.
- *Follow-up Reports*: Prepared by the Ministry on a regular basis, they represent an important aspect of planning and development management. Through such reports performance is monitored, assessed and reviewed.

Although the Ministry of Economy and Planning plays the lead role in the process of preparing and coordinating all sectors' plans at the national level, other government agencies and the private sector contribute to various stages of the plan preparation.

2 - 5 - 1 - 1 Multi-Year Planning Methodology

The planning methodology and process adopted in Saudi Arabia include the following main elements:

- Planning approaches, which comprise appropriate methods, policies and mechanisms required to achieve the planned objectives.
- Planning processes, which involve the participation and coordination of other government agencies with the aim of reaching agreement on the form of development policies and the priorities of development programmes in various sectors.
- Technical tools of planning, including information bases and economic models as well as data provided by field surveys.

a. Planning approaches

The successive development plans have witnessed significant changes in their approach to planning, moving from the more restrictive approach towards a mixed one (Al-Salloum, 1995). The first evolution was reflected by a shift in orientation in the first three FYDPs from planning for projects to sector programmes, with the aim of concentrating on the main outcomes of each sector and providing sufficient financial flexibility for the government's development agencies (MoP, 1985-1989). The second evolution appeared from the seventh FYDP which concentrated on the economic

policies, measures and instruments that would ensure realization of the comprehensive concept (investment, production and organization) of economic efficiency (MoP, 2000-2004).

The third evolution expanded the planning approach, to include indicative planning for the private sector in addition to directive planning for the public sector. In the indicative planning approach, appropriate policies and alternatives are defined to create a favourable investment climate for the private sector. This evolution in the planning approach reflects the growing attention paid to the role of the private sector in boosting economic development. The fourth evolution in the planning approach is characterized by the increased attention given to the spatial dimension of development plans, using analytical and statistical tools to realize a balanced development among the various regions of the Kingdom. This shift has been in harmony with the progress of the national economy, while the issues of development in the Kingdom's various regions have received greater priority in the planning process.

b. Planning process

The following three elements comprise the planning methodology of the FYDPs (MoP, 2000-2004):

- *Strategic Planning:* Strategic planning provides a guide to expected future growth paths (Kaufman and Jacobs, 1987; Mastop, 1998). However, such planning requires the provision of a favourable environment for realizing sustainable development aspirations in the long term (Friedmann, 2004). In this context, a chapter in the Seventh Plan document provides a long-term perspective for the Saudi economy, comprising a strategic vision consistent with long-term economic and financial policies as a reference and upon which investment decisions in various economy sectors can be based (MoP, 2000-2004).
- *Directive Planning:* Directive planning uses the operational plans of government agencies as methodological tools for implementing their programmes and ensuring their participation in realizing the objectives and strategic bases of the development plan. This is practiced by applying economic and social policies designed to achieve the planned growth targets at macro and sector levels, and the rational utilization of economic resources.

Directive planning played an important role in accelerating the economic and social development process during the first three plans. At those early stages of

establishing the constituents of the modern state, the Saudi national government had to undertake deciding, through the plans, and financing the entire development projects. However, subsequent plans adopted both directive and indicative planning approaches, after the growth of the private sector and the increasing importance of their participation as a partner in the development process.

- *Indicative Planning*: Indicative planning aims primarily to encourage private sector participation in achieving the plan objectives without prejudicing the private investment objective of profit maximization (Balassa, 1990). Thus, indicative planning guides economic policies (fiscal, monetary, trade and labour market policies) towards the creation of a favourable climate for private investment, while reviewing relevant rules and regulations with a view to streamlining procedures and enabling the private sector to operate in a more free and flexible manner.

This planning approach has been found particularly useful in the FYDP due to the improving economic environment, and changes at domestic, regional and international levels: particularly the trends of globalization and privatization. That is why ensuring an appropriate economic environment and an adequate institutional framework for private sector activities is one of the most important aims of the FYDPs. Thus, the Plan encompasses an integrated set of measures that continue to enable the private sector to perform many social and economic tasks previously undertaken by government: provided that such measures will result in actual benefits in terms of cost reduction, improved performance and the employment of Saudi citizens.

c. *Technical Instruments of Planning*:

An integrated system of econometric models has been developed for the national planning in Saudi Arabia , comprising four correlated models (MoP, 2000-2004). These models are:

- "Century Model", for long-term perspectives relevant to analyzing trends for economic resources as well as long-term forecasts of demand for non-Saudi labour under various growth rate assumptions.
- "Selection Model", for medium-term forecasts that help to identify priorities for development planning with analysis of the implications of various policy options.
- "Implementation Model", for short-term forecasts relating to follow-up of the plan implementation and identifying sector trends.

- "Oil Model", for projection of oil revenues and the preparation of alternative scenarios for world oil market related forecasts.

The "Selection Model" and the "Oil Model" are used in the preparation of the ongoing Plan. The "Century Model" is used as the long-term plan in the preparation of a long-term perspective for the development of the Saudi economy. The "Implementation Model" is used for follow-up and implementation of the plans.

2 - 5 - 1 - 2 Management of Plan Implementation

The management of plan implementation is an important part of the planning system, and directly affects the realization of the plan's objectives. In the light of rapid developments and the inevitability of integration within the global economic system, with its various dimensions and variables, the coming development stage requires further emphasis on evaluating the effectiveness of policies in realizing socio-economic objectives within the priorities specified in the plan. Particular emphasis is required on evaluating the quality of public services and performance efficiency in the implementation of programmes. To this end, work will continue on formulating a series of criteria for measuring actual performance at both macro and sector levels. The most important measures for managing the plan implementation are as follows:

a. Coordination between the Five-Year Plan and Annual State Budgets

A close relationship between the plan and the preparation of the annual state budgets is crucial to the success of the plan implementation process. The recent Development Plans emphasize the significance of linking budget allocations with the objectives and priorities stated in the plan document, and the programmes and projects included in the operational plans. The plan also affirms the importance of commitment to the plan objectives and strategic bases in monitoring those programmes and projects.

b. Follow-up and Evaluation

The Ministry of Economy and Planning monitors the plan implementation process annually, in collaboration with related agencies and according to certain regulatory resolutions and rules. The completion of this follow-up process integrates both macroeconomic and sector levels through specific data collection and processing, and by reproducing these data in the form of information and indicators to achieve the following:

- Ensuring the implementation process is in accordance with the plan objectives.

- Addressing bottlenecks and other deviations from plan objectives, or difficulties that have emerged during the implementation process: defining the nature of such difficulties, identifying their causes and developing measures to overcome them.
- Carrying out detailed study and diagnosis of socio-economic conditions to generate the most significant information and data to be used as inputs for the next plan.

c. Coordination with the Private Sector

In light of the trend for government to support the private sector by encouraging its entry into new economic activities, and removing obstacles that impede its development, the recent Development Plan reaffirms the need for greater coordination between the government and private sector through improved quality and dissemination of reliable information and analyses concerning national economic performance, the organization of meetings, conferences and symposia, and the preparation of studies about investment opportunities by universities, research centres, other government agencies or the Council of Saudi Chambers of Commerce and Industry.

d. Databases and Information Systems

The Ministry of Economy and Planning is developing databases and information systems in order to enhance the management and follow-up of plan activities. It is also improving the quality and scope of the socioeconomic data necessary for effective planning, in cooperation with related agencies. Similarly, the development agencies are strengthening their own databases and management information systems to meet the needs of plan implementation and follow-up, as well as providing the Ministry of Economy and Planning with data and information needed for the monitoring and evaluation processes.

2 - 5 - 2 General Attributes and Intentions of the FYDPs

2 - 5 - 2 - 1 Sixth Development Plan (1995-1999)

The sixth FYDP (1995-1999) represented a move towards more qualitative development and more functional policies. The qualitative development was represented by the emphasis on the importance of science and technology, information and the environment as priorities in this plan. The functional policies, on the other hand, were represented by the emphasis on the need to reduce government expenditure by increasing the role of the private sector in the national economy, in addition to the emphasis on removing constraints that might impede the development of human

resources and the employment of citizens. More issues were highlighted in this FYDP, and one that arose as a priority for the first time was the need to support national security and defence. The final element that was highlighted as a priority in this plan was to expand the infrastructure to meet the increasing population.

2 - 5 - 2 - 2 Seventh Development Plan (2000-2004)

The seventh FYDP (2000-2004) highlighted issues which focused on the most significant domestic and global issues and developments likely to be encountered by the Saudi economy during the period. The general objectives and strategic bases of the plan confirmed that priority was being given to the development and increased utilization of human resources, in accordance with previous plans' attention to this vital strategic resource. This included the development of citizens' abilities, upgrading human capital skills, development of their productive capacity to deal effectively with various technological developments, and the realization of their aspirations as the ultimate goal of these developments. Similar attention was also given to the educational, health and social sectors, with the aim of ensuring these basic services.

This strategic principle and its related policies constitute an important element of the seventh plan's strategy, aimed at preparing the Saudi economy endogenously to join the World Trade Organization, and to consolidate the national economy in dealing with the global economy²⁵. The implementation of this strategic principle will lead to the steady upgrading of Saudi work force skills through training and re-training, developing their production capabilities and enabling them to deal efficiently with production technologies and equipment in use, thereby enhancing the competitiveness of national products in domestic and export markets through lower costs and higher quality. This is intended to provide the Saudi economy with the flexibility needed to respond to changes in the structure of domestic and global demand. Moreover, the instruments that are used to implement this strategic principle could accelerate the process of replacing the temporary foreign workers with Saudi citizens in the workforce, which is a pressing goal for the government.

With respect to education and training services, as well as health and social services, the objectives of the plan stress the need to develop such services based on accurate quantitative and qualitative projections of population developments and their geographical distribution. Thus, a basic strategic principle states: "adopting a

²⁵ See (Looney, 2004) for an evaluation of the impact of WTO on local economy in Saudi Arabia.

population policy that takes into account quantitative and qualitative population variables and their geographical distribution, and enhances the correlation between population variables and economic and social development” (Royal Decree, 1999, p.8).

Since the Kingdom has already taken significant practical steps in its privatization strategy that will encourage new dynamism in the economic environment based on private sector initiatives to meet society’s needs for goods and services, the objectives of the Seventh Development Plan assign special significance to the continued implementation of the privatization policy in its various forms. In addition, particular attention has been given to improving technological advancement and building a national science and technology base.

2 - 5 - 2 - 3 Eighth Development Plan (2005-2009)

The eighth FYDP (2005-2009) emphasizes the importance of orienting its strategies to achieve sustainable development. It sets out priorities for enhancing the quality of life of the citizens, making job opportunities available, expanding the quantity and quality of education and training services, and investing more in the empirical and technological sciences as well as encouraging creativity and innovation. It aims to keep pace with global economic and technological advances by diversifying the economic base of the national economy, and enhancing the quality of its production in order to support competitiveness and encourage investments. It also supports the selection of promising manufacturing fields, and adding new service sectors. The move towards a knowledge economy is also emphasized, with increased support devoted to research and development. Along with the efforts of developing the sectors intended to build the national economy, in the eighth FYDP attention is also paid to achieving a balance of development between the regions.

The plan was prepared to accompany the move to join the World Trade Organization and, hence, prepare for active cooperation with international conglomerations. It adopts the approach of more regional consolidation, and greater involvement with the global network of economic powers. In this particular aspect, this FYDP is considered the first in a series of strategic moves for the national economy that will extend some twenty years ahead. Thus it includes four consecutive versions of the FYDP in a way that is considered an evolution in the procession of national strategic planning in Saudi Arabia.

The new approach of long term planning sets out to tackle the challenges of the coming years with a more realistic allocation of policies that are closely tied to each of the goals

of development. The purpose of developing this approach to strategic planning, by considering a longer time scale, is to establish a realistic common vision for the next two decades. The current national development plan provides a framework for the next five years, to address the internal and external challenges that face the country; it also provides an interval position from which to consider the various national and regional strategies and policies that are relevant to the wider context of socioeconomic development.

2 - 5 - 3 Regional Development in FYDPs

2 - 5 - 3 - 1 Regional Development in the Sixth FYDP

The sixth FYDP (1995-1999) developed from some significant changes at national and international levels, which the plan considered and analysed thoroughly. Locally, three important new laws were introduced: the Basic Law of Ruling²⁶, Law of the Consultative Council²⁷ and the Law of Provinces. The Law of Provinces aimed to improve the standards of administrative work and development in the Kingdom. It divided the country into 13 regions, with each region further subdivided into other hierarchical classes. This new law requires each government agency to have a branch located in the capital of each region, and to work in cooperation with the governor of the province who is required to “work for the development of the region in social, economic and urban terms” and “work for the development of the public services in the region and enhancement of their efficiency.” (Royal Decree, 1992b, Article 7: clauses d & e). The law also established a regional council, staffed by heads of the region's official bodies alongside a number of local representatives. An important role was assigned to the regional council in terms of regional development. It is entitled in particular to:

- 1) Determine the needs of the region and propose their inclusion in the State's development plan.
- 2) Determine what projects are useful, arrange them in order of priority and propose their adoption as part of the annual State budget.

²⁶ The Basic Law set out, with remarkable clarity, the basis on which the Kingdom is governed, and the rights and obligations of both the state and the citizen. It is considered the first law to formalize the principles underlying the traditions which have been used in the Kingdom.

²⁷ The Consultative Council may express its opinion on the general policies of the State referred to it by the King.

- 3) Study the region's urban and rural organizational layouts, and follow up their implementation after being adopted.
- 4) Follow up the implementation and coordination of those parts of the development and budget plans related to the region.

Each governmental agency which maintains services in the region is required to inform the regional council about the projects allocated to it in the national budget, and also what has been decided it will receive under the development plan.

As for international conditions, the development plan faced some significant changes on the international economic level. The oil market has encountered a long period of instability and much fluctuation in prices, which has directly affected the state's financial resources. Moreover, this development plan recognized the international phenomenon of international networking and organisations that have developed between main world economies in the form of unions or various other types of cooperation, such as World Trade Organization and G-8. These forms of geographical cooperation and institutional arrangements have become essential to face economic stagnation and high competition, which generated concern about protectionist customs procedures. This was a major motivator in the increasing importance of multilateral trading agreements, mainly GATT which developed into the World Trade Organization. The other point that this plan highlighted is that scientific and technical superiority is now not based merely on the existence of natural resources.

The sixth FYDP demonstrated that development planning in the country "is based on comprehensive planning of all sectors of the national economy and of each administrative region, thereby taking into consideration regional development needs through the government agencies which advocate regional aspects in their development plans." (MoP, 2000-2004, p. 367). The plan put a greater emphasis on regional planning in solving the problems of inequality between urban and rural areas. Putting forward development strategies to deal with the issues that face each region was identified as the main purpose of regional planning, narrowing the differences between regions by providing services for their populations and by exploiting the relative advantages of each region.

Based on the plan, the new regional law provided a spatial and regulatory reference that facilitates planning facilities and services through the hierarchical classification of 13 regions and their 103 subordinate counties. Following this spatial organization, it appeared that the next necessary step by the agencies involved in regional development

would be to synthesize the detailed framework of the complete regional planning process through administrative coordination, setting forth mandates and criteria for preparing regional studies in terms of content and scope, in addition to technical attributes. So we can see that the policies set by this plan for regional development concentrated on establishing an appropriate basis upon which to implement regional plans in a form that would work within the new regulations. This included reviewing the system of development centres and village clusters. The plan also stressed the importance of data as a vital tool for spatial planning. It recommended the establishment of regional information centres, and unifying the technical aspects of regional planning data.

2 - 5 - 3 - 2 Regional Development in the Seventh FYDP

The seventh FYDP (2000-2004) called for the reactivation of the development centres' role in identifying appropriate locations for public and private investment within different cities and villages, by taking advantage of the existing and planned infrastructure. It also began to deal with the symptoms of the differences in the availability of job opportunities, high quality infrastructure, facilities and services between the country's major urban centres and its rural communities. The plan stressed the need to intensify efforts to collect and analyse data, in coordination and cooperation with all related agencies. Such efforts were considered vital to improving the planning process and identifying the priorities for development in the various regions of the State.

To address the technical, economic and social dimensions of the issues raised, and to achieve the objectives of this Development Plan for better distribution of national resources, an integrated regional development strategy was proposed comprising the following objectives and policies:

a. Objectives:

Regional planning efforts should continue to achieve balance and integration between economic development and the provision of basic services to citizens such as education, health, water and energy. The main objectives of regional development during the Seventh Development Plan were:

- To reduce internal migration, which has an adverse impact on major urban centres.
- To protect the environment, preserve bio-diversity and implement national and international environmental standards.

- To develop, organize and coordinate economic activities at the regional level, to ensure optimal utilization of economic resources based on the comparative advantages of each region.
- To enhance the role of development centres and enable them to contribute to the development of the various regions of the Kingdom.

b. Policies:

To achieve the objectives of regional development, the following policies should be adopted:

- Enhancing the efficiency of infrastructure and services in rural areas in order to reduce migration from these areas to the urban centres.
- Encouraging Saudi citizens to take up employment in rural areas through the provision of rewarding job opportunities, material incentives and appropriate living conditions in these areas.
- Establishing information centres in the regions and developing a mechanism for updating the information on a regular basis.
- Encouraging the private sector to invest in regions that have comparative advantages needed for production projects.
- Encouraging the private sector to increase its investment in different regions and identifying appropriate investment locations through the development centres.

2 - 5 - 3 - 3 Regional Development in the Eighth FYDP

The government has continued to raise its interest in narrowing the development gap between regions, with the achievement of spatially balanced development as a general strategic goal in its agenda as stated in the eighth FYDP (2005-2009). Moreover, the plan emphasized that achieving balanced development should go beyond the provision of services and infrastructure to building production bases that stem from indigenous resources. It also emphasized the need for a national strategy that aimed to reduce inequality between the regions, through encouraging private sector investment in less developed areas.

The demographic and economic indicators in Saudi Arabia still show a mismatch in the distribution of resources between and within regions. Living conditions in general, and the available economic opportunities in specific, determine to a large extent the trends

in population movement. Thus it may be clearly seen that three out of the 13 regions have been witness to large population growth due to migration throughout the successive years of development planning, and now contain 64.5% of the country's population (Department of Statistics, 2004). Migration has also been out of balance within regions as people have moved from villages and small towns to larger centres, and this has contributed to the greater concentration of people in large cities. The example of the Arriyadh region shows that the two largest cities are home to 82% of the region's population (Department of Statistics, 2004).

The geographical distribution of economic activities, on the other hand, reflects that of population and is concentrated in three major regions: Arriyadh, Makkah and the Eastern Province. They together hold 74%²⁸ of the businesses operating in Saudi Arabia and 86%²⁹ of industrial plants³⁰. The detail in these types of economic activities indicates another gap. The eighth development plan states that one of the main reasons for the apparent disparity between regions was the imbalance between productive sectors. The indicators show that the number of industrial jobs per 10,000 people varies between 237 in Arriyadh Province to only 7 in the Northern Borders Province³¹.

The eighth FYDP aimed to establish new economic development axes across the regions of the country. By these axes it would seek to tackle the concentration of development in main cities, and the spread of urban problems which affect the quality of life there. The plan for these considers the available and potential resources to be found within localities. In terms of the regulatory structuring that goes side by side with physical planning, this stresses the importance of continuing the devolution of power to local administrations in the regions to accompany the general trend of expanding participation in the development process. Accordingly, the strategy of regional development in the eighth FYDP sets out four general goals:

- Reducing disparities in living standards and levels of economic activity between regions of the country, within a balanced regional development framework.
- The provision of basic infrastructure and public services to all regions, with special attention to small communities.

²⁸ Source: (MoEP, 2005-2009, p. 224)

²⁹ Source: (MoEP, 2009, p.292)

³⁰ Data about the added value of these activities would be more informative, but unfortunately is not available at the regional level.

³¹ Source: *ibid*

- Establishing new axes of economic development away from major cities.
- The gradual shift to administrative decentralisation, and supporting the role of regional and local governance (MoEP, 2005-2009, p.37).

The future vision to develop the regions reflects the long-term perspective of the national economy. The structure of regional development is based on the NSS that was adopted in 2000. The balanced structure of growth centres and development axes allows for the sequencing of roles within local communities; this should allow small and medium-sized cities to contribute to the development process, and catch up with the spread of development along the assigned axes. The mechanisms that were set for the achievement of this vision were stated as:

- Activating the development role of regional councils, as part of the gradual shift towards decentralisation. This does not mean eliminating the role of central government agencies, as they maintain supervisory and coordinating functions on the national level. Such tasks require the availability of updated databases on the regional level.
- Enhancing living standards for citizens across the regions, through a national strategy that includes housing, health, education and infrastructure. This was placed in the national strategy to reduce unemployment and to combat poverty.
- Striving towards sustainable development in all its dimensions (economic, social and environmental) which require, among other things, the private sector being encouraged to locate projects in less developed regions. This would require working on the comparative advantages of each region, developing them into competitive advantages while generating and maintaining policies for environmental protection.
- Measuring the disparity between regions in services and activities, and monitoring them through “regional development indicators”: an important planning tool that can help local development authorities to identify and prioritise alternatives that bridge the developmental gap, and direct investment to the most needy areas.

2 - 5 - 4 National Spatial Strategy

In the mid 1980s, MOMRA began to develop significant work on reducing regional disparity with regard to development prospects. This initiative took the form of a National Settlement Strategy (1980-2000) as an attempt to organise population distribution and integrate the regions’ contribution to the national economy (Mashabi,

1995). The actual adoption of the strategy was delayed then amended to become the NSS, and was recognized by the Council of Ministers (Cabinet decision No. 127 dated 28/8/2000). It can be considered, being both documentation and analysis, as the first official effort to deal with the urban layout of the nation as a whole.

The NSS is a long-term policy guideline aimed at providing a regional perspective in the development process, in an attempt to solve apparent regional disparities and to promote reconciliation between efficiency and equity in the distribution of development resources (Mashabi, 1995). This major aim makes it a tool to facilitate implementing the general strategic goals in the National FYDP. It sets out broad guidelines for the country's spatial development, and provides a spatial dimension for policies relevant to various sectors of development.

2 - 5 - 4 - 1 Specifications of the NSS

a. Purpose of the NSS

The NSS addresses several issues representing future challenges for the spatial development of Saudi Arabia. These issues raise the following major questions:

- How can Saudi Arabia accommodate the projected increase in the population within the territory?
- What is the nature of the existing urban system, and what would be the most viable system capable of absorbing the projected increase in population together with and their supporting economic activities and requisite services?
- What policies need to be undertaken to facilitate sound decision making, with respect to improving the hierarchy of urban settlements and improving functional linkages between its components?

b. Focus of the Strategy

The NSS provides a framework for local and regional development strategies in a manner that assures balance and compatibility between national planning which is sector-oriented, and local planning which is physically oriented. MOMRA specified the main elements for which the strategy offers guidelines, as follows:

- Ways of effectively maximizing the use of available resources, and concentrating on the best utilization of the services and infrastructure already available in the different regions.

- Means of directing the development of the infrastructure and public services, in addition to directing private investment in productive projects towards less developed regions in order to reduce regional disparity through growth centres.
- The opportunity to maintain efforts to diversify the economic base of Saudi regions based on their productive resources.
- Means of achieving spatial compatibility between the nation's regions, especially peripheral regions, and supporting the functional linkages between all the regions.
- Identifying growth centres that work on coordinating development efforts and achieving a balanced distribution of the population and activities in the national space.

c. Output of the Strategy

The NSS is meant to outline the desired future settlement pattern, spatial distribution of the population, and supporting services and economic activities within the national territory. More specifically,

- The strategy defines the broad, flexible long-term framework within which spatial development policies will be followed.
- It defines the sectors' development policies to be adopted for promoting an inter-regionally balanced pattern of development.
- It provides the framework necessary for coordination among concerned agencies to facilitate spatial integration in the implementation of policies.

2 - 5 - 4 - 2 Conceptual Structure of the NSS

a. Methodology for preparing the strategy

The NSS was prepared following four major stages:

1. Learning from theoretical models and applied studies:

The strategy was based on studying theoretical urban development models, and evaluating examples that have been tested in various countries.

2. Studying existing conditions:

The strategy analyzed the current situation in terms of the opportunities and limitations of development in all the Saudi regions, in order to determine problems

and the areas with potential. The factors analyzed included the main themes of population, water resources, industry, transportation and public services.

3. Building alternatives:

Two long-term goals were selected upon which to draw alternative options for a spatial development strategy: efficiency in utilizing resources, and equity in distributing development opportunities among the people and regions. Accordingly, two alternatives were developed, each reflecting one of the stated long-term goals.

4. Designing the Strategy:

After evaluating the ideas that arose from exploring the alternatives, it became clear that each alternative proposal on its own would not form the basis for a comprehensive spatial strategy; it was decided that the strategy should be a combination of the two approaches.

b. The Time Frame of the National Spatial Strategy

The strategy realizes that inter-regional disparity in development is cumulative, and an outcome of long-term factors; correcting these imbalances can only be achieved in the long term. The length of time necessary to realize the objectives of the strategy will depend greatly on the level of resources allocated periodically for development projects, necessary for rectifying regional imbalances and producing efficient coordination among execution agencies. The strategy proposes that it is to be implemented within the framework of the FYDPs. During each plan a set of growth centres will be selected for intensified development effort. As a long-term strategy, periodic updates are expected in order to reflect changing priorities.

2 - 5 - 4 - 3 The general concept of the National Spatial Strategy

The concepts of the strategy are based on a theoretical analysis of urban development models, and a critical study of other examples applied in various countries. In reviewing studies of urban development policies, the analysis found a positive correlation between rates of growth in national income and the population concentration in major cities (Mera, 1973). Yet, "not merely urbanization as such but a particular pattern of urbanization is associated with economic growth" (Hoselitz, 1960, p.218), which attributes particularly industrial progress to the existence of a system of cities. Other studies agree about the existence of a positive relationship between economic development and levels of urbanisation, but not necessarily with the concentration of an

urban population in a limited number of cities (Berry, 1961). Moreover, Corbin (1982) argues that the concentration of an urban population in a limited number of cities is neither a necessary nor sufficient condition for economic growth. This implies the need for a balanced system of urbanisation that achieves the requisites of efficiency by supporting large cities without falling into the trap of primacy.

Researchers (Friedmann, 1955; Hoselitz, 1960; Rodwin, 1963; Linsky, 1965; El-Shakhs, 1972; Friedmann, 1972; Soja and Tobin, 1975; Wheaton and Shishido, 1981) attribute primacy to collective factors that are not necessarily related to economic growth but also to social dynamics, public investment and industrial policies that concentrate upon a limited number of cities, which end up creating growth poles³². The NSS concluded that two main models would promote the efficient and balanced development within the national territory:

- The first model, utilizing resource efficiency, approaches development by reducing the pressure on the major cities. There are two methods commonly identified with this approach: one is the concept of Satellite Towns, the other is Urban Counter-magnets.
- The second model adopts equitably distributing development opportunities and approaches development through the balanced regional distribution of urban development. This is identified as directing public investment in development towards remote areas, away from major urban agglomerations, by supporting regional and local urban centres spread throughout the national territory.

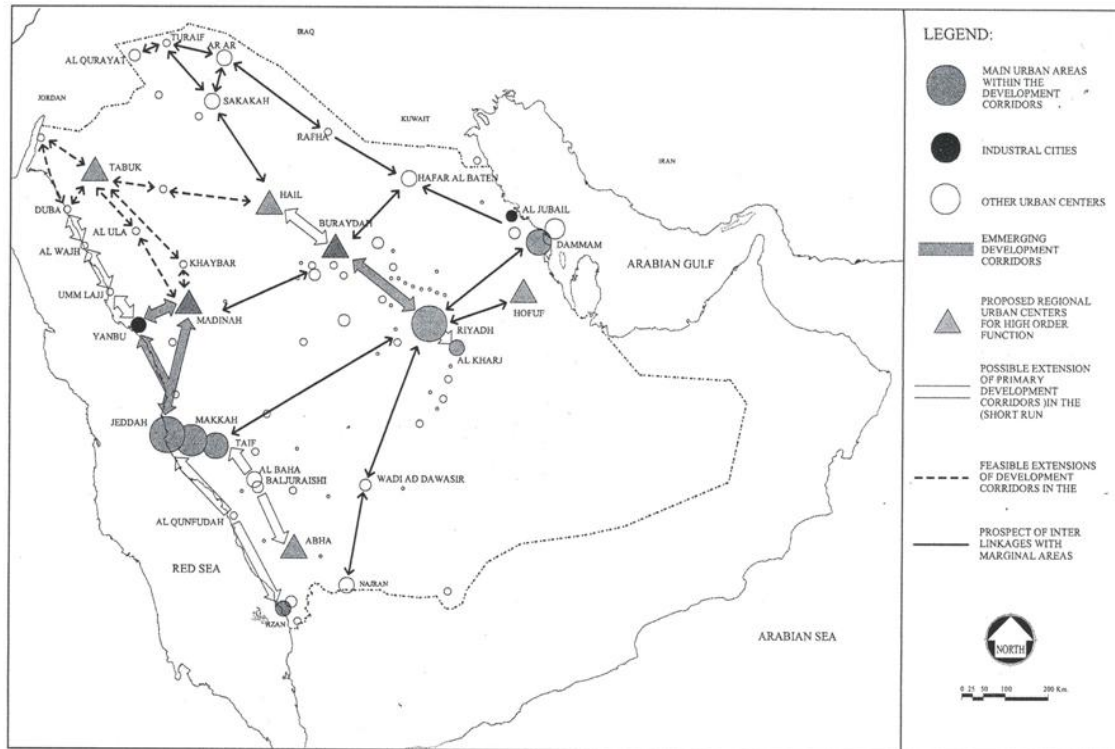
The chosen approach was to balance the advantages of these two models to combine their output goals: efficiency and equity. The proposed strategy was laid out to direct development ingredients toward an identified set of urban focal points, along emerging development corridors that link fast growing urban areas and peripheral areas. This process was chosen to help harness the positive aspects of fast growing areas to benefit lagging adjacent areas with growth potential.

Therefore, the policy was to direct development investment towards small and medium cities that exist in between larger cities. These urban clusters would form nodal points through which developments would interact in corridors along the national space (Darwent, 1975). The advanced inter-regional road network already in place was believed to facilitate this process. These choices stimulated some further survey of

³² See section (3-5) for elaborations about Growth Pole model.

theories and models of regional development for this research; see Chapter 3. Figure (2-2) shows the proposed development corridors in the NSS.

Figure 2-1: Proposed Development Corridors in the National Spatial Strategy



Source: Alkhedheiri (2002, p.135)

2 - 5 - 5 Critique of validity of regional development policy

In their 1995 study of regional disparities in the provision of health and education services in Saudi Arabia, Berch et al. (1995) proved that both quantitative and qualitative disparity between the nation's regions were apparent. The spatial analysis of service distribution showed that there was also disparity within each single region, between urban and rural areas. The authors explained the geographical factors that militate against equal distribution of such developmental services: these included the location of some of the peripheral settlements, far from the major urban areas, in addition to their sparse pattern and habitation. They also highlighted other reasons for the disparity, confirmed by other studies, such as:

- 1) The rapid building of infrastructure in a limited number of cities during the initial development phases when financial resources became available to the national government because of oil production, during which proper planning was neglected.

- 2) The shortage of data about the regions, these being needed to estimate and plan for services.
- 3) The lack of qualified human resources in the area of planning for public services.

Frisbie, in his comparative study (1995), reviewed the development and urbanisation patterns in Saudi Arabia and concluded by raising questions about the validity of the practiced policies for the development goals of all the regions, especially those related to future urban development and population distribution. He pointed out that concentrating urban growth in a limited number of large cities might be an indication of problems, constraining the achievement of a balanced economic development over the country's regions (Frisbie, 1995). He pointed, also, to structural and technical limitations on the national, regional and local levels that have hindered the implementation of development strategies. This has limited the plans and projects of the governmental agencies to the allocated annual budget; in turn this has raised the reliance on individual 'project planning', depriving the development of coherence.

Al-Hathloul and Edadan (1995) have also raised questions in relation to the main issues that would warrant further research. These questions are: Should central government continue financing infrastructure projects in cities, or should such decisions be left to the regions and localities to decide? What is the required level of financial independency for the localities, if they alone are to tackle self-development? Should the private sector be invited to participate in financing these projects, and what steps should be taken to encourage such investors to do so? These questions raise possible options that are worth considering in any evaluation of the role of regional policies in local economic development.

In another study of experiences of urban planning in Saudi Arabia, Edward Lynch (1995) analysed the factors affecting planning activities and came up with specific points of weakness in the area of implementing plans and strategies. First is the unclear delegation of planning functions. This is represented clearly in the multiplicity of local implementing bodies (the county office, municipality and the branches of central ministries), each with its own goals, and which might in some instances be contradictory. While the recent Law of Provinces has provided a description of administrative units in the regions, there has been no clear depiction of the functional relationship between the county office and municipality. The second weakness is in collaboration between developmental sectors. Lynch referred to the fifth national

development plan (1990-1994), which indicated that urban planning requires more of the measures and regulations that organise the procedures of approving and implementing plans in order to avoid the duplication or omission of service provision in some places.

The third weakness is in the tools controlling development at the local level. This indicates the limitations in local municipalities' authority. An example of this is that municipalities currently do not review other government agencies' projects, nor do they exercise their authority over issuing permits for them. A fourth weakness of planning practice in Saudi Arabia is the absence of local participation in the process of preparing plans. The absent participation is not only that of the public, but even local planners are absent in most cases as planning for localities is usually undertaken by private consultants, most of whom are expatriate professionals. The last apparent weakness in planning practice is related to the institutional structure upon which planning is practised. This appears as deficient planning regulations, disorganised relationships between the various sectors, an inefficient functional structure within the hierarchy of municipalities, and the administrative structure of executive bodies within one region or locality (Lynch, 1995).

Othman (1995) has pointed directly to one of the challenges facing urban planning in Saudi Arabia, which is the concentration of planning efforts at only national and local levels. This is despite the fact that the national development plans have highlighted, since their third phase in the mid 1980s, the need for deliberation on regional planning to organise priorities in the development process while balancing its progress throughout the regions. Mubarak (2003) also suggested that effective coordination among the national, regional and local levels of planning still requires attention. Regional planning in particular is an important tool in utilising regional resources, and how best to achieve national gains with minimal negative effects. This could be acquired by optimally utilising national resources, planning for expanding services and coordinating public developments. National and urban planning in Saudi Arabia is still mainly undertaken by central government, with the local level playing only a very limited role. Moreover there remains some dependency on imported development models, mainly western, for development planning.

As for the local level, Mubarak (2004b) has criticized the municipal system in urban areas. He has shown how municipal planning is limited by several royal decrees dating back to 1976. Central government still maintains full power through its centralised

ministries; the political structure has no tradition of autonomous local government, and hence local municipalities have limited financial power. They cannot retain even small amounts of revenue to spend locally, because all government agencies at every level are required to return any collected fees to the central Ministry of Finance. It would be then justified, in the case of Arriyadh, to consider the “inflexible political culture that fails to engage with and lead communities as one of the key obstacles to good governance” of the region (Arriyadh Development Authority, 1999, p.3)

The role of secondary cities³³ in spreading development across the national space in Saudi Arabia has been comprehensively evaluated in a study that promoted it as an instrument of spatial development. Alkhedheiri (1998, 2002) revealed that while secondary cities in Saudi Arabia have a potential role in balancing development spatially, they have not been used for that purpose despite the availability of indigenous resources. In fact, national investment policies appear to have been the main cause of their marginalisation. The important role of secondary cities derives from their spatial functions. The first stated function is the secondary cities’ own development, which represents decentralisation. Their second function is the potential spread or trickle-down effects that will benefit small towns and rural areas respectively. The third potential function of secondary cities is retaining population and attracting migrants, which could make them magnets to counter the expansion of large metropolitan areas (Alkhedheiri, 1998).

Mubarak (1995) concluded by calling for citizen participation in the role of localities as a solution to inefficient urban growth and in order to support urban economies. He proposed a gradual delegation of governance and financial authority to regional and local bodies. Such decentralisation procedures, he hoped, would promote local governance in complementing the national planning goals (Mubarak, 1995). However, to date this has not happened: but there has been a very slow movement towards public participation, mainly through the enactment of half-elected municipal councils in 2004.

2 - 6 Conclusion

The need for resource planning in Saudi Arabia came with its rulers’ efforts to establish the foundations of a new country at the beginning of the twentieth century. Development policies emerged as tributary activities to the political work. They might not have fallen within an institutional framework at that stage but were certainly

³³ Small and medium size cities, as oppose to primate ones.

available to support early developmental goals, e.g. the establishment of population settlements in 1912. The establishment of the first nation-state in the territories of Saudi Arabia also brought some challenges, given the geographic, social and economic characteristics which influenced the pace of socioeconomic development and the layout of the spatial structure. However, the beginning of oil production shortly after the establishment of the country supported the rulers' position and gradually allowed them to build a structure for the state's institutions.

It might fairly be said that the two decades following the establishment of the country in 1932 provided a period of internal consolidation while gaining an international foothold. During this period the country concentrated on foreign affairs and internal security. Regions and localities were managed in a traditional, delegated manner, with no planning or significant economic activity. The formation of the first Council of Ministers in 1953 denoted a new period of bureaucratic government in Saudi Arabia. It resulted in a central system of governance, with executive branches for some sectors at local level. Subsequent efforts have been made by the government to formulate rules and create an administrative structure to provide a system of management and development in the country.

Subsequently, the adoption of the FYDPs approach for national development that started in 1970 signified a new stage for the organisation of the country as a whole. These periodically-produced plans were meant to work as a way to organize state spending policies, underpinned by oil revenues, across development sectors. This systematic documentation and planning of socioeconomic development allowed the government to achieve focused development in the major cities. It also revealed the need to consider the spatial dimension in the development planning process. This appeared in the third FYDP (1980-1984) which included regional development as a strategic policy. Cumulatively, the government started to formalise a national strategy to develop the spatial framework from the mid 1980s. The latest outcome of these efforts appeared in 2000 with the endorsement of the NSS.

The NSS provides a general spatial layout for the country that could be used as a framework for regional development planning, this being confirmed as missing by several critical studies (Berch et al., 1995; Mashabi, 1995; Al-Kahtani, 2003; Mubarak, 2004a). The proposed corridors of development and growth centres represent the physical layout to guide regional planning with supporting sectoral development policies. The NSS could be used to guide regional development planning as a

requirement for delivering development to localities, while also being used to organise sectors' development policies along the spatial layout.

Despite the significant role of the NSS as a nationally endorsed spatial plan, the promulgation of the Law of Provinces in 1992 make a more significant addition to the progress of national and regional development policy. The Law of Provinces represented a turning point in terms of the new governance structure in that it has brought for the first time a sub-national form of governing bodies. These are the regional councils that are entrusted with the spatial and socioeconomic development of their delineated territories.

Chapter 3

Theories of Regional Development

Chapter 3

Regional Development Theories

3 - 1 Introduction

The conceptual field that contains the issues of regional development is not clearly defined (Dawkins, 2003). The multidisciplinary nature of regional development theory has contributed fundamentally to the spread of its literature across various fields; it is usually the departure point of the speciality that determines the orientation and focus of the regional development study. Geographers initially dealt with regional development as a scale of arranging resources in a space, through a variety of scales from local to national scales (Morris, 1998). Economists became interested in the growth of regions after the importance of the spatial dimension in economic development was recognised (Jensen, 1996). Later, the topics of regional growth and development were “investigated by sociologists, political scientists and researchers from other social science disciplines.” (Dawkins, 2003, pp.132).

The research problem, after illustrating the regional development structure in the case study, has directed the conceptual framework of this study towards regional development theories, policies and planning. Taking spatial planning as a departure point for development, concepts of regional development theories would be a mixture of geography, spatial economy, politics and social formulas (Friedmann and Weaver, 1979). This chapter will provide an overview of the theoretical debates that adopt regions as units of the spatial economic development. Accordingly it starts by clarifying the meaning of region, and its associated disciplines as well as some administrative and political variations. Another part of the definition is devoted to clarify the meaning of development as a variance from merely growth. The chapter proceeds with a review of the fields that deal with studies of regional development. The relevant actual models of regional development are then laid out over three groups of collective concept classifications.

The first group is models and theories of growth and development through inter-regional economic exchange. It contains models of interregional convergence, location theory and regional science, external economies, spatial competition and central place theory. The second group is devoted to development theories that involve significant

factors other than those of pure economics. These include theories of regional economic convergence, theories of regional economic divergence, structuralist theories, and political institutions and regional economic development. The third group of regional development concepts is for those more recent models which reveal and emphasize the role of geography and human resources. These include the role of culture and human resources, geographic resources and territorial innovation models.

3 - 2 Definition of the Region

Before elaborating on the various concepts that establish the processes of achieving regional development, we need to review whether these various concepts are based on the same definition of the region. It has been shown that theories of regional development are not in agreement over the definition of regions. That is, while some theorists accept the existing setting of geographic and economic units as regions, others have their own definitions and conditions for what comprises a region (Dawkins, 2003). Therefore it should be noted that the definition of regions is part of the conceptual drawing of assumptions in each theory that tackles regional development. Additionally, clarifying the framework that defines a region and its boundaries is essential to the selection of tools for analysis and development of instruments for the region.

Some concepts define a region as a system of hierarchical orders of cities and towns that are bound by the market area of the different goods offered by the city. That is the spatial structure, within which cities depend on others of higher order to import goods makes up a region. This definition was drawn by Christaller ([1933] 1966) and Lösch (1954) in their Central Place Theory. While this definition depends on the goods-market, another concept builds its definition on the labour-market. Brown and Holmes (1971) define the “nodal” region as bounded space that has a common functionality around a single dominant node. Another explanation by Richardson states that “Population and economic activities ... will be concentrated in or around specific foci of activity, i.e. cities and towns.” (Richardson, 1973, p.7). A similar idea extends the definition of the nodal region to include polycentric regions, where several nodes might exist in a region (Richardson, 1979). This concept has been used to produce what has been called a “functional economic area”, as proposed by Karl Fox (Fox and Kumar, 1994), which attributes the dominance of a central place over the surrounding periphery to the spatial dependence of workers on adjacent employment centres.

In an effort to overcome the contradiction between the economic-based definitions of regions, whether market- or labour-oriented, with the political and administrative divisions' boundaries, some models have been developed to combine them in a clear delineation of 'regions'. The United States Census Bureau developed the MSA unit, the Metropolitan Statistical Area that is based on the commuting patterns in an urban area with consideration given to the counties' boundaries. Regions could be basically delineated as a homogenous grouping of the administrative units that share a common internal factor, such as income or labour specialization. "Planning regions" have also been proposed (Richardson, 1979) where the regions' boundaries do not necessarily contain unique environmental or geographical characteristics, but are territorially delimited toward development. Therefore, Institutional Economics and the Growth Machine literature apply this approach when seeking to define regions as an intermediate space of institutional interaction that work for local advantage (Hirst, 1994; Amin and Thrift, 1995; Storper, 1997; Amin, 1999).

Another approach suggests considering the interdependence between natural resource systems and human populations. One example of such a holistic approach is when Markusen defines a region as a "historically evolved, contiguous territorial society that possesses a physical environment, a socioeconomic, political, and cultural milieu, and a spatial structure distinct from other regions and from the other major territorial units, city and nation" (Markusen, 1987, pp.16-17). Similar views have considered the interdependence between the economic forces and some geographic or environmental setting in defining a region; see (Cronon, 1991) for the case of the Chicago metropolitan region.

Finally, a recent comprehensive definition is drawn by Dawkins (2003) who defines the region as a "spatially contiguous population (of human beings) that is bound either by historical necessity or by choice to a particular geographic location. The dependence on location may arise from a shared attraction to local culture, local employment centres, local natural resources or other location-specific amenities." (p. 134)

These are conceptual definitions, which could be used to build other social and economic models. However, to define regions for practical usage there might be some conditions to identify a region. These are that it: 1) contains at least an urban area 2) enjoys certain administrative or government power, and 3) contains human activities. As for their names, regions are called provinces in Canada, states in Australia and the United States, départements in France and Länders in Germany. The scale of region

varies massively among the countries. The basic commonality, however, is that regions tend to be the middle tier between the national and the local levels of governance.

3 - 3 Development vs. Growth Theory of regions

Approaching spatial dimension as a basis to make real and inclusive impact of economic growth on the ground comes along with the involvement of specialists of fields beyond economics in the discussions of spreading and balancing wellbeing. This level of detailed discussions calls for the distinction between the term ‘growth’ that is inherent with economic measurements and ‘development’ as an inclusive term.

3 - 3 - 1 Differences between growth and development

In management theories and economics there is quite a distinction between development and growth. From the name it seems obvious that development implies more elements that move forward than simply growth. In management theories, development reflects the change to a better situation in terms of quality, while growth reflects an increase in quantity. In other words, it could be described as promoting quality of life versus raising the standard of living (Ackoff, 1986). Thus the mere availability of money does not turn an underdeveloped country or region into a developed one. On the other hand, should a developed nation experience a crisis and lose its financial status it will not easily be downgraded in terms of development. An important issue here is that although development and growth are not counterparts, and indeed they usually complement each other, attempts could be promoted to avoid some aspects of growth for the sake of better development. We can find this in some environmentalists’ claims (Barkley and Seckler, 1972; Beder, 1996).

In economics, growth is always a goal that strategies and policies are proposed to achieve. However, growth alone is not considered a sufficient condition for development. Development is achieved partly through growth processes, in addition to other dimensional processes that involve structuring the wider spectrum of the economic and social system (Todaro and Smith, 2006). In a simpler explanation, economic growth is about increasing living resources in a community (whether a nation, region or smaller human settlement) while development of the economy is about making living resources available for the population of such a community (Morris, 1998). Economic growth is mainly measured by how much the community produces as an economic activity and then earns as GDP. Economic development might be better described qualitatively, but could still be measured by a wide range of quantitative

indicators that cover the wider dimensions that development includes apart from the monetary side: i.e. Human Development Index, Human Poverty Index and Human Suffering Index (Todaro, 1992).

3 - 3 - 2 Growth and regional development theories

Most spatial economic theories are an adapted form of those economic theories that are used for general growth theory (Richardson, 1973). However, there are some stand-alone, spatially based economic theories that provide justification for the organization of urban areas and potentiality of their growth, an example being Christaller's central place theory. Many writers on spatial development mix pure growth theories with what were intended to be spatial development models (Borts, 1960; Romans, 1965; Siebert, 1969). A possible explanation for this massive conflation is that most of the theorists and interested scholars are pure economists.

Given that the 'regional' specification merely defines a perimeter within which spatially focused development actions are directed (Martinelli, 2005), the main motive that gave rise to the importance of regional analysis was the political attention directed to the problems of regional disparities (Richardson, 1973). The need for a spatially-based development model appears clearly when considering the debate among economists themselves on the role of central authorities and their intervention potential (Vane and Caslin, 1987; Chisholm, 1990). This should open the ground for specialists in spatial studies to enforce their principles and adopt approaches that better fit spatially-based developments.

State intervention could be viewed in terms of the government's role in: 1) regulating for the effectiveness of economic performance, 2) adjusting for social concerns to permit equitable distribution of resources, and 3) granting political legitimacy to avoid social conflict (Martinelli, 2005). Therefore economic planning does always take place even in the most capitalist states where market economy and decentralisation are flagged, as opposed to centralised planning systems. The 'New Deal' is an example of state intervention that took place in the US in the 1930s following the great depression,³⁴ and the Tennessee Valley Authority's industrial estate is a regional development model that the federal government created in response to the impact of the

³⁴ See (Sitkoff, 1985) for critical interpretation of New Deal economic policies.

depression on that particular region³⁵. Indeed, western countries still have only limited scope to practise national planning given the prevailing private ownership.

Much literature has been devoted to the review of regional growth theories, or to studying and analysing the applicability of some particular model. Richardson (1973), Chisholm (1990), Dawkins (2003) and Pike et al. (2006) have provided, in various ways, critical reviews of the major regional growth theories and some development models without clear distinction among them in terms of their practicality. Chisholm (1990) provided his review in correspondence with the changing factors of the economic system in the western world. He explained that after the commonality of neoclassical thought in the early decades of the twentieth century, the period that followed WWII saw the prevalence of Keynesian economic models and its reflected regional growth policies. He pointed also to the 1970s which witnessed international complications that generated some controversy concerning the adequacy of that Keynesian economic model and, hence, its given policies. “if we can recognise the provenance of our ideas and the circumstances in which these ideas were initially articulated, we will be able to judge their appropriateness for new circumstances as they arise.” (Chisholm, 1990, p.2).

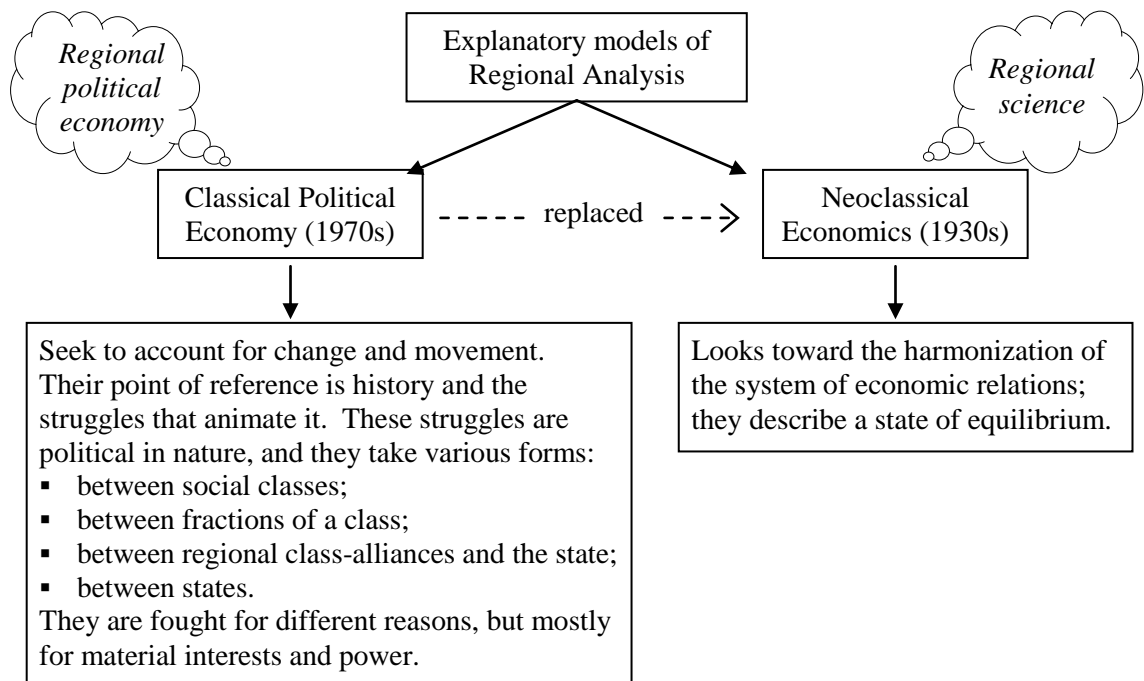
Some other writers have focused more on regional development models which cover broader issues than do the pure growth theories. Friedmann (1966), Friedmann and Weaver (1979), and Albrechts et al. (1989b) have covered regional development issues in their planning and policy dimensions. The uniqueness of the reviews of regional development perspectives appears in their interpretation of the processes aimed at development, whether those processes are planning or policy. Friedmann has covered the evolution of regional planning in the US, in addition to his writings about regional development in developing countries. Whilst, Albrechts et al., have considered regional development policies in the European context. Despite the relatively large amount of literature on regional development, a common ambiguity still persists between regional planning and regional policy.

³⁵ Friedmann (1955) provides a regional planning study of the spatial structure of economic development in the Tennessee Valley. See also Hudson and Williams (1995) for its mirrored Western Europe programmes.

3 - 4 Fields of Regional Studies

There are different names, thoughts, and even various theoretical bases with different methodologies for studies that tackle spatial development and particularly regional development. This is mainly due to the common diversity of schools of thought in economics. Other than the diverse epistemological basis of some major fields of regional studies, such as regional science and regional political economy (Figure 3-1), there are some indistinct³⁶ names for studies that approach spatial problems, such as regionalism and economics of location. Beside these economic-based ideas, there is a pure spatial field for planning where regions appear as one level among several spatial scales.

Figure 3-1: The two most common models of regional analysis



Source: Illustrated from Moulaert (1983, pp.15-16).

3 - 4 - 1 Regional Science

Regional science is a field that is based on theories of spatial economics that were first published in the 1930s³⁷ and conducted by neoclassical economists, embracing social sciences that focus on the spatial dimension. Its main practicality is that it offers

³⁶ Not solidly attached to a specific theoretical basis.

³⁷ A cornerstone of these theories is Christaller's central place theory that was first published in 1933 in German.

economic-based analytical tools that measure interregional economic performance (Friedmann and Weaver, 1979). It also provides tools for economic analysis that consider space, whether it be distance (transportation) or place (land use), a commodity or production input (Moulaert, 1983).

The formation of the regional Science Association in 1954³⁸ dates the formal recognition of regional science as a multidisciplinary field of study. In terms of its methodology, the affiliation of regional science to neoclassical economics caused it to adopt its positivist approach (Moulaert, 1983). Walter Isard is a major scholar in this field who has played a vital role in collecting efforts of various scholars, economists, geographers, planners, sociologists and others, to construct and contribute to regional science. He, alongside other scholars, contributed with literature about regional analysis methods and tools i.e. Isard (1960, 1975), Isard and Cumberland (1961), Bendavid (1974), Hoover and Giarratani (1984) and Isard et al. (1998).

Some of the more widely-spread methods and tools of regional analysis that are used within the field of regional science include the input-output model, shift-share analysis, spatial interaction models and industrial complex analysis. Theories and models of space and economy such as Christaller's central place theory ([1933] 1966), Hoover's Location Theory (1937) and Perroux's economic models of space (1950) are considered part of regional science.

3 - 4 - 2 Regional Political Economy

Regional political economy is another form of regional analysis, in contrast with regional science, that was developed later during the 1970s (Moulaert and Salinas, 1983). Its concepts were mostly built on the idea of political economy³⁹. Therefore,

³⁸ Now called "Regional Science Association International".

³⁹ The idea of political economy, as described by The Concise Oxford Dictionary of Politics (2003), was first developed in the early 1600s. It refers to the public management of the affairs of state as opposed to the mercantilist view that focuses on generating money by trade. The philosophers of the Scottish Enlightenment used the term "political economy" for their ideas about the government's task of organizing economic activities for the state and its members, as stated in James Steuart's (1966 [1767]) principles of political economy and Adam Smith's (1993 [1776]) *The Wealth of Nations*. Later, classical political economy was based on the economic formulation of society's structure. It sought to discover the laws that regulate the economic relationships between social classes (Robertson, 1817 [1777]). Another aspect of classical political economy, developed by David Ricardo (1821 [1817]), built a theory of labour value which considers labour as a measure or source of value.

Ricardo's argument that industrial development should be based on the idea of comparative advantage became central to the concept of development and underdevelopment among nations (The Concise Oxford Dictionary of Politics, 2003). Further counter arguments have come in response to the abstraction of classical political economy to the production system and, hence, the social classes. Karl Marx criticised the generalisation of classical political economists in their justifications, which assume the division of labour, that resulted from considering labour as a commodity (Marx and Dobb, 1971), see also (Marx *et al.*, 1974).

Various writers about regional development in particular have elaborated that most regional economic theories

regional political economy accounts for the organization of economic resources in space primarily from the social bases of economic interaction, as well as the potential impact on society arising from the resulting economic and spatial system. It also considers the political basis for production and distribution systems. This concept takes the analysis of spatial activities deeply into the network of social interactions which provide a basis and framework for economic activities represented in the modes of production, as well as for the political structure represented in the modes of governance.

In his conceptual and methodological comparison, Moulaert (1983) explained that the approach to political economy followed by regional political economists is entirely different from that of regional science (Table 3-1). This is despite the fact that regional science has provided significant insights into the social realities in understanding space interactions, whether they be regions' locational patterns, the size and structure of urban-rural relations, environmental problems or even political issues of space organization such as regionalism versus federalism, or centralisation versus decentralisation. Regional political economy enforces the social understanding of Marxist thinking about the justification for economic activities. Thus regional political economy is associated with the historical, dialectical approach to political economy (Moulaert, 1983).

Table 3-1: Comparison between Regional Science and Regional Political Economy

	Regional Science	Regional Political Economy
Conceptual (economic) affiliation	Neoclassical Economy	Political Economy
Epistemology	Positivism	Dialectical
Ontological stance	Idealism	Materialism

Source: adapted from (Moulaert, 1983)

3 - 4 - 3 Regionalism

Regionalism is a rather political term that used to be a matter of some debate within nations as a model of government. According to Markusen (1978, cited in Markusen, 1983, p.42) the political dimension has a major role in defining regionalism. Therefore,

originally derived from theories about national and international development (Friedmann and Alonso, 1964). This should explain the essence of political economic theories and the justification for using them in regional political economy.

stemming from a political economy approach, regionalism would be "the political claim of a territorially identified group of people against one or several mechanisms of the State" (Markusen, 1983, p.42). In this sense regionalism involves the composition of social relations that are spatially delineated within the state. It allows for better representation of the history of each social group, compared to the abstract and purely political delimitation of the state, when confronting the various mechanisms of living and production institutions. Such mechanisms would certainly include economic development.

Regionalism appears as a form of governance that deals better with the prevailing internationalisation of markets even if regional disparities, in the era of transnational blocs⁴⁰, are considered merely a correctable market failure (Pike *et al.*, 2006). This is justified by the notion that regions will be closer to the needs and aspirations of their population and hence more likely to focus on the appropriate economic, social and political actions that bring about development for them (Keating, 1998). Regionalism is achieved through devolution from the central state, with some meaningful government power. Over the past few decades, however, it has become an international model for arranging relations among nations. It seems that globalization has increased the claims of regionalism among both developed and developing nations, while promoting the tendency towards representing localities and their indigenous cultures (Bardhan, 2002).

3 - 4 - 4 Economics of location

Economics of location originally meant those studies that consider economic choices within regional planning processes, but "turned out to be the economics of location and, in particular, industrial location" (Friedmann and Weaver, 1979, p.94). These studies started with the theory of industrial location by Alfred Weber (Weber, 1929) with further development of the economics of location by Lösch and Isard (see Lösch, 1954; Isard, 1956) and Christaller's central place theory (see Christaller, 1966). These studies conceptualise the impact of establishing industries within certain locations, mainly to promote spatial development or to achieve better returns from markets space-wise.

In addition to its usability for predicting the future, the geographic essence of economics of location is used to analyse the existing spatial distribution of urban areas across regions or, indeed, firms within cities. It is basically built upon the distance factor that determines the use of space on account of external scale economies

⁴⁰ Namely: in Europe (EU), America (NAFTA) and Asia (ASEAN).

(Krugman, 1991). It could be then referred to as a matter of 'bridging distance' in which the analysis of location economics aims "to combine factors of production into a process of production at the same location" (Moulaert, 1983, p.15). However, given the amalgamation of the analysis principles in location theory with traditional economics, scholars have pursued different factors and issues of spatial analysis that outstrip the scope of location economics theory and, hence, have reduced further relevant contributions (Alonso, 1975).

3 - 4 - 5 Regional planning

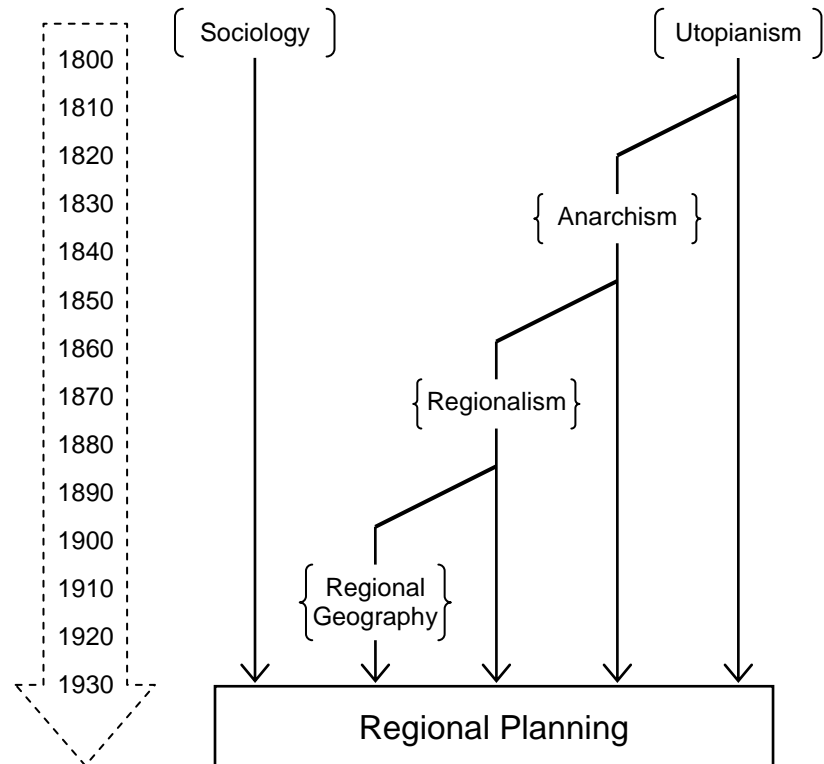
Regional planning seems to have been well established as a professional field (see Figure 3-2), having built its theoretical base during the early decades of the Twentieth century (Friedmann, 1963). "It was the arguments of social scientists and activists concerning political and economic centralization, rural/urban contradictions, class conflict, and environmental relations in industrial society which provided the concepts from which the first doctrine of regional planning would be created" (Weaver, 1984, p.32)⁴¹. Later, the theoretical concepts that had been accepted as the mainstream or orthodoxy began to be challenged, by writers working in the early 1970s and later (Friedmann and Weaver, 1979). Whether it is scientific remodelling or an epistemological re-approaching, the debate continues regarding the ways in which spaces such as cities and towns, along with their peripheries, might be analyzed and actually organized. In addition to the social claims, economic objectives provided a path to debate concerning the most preferable spatial structure for regions. Thus the role of regional professionals came to be that of designing policy more than spatial planning.

However spatial regional planning might still be practised, especially in its analytical aspects, as spatial modelling. This appears more obvious if we consider regional planning as an applied field of regional science (Friedmann and Weaver, 1979). Friedmann and Alonso (1964) believed that spatial organization, urbanization and regional growth theory comprised the intellectual foundations of the discipline of regional planning. This supports the consideration of regional planning's spatial function as a linking instrument between national, or sometimes supra-national, aims and local ambitions. In addition, regional planning would essentially consider socio-

⁴¹ See figure (3-2) for an adapted illustration of the major historical thoughts that Weaver has described as precursors of Regional Planning. See also Haughton and Counsell (2004) for another illustration of the dominant approaches to studying regions.

economic policies and multi-scalar spatial planning. Therefore, its importance increases when the gap between local entity and the above political power widens.

Figure 3-2: Regional planning precursors



Source: Adapted from Weaver (1984)

Glasson (1992) has provided a review of regional planning theory and practice. Most regional planning theories were concentrated around economic objectives and, thus, ranged from the pure economic elaborations of regional growth theory to the role of location in economic development, including the economics of agglomeration and the impact of telecommunications. The size and structure of urban areas have their role in spatial development in terms of socioeconomic wellbeing. Along with the theoretical development of regional planning, methodical approaches have also travelled from the rationale of the 1950s to the 1960s systematic approach, to strategic alternatives in the 1970s (McLoughlin, 1969; Faludi, 1973; Friend and Jessop, 1977).

3 - 5 Concepts of Regional Economic Development

Most regional economic development theories are derived from national development theories (Friedmann and Alonso, 1964)⁴² as a basis for understanding the relational development processes between and within different places. It is considered that variations between nations are somewhat similar to those between the regions within one nation. Due to the multi-disciplinary nature of the field of regional development it is almost impossible to comprehend all the theoretical concepts that are related to the debate about the spatial development of regions, including all of the social, economic, environmental, geographical and political aspects. Rather, this review intends to synthesise the most prominent concepts of regional development that must be considered due to their practicalities, as they are the most often-used concepts in regional development strategies and plans.

First, the review addresses the basic concepts that explain the driving wheels of the growth of regions. Secondly, the basic theories of development which involve factors that are not limited to economic growth. Finally, a review of the concepts that were most recently elaborated, which involve more consideration of the recent structural changes in real-world development factors such as innovation and human resources.

3 - 5 - 1 Growth and Development through inter-regional economic exchange

3 - 5 - 1 - 1 The Interregional Convergence Hypothesis

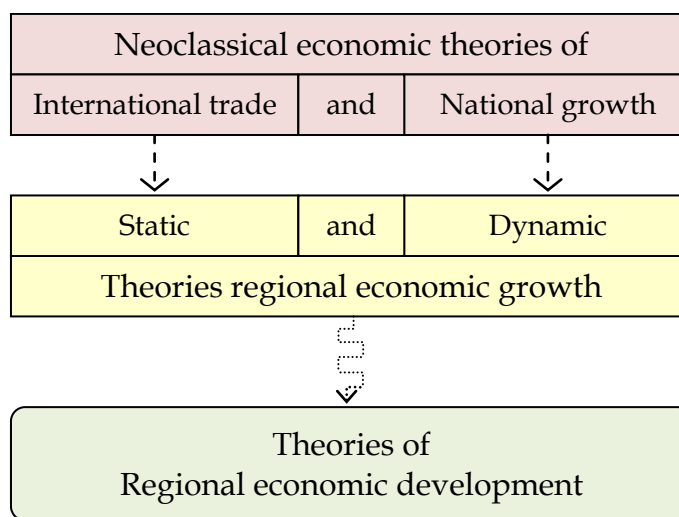
Interregional convergence hypothesis – also called the catch-up effect – is a major, early concept of regional economic growth that is mostly derived from neoclassical economic theories (Dawkins, 2003). Based on the models of convergence, the origin of this hypothesis is either from international trade theory, which inspired a static version of interregional convergence, or from national economic growth theory, which inspired a dynamic version; see (Figure 3-3). Neoclassical trade theories depend on the role of exchanging the available factors of production, i.e. abundant factors such as labour and capital, which are usually split between richer regions and poorer ones.

Neoclassical economics also provide an influential conceptualisation of regional growth theories through interpretation of the exogenous mechanisms that lead to disparities in regional growth occurring in free market states (Borts and Stein, 1964; Williamson,

⁴² See also Dawkins (2003, p.138, section B) for the neoclassical economic view in this regard.

1965). These mechanisms set out to balance growth factors among regions so that lagging regions catch up with prospering ones, in a long-run pursuit of equilibrium (Martin and Sunley, 1998). Based on this logic, state intervention is limited to instruments that correct any market failure that would hinder the process of convergence of income and production output (Pike *et al.*, 2006). It is assumed that trade and investment will eventually lead to an equalization of wages across regions.

Figure 3-3: Origins and inspiration of regional growth theories



Source: Adapted from Dawkins (2003)

a. Static model

The static model of the interregional convergence hypothesis is drawn from neoclassical trade theory and was developed by Heckscher (1919), Ohlin (1933), and Samuelson (1948, 1949, 1953) hence becoming known as the HOS theorem. Building upon Ricardo's theory of comparative advantage (1821 [1817]), Heckscher (1919) and Ohlin (1933) argue that regions – as is the case in countries – are variously endowed with production factors, whether labour, capital or land. They demonstrated that a factor-abundant region will have a comparative advantage in the production and trade of goods that require the intensive use of that factor. They base their argument on a perfectly competitive market, when the opportunity cost would adjust the balance of trade in products between regions.

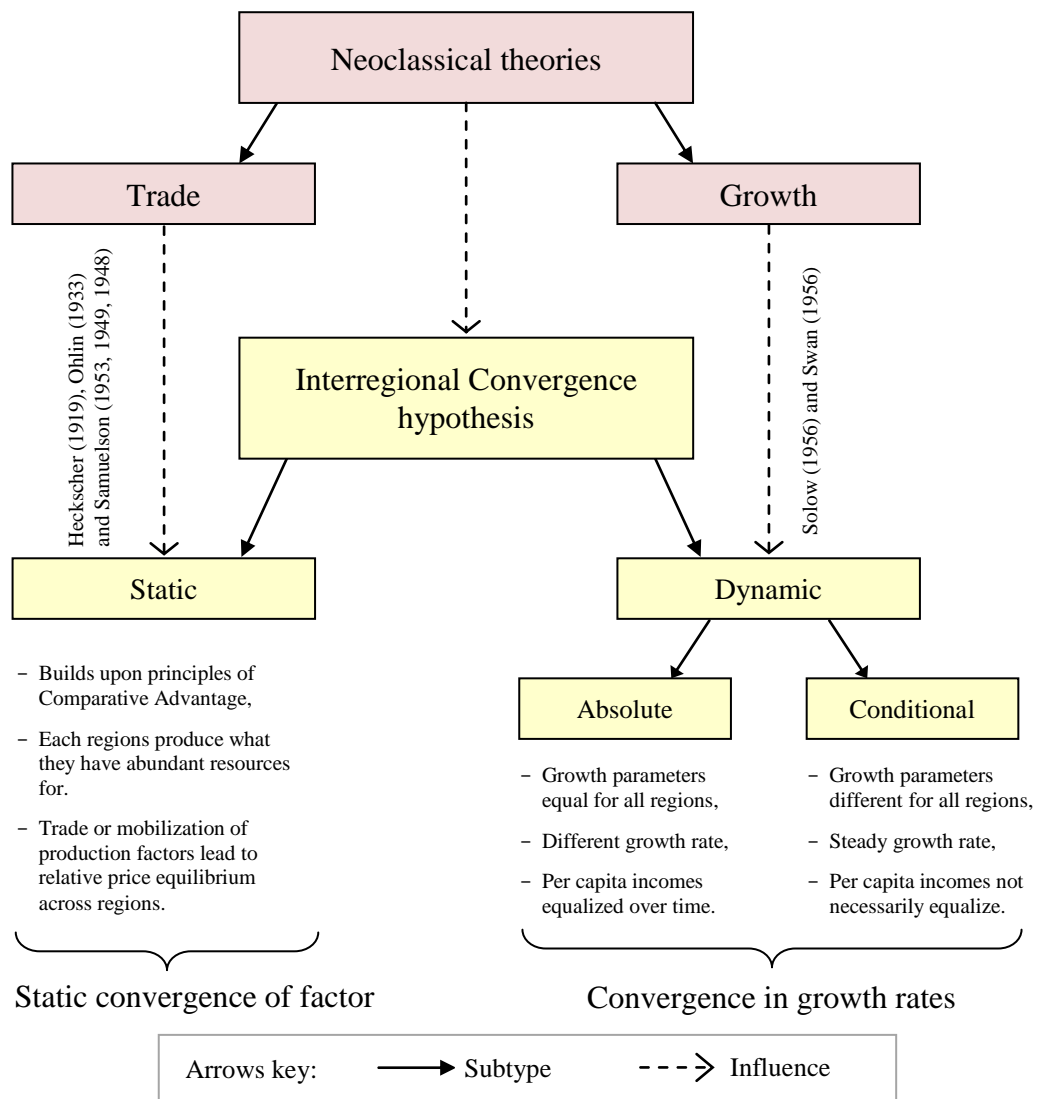
Samuelson (1948, 1949, 1953) added more about the role of free trade and mobility of factors that contribute to price equalisation of production factors among the regions involved in the long run. The balance resulting from trade would provide for more output for both regions, and hence increased economic returns. The specialisation of

regions in their resource-abundant products contributes to an increasing price for the relevant production factor, e.g. labour, due to the increase in demand for that factor. Eventually regions gain from specialization in production, using their comparative advantage, which increases the demand for their speciality and raises the price of their most readily available factor of production.

b. Dynamic model

The dynamic model of the interregional convergence hypothesis is drawn from neoclassical growth theory, and was developed by Solow (1956) and Swan (1956). Compared to the static model that refers to convergence through factors of production, the dynamic model refers to convergence in growth rates; see (Figure 3-4).

Figure 3-4: Hypotheses of interregional convergence



Source: Adapted from Salvatore (2007) and Pike et al. (2006)

It suggests two types of growth: The first is absolute growth, where the factors of the growth model are equal for all regions. It states that richer regions will grow slower than poorer ones; and that per capita incomes will become equalized across regions over time, as in the HOS model of international trade. The second type is conditional growth, where rates of savings, depreciation and population growth are allowed to differ across regions. It states that convergence occurs towards a steady state of growth rate, resulting in constant per capita incomes, consumption levels and capital/labour ratios. This type of growth does not necessarily result in equal per capita income levels across regions (Dawkins, 2003).

Although both models suggest convergence of per capita incomes across regions, they differ in hypothesising the process that brings about that convergence (Table 3-2):

Table 3-2: Variations in interregional convergence hypothesis

HOS model	Solow-Swan Model
Static, refers to the convergence of factor prices.	Dynamic, refers to the convergence of growth rates.
Convergence occurs through trade or factor mobility.	Convergence occurs through diminishing returns on capital investment.
Specialized production of an abundant-factor (with capital or labour) represent comparative advantage for their regions.	Regions with less capital per unit of labour will tend to have higher rates of return and higher initial growth rates than regions with high levels of capital per worker.
Following trade and specialization the absolute prices of labour and capital will be equalized eventually.	Allow for differences in production technologies and/or savings rates across regions.

Source: adapted from Dawkins (2003).

3 - 5 - 1 - 2 Location Theory

Location theory provides essentially economic models that allow the measurement of economic decision-making, in terms of where to locate production firms in order to maximise their profit. It was established by Alfred Weber (1929) to cover the absence of spatial factors from economic theory. It was extended subsequently by Edgar Hoover (1937; 1948), Melvin Greenhut (1956, 1963), and Walter Isard (1956). Its models of transportation costs became prominent in other theories of economic growth, providing concepts that analyse factors affecting production costs. From this role of

location theory in economic growth grew its contribution to spatial development that appeared in regional science (Isard, 1956) as well as the new economic geography and spatial economics (Fujita *et al.*, 2001).

Various forms of location theory contribute to the reasoning behind the location of production firms, with mathematical models for transportation costs of either raw materials or the final product. Moreover, advances in location theory allowed better comprehension of economic activities, such as some service sectors, that have minimal or different considerations than the factor of transportation cost (Martinelli and Moulaert, 1993). The collective forms of location theory have contributed, as part of regional science, to understanding the locational behaviour of economic activities (Moulaert, 1983). This includes anticipating factors of investment succession in particular locations, as well as analysing the spreading pattern of economic activities, urban-rural connections and regional economic formation. Some effort has been made to utilise the general concept of location in a broader context, to explain interregional economic development by trade (Hotelling, 1929; Ohlin, 1933; Richardson, 1969; Alonso, 1975; Isard *et al.*, 1998).

3 - 5 - 1 - 3 External Economies (agglomeration)

In addition to the internal economic factor of transportation cost inputs and outputs proposed by location theory for individual firms, other economic factors are considered to be external to the production process as they concern industrial firms in a given region. This concept was first published by Marshal (1961 [1890]) and explained later by Hoover (1937) who also elaborated on factors concerning the location of production and business firms for reasons other than economics, e.g. personal preferences and the surrounding living environment. Also known as agglomeration economies, the clustering of firms in a local space, whether they are affiliated to the same industry or belong to different industries, may increase their economic returns regardless of their proximity to inputs or markets. Supporters of this concept have brought different justifications for the clustering as external benefits of physical location within a local area. These include the benefits to be gained from sharing the market with other, similar firms, and utilising resource pooling and knowledge spillover.

3 - 5 - 1 - 4 Models of Spatial Competition

Elaborating the impact of proximity to the market, Hotelling (1929) provided a starting point for the extended development of models that discuss the role of space in economic

behaviour of firms. This is mainly based on the factor of transportation costs to the consumer, and its pricing counterpart that would be incurred by the product. The optimum location of competing firms is proposed to be the one concentrated in the market space, thus bringing the greatest returns as consumers will be willing to pay for proximity. This also reflects the market power that firms gain by satisfying consumers' demand for products at a closer distance. Arguments against the optimum location in this idea criticise the neglect of social costs at the expense of maximising profit. Further extensions to Hotelling's work have added the factor of spatial competition and threat of entry, as well as demand elasticity developed by Devletoglou (1965) and then by Eaton and Lipsey (1978) and others.

3 - 5 - 1 - 5 Central Place Theory

Central Place Theory is a geographical theory that provides an explanation for the distribution of towns in space, based on their function as markets in a hierarchical system. It suggests that towns follow a centralized pattern in an order of significance determined by their markets. This idea was first proposed by Walter Christaller ([1933] 1966) who developed the hexagonal market area framework. It was then expanded by Lösch, (1954) who introduced the demand cone. Their resulting idea depends on two main factors, economies of scale and transportation costs, as determining the size of the market. Criticisms still appear, much as those directed at location theory, in that they both ignore other significant economic factors such as labour migration. Thus they are considered incomplete as models for regional economic development.

3 - 5 - 2 Other development theories

3 - 5 - 2 - 1 Theories of Regional Economic Convergence

a. Export Base Theory

Developed by Douglass North (1955, 1956) and Charles Tiebout (1956b, a)⁴³, Export Base theory is a long-term model of development which claims that regions' development comes from their responsiveness to global demands to produce and export manufactured, service-based or agricultural goods. It explains that the growth of an export market will eventually support the economic base of the region, and stimulate further activities which in turn will increase per capita income. These economic processes will then bring about a diversified economy from the increased production, as

⁴³ Source: (Dawkins, 2003, p.138)

a response to the rise in per capita incomes in the region. Even though the demand for export is significantly dependant on per capita income, the case for this model would be valid in the long run considering the HOS model of international trade where interregional convergence tends to occur when production is dispersed across regions over time.

b. Neoclassical Exogenous Growth Theory

While the Export Base theory was built on the demand-side, Neoclassical Growth theory was based on the supply-side approach to regional productivity and economic growth. It was largely influenced by the dynamic model of interregional convergence developed by Solow (1956) and Swan (1956), which accepts flexibility in production inputs. The growth here occurs as a conditional convergence across regions over time, along with convergence of per capita incomes within regions. This exogenous model of growth has been developed by Borts and Stein (1964) to allow 'for open regional economies with net exogenous labour and capital inflows' (Dawkins, 2003, p.138). The case for the interregional level of convergence is more likely than the case for international convergence, due to the higher mobility of production factors between the regions of one country as well as the greater homogeneity of savings rates, depreciation rates and population growth rates (Barro and Sala-i-Martin, 2004). However, interregional convergence is more likely to occur in the later stages of a nation's development (Williamson, 1965).

3 - 5 - 2 - 2 Theories of Regional Economic Divergence

Theories of regional economic divergence came as a critical response to the neoclassical concepts of convergence (Dawkins, 2003) as there had been different criticisms regarding the applicability of these concepts in less developed countries, and of the assumptions underlying neoclassical growth theories. The main theories of regional economic divergence are the cumulative causation theory and the growth pole theory.

a. Cumulative Causation Theory

The factors that cause cumulative growth come from the continual process of growth that stimulates more clustering of economic activities to increase returns of scale, which is utilised by regions that take the lead in industrialization. Such an agglomeration of economies will offset the advantage of low wages in underdeveloped regions (Myrdal, 1957). Myrdal (1957) explained that the flow of capital and labour counteracts, as a "backwash," the possible benefits of growth spreading out from developed regions.

Moreover, free trade would make the cumulative causation more flexible, to the benefit of the developed regions.

Kaldor (1970) introduced the idea of "efficiency wage" to explain the factors that support the process of cumulative causation. His idea defines the actual efficiency wage by dividing monetary wage by a measure of labour productivity. Developed regions will have lower efficiency wages that stimulate more production, which lead, again, to further reductions in the efficiency wage. This process, according to Kaldor, would help growth to be continually reinforced.

In another elaboration of cumulative causation theory, Dixon and Thirlwall (1975) used Myrdal's model but incorporated the "Verdoorn effect," which links the growth of labour productivity to the growth of output. They argue that cumulative causation implies "constant regional growth differences sustained by the Verdoorn effect" (Dixon and Thirlwall, 1975, p.203).

b. Growth Pole Theory

In many ways, the growth pole theory is similar to the theory of cumulative causation. It simply and clearly describes the self-generation of growth power in a spatial framework. Early work by Perroux (1950) introduced "space as force", where space is considered as an abstract economic field that has influential force. Pole spaces would then be regarded as economic aggregates that are homogenously concentrated, and have growth generation power (Higgins and Savoie, 1997). Such focal points represent the space that contains large and effective firms that have the power to attract other productive firms, and to build links with related industrial firms. Again, similar to Myrdal's idea of development spread, polarized development may benefit other underdeveloped spaces but in the form of a trickling-down effect (Hirschman, 1958). This effect may take the form of purchasing goods or hiring labour from the lagging region.

Friedmann's (1966) model of centre-periphery adds to the concept of advantageous core regions due to the availability of good-quality local leadership, which in turn improves the likelihood of overcoming any limitations in production supply. However, despite its realistic diagnosis of lagging areas, whether resource frontiers⁴⁴ or downward-

⁴⁴ Resource frontiers are undeveloped regions that are mainly providers of natural resources.

transitional areas⁴⁵, and assumption of the empowerment factors of core and large urbanised areas, growth pole theory was largely abandoned in the 1980s (Dawkins, 2003). Most growth pole policies failed to achieve their objectives of inducing economic growth in lagging regions. Many other criticisms have been levelled at the applicability of pole growth theory and the analysis of its processes (Darwent, 1969; Hermansen, 1972; Thomas, 1972; Higgins, 1983).

3 - 5 - 2 - 3 Structuralist Theories

Structuralist theories explain regional development from the changes that modify the structure and relationships that govern productive firms, as well as political-economic systems within and without the region. They explain the process of economic growth as a "path-dependent evolution through various stages of economic maturity." (Dawkins, 2003, p.140). The following is a review of grouped theories falling within this concept:

a. Stage/Sector Theories

A group of structuralist theories describe the process of regional development as progression through different stages; most of these theories discuss sectoral changes in the process of development (Perloff *et al.*, 1960). The apparent interpretations of stage theory observe phases in the evolution of an economy over time. Fisher (1933, 1939) supported by Clark (1951 [1940]) provided an early theory interpreted as "sector theory". Both proposed the theory as appropriate for national rather than regional economies, and sought to connect the occupational structure to economic development (Parr, 1999). They established the three-fold sectoral division of economic activity:

1. Primary (agriculture, forestry, fishing, etc.),
2. Secondary (mining, manufacturing, construction, public utilities, etc.),
3. Tertiary (wholesaling, retailing, transportation, finance and banking, personal services, etc.).

The proposed causal factors to these categories are: the increase of income through transfer of workers to more productive sectors, the importance of capital accumulation, and the nature of demand that accompany each stage with variances. Perloff *et al.*

⁴⁵ Downward-transitional areas are rural areas trapped in a stage of structural poverty, primarily due to their structural dependence on adjacent core regions (Dawkins, 2003, p.140).

(1960) finds the strength of this theory in its concern with the essential factors of economic structure, productivity, and demand.

Another form for the stage theory appears in the work of Hoover and Fisher (1949) and interpreted as "development stages theory". An important factor involved in the development stages theory is the insights from the theory of the location of economic activity (Perloff *et al.*, 1960). The development stages theory argues that economic development takes place as a natural progression through various stages, involving sectoral changes. The collective work on development stages theory provides descriptions of these stages:

1. Initial stage of self-sufficiency and low investment levels. The region in this stage is mostly depending on agriculture.
2. The emergence of transportation improvements and broadening the base of economic activities, in line with locations of agriculture activities. The region would typically witness small-scale manufacturing.
3. Improvement of interregional transportation, which open for trade activities. The region becomes more specialised in exported production.
4. A state of saturation immerses the region, following the diminishing of marginal returns from basic activities as well as population growth, force industrialisation. Activities increased around basic industries; those rely on agriculture and natural resources.
5. The last stage represented in the prevalence of activities that resemble service sector. Regions would specialise in exporting more capital.

An important underlying foundation of this theory is that a relationship exists between a region's development and the structure of its economy.

In this sense, Walt Rostow provided comparable economic view for dynamic stages of development that societies usually pass through: 1) traditional society, 2) preconditions to take-off, 3) take-off, 4) drive to maturity, and 5) high mass-consumption (Rostow, 1971 [1960]). Several criticisms directed towards this abstraction of sequenced stages and that it provides more of a historical depiction rather than a theoretical prediction (Robbins, 1968). An interesting note by Schumpeter (1949 [1934]) here is that innovation is the main factor that stimulates change and advancement, through a process of creative destruction.

b. Profit/Product Cycle Theories

Another body of theories viewed regional development as a reflection of the internal structure of industries within regions. Vernon (1966) presented a spatially-oriented product cycle approach that linked industries' behaviour, during their process of producing and profit making, to preferences for certain spatial locations. He showed that in the initial period of production the price factor of the new product is often ineffective due to the low elasticity of demand. This leads innovative firms to concentrate initially on being relatively close to the hubs of research and development, as well as to their suppliers, more than other factors. Therefore, such new and "innovative" production usually prefers large urban areas that can provide for their mature needs. When firms are fully developed and have their products standardised, they can begin to focus on economies of scale to raise profit. Therefore they can locate their production in areas of less skilled and low-wage labour, which means that underdeveloped regions will then be their preferred location.

Markusen (1985) proposed another approach which focuses on industry structure at various stages of the profit cycle, which meets some of the criticisms of Vernon's product cycle approach. It considers supply-side influence on the cost of production with the cyclical demand perspective of consumers. The proposed five profit cycles are incorporated into spatial patterns that reflect the needs of the production cycle. According to Markusen, firms start from the point of zero profit moving to that of surplus, enjoying the monopolistic benefits of being initial innovators. Eventually, other firms enter the market, and profits are reduced until a critical point is reached where they either work together to maintain control over prices, or gradually lose their profits. In the final stage, firms suffer a decline and investment is reduced.

Spatially, firms start at the location of the innovation or where resources for the industry are available. When firms reach a stabilised position and achieve a surplus in profits, they tend to co-locate in order to utilise the benefits of agglomeration. At a later point in the cycle, when firms have grown in size and reduced in number, they seek to control market power by concentrating on their proximity to consumer markets and to politically supported locations. When they achieve oligopolistic status, firms may relocate to avoid extra costs and when they enter the decline phase, they will gradually leave the spatial factors with their investment.

c. Industrial Restructuring Theories

Due to the international investment phenomena which appeared in the late 1970s and early 1980s, studies have documented the new restructuring strategies within developing industries that provide the justification for new perspectives on regional development. Among these phenomena are the development of the service sector, worldwide movement of capital and labour, and the increased disparities in working conditions among regions. Industries, as an effect of these changes, have transformed their strategies and hence their organization, which has led to a "deskilling" of the labour force (Harrison, 1982), reduction in the share of middle-income workers (Leigh, 1994) and the spatial stratification of the workforce (Massey, 1984).

This industrial restructuring, as shown by several studies, has affected regional development. Sassen (1988) for example has shown that foreign investments have an implicit role in modifying local labour structures in developing countries. The impact on the developed side of the world appeared in Bluestone and Harrison's (1982) study of the United States, where the internationalization of capital flows led to disinvestment from many industries. The different strategies that firms have adopted in reducing jobs have, in turn, led to different outcomes for regions (Massey and Meegan, 1982).

The other trend that has spread across the developed world is the economic transformation from manufacturing to service industries. An empirical study concluded that this trend in regional development involved centralising service work of economic firms, while decentralising low-skilled jobs (Noyelle and Stanback, 1984). Other studies have analysed the emerging economic trends and their associated impact upon the restructuring of economic firms, and on regional development. Storper and Walker (1984) have pointed out the locational options from which firms choose in order to take advantage of the diversity of labour among regions. Danson (1982), on the other hand, pointed out the impact of large firms upon small enterprises by causing clear stratification among the labour force. The result is highly-paid, skilled employment in core firms, and low-waged unskilled labour in peripheral firms.

d. Flexible Specialization and Network Theory

The emerging structural changes within industries have engendered another theoretical approach that focuses on the flexibility of industries' ability to specialise and to network. Piore and Sabel (1984) have discussed economic changes, including financial crises, along with social and political instability and how they all have shaken the traditional format of industrial production and its market setting. The new form of

production has adopted innovation as a flexible way to respond to such changing markets. Flexibility here depends on labour and capital that are able to adapt to changes evolving in the market. This format of flexible specialisation engages firms in the relationship of a mutual network to share information and knowledge.

The availability of dense social networks based on flexible specialisation has been found to be an important factor in the success of Silicon Valley, a leading region in the high-tech industry (Saxenian, 1994). Porter (1990) explained that the networking of industrial firms raises the importance of geographic clustering, and could be viewed as an organizing force for national industrial competitiveness. Geographic clustering of industries helps, also, in concentrating the provision of specialised infrastructure such as public and educational institutions, as well as in facilitating information flows and the spread of innovative ideas within local industries that usually share a similar business environment (Porter, 1990). The role of local competition is also critical to development; Porter found it characterising the innovation-driven stage of development⁴⁶.

Many studies have shown the benefits of geographic clustering and networking in helping industries to adapt to structural changes. Networking provides the controlling advantage of an organised, hierarchical form of transaction governance, while maintaining the key flexibility of the market (Scott, 1992; Cooke and Morgan, 1993). The spatial proximity of such firms helps to impose relationships of trust among them. Cooke and Morgan (1993) described the well-networked region as one that has strong public and private industrial support institutions, channels for the rapid diffusion of technology, a high degree of inter-firm interaction, and a critical mass of innovation-focused firms.

Markusen et al. (1999) expanded the concept of the flexible, specialised industrial district by highlighting the role of large firms, local capital and skilled labour. They identified, in their empirical study, four types of clustering: the traditional small firms' industrial districts, the hub-and-spoke structure where suppliers agglomerate around a few core firms, the state-anchored districts, and satellite industrial districts that comprise the branch facilities of large and externally owned firms.

⁴⁶ See chapter 10 of Porter's (1990) book for detailed discussion of the four stages of competitive development.

e. Marxist Theory

The Marxist perspectives provide another response to the role of emerging structural economic changes in regional growth and decline. They all agree about the capitalist roots of uneven development and hence, the permanent existence of declining or underdeveloped regions. Martin and Sunley (1998) observe that Marxists refuse the convergence and divergence theories of regional growth and decline. They, rather, consider regional development as "episodic," in which changes of development status occur periodically following specific incidents. Other writers also deny the apparent tendency toward the state of balanced growth as long as the unbalanced social structure, which is in turn a result of capital, exists (Harvey, 1985; Smith, 2008).

Thus Marxists insist on the importance of understanding the historical dominance of capitalist modes upon the evolution of economic production (Gordon, 1971; Castells, 1977). Watkins and Perry (1977) provided the example of the development of sunbelt cities in southern USA, which were once lagging, over northern cities. They claimed that "rather than convergence, a more apt analogy can be drawn by considering two trains headed in opposite directions" (Perry and Watkins, 1977, p.22). They argue, also, that the process of cumulative causation could drive regional growth, but not necessarily be a factor in price equalisation.

Furthermore, as part of their opposition to capitalist theories, Marxists focus on the spatial division of labour as a factor that re-imposes underdevelopment. Massey (1995) argues that capitalists employ discriminating spatial strategies to increase capital accumulation. The concentration of large industrial firms, as a strategic choice of capitalists, results in displacement of the labour force (Holland, 1976). We see that the general perspective of the regional political economy directs the causation of regions' underdevelopment from mere market failure, or a delayed phase of development, to an explicit accusation of capitalist modes of production that reinforce the principle of dependency on developed regions (Moulaert and Salinas, 1983; Salinas, 1983).

This Marxist approach along with other regionalist approaches have been combined by Markusen (1987), in a study of the political dimension of regional development in the USA, to emphasise the role of capitalism spread in producing economic differences at the regional level. The study claimed that these differences have constructed unique patterns of regional political conflict that are reinforced by the federal government. Markusen assigns to regional politics the responsibility for determining whether regions should be incorporated into the larger capitalist system, or indeed to take another way.

3 - 5 - 2 - 4 Political Institutions and Regional Economic Development

A set of perspectives on regional development has provided more insight into the important role of politics, including constitutional and planning institutions. These theories cover the impact of policies provision and planning regulations on economic development:

a. Growth Machine Theory

Beyond the debatable roles of structural economics' mechanisms that have been discussed earlier, the role of politics in regional economic development appears leading in the theory of Growth Machine. The theory has brought the matter of achieving growth to the tensions and tendency among power relations in urban areas towards utilising their resources where it is profitable (Molotch, 1976). Molotch's proposition for this relatively recent perspective concludes that what really brings growth and development is the coalition of political and economic elites who are attached to a local area in order to achieve beneficial local economic development (Wolman and Spitzley, 1996).

Thus, Logan et al. (1999) found in their review of Growth Machine theory is that it overreaches discussing modality of the structural mechanisms of the economy in terms of how they bring about growth. Rather, it concentrates on the essential drive of growth which is the formation of the motive among those who have power and interest (Logan and Molotch, 1987).

b. The New Institutional Economics

The importance of the role of political and economic institutions appeared clearly in North's (1990, 1991) work that applies the transaction cost perspective first proposed by Coase (1937) and developed by Williamson (1975, 1985). North's theory of economic development sheds light on the intervention or organization of political and economic institutions to deal with the transaction costs of production. Their intervention would establish the expected calculation of investment in the region of interest. "Institutional adaptation may either promote or discourage economic development" (Dawkins, 2003, p.146).

3 - 5 - 3 Role of geography and human resources

There are other concepts and explanations for development factors that have no solid or stand-alone theoretical rationalisation. However, these concepts are often used to

construct regional development theories. The importance of these concepts is that they lay out factors that have an important role in the endogenous development of regions. Despite their generality that is applied at the national level of development, it would seem important to consider the role of culture and human resources as well as that of geography in the studies of regional development.

3 - 5 - 3 - 1 Culture and Human Resources

Evidence from the real world shows that the wealth and poverty of nations are not directly related to the availability of natural resources. Rather, human resources are the main factor that make a difference to nations' and societies' wealth (Higgins and Savoie, 1997).

a. Large vs. small man's frontier

Some regions have an inherited culture that remains common among its public, which affects the type and quality of the economic activities practised irrespective of the available indigenous resources in the region. The cultural background of a society affects choices in its human resources and their tendency toward entrepreneurship. The established culture that refrains from pursuing entrepreneurship was described by Higgins and Savoie (1997), who used the term "large man's frontier" for the South-eastern regions of the United States, and which contributed to their lagging behind other regions. In contrast, the "small man's frontier" of the western regions has observed smaller entrepreneurs developing export industries. The recently evolved culture in the western regions has also meant more investment in education, and hence living alongside high quality academic institutions and hi-tech industries.

It seems, though, that the cultural resistance against entrepreneurship is mostly linked with the early stages of development or more probably at points of convergence, where structural changes are deemed required. "In the South, as in most underdeveloped countries, the dominant agrarian values long supported a scale of social prestige which placed the land owner, the religious leader, the military leader and the political leader at the top and the man of business down the line." (Nicholls, 1960, p.34). Underdeveloped regions might need structural changes more than anything else.

b. Indigenous resources

The availability of natural resources is not all that is needed for continuous and growing development (Sachs and Warner, 2001), especially given the current status of advancement and complexity of human needs which have been driven to dependency on

ever-more innovative products and services. The growth of innovative products and services has fired continuous competition among regions to win the largest share of such provision. This may be attributed to investment in raising the quality of the learning environment that helps create an innovative society. Sala-I-Martin et al. (2004) provided empirical evidence of the strong correlation between education and economic growth, and found that it is human resources that will generate, produce and further exploit innovative products that become the real advantage that regions compete to accumulate.

The rooting and complexity of culture, values, and customs are the baseline from which to determine and measure regions' human resources abilities, and which is required to lead a region's development (Porter, 1991). The characteristics of human resources that determine the best productivity, when accounting for entrepreneurship, rely mainly on their given culture as well as their ability or flexibility to change in order to achieve development. The change sought is necessary to adapt to the fluctuating nature of economic forces, and for the eternally changing nature of life. The main factor in success, where this adaptability is concerned, is the speed at which new economic waves and, more recently, new innovative trends are picked up (Albrechts and Swyngedouw, 1989).

An example of the role of human resources appears in Myrdal's (1957) explanation of the concept of cumulative causation of growth, which frames regions' initial growth by catalyzing human resources – among other effects - to induce growth centres through agglomeration. The readiness of societies to spur out into specialised clusters is dependent on their capability, with culture playing a significant role in achieving this (Moulaert and Mehmood, 2010). In addition to the market's characteristics and its ruling policies, the basic factor driving these economic processes is the individuals who work for it. Therefore, the availability of the required capacity to constitute specialised productive clusters will be the determinant of their success. This is emphasised more in the development stage, before the region imposes itself within the category of developed regions.

3 - 5 - 3 - 2 Geographic resources

It might be controversial to use the term geography when labelling certain concepts of regional economic development: geography has a territorial aspect that could be related to any spatially-based development model. Yet, the discussion here is more about

indigenous resources that are available in the affected geographic area. The Staples Theory covers the situation when regions develop a sequence of interactions to exploit available commodities and trade them against other, more sophisticated commodities. The concept of the ‘curse of abundance’ on the other hand provides an explanation of the dangers of depending upon what has been naturally endowed.

a. Staples⁴⁷ theory

Each geographic area has its story of development, starting with the availability or scarcity of resources. Economic activities might emerge either as a way to exploit a naturally available resource, or as a way to overcome the lack of resources. Some areas use their available and valuable source of income for it to become a staple (commodity) that dominates their economy’s exports. In the staples thesis, the commodity must be relatively unprocessed. This Canadian concept was evoked initially by Mackintosh (1923) as a call to consider geographic factors in the analysis of economic development against overwhelming political factors. Harold Innis also emphasized the role of geography in shaping the economy, using the case of Canada in the 1920s and 1930s.

The Canadian model of fur trading has come to represent a core argument, developed by Harold Innis (1956 [1930]), to show how Canada became dependent on countries that were developing more industrially-based products. The naturally rich hinterland of Canada provided a source of income just by trading in beaver furs. Local people, though, needed to trade for processed products from countries that had advanced their economies beyond exploiting natural resources. Innis (1956) also considered various staple products that shared a similar effect, such as minerals and wheat. He explained how the focus on exploiting these staple products had institutionalised the culture of their regions. This being so, political intervention came to organize the region’s relations to better exploit and utilise various staple products from various locations (Watkins, 1963).

b. The curse of abundant natural resources

On the other side, when considering the impact of geographical characteristics there could be a blockage due to the abundance of indigenous resources. If the staples theory explains how the availability of a natural source of income would lead to economic dependency on other nations or regions that had implemented wider processing

⁴⁷ Staple is a commodity that dominates an economy’s exports. In the staples thesis, the commodity must be relatively unprocessed.

production, the concept of the curse of abundant natural resources complements the effects of natural endowment. It argues that the lack of resources encourages better performance, including economic production.

“The development of any region is the outcome of the reactions of its population to their environment. Lack of natural resources may prove to be a blessing, if the culture of the people is such that their response to this challenge is the development of entrepreneurship; managerial, scientific, and technical skills; a pervasive work ethic and an extraordinarily disciplined and loyal labour force, as in the case of Japan. An abundance of natural resources can be a “curse,” if as a consequence the people become timid, lazy, un-enterprising, and rooted in habit, custom, and tradition. Canada is a case in point.” (Higgins and Savoie, 1997, p.27)

Although this concept has not been identified as a theory of development, it is widely supported with empirical studies. Most of these have been drawn from the cases of Canada and Australia which share similar circumstances of a vast geographic area with abundant natural resources, minerals in the case of Canada and agricultural land in Australia. Several studies (Sachs and Warner, 1997a, b; Sala-I-Martin, 1997) have provided empirical evidence of the negative correlation between natural resources and economic growth.

3 - 5 - 3 - 3 Territorial Innovation Models

Territorial Innovation Models (TIMs) is the generic name for several models of spatial development that mainly depart from the regional endogenous development approach (Moulaert and Sekia, 2003) and are catalysed by local institutional dynamics (Moulaert and Mehmood, 2010). These models, basically innovative milieu, industrial districts, localised production systems, new industrial spaces, clusters of innovation, regional innovation systems and the learning region have evolved in association with the increasing problems of persistent lagging and inequalities among some localities and regions (Moulaert and Sekia, 2003). They appear as a natural necessity to deal with the unique characteristics, including challenges and opportunities, of localities (Ancuța and Brujan, 2008).

There was an inherited problem with traditional, state-led top-down approaches to development following WWII that adopted policies to attract investment to lagging regions, which is the lack of structural linkages between the attracted local productive firms and the foundations of the local economy (Martinelli, 1998). Moulaert and Sekia (2003) explained in their survey of TIMs that when governments faced the economic

crisis of the mid-1970s and widening competitiveness at the global level, they found themselves exposed to harder challenges to preserve those productive firms that bring added value to their localities. They have fewer resources to spend on preserving the attractiveness of the investment environment, while businesses have more flexibility and choices to relocate. The evolving critical situation produced a call to adopt endogenous approaches to tackle local and regional development. The literary initiative for this approach appeared in Europe by GREMI⁴⁸; see Aydalot (1986) about the innovative environments, and Barro and Sala-i-Martin (1992) for the regional version of the endogenous growth model.

Despite their importance, it is beyond the scope of this discussion to cover these models in their entirety; accordingly a selected choice of the most informative and prevailing models will be discussed here in greater detail. First is the ‘Learning Region’ which is the most popular model at the present time and synthesizes the features of other TIM models (Moulaert and Mehmood, 2010). The second discussion will cover the ‘Industrial Districts Models’ which places more emphasis on the ‘Innovative Milieu’, which highlights endogenous institutional capacity and the role of collaboration in the processes of innovation. The last discussion will be about the ‘Regional Innovation systems’ which provide regional translation of the principles of institutional coordination for sectoral and national innovation systems (Edquist, 1997).

a. Learning Regions Models

There are various descriptions applicable to TIMs in general to be found in conceptual analysis studies (Morgan, 1997; MacKinnon *et al.*, 2002; Moulaert and Sekia, 2003; Moulaert and Nussbaumer, 2005b; Shapira and Youtie, 2008; Moulaert and Mehmood, 2010) as well as survey studies of development cases (Boekema *et al.*, 2000; Santos, 2000; Hassink, 2005; Dunford, 2008). Nevertheless, none of them brings a theoretical structure with confined presumptions (MacKinnon *et al.*, 2002; Moulaert and Sekia, 2003). The case is no different for the learning region, which is the most popular TIM nowadays (Moulaert and Mehmood, 2010). Morgan (1997) has even considered it a new approach for regional development policies that are used by territorial decision-makers to cope with the recent trend for local competitiveness. It boosts and utilises local resources to become an endogenous arm for the growth of the region (Florida, 1995).

⁴⁸ ‘Groupe de Recherche Européen sur les Milieux Innovateurs’ is a research group based in France interested in the study of processes and technological innovation policies at regional and local.

Amid the fuzziness of its definition, Hassink (2005) has synthesized a wise description for learning regions as a regional development concept where the main institutional actors (politicians, policy-makers, chambers of commerce, trade unions, higher education institutes, public research establishments and companies) are connected with each other and to both intraregional and interregional learning processes (Morgan, 1997; Boekema *et al.*, 2000; Hassink, 2001). The emergence and importance of the learning regions' model is straightforwardly justified by the rise of knowledge dissemination as the main catalyst generating high economic value (OECD, 1996, 2001). Consequently the increased importance of an underlying ability to learn within the economic region becomes apparent (Maskell and Malmberg, 1999).

b. Industrial Districts Models

As part of the TIMs, Industrial Districts represent an evolutionary and endogenous theory of growth and development that is based on the concepts of agglomeration and networks. It "is commonly defined as a geographically localized productive system, based on a strong local division of work between small firms specializing in different steps in the production and distribution cycle of an industrial sector, a dominant activity or a limited number of activities." (Moulaert and Sekia, 2003, p.291). It appears that this theory is based on two main features as a model to induce economic growth and spatial development: first is the strong connection with the locality that is integrated with the production system. Such a connection represents the relative socioeconomic notion⁴⁹ as a major contributor to growth (Becattini, 1990). The second feature is the relationship among productive firms (Dei Ottati, 1994b). Such relationships appear to be cooperative, with complementary bonds that include sharing knowledge and supplementing processes of production.

The essential relationship within these enterprises, as well as with other actors in the local community, requires a strong basis, historical indigenization, and socioeconomic culture to guarantee reciprocal cooperation (Dei Ottati, 1994a; Moulaert and Delvainquie`re, 1994). The concept of Industrial Districts, as well as the theory of Innovative Milieu which preceded it, represents a decentralised approach to regional development (Bellandi, 2003). This approach emphasizes local institutional endogeneity (Moulaert and Sekia, 2003) and highlights the role of partnerships which form a cooperative field of intraregional networks (MacKinnon *et al.*, 2002; Moulaert and Mehmood, 2010).

⁴⁹ See Marshal's (1920) concept of the localisation of economy with external economies.

Empirically there are numerous examples across the world, including developing countries, but Italy has received particular attention given the models applied early. The industrial district of Prato in Tuscany, Italy, has been frequently cited to exemplify the development of light industries that cluster on an area with a historical heritage of light industry, e.g. furniture, textiles and shoes; see (Becattini, 1978; Brusco, 1986; Becattini *et al.*, 2003).

c. Regional Innovation Systems

Regional innovation models are variations of a concept that is based on formalizing sources of development by catalyzing the relationship between agents of development in the region in an innovative structure that utilises research activities and creativity, but also develops innovative, interactive systems that exceed technological innovation (Moulaert and Sekia, 2003). It is also defined as a spatially lower level of national innovation system (Edquist, 1997) where regionally affiliated institutions, agents and firms cooperate in the process of intellectual and commercial production. The specification of the regional level for this model of innovative development is confirmed by the affirmed prevalence of organizational development of the innovation (Moulaert and Sekia, 2003). Legendijk (1997) added an explanation to the assignment of the regional level to host the system of innovation and proposed that the regional innovation system could be a branch of a national system, or a narrowed copy of a comprehensive one.

Martinelli (1989) has stressed the vital role of producer services in economic growth. Therefore, European development policies have been directed to the provision of such services in lagging regions. Various policies for regional development have been targeted to enable and support these innovative activities, to integrate with industrial production sectors in order to complement (and keep running) productivity and growth in the targeted regions. This integration comprises the essence of regional innovation systems that are based on making available and organizing productive agents, through creativity in production and services, in a way that achieves development in the amount and quality of productive work in the region. The essence of the innovation systems does also include through creativity in production and services as well as organizing the distribution of roles, among production agents, to utilise the abilities of any effective sector within the production system (Braczyk *et al.*, 1998; Morgan and Nauwelaers, 2002).

3 - 6 Summary

This chapter has established the conceptual framework of the analysis to help explain the logics of regional development and enable the evaluation of current practice in Saudi Arabia. The previous chapter gave an overview of the general framework of the institutional system in Saudi Arabia, and illustrated the approaches and instruments that have been used in regional development there. The practices reviewed led us to some concepts that are used in theoretical debate, and which have been identified as serving planning instruments, and given further consideration in this chapter. They are meant to support the understanding of the subject and provide a basis for the research approach and case-study analysis. Theories of regional development complemented by regional development policy and planning (Chapter 4) have been found to provide a basis for studying the role of regional development policies in local development, for the purposes of this research.

It is now evidently clear that theories of regional development are highly diverse and include a range of domains. This includes both the multiplicity and overlapping of the related fields of science as well as diversity in the associated methods of thinking and scientific analysis. Some of the theoretical concepts of development are attributed to the pure economic theories that underpin growth; its triggers, mechanisms and forms. However, theoretical explanations that are explicitly oriented towards development in its spatial dimension and the overall socioeconomic aspects remain rather new. The dispersal in this subject appeared initially in the definition of the region as a spatial or economic unit (section 3-2).

Because of the diversity in the concepts of spatial development in general, and regional development in particular, it was necessary to determine the dimensions covered in each of the growth and development concepts, and also to distinguish between them (section 3-3). It was valuable to review critically the perception of growth that is related to the increase in the quantitative economic factors and, hence, attributed to pure economic theories and explanations that elaborate increasing resources for living. On the other hand, it was vital for this study to delineate the concept of development to confirm the wider aspects involved in the quality of life within a community. That is to include general wellbeing as an ultimate goal for development, where opportunities to raise the quality of life are available. This is particularly important for this study, as the availability of money does not make a state or a region into a developed one, while an incidental crisis does not turn a developed region into a backward one.

Subsequently, the meaning of ‘development’ was discussed as a varied and more inclusive term compared with ‘growth’, which is a goal but not the final aim. It takes more qualitative work to utilise the quantitative growth and make living resources available to communities. This difference has not been as clear for theories of spatial development, due to the various disciplinary standpoints of the theorising scholars. Each of both concepts calls for various theoretical perceptions. They are generally either inherited from macroeconomic theories of growth that are concerned with increasing and balancing development resources, or spatially-oriented causalities that are concerned with how to develop a certain area such as a delimited locality.

In turn, following the definitions of the various basic concepts of growth and development as well as their theoretical underpinnings, the varying fields of regional study are discussed (section 3-4). It appeared as expected that there are many concepts connected with the studies of regional development, and also varying schools of thought that incorporate the study fields of regional development. There are the orthodox concepts of neoclassical economics, and the revolutionary political economy. Also, beyond the essential economic schools of thought, there are other strongly related fields of regional study; regionalism, economics of location and regional planning.

Regional science, which was founded in the 1930s, is affiliated with the neoclassical economic school, which adopts the principles of a free market and believes the policy of an open market to be capable of creating incentives for the growth of backward regions to help them catch up with developed regions. The field of regional political economy was established later in the 1970s, following in the footsteps of that school of classical political economy that opposes the control of markets and trade in the formulation of the structure of society. Therefore, the principles of the field of regional political economy confirm the government's role in the organization of economic activities. This is meant to take into account the social structure and the presence of conflicts that could have been formed over time causing tensions between social groups, and which may hinder growth and the achievement of real development.

The comparison between such major approaches of regional development study highlights the comprehensive considerations of the regional political economy as opposed to regional science. The approach regional political economy covers more details of the issues that represent real challenges to regional development. The methods of regional development in the regional political economy overcome the problems that regional science has not solved, e.g. market failure. Therefore the

approach of regional political economy adds more insights for this particular research, which is applied to the case of Saudi Arabia. This case is indeed not identical with western models that apply free market approaches or at least limited government intervention.

There are also regional studies that have found their theoretical roots by addressing the concept of regional delineation more than the previous two schools, which rely mainly on economic mechanisms. So the field of Regionalism deals with the concept of the region as a spatial unit that is more appropriate for governance and the management of local development. This includes the regions being supportive of national development, or even a model for international conglomerates. The study of spatial economies also has its field of scientific research that includes ideas for economic growth based on a spatial form, such as industrial areas as an instrument for growth. The studies of regional planning remain another distinct field, which includes the relationships among urban areas and also between them and rural areas. The analytical studies of regional planning may work for policy-making to formulate the spatial framework on more extensive levels, such as the national level, in a way that frames socioeconomic policy and regulates spatial connections between the national and local levels.

These various studies are all important to be considered for this research in order to complement the basic theories derived from neoclassical and classical political economics. Their collective review would allow wider domain for both the methodology (Chapter 5) and the empirical analysis (Chapters 7 and 8) of this research to utilise the available theoretical explanations. Based on this multiplicity of concepts that have established the theories of growth and regional economic development, there are several influential theories, directly or indirectly, applicable to regional development (section 3-5). Some of them take the form of a complete theory of development, while other concepts engage in the causation of mechanisms leading to development.

There is a variety of models under each of the theorised regional growth propositions. They range from a simple, lower scale form of national - interregional rather than international - economic analysis of trade and growth theories to more location- oriented measurement of the costs of production that affect firms that drive economic growth. Another set of theories extends those factors that are involved in locational preferences of production and business firms to include those external to the production process, mainly identified by agglomeration. More spatially-oriented theories elaborate upon the roles of proximity to the market and spatial competition to guide spatial growth and

development. The spatial framework and market concepts are well understood in the geographical theory of central place.

The theories and concepts of regional growth that have been put forward reflect various models of regional development. Export base theory and neoclassical exogenous growth theories reflect the interregional convergence hypothesis. Formulae of development take more details into consideration, hence the criticism of neoclassical convergence concepts that have provided more 'divergence' models such as cumulative causation and the growth pole theory. There are also several models that address the paths of regional growth through changes to the structural organization of productive firms, as well as the political-economic systems within and outside the region. Politics has been but lightly mentioned in several models of growth, although politics does provide the core of Growth Machine theory which addresses social impact upon urban activities. Also, the new institutional economics address the role of political and economic institutions to deal with cost effects within production firms in the region.

Other groups of development propositions include perceptions and models that are relatively recent, and tend to integrate wider disciplines in the growth and development of regions. The role of culture, human resources and indigenous resources in the region have in various ways an impact upon the tendency of a particular region to develop, considering the grassroots culture or given natural resources. More explicitly come the sophisticated territorial innovation models that incorporate the recent advances in technology and the spread of creativity in the production and processes of firms and agents of development.

These various considerations of regional development require an extensive review of regional development policy and planning (Chapter 4). Such a review would complement and extend the theories of growth, providing a comprehensible, conceptual and practical basis for this research to evaluate the role of regional development policies in local economic development.

Chapter 4

Regional Development Policy & Planning

Chapter 4

Regional Development Policy and Planning

4 - 1 Introduction

“Regional policy and planning as well as any other policy domain is essentially constructed within the social, economic and ideological framework that is dominant during a given historic era (Albrechts and Swyngedouw, 1989, p.67)”

The essential role of regional development planning is to balance development spatially across the nation, and to best utilise local resources. The division of the national space into regions has justifications and benefits; in addition to the functional economic justification, there are other contextual determinants that affect the implementation of any abstracted model of development. For example, the social and political arrangements of a society significantly determine which concept of development might best deliver the required quality of life, as well as providing directions on how to achieve it. Thus, the planning process and policy choices for regional development need to be carefully reviewed and contextually situated by a researcher in this field in order to utilise the knowledge gained from the theoretical review of development concepts (Chapter 3).

The basis on which regions' boundaries are drawn should also have a functional rationale, and proven cumulative returns, with the general aim of balancing development and optimising local resources (Friedmann and Alonso, 1964). Innovation and progress in the context of regional development, as well as an expanding geographic span of influence, both exert their own force on shaping policy. The context of economic models, political organization, social order and environmental considerations may all be crucial determinants for instruments of regional development policy; after all, any policy has to be socially viable while also economically practical.

Therefore, and to complement the previous chapter that has covered the theoretical aspects of regional development, this chapter is devoted to issues and extents of policy and planning for regional development. Section (4-2) lays the ground to understanding policy where it needs to be distinguished from theory, in order to appreciate the singular attention being paid to it. In this regard a brief history shows how thinking on regional policy has evolved. The focus, afterwards, explains the various spatial contexts of

regional development planning (section 4-3). Instruments of regional development are then outlined in section (4-4), being categorised as sectoral or spatial. The last section of this chapter (4-5) is dedicated to issues related to regional development policy and planning that have been the subject of more attention lately, and are expected to take space for deliberation in the future. They are the roles of governance, and the institutional context.

4 - 2 Background of regional development policies

In an insight about the progressing dynamics of regional development, Albrechts et al. (1989a) have explained that the inequality of regional development is a consequence of a *process* that develops over time causing “new socio-economic and political inequalities within and between regions” (p.2). They identified that the resulting *structural conditions* through that *process* are the key on which spatial development policies should be based, in addition to the policies that will be required to diminish the established problem of “self-reinforcing mechanisms of unequal development” (p.2). Successively, the authors stated that regional economic policy instruments and social redistribution programmes are “indispensable to cope with these historico-structural problems” (p.2), though they asserted that development policies should consider the adaptive capacity of localities in term of labour skills and employment opportunities.

This rooting to the approach of understanding the formation of irregular conditions for regional development is particularly important for this analytical study about Saudi Arabia. As we found in Chapter 2, Saudi Arabia passed through varying conditions since its recent establishment: the establishment of the country witnessed successive transformations in its development structures and approaches, which were made possible by the rapidly improved financial status. The various foreign expertise that were brought to the country allowed the government to try number of development endeavours before it leads the current approach. The population numbers and their geographic distribution as well as their economic and social conditions have shifted significantly during a limited period of time following the national economic growth and institutional development. These changes require such deep understanding of the transformations as implications and as a generator for more transformations. Therefore, the processes of development and resulting structural conditions will be explored further in the empirical part of this research (Chapters 6-8). This also includes any self-reinforcing mechanisms of unequal development and the adaptive capacity of localities for development.

It could be suggested that development planning in general and regional planning in particular are indispensable to raise economic growth and to distribute wealth. In parallel, development policies are necessary to implement the plans and aims of development as well as rectifying the conditions resulting from previous policies. This leads to work on development policies to implement what development theories (Chapter 3) have demonstrated. It might be important to consider customizing the theories to a specific context, such as a unique culture or political system, in order to make them work for the case in hand. Equally important is to consider how development policies in advanced societies, where a governance system and institutional practices are well established, differ from those in developing or even underdeveloped societies that are characterised by less established institutional practice (Friedmann, 1975).

4 - 2 - 1 Definition of regional development policy

Theory is more of an abstract explanation of an activity, while policy is more of a practical description of procedures required to process enquiries or implement a plan (Oxford English Dictionary, 2009; Merriam-Webster Online Dictionary, 2010). Theories of development are justified and established by according weight to related theories and literature that are evidentially established within relevant fields of development, such as economy, sociology, environment etc. On the other hand, policy stems usually from existing conditions and available experience or even personal understanding and preferences. The rationale of policy is customised to achieve specific desired aim, or just to copy a successful example from elsewhere. In his evaluation of the progress of the field of regional development planning after its establishment, Friedmann (1975) associated policy studies with normative studies in regional planning compared to the theoretical studies in the field. He referred to the use of policy studies in regional planning as necessary practical methodology to intervene in the existing process along spatial units.

Typically policies are created as an application of theories, or are at least underpinned by them: a policy is created as an instrument for implementing a theory. The formation of a development policy will typically be generated from dialogue between planners as specialists, and politicians as decision makers. Meanwhile, and more recently, scholars have discussed theorizing certain development policies that have proven practical and been frequently elaborated within the research literature. Theorising policies is another way to avoid complexity or deal with uncertainty. An example of areas that have been

evaluated recently is resilience and adaptability in regional development (Hassink, 2010; Pike *et al.*, 2010). This in fact has brought theoretical debate on approaches to development that are based on institutional policies⁵⁰. Roger Bolton (2004) provided in his commentary a balancing conclusion about theory and policy in the field of regional science when he stated “Regional science can be seen as an agglomeration of a theory community and a policy community, and both are important to the success of the agglomeration” (Bolton, 2004, p.357).

4 - 2 - 2 Brief history of regional development policy

Regional policy was initially formulated in order to reduce disparities in the economic factors within regions. This has been the primary motive since its first limited application on unemployment rates in the late 1920s (Armstrong and Taylor, 1987). Nevertheless, tackling regional lag remains the main purpose of regional policy within the wider context of development. The structuring of regional planning regulations started to appear in the US and Europe around 1916, in an attempt to reorganize distribution of resources for two seemingly contradictory goals of efficiency and equity. Development planning in general has, though, gained wider acceptance from the middle of the past century as a tool for increasing economic growth among developing nations (Todaro, 1971). This has crossed over to the previously colonised nations seeking to catch up as they in turn took responsibility for developing their nation states.

The orientation of regional development policies and regional planning is commonly guided by the economic environment and political ideology (Albrechts and Swyngedouw, 1989; Martin, 1989). Therefore changes in these factors, whether directly or indirectly, like changes in production technology and human communication methods, re-orient the purpose and content of development planning and policies. Many writers have considered the structure of regional development policies in the western community during certain periods, and there has been a partial consensus on two revolutionary points for these policies. The first proclaimed ‘launching’ point for regional development policies was the end of the WWII and the second ‘transformation’ point the period of economic crisis around the mid-seventies.

This determination of historical jointing points frames two distinguishable phases in applied regional development policies. The economic environment and the political ideology are distinctive factors that have significant role in forming and changing

⁵⁰ See in this regard (Hansen, 1970; Lovering, 1999).

regional development policies through the distinguishable periods. Lessons from both phases should be taken into account and possibly put in comparison when examining any particular case study. This is emphasised in the case of studying regional development policy in Saudi Arabia, which is expected to have different circumstances that may affect the determination of the most appropriate policy. Thus the economic environment in the targeted region and the prevailing political ideology will be important themes of enquiry that are investigated in the empirical part of this research (Chapters 6-8).

4 - 2 - 2 - 1 Regional policies in the period following the war (from the late 1940s to the early 1970s)

The 1950s and especially the 1960s were a time of prosperity in western communities. Regional development policies were then stimulated by the prevailing social⁵¹, economic⁵² and political⁵³ systems of production and governance. In a reflection of regional problems that were largely a product of a capitalist market system, these regional policies were aimed at reducing or eliminating spatial disparities in various aspects, e.g. employment and housing (Armstrong, 1995; Barro and Sala-i-Martin, 1995; Canova, 2001; Martin, 2001).

Among other policies, Regional Development Agencies (RDA) as a traditional policy instrument in Europe have been deployed to overcome local disparities but they have been unable to solve those problems (Albrechts and Swyngedouw, 1989, p.86). In the British experience, Martin (1989) explained that *regional industrial policies* have been used to redistribute capital and employment opportunities to cover the depressed areas in order to balance development throughout the regions.

4 - 2 - 2 - 2 Regional policies in the period after the economic crisis (late 1970s onwards)

Albrechts and Swyngedouw (1989) have explained that the overall restructuring of the political economy in the 1970s changed the pattern of inequality in spatial development. Hence, regional policies as part of the state's functions have kept pace with general shifts in state policies. Albrechts and Swyngedouw asserted, though, the importance of considering the social impact of regional development policies along with economic

⁵¹ i.e. Spatial division of labour.

⁵² i.e. Fordist accumulation regime.

⁵³ i.e. Welfare state.

development instruments. Allen et al. (1989) have also highlighted changes in regional development policy since the 1970s, and linked them with “the very marked changes there have been in the political, social, technological and economic environment in which regional policy is pursued” (Allen *et al.*, 1989, p.107).

Martin (1989) in his review of British experience stated that the 1980s will be considered a critical restructuring period for regional policy contents. The shift in production systems along with the geographic changes of employability in the mid 1970s must have had their impact on urban and regional systems and hence, policies for development (Fielding, 1994). Other studies have highlighted that during the 1980s in Europe there was a rise in more targeted policies that sought to develop neglected regions and urban areas within the practice of urban and regional planning (Healey *et al.*, 1997; Faludi and Salet, 2000). Later, in the 1990s, more strategic planning for both urban and regional levels was taking place (Faludi and Salet, 2000) and that included work on institutional and governance restructuring to achieve spatial coherence and better utilisation of resources (Albrechts *et al.*, 2003).

4 - 3 Regional level of development planning

Regional planning could, typically speaking, be used as a vehicle to provide efficiency and validity between local and national levels of planning, or beyond. It provides a collective framework for local initiatives utilising indigenous resources. At the same time, it could provide the basis for national arrangements for the best allocation of development resources. The system on which these levels of planning are applied require a hierarchical organization of governance to institutionalize and functionalize the flow of planning and policies with the various development sectors in definitive spatial tiers. However, propositions consequentially developed within the past decade provide for consideration of the realities of the complex world of spatial development (Hillier, 2000; Healey, 2003, 2007b; Hillier, 2007; Innes and Booher, 2010). Such studies of strategic planning (Albrechts, 2004; Friedmann, 2004; Albrechts, 2006) have extended perspectives on the spatial relations in development planning.

Urban complexity and deliberative planning theorists realized the complexity of socio-spatial relations, and proposed the idea of integrating a wider network of spatial relations in the analysis of regional development (Richardson and Jensen, 2003; Healey, 2006a). The proposed framework for analysis promotes a methodology that does not conform with the traditional hierarchy of planning scales, from local to global levels

(Hillier, 2007). It is centred on the dynamism and adaptability of the process of analysis rather than static geographic plans (Searle and Bunker, 2010). This new strategic approach of 'relational geography' overrides the classification within the governance system and focus on geographic places and their valued connectivities (Healey, 2007b).

Therefore, the strategic approach to regional planning would take place within institutional networks that incorporate multiple scales of governance (Neuman, 2007). This concept has been discussed in a wider context within urban and regional governance discourse (Madanipour *et al.*, 2001; Albrechts *et al.*, 2003; Healey, 2004b, 2006b; Harding, 2007). Section (4-5-1) in this chapter provides more insight into governance and regional development policy.

4 - 3 - 1 Regions as a framework for local development

The spatial dimensions from which development planning and policies originate might take various perspectives, just as the sectoral and contextual dimensions might stem from various areas of focus. The regional planning and policy development could be established in a way that allows for an integrated framework of locally based development (Murray and Hart, 1989). Several studies have analysed development policies in the 1980s, and emphasised the rise of local approaches to economic development after the years of economic depression which led to an increased awareness of the potential of local government in development (Stöhr, 1983; Bennington, 1985; Falk, 1986; Courlet, 1989; Roberts, 1989; Moulaert, 2000). In this case, the principles of the regional framework would focus on enabling local initiatives and locally based strategies. The adoption and application of literature in this approach detail even more spatial levels within regions to include sub-regional levels, as seen in the case of counties in the UK for example (Planning and Compulsory Purchase Act, 2004), to cover the need for more coordination between a limited number of localities with specific connections. The European Commission has been interested in establishing local initiatives through the Integrated Rural Development Programme which support mechanisms of indigenous growth. The application of this programme has highlighted the importance of tackling economic problems on the sub-regional level (Rea *et al.*, 1986).

The concept of integration in spatial development and planning was put forward by Moulaert (2000) who described the spatial character of the Integrated Area Development approach. Further expansion of this approach was associated with social

innovation and governance (Healey and González, 2005; Hillier, 2007; Albrechts, 2010). The integration approach has been used in strategies of local development through the three main principles of individuality, interdependence and involvement (Parker, 1984). The principles of individuality and interdependence stress the importance of dedicating policy measures that acknowledge the diversity of each locality and promote sectoral, spatial and administrative interrelationships, whereas the involvement principle stresses the importance of promoting consciousness of local issues and enabling participation by local communities in generating and applying development ideas (Murray and Hart, 1989). Based on this approach, planning documents should enlighten the national policy and its spatial strategies by recognizing the preferences of localities and avoiding the risk of following higher level policies as merely obligatory duties. These, in short, are the essence of the bottom-up approach to planning.

Murray and Hart (1989) concluded their study of integrated development in Northern Ireland by defining four key issues as success factors for the strategy of locally integrated development. The first is related to the local administrative structure where the administrative and sectoral divisions need to be strengthened by their sound coordination and by gaining the requisite degree of devolution from central government departments, see also Roberts (1989, pp.171-74). The second factor is the central government's response. It is important for local agencies seeking to work together and realize their initiatives that central government departments do cooperate, and adopt initiatives that come from localities. The third factor relates to the status of the existing planning policies at the sub-regional level.

There might be policies that enforce the primacy of a limited number of urban areas within regions or specific parts of a region. This is widely practiced as an effort to support certain production sectors in a spatially clustered area. Such efficiency factors should not overshadow the importance of the real needs of rural areas that reflect their unique social and economic preferences. The idea here is to aim for the achievement of self sufficiency in rural areas, while better utilizing human and material resources. The last factor raised by the study was external relations. This is important to avoid the risk of segregation when planning for local development by considering the wider context of economic development at the regional and national levels. There will always be opportunities and limitations when considering the wider context starting from adjacent areas (Murray and Hart, 1989).

4 - 3 - 2 Regions within a national framework

Despite the widely accepted argument that locally-focused or even -based development policies are the most efficient and effective approach to economic development, there is still extensive scope for regional development policies that are nationally based and oriented. Regional problems of economic decline are connected directly with national economic concerns and form ‘an important dimension’ of international issues as well (Albrechts *et al.*, 1989a).

During transformation periods in a country’s economic conditions, whether due to structural or external changes, the government usually finds itself obliged to – or in some way or another become involved in – finding new policies to resolve issues with their local economy (Drudy, 1989; Osterland, 1989). Even if the national government does not intervene directly to support local development, it is inescapable for the state to re-evaluate their approach and the methodology of development policies in order to treat any structural deficiency or to indemnify the consequences of previous policies. Clearly, the approach of direct intervention by central governments into the development of their localities has been diminishing for several decades now. Decentralisation and autonomy have taken place following massive political developments and the economic tendency towards breaking down spatial units (Donahue, 1997; Morgan, 2002; Tomaney, 2002), including in some developing countries (Follain *et al.*, 1979; Tomlinson and Hyslop, 1986), which allow for more customised policies that are closer to reality in terms of the available resources and local needs.

The governments’ approach of providing a regional development policy has appeared even in those countries in transition, as a mechanism for liberalisation and the launch of new development trends (Bachtler *et al.*, 1999). Despite all that, the national government remains responsible for monitoring its people’s living standards. Therefore, it is reasonable to have among its priorities raising the level of development across its territory. Central government, which is comprised of integral agencies, is the main source of enabling instruments that affect the level of development, whereas the level of intervention and the nature of policies that each government adopts varies according to relevant structural and external conditions (Martinelli, 2005).

Internationally, development policies have gone through different periods, in accordance with various political, economic and social movements and to deal with the prevailing conditions in each era. Policies of economic development that depend on

industrialisation prevailed over agriculture, from the early years of the last century (Chenery, 1960; Kuznets, 1966; Chenery and Taylor, 1968). The period following the great depression of 1929 gave rise to a significant modification in the attitude to government intervention, conforming to the scientific Keynesian view of macroeconomics, by the spread of ‘public works’ as a policy tool for economic development even in capitalist economies (Martinelli, 2005). The Tennessee Valley Authority was the first national programme in the USA to explicitly target regional development.

Problems of regional inequality were clearly apparent in industrialised countries during the late 1950s. These problems continued into the following decade, despite the prosperity in western countries where old industrialised regions were facing decline, with other local problems that arose with urbanisation. The late 1970s and early 1980s was a transformation period when national trends based on incentives and other forms of government support for industrialisation were discouraged (Drudy, 1989) or at least of secondary importance (Wassall and Hellman, 1985). The crisis of the mid 1970s contributed to the drying up of public spending, and new development policies such as deregulation, privatisation, business efficiency and competitiveness. Subsequently the changes in the 1980s followed the lead of new information technology, research and development, scientific parks, business services and internationalisation (Martinelli, 2005). The role of the services sector, then, emerged along with various support policies, but was concentrated in urban centres and depended on clustering for various reasons (Drudy, 1989).

In their study of the European context, Drudy (1989) showed that there is a need, on the national level, to coordinate regional policies for the sake of local development in order to utilise the comparative advantage among local communities. Another target of this trend is to deliver enabling instruments to local communities to cope with the recurring development process. Drudy (1989) also stressed, in the conclusion of this study, on the duty of national policies to facilitate the ‘dispersal’ of services across space to achieve balanced development. This statement has also been found practical, in support of other convincing arguments that call for delegating executive and financial power to the regional level (Armstrong and Taylor, 1987), which together highlight the role of the political tradition in rule and the importance of considering its context.

From the regional perspective, structural economic changes in localities need to be comprehensively furnished to include all the different sectors, as well as all the spatially

relevant areas. Osterland (1989) has stressed, in this respect, the government's role in directing national and regional policies to support localities that face structural changes with wider solutions including any mitigation measures during periods of change that affect local labour and entrepreneurs. Development policies should be wholly oriented to promoting human resources and restructuring economic activities rather than protecting and promoting jobs (Häussermann and Siebel, 1986). The exploratory nature of such policies requires a large scale, general trend which could best be depicted on the national level, to avoid merely shifting the problem to other regions (Osterland, 1989).

4 - 3 - 3 Regions in the global context

The emergence of regions as distinguished spatial units, each with a unique identity and systems, could be regarded as a positive result of the organisational progress of administration (decentralisation) and politics (democracy) as well as some economic approaches that seek persistent efficiency. Political flexibility for power devolution to sub-national units has opened the opportunity for widening the administrative and economic role of regions to exceed national borders, and to maintain a unique identity for regions on the international level. Currently some regions are known for their own production, whether for services or actual exported products. Regions have been established based upon their value in terms of their contribution to the national economy.

Based on the same principles of international conglomerations, that strive through union or cooperation to achieve greater efficiency and economic gains, regions become appropriate spatial units for forming a system of transnational cooperation or even a union, as is the case in Europe. This argument is supported by the overwhelming restructuring of economies that has raised the need for lower functional level of spatial units on the global level, to cope with increasingly detailed of issues and to better utilise indigenous resources (Henderson and Castells, 1987; Muegge *et al.*, 1987; Stöhr, 1990b).

There are several examples provided by Stöhr (1990a) in his edited book about the European case, which demonstrate local and regional roles in the new economic system. These highlight some successful local development initiatives, but these have not become popular in the way that Birch (1979) described previously when showing the role of small enterprises in job-creation, in the American case. Thus the concept of regional integration provides more than the concept of international conglomerations.

Regional integration allows opportunity for better success through the flexibility that regional units allow far more than would nations and central governments, as in the European model (El-Agraa, 2004; Senior Nello, 2009).

The European work on regionalism is considered a leading experience of regions' responses to development on a transnational framework: that of the European community (Roberts, 2000). It sets out the most established institutional system of regional integration, primarily through the structural fund (The Council of the European Union, 1999). Regional development in the European context is organized between the union's executive body and national governments. It lays out policy with two main themes that include setting a budget, i.e. how much money will be spent, and a regulatory framework, how it will be spent (Behrens and Smyrl, 1997).

4 - 4 Instruments for regional development policies

Spatial planning is considered a fundamental procedural instrument for regional development. As part of its complex role, it promotes effective spatial integration to achieve social and economic development (United Nations, 2008). This involves the "coordination of the spatial dimension of sectoral policies through territorially-based strategy" (Cullingworth and Nadin, 2006, p.91). In other words, spatial planning represents the link between sectoral instruments and spatial instruments of development, though each policy has its own implementation tools.

Therefore it is important for this research to review comprehensively the relevant development policies, with their various bases and approaches, and clearly present their instruments based on the two categories of sectoral and spatial development. This is intended to help with the analysis of the empirical study on Saudi Arabia to determine the available and practised approach. This level of detail should help, along with the previous theory chapter, for the understanding and explanation of local development practice and hence to gaining an evaluation of the current and potential roles of regional development policy.

4 - 4 - 1 Instruments of sectoral development

The neoclassical approach to growth focuses on determinants of regional per capita income levels, and how low-income regions can converge or 'catch-up' with relatively higher-income regions. It calls for arranging the conditions for a free market where adjustment mechanisms will work over the long term to recover spatial disparities

(Barro and Sala-i-Martin, 1995). Considering regional disparities as only ever temporary, intervention is identified only to correct market failures and consequently speed-up convergence (Martin and Sunley, 1998). The aim of this policy is that lagging regions should catch-up with higher-income regions. In contrast, the Keynesian approach advocates intervention policy. It actually seeks direct government intervention to guide and distribute growth to regions and localities and, hence, avoid their divergence. It assumes that government-directed growth has a better chance of stimulating increased returns (Rosenstein-Rodan, 1943).

Underdeveloped regions strive for effective instruments and processes to cultivate economic and social status within their territories. It is also an aspiration for developed regions to cope with sustainability requirements, as well as evolving changes in the structure of the region's economy. Structural changes emerge from internal alteration in production factors, or merely external transformation in demand factors. When discussing new or improved development instruments for underdeveloped regions we could utilise the concept of Conversion proposed by Elsner (1995). This offers a methodology for guiding structural changes in a region's economy, especially in terms of industrial development which remains dominant in the case of underdeveloped regions, to achieve worthwhile returns. Conversion, as a methodology or strategy for developing a region, means the diversification of targeted markets together with the provision of new products that are processed in a new form of production.

Implementing contemporary industrial policies requires, as Elsner (1995) has indicated, dealing with a wide range of sectors in an interrelated form that comprises industry and services. The achievement of interrelation between such varied sectors may bring about opportunities for more development in the region, i.e. making it a growth pole. This process of development would qualify the region for focused industrial policies that might include financial and non-financial instruments to sustain the core and support the progress of development across the region. Here we can find Elsner's argument that "sectoral cooperation, regional networking ... and balanced structural policy support using financial and nonfinancial instruments is required" to transform the merely industrial change process to "a general form applicable ... to severe structural change in general" (Elsner, 1995, p.504).

Schumpeter's view of the importance of avoiding industrial collapse rests on the necessity of conversion in economic activities at certain stages, following the exigencies of changes in progress, and supporting policies that feed production factors in a

particular region. This is vital to avoid evolving to an accumulation point that leads to a general depression, by promptly “attempting to turn a rout ... into orderly retreat” (Schumpeter, 1994 [1943], p.90). This avoidance implies the need for new skills and habits, as well as developing new economies of scale (Mackay, 1993). Accordingly, Mackay (1993) referred to the importance of inquiring into the pertinent needs which lies in the means of creating new sources and stimuli for development, not just being limited to what economies typically deal with which is “the administration and allocation of existing resources” (1993, p.420). These forward-looking conceptions should be of particular interest to this research by seeking to explore the potential future changes in economic structure and policy of the national government of Saudi Arabia.

In Elsner’s (1995) German example it is social processes that, for the first time, brought leaders in the affected business together to compile a ‘conversion report’. Planning and political processes followed, and resulted in the production of a ‘conversion programme’. The programme provides guidelines for supporting companies, including a regional economic approach to supporting structural change. The instruments used for the programme were directed mainly at structural policy, in addition to some new aspects of regional industrial policy. Whether quantitative or qualitative, instruments are directed to support activities that have significant value to the region, which is measured by its multiplier effect. The supported activities would collectively comprise “sectorally interrelated complexes” (Elsner, 1995, p.514). They would also be in harmony with local official and social institutions.

In terms of the types of sector, and the economic activities involved, these should conform to the prevailing leading economic trend. Since the post-war period, services and innovation have been believed to lead economic sectors (Martinelli, 1989). However, the economic crisis of the mid 1970s marked the need to reconfigure development policies, as seen in the British experience (Martin, 1989). It is always important to understand the economic circumstances behind policy restructure, such as those that occurred in western countries. An example of such an influential economic structure is the existence of the international division of labour (Albrechts and Swyngedouw, 1989). In light of this, the conditions of the economy in Saudi Arabia, as a case study for this research, should be considered for its policy evaluation against the extent of the policy support to the most effective sectors.

Finally, and even though it appears as more of a controlling policy rather than a promoting one, it is worth noting that ‘ecological modernisation’⁵⁴ has emerged as a sustainable development approach with a significant influence on local and regional development (Pike *et al.*, 2006, p.115). Examples include the promotion of more efficient economic growth that uses fewer natural resources, with regulated markets and using environmental practices as an economic driver (Gibbs, 2002; Roberts, 2004). Policy advice for efficient sustainable development promotes supporting small-scale and decentralised local activities that uphold self-reliance and raise capacity (Chatterton, 2002). Local trading networks represent an adhering form of regional and local development policy along with this sustainable development approach (Hines, 2000).

4 - 4 - 2 Instruments of spatial development

Mackay (1993) presented a discussion of the mechanism of fiscal transfer from central government to the regions. It was shown that this depends on national standards for public services and other measurements of the welfare status of local communities, in addition to local production, and hence locally generated income (Mackay, 1993). Although the discussion was purposely around the status of regions’ development within the European Community at large, nevertheless it could also be used for the case of regions and localities within a nation state, such as the case of Saudi Arabia. Specifically, it might be useful to consider the elaboration of Kaldor’s (1970) theory about linking fiscal distribution with local production of regions as an automatic stability instrument to achieve development balance. After all, this instrument falls within what Hirschman and Myrdal established about the relationship between developed and underdeveloped regions, see section (3-5-1). It could, therefore, be used when considering the formation of policies to balance development within regions and localities.

On another perspective, related to structural development, ideas have accumulated that the shared emphasis in transition theories upon the resurgence of local and regional economies has stimulated interest in endogenous or indigenous ‘development from below’ (Pike *et al.*, 2006). Theories of structural and temporal change focus upon local and regional development as historical and evolutionary processes, sometimes incorporating periods of structural or systematic change (Cooke, 1996). Therefore

⁵⁴ See details in (Hajer, 1995; Redclift and Woodgate, 1997; Redclift and Woodgate, 2005; Mol *et al.*, 2009).

policy has focused upon decentralisation to foster local production networks, local agglomeration economies, and local capacity to promote social learning and adaptation, innovation and entrepreneurship (Stöhr, 1990a; Pyke and Sengenberger, 1992; Cooke and Morgan, 1998).

A subsequent shift in focus from the spatial implications of macro-structural transition theories has reoriented the starting point of regional and local development analysis⁵⁵. The institutionalism and the new economic sociology have raised attention to the particular attributes of localities and their own development trajectories, focusing upon the embedded nature of institutional networks (Grabher, 1993; Amin, 1999; Martin, 1999). Promoting policy depends heavily on networks as a route to growth in both prosperous and old industrial localities and regions (Cooke, 1995; Cooke and Morgan, 1998). Technological innovations can be used in more concrete ways to manage industrial relations (Moulaert and Sekia, 2003). Therefore, intervention is mostly microeconomic and focused upon the supply side, including enterprise policy, small firm growth, innovation and skills development (Krugman, 1995; Amin, 1999).

In line with the role of knowledge in an economy, development has been interpreted as “the enhancement of the locality or region’s ability to produce, absorb and utilise innovation and knowledge through learning processes.” (Pike *et al.*, 2006, p.95). In a more theoretically rooted emphasis of the role of knowledge, Amsden (2001) defines economic development as “a process of moving from a set of assets based on primary products, exploited by unskilled labour, to a set of assets based on knowledge, exploited by skilled labour.” (Amsden, 2001, p.2). Therefore development policy would, here, concentrate on raising the capacity to learn, starting with individuals (Lundvall, 2010) along to the broad set⁵⁶ of innovation-related regional actors (Hassink, 2005) while needing to be more context-sensitive and less universal (Storper, 1997). Moreover, development institutions are often integral parts determining the adaptability of localities and regions against their own rooted hindrances (Grabher, 1993; Cooke, 1997).

More recent economic policies have focused on all the regions within a national economy (Scott and Storper, 2003; Fothergill, 2005). ‘Levelling-up’ the economic performance of each territory is considered the key to enhanced economic outcomes at

⁵⁵ A wide review of its history and theoretical underpinning is available in Moulaert (2005).

⁵⁶ “politicians, policy-makers, chambers of commerce, trade unions, higher education institutes, public research establishments and companies” (Hassink, 2005, p.525).

local, regional and national levels (Pike *et al.*, 2006). This approach contrasts with the traditional regional policy of redistributing growth from prosperous to lagging regions, characterised as ‘levelling down’. Consistently, and inspired by Porter’s (1996) work⁵⁷, the clusters concept has been established as a policy for business and industry (Lagendijk and Cornford, 2000). Such policy would be focused on “identifying and mapping clusters and seeking institutional intervention to encourage their growth and contribution to regional and national innovative productivity and competitiveness” (Pike *et al.*, 2006, p.112).

Post-developmentalism provides a counter approach to the mainstream capitalist models of development, which cement dependency on investment provided by capitalist firms (Gibson-Graham, 2000). Development policy concentrates on finding solutions from and within localities and regions that are better linked to their social needs and aspirations (Leyshon *et al.*, 2003).

4 - 5 Recent Developments

Approaches to spatial development planning have passed through periods of varying attention and focus. The rich experience of planning in Europe shows attention moving from focused urban and regional planning for specific projects and land use regulations to more inclusive strategic planning (Healey, 1997; Faludi and Salet, 2000; Albrechts *et al.*, 2003). Further intellectual studies called for expanding the scope of spatial development, from making plans “to planning studies that focus on ways of dealing with critical urban policy and management issues under alternative assumptions” (Friedmann, 2004, p.56) in order to overcome the disadvantage of “the disconnect between the pace of actual events and the time it takes to prepare the requisite planning studies that will allow a city or region to adopt a plan that will serve both as an inspiring political vision and a policies framework for more short-term, operational planning.” (Friedmann, 2004, p.56).

The suggested planning studies involve the consideration of a wider scope of institutional arenas and governance actors (Albrechts *et al.*, 2003). In his analytical perspective study, Halkier (2001) considers that “regional policy is essentially about attempting to change patterns of behaviour amongst private actors in pursuance of public priorities with regard to spatial development.” (Halkier, 2001, p.325). This compilation of regional policy essentially revolves around the tools to change

⁵⁷ See more in Porter (1998, 2000a, b).

behaviour, and bringing actors towards a common agenda. This function raises the importance of evaluating the underpinning structure that organizes collective actions of development, i.e. a governance system that sets the approach from which development can take place. Alongside this, the changes involved in restructuring the policies of a regional community highlight the importance of institutions of regional development to guide and monitor those dedicated regional aims.

Thus we will proceed to inform this study by providing a dedicated elaboration of the issues of regional development policies in relation with governance, as well as the institutional context. Another discussion is dedicated to the role of higher education institution as an important issue that is rising among recent intellectual discourses of regional development policies. This particular issue is more relevant to the case of Saudi Arabia, which witnesses a notable progress in its policy regarding the spread and activation of the role of universities to serve their localities.

4 - 5 - 1 Governance and regional development policies

In line with the widened base of actors involved in development in general, and spatial development in particular, came the importance of administering those various actors and arranging their roles to organize a practical ‘governing’ system (King and Stoker, 1996; Moulaert and Sekia, 2003). However, governance is not a new concept and actually preceded the nation-state’s format and its regulative structure (Le Galès, 1998). It can be traced back to the medieval Latin ‘gubernatio’ of command, direction, steering and leadership (Jessop, 1995). Governance is currently discussed widely within social sciences with various interpretations⁵⁸. The focus of this work concentrates, though, on the role of governance as a territorial regulative mechanism, or in other words as a mechanism for regional and local development.

Development, indeed, incorporates similar issues as governance which, as Le Galès (1998) indicated, is concerned with enabling and regulating local production systems. Governance provides a mechanism for policy coordination (Dunford and Kafkalas, 1992), whereas development depends on collective policies and plans as their course of action. Yet there are numerous aspects in studies of governance within the field of regional and urban development, including various subjects, approaches and context for applications. They are to be found in three bodies of literature: political science, institutional economics and development management (Brautigam, 1991).

⁵⁸ See (Moulaert and Sekia, 2003) for details about the various interpretations of governance within social science.

Picking up the governance concept in economics, its definition is fluid, being mainly within mechanisms concerned with efficiency in market performance (Le Galès, 1998) especially where urban areas and regions increasingly aspire to position themselves for globally competitive advantage and to attract investment (Jouve and Lefèvre, 1999 [cited in Rutherford, 2004]). In this context the city has been likened to a local company which might work on building its own strategies, or simply follow the guidance of its parent company and limit itself to an executive role such as distributing resources locally⁵⁹. The subsequent usage of the term in the spatial arena came from the elaborating of governance within public administration and the application of choice efficiency for collective actions.

The American school concentrates, in studies of governance, on the approaches and methods of organizing the work of government and public administration in order to achieve efficient economic performance. Part of this is using market mechanisms in the provision of public services (Peters and Savoie, 1995; Le Galès, 1998). Therefore the concept of governance in the USA corresponds closely to that of government. In line with this perception, and influenced by the involvement of UN agencies, the concept of governance is circulated in the Arab countries, in general, within the field of public administration and operates as a tool to enhance the work quality of governments and allow controlled implementation of socioeconomic development projects (The International Bank for Reconstruction and Development, 2003). However, some sensitivity is required when translating the word ‘governance’ into Arabic, due to its intersection with politics (Adwan, 2007) and because it is blemished by some perceived connection with authoritarianism in a way that might affect its use in development discourse.

Given the differences in the role of government and approaches to political and public administration in Europe compared with those practised in the American system, the concept of governance in the European context is different from that of government. This is due to the existence of several organizational elements within the wider system of governance in light of the larger role of sociology and active social institutions in Europe (Le Galès, 1998). Thus territories appear as prominent analysis units for governance. Moreover the evolving globalisation effects, including increased flows of information and expanding common interests and concerns beyond the limits of states’

⁵⁹ See (Le Galès, 1995; Le Galès, 1998) for more about the transition of the governance concept from economy to territory.

boundaries, have reduced the autonomy of national governments (Held and McGrew, 1993), and have paradoxically emphasized the rise of the role of sub-national units in setting plans and policies down to the local community level (Moulaert, 2000). Hence, sub-national governance would be a required territorial unit of analysis for better development policies.

Recently, the UN has been actively involved in advocating local governance as a reflection of the Millennium Development Goals, in which it has emphasized the role of governance as a structural system to achieve development. The UN has launched a global programme to promote democratic governance, and to provide countries with guidance tools for assessment and execution. They define governance as “the processes by which public policy decisions are made and implemented. It is the result of interactions, relationships and networks between the different sectors (government, public sector, private sector and civil society) and involves decisions, negotiation, and different power relations between stakeholders to determine who gets what, when and how.” (Wilde *et al.*, 2009, p.5).

4 - 5 - 1 - 1 Approaches to spatial development and reconstruction of governance

Le Galès (1995) provides a broad definition of governance as a democratic normative model that incorporates both “the capacity to integrate and give form to local interests, organizations and social groups and, on the other hand, the capacity to represent them outside, to develop more or less unified strategies towards the market, the state, other cities and other levels of government” (Le Galès, 1995, p.90). This could provide a framework for development policies, where governance comprises a system that arranges the mechanisms for local development. It defines the internal and external functions of development actors which can help to overcome potential conflicts between interest groups, for the sake of organizing development policies. The involved actors would be public and private firms that have an interest in the locality, while the subjects of development would be determined or at least affected by local interests and the format of social groups.

The entry of governance into spatial development came with the discussion about controversy over government policy and the approaches taken to manage the economy. These discussions were elaborated, especially in terms of the dispute over the most efficient approach: enabling localities to take a greater role in development, versus state control over development mechanisms (Ganne, 1994 cited in Le Galès, 1998, p.494).

The territorial space was involved for its intrinsic characteristics of being a proximity determinant and in domain coordination, which are functions closely associated with arranging collective management action (Scott, 1992). To take it further and up to the current heated discussions of territorial innovation, governance shares similar dialogue as a concept for administration systems as with the notion of networking, which is a challenging notion in public governance (Moulaert and Sekia, 2003).

Taking an institutionalist perspective, Patsy Healey (1999) has analysed the tendency of the mainstream policy domain of development towards marginalising the role of planning in shaping any intended future for economic structures. This approach yields the foremost influence to the role of social mobility at the expense of the importance of space. Healey (1999) has further explained that, as occurred in some development cases that adopted such an approach, the governance structure was guided by sectoral policies that were connected mainly with influence groups. Subsequently, the isolation of space from development policy reduced the validity of the latter due to the lack of essential interconnection with the realistic economic organization and actual social nature, all of which take place in a distinct space and temporal circumstances.

Advocates of institutional economic analysis in developmental governance call for vigorously linking production networks with the modes of societal relations within their accommodating space (Amin and Thrift, 1994; Amin and Hausner, 1997). Furthermore, concentrating development work on the local level through stimulating interactions of social innovation⁶⁰ would actually resolve the obstacles from utilising potential development opportunities that are imposed by the prevailing development policies which depend on fragmented domains, whether spatial or sectoral (Moulaert and Nussbaumer, 2004).

Similarly, in response to a political crisis or even failure to carry out socioeconomic development responsibilities, concerned researchers have elaborated upon the governance of social innovation as a new way to overcome depressed socioeconomic conditions (Gerometta *et al.*, 2005; Healey and González, 2005). In addition, Healey (1999) considers that this elaboration of the structural development of governance approach has contributed to the development of ideas of industrial districts and learning regions (Asheim, 1996; Belussi, 1996; Healey, 2004a). This is exemplified in the case where “local development and the growth of local production systems are dependent on

⁶⁰ Extensive research about social innovation conducted for the European context appeared in a SINGOCOM research project which concentrated on social innovation within urban governance, that is within local communities and cities (Moulaert *et al.*, 2007)

the shape of the relationships that structure a given context: the governance of inter-firm coordination, ..” among other associations (Belussi, 1996, p.10)

More grounding for localising the structures of governance stems from the assumption that reality is socially constructed, i.e. where beliefs and norms dwell (Mazey, 2000). Other literature, from social and political sciences, finds the facts that forced the transformation of governance to more decentralised forms would, similarly, draw the structural governance towards more diffusion (Marks and Hooghe, 2005) in order to function more efficiently and reflect the local society (Weingast, 1995; Perraton and Wells, 2005; Gore and Wells, 2009). Oates (1999) also stated that bringing the governance system closer to the people will allow it not just to be more responsive, but also offer more potential for finding innovative ways to provide public services through intergovernmental monetary arrangements.

Collectively, organising the system of governance is a key task in enabling the implementation of regional development policies. A well-organised governance system would bridge the spatial gaps in development strategies (Bonturi, 2009) and balance the functions of institutions with strategies (Rodríguez-Pose, 2009). In their evaluation of strategic planning practice in Europe, Albrechts *et al.* (2003) have testified that the new movement in Europe has been to reconstruct sectoral governance associations and re-establish territorially based relations, mainly on the regional level, for greater inclusiveness. Governance is used as a framework for policy promotion by scholarly social studies to confront the worldwide impacts of globalization by promoting coherent policies at the regional level in coordination with the local society (Sellers, 2002; DiGaetano and Strom, 2003; Deacon *et al.*, 2010).

4 - 5 - 1 - 2 Governance and regional development policies in developed countries

It is important to mention that adopting the decentralised style of governance and devolution of authority to sub-national units does not necessarily mean adopting regional units for the system of governance (Baldassare and Hassol, 1996). Actually, there is a persistent debate about the efficiency and ability of regional government to achieve optimal development for localities (Liesbet and Gary, 2003; Hamilton *et al.*, 2004). In England, the style of governance will vary based on the political group in charge. The common recent trend is for Labour to support the regional system of development (Tewdwr-Jones and McNeill, 2000), which is represented in the Regional

Development Agencies (RDA)⁶¹ as an instrument for efficient socioeconomic development. In contrast, the Conservatives tend to prefer giving the power to localities that are closer to the people and provide more political choice.

Taking a more European perspective, in Belgium Albrechts (2001) has shown how by the consideration of political competencies Belgium has sought to restructure its system of government to better meet the variety of local aspirations. It is interesting to note from the evolved process of devolution that regional authority over planning legislation has, consequently, granted the consideration and focus of the local planning agencies on regional interests. The experience of Belgium's transformation towards a more devolved style of governance has shown, as Albrechts concluded, the importance of providing "adequate platforms for consultation between the regions" as well as "adequate support (e.g. financial instruments) to back up a regional policy" (Albrechts, 2001, p.167) to allow regions to practically enforce their intended roles. Along with lessons from Germany and Italy, coalition experiences highlight the need to combine the legislative with executive powers in order for regions to tackle their problems (Gissendanner, 2004; Gualini, 2004).

In the USA, metropolitan reform represented the response of urban scientists to the fragmentation of localities by advocating regional integration towards a metropolitan style of governance to achieve economic efficiency and social equity (Greer, 1981; Bollens and Schmandt, 1982; Stone *et al.*, 1986; Harrigan, 1989). This went against the tendency of politicians to favour autonomy in local authorities, which appears to be a more democratic practice (Ostrom, 1972, 1983; Oakerson and Parks, 1988; Stephens and Wikstrom, 2000). The adaptation of metropolitan (regional) or resuming the traditional choice of local administration has lived on in various stories of success and failure across urban areas in America (Steinacker, 2001). Each case depends on its ability to politically convince voters about each of the systems' impact factors (Ostrom *et al.*, 1961; Bish and Ostrom, 1973; Lyons and Lowery, 1989).

4 - 5 - 2 Institutional context and regional development policies

Theories concerning the various aspects of regional and local development might collectively, and sometimes indirectly, cover the issues that reflect the dynamics of development within a society. Yet, singling out the talk about the institutional context while tackling policies of regional development appears important for two observable

⁶¹ See (Great Britain, 1998)

reasons. First is to emphasise the importance of positioning the analysis of spatial development within its actual field of interaction, in order to achieve a better and deeper understanding of the fundamental influences behind the procession of development. These influences might be established traditional behaviour, or societal values and norms. The second impetus is to highlight the institutional context along with regional development policies and to recognise the realist approach in spatial analysis as a methodology that provides a more inclusive and critical perspective (Sayer, 1992; Moulaert and Mehmood, 2010) in a way that delivers a better understanding of the actual powers behind the structure and events of the reality.

The institutions of a society would, hence, confront the theoretical bases of development and provide the building blocks of the actual structure upon which the development policies of a society should be placed. The roots of the principle of incorporating the institutional context goes back to the German historical school of spatial development analysis, which eventually confirmed that the state takes a growing role through the relationship of social dynamics and cultural background that form the structure of the state with the dynamics of local economy and development (Nussbaumer, 2002 [cited in Moulaert, 2005]). Following this line, Moulaert and Mehmood (2010) add that the interactions between agencies and institutions in a given society's structure are integrated with the space which the society occupies. They also confirm that "Social relations within a group or community are part of the development process" (Moulaert and Mehmood, 2010, p.109).

In their survey and analysis of regional development policy, Moulaert and Mehmood (2010) have shown how well-known concepts of economic growth such as the growth pole of Perroux⁶² (see section 3-5-2), which has significantly influenced policy-makers tackling regional development, are based on interaction with power relations and, hence, explain that "unevenness in economic relations is institutionally confirmed" (p.109). They have also shown, using the case of Myrdal's⁶³ cumulative causation perspective on regional development, that with the pattern of development of a centre in a less fortunate area that has been shaped historically through cultural and political processes, public policy will be required to counter the creeping effects of a degrading pattern of socioeconomic development.

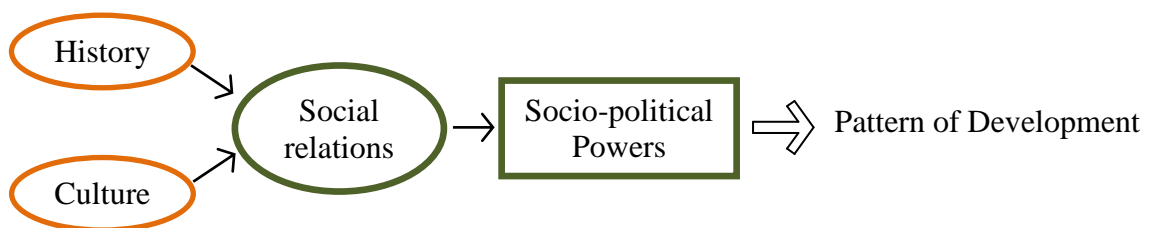
⁶² François Perroux (1970 [1955], 1983, 1988)

⁶³ Gunnar Myrdal (1957)

Markusen (1983) provided further elaboration on the institutional configuration of space when she stressed the importance of understanding and distinguishing conflicts among regionally disparate social classes and cultures. They should not be merely described as pure spatial problems. Actually, the geographic boundaries of a region might not be associated with the social structure; it is important to remember not to surrender to the given boundaries of a region, nor give it a single prescription when dealing with problems and demands of development. Markusen's (1983) highlight warns that neglecting the social structure, including its network of relationships, might promote conflicts or special developmental requirements.

In an explicit link of spatial dynamics to social processes, Doreen Massey confirms that "spatial patterns can be conceptualised in terms of social processes." (1995, p.67). Massey also links the impacted collective geographic form with the national and global position of the state, and their reflection on labour distribution. These social factors that influence space highlight the role of institutions and politics in shaping the spatial structure, and flows of production across space. Combining the historical and cultural underpinnings of a society that both comprise and shape social relations, we may understand the determinants of socio-political power which in turn explain the pattern of development (see Figure 4-1).

Figure 4-1: Institutional dynamics of development



Source: Compiled by the author

The available theories of regional development analysis and their approaches to policy could provide a good perspective over the options for developing regions and localities, were it not that doubts are raised when other influential factors emerge only to make established interpretations appear invalid. Moulaert and Mehmood (2010) thus found it necessary to propose a structural realist development of the New Regionalism approach

to the analysis of regional development. Theirs comprises a meta-theory that synthesises several insufficiently articulated theories that provide explanation and formation for the analysis of regional development that goes beyond pure micro-economic considerations.

The new framework for analysis would release the constrained perspectives of New Regionalism to allow for more innovative procedural governance while accommodating emerging factors, such as the impact of globalisation, to complement the regional-local dialogue of hierarchical development policy. Their intention was to support TIMs by linking local and regional levels of development analysis with the still influential larger levels of governance, from the supra-regional up to global factors of influence. The proposed method of analysis adopts the use of a network metaphor to involve the truly relevant agents of development, making a “triangular field of social relations-networks of agents-cultural dynamics.” (Moulaert and Mehmood, 2010, p.115). The involvement of institutional activities across various spatial and sectoral scales allows for filling possible spatial gaps among economic networks of production (Coe *et al.*, 2004).

To conclude, it is important to mention the many pieces of research and writing that have expressed their faith in the methodology of spatial, and particularly regional, development through the approach of institutional economics. They range from the theoretical rooting of institutions in core economic writing by Thorstein Veblen⁶⁴, John Commons⁶⁵, Wesley Mitchell⁶⁶ and Clarence Ayres⁶⁷, to collective efforts to advance analytical methodologies for regional development by various authors such as Markusen (1983), Bush (1987), Amin (1994; 1999), Elsner (1995), Cooke *et al.* (1997), Healey (1999; 2005; 2006b), Hassink (2001; 2005), Moulaert (2005), Moulaert and Nussbaumer (2005b) and Moulaert and Mehmood (2010). What we would need to know here is the policies and planning programmes that are available to provide more realistic support to local and regional development; that means to consider the historical sequence of spatial and urban formations, in combination with social formation and changes as well as political aspects. This methodology, thus, allows a better accommodation of real world challenges, and might become by itself a means of preventing problems that could hinder the execution of future development plans.

⁶⁴ See (Ramstad, 1994; Veblen, 1998 [1934]; Hodgson, 2004; Veblen, 2005 [1904])

⁶⁵ See (Commons, 1931; Commons and Parsons, 1950; Commons, 1990 [1934])

⁶⁶ See (Mitchell, 1910b, a; Mitchell, 1924, 1927)

⁶⁷ See (Ayres, 1951, 1978 [1944])

4 - 5 - 3 Role of Higher Education Institutions in regional development

“As countries are turning their production towards value-added segments and knowledge-intensive products and services, there is greater dependency on access to new technologies, knowledge and skills. And, with the parallel processes of globalisation and localisation, the local availability of knowledge and skills is becoming increasingly important. As key sources of knowledge and innovation, higher education institutions (HEIs) can be central to this process.” (OECD, 2007, p.11)

Higher education institutions (HEIs), whether research-intensive universities, technological colleges or vocational institutions, have received a great deal of critical attention in recent decades, following the expansion of their role in national development policies among the developed countries and those with emerging economies (OECD, 2007; Shattock, 2008). While models of HEIs' contribution to supporting local economies have existed since the mid-nineteenth century, in reality their approach has been spontaneous and irregular rather than systematic. Subsequently, at the turn of the 20th century universities in Europe became incorporated in a more organised system of higher education, which widened the gap between these institutions and their regions (Goddard and Puukka, 2008). More recently HEIs have been turning their focus to their surrounding region, following changes in the structural economies as well as local development needs (Charles, 2003; Arbo and Benneworth 2007).

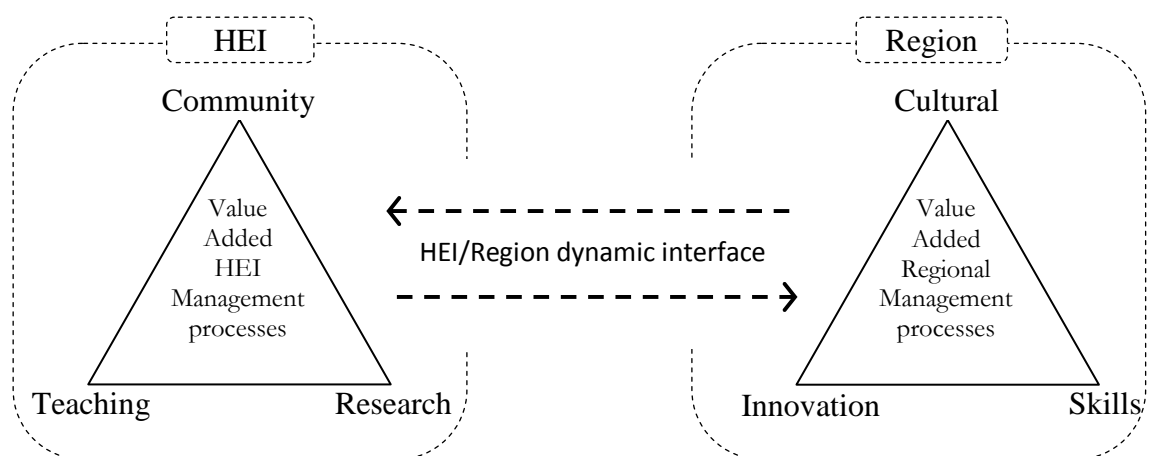
Observation of the global scene in recent decades reveals significant changes in terms of economic orientation and social challenge. There have been rapid transitions in the effective economic route from manufacturing to knowledge-based services. The social environment has also seen increasing turbulence on various levels, such as global financial problems as well as national and international political conflicts, which continue to press upon many, if not most, local communities. Social institutions have been taking a lead in attempts to counter these challenges, starting from their localities' characteristics and needs. Increasingly it is becoming necessary to establish intrinsic and active collaboration between HEIs and local community institutions (Smerek et al., 2004).

The focus of the approach by HEIs towards their spatial surrounding appeared in the USA where individual states sought to tackle the structural decline of their industries (Chakrabarti and Lester, 2004). Some states developed financial programmes that

would support public universities' efforts to revive economic growth, to which can be attributed the establishment of high technology corridors such as Route 128 and Silicon Valley (Goddard and Puukka, 2008). These areas demonstrate how investors chose to locate not on the basis of transportation costs, but rather on the basis of knowledge (Saxenian, 1994). The global resonance of the success of technological valley and science parks helped extend their models across the world.

There have been higher education programmes that targeted explicitly the issues of regional disparity (Goddard and Chatterton, 1999). Such development programmes appeared concurrently with the approach of indigenous development which concentrates on building skills, encouraging entrepreneurship and spreading innovation within the region (see Figure 4-2). HEIs represent the main centre for improving local competence for technological and social innovations through the transfer of knowledge and by facilitating the interaction between HEIs and private industry (Walter and Dohse, 2009). More recently, the span of HEIs' engagement with their local community has widened to include contributing to social innovation and participating in local, public activities as a major stakeholder in strategy-making and development policy (Jones-Evans et al., 1999; Paço et al., 2010; Goddard and Vallance, 2011). The effective contribution of HEIs has encouraged more support from central governments in the form of grants for specific development programmes.

Figure 4-2: The HEI/Region interaction process



Source: Adapted from Chatterton and Goddard (2000)

The interaction processes represented in (Figure 4-2) shows the relations of the value added outcomes between HEIs and the region (Chatterton and Goddard, 2000). On one side, HEIs work on linking their main activities of 1) Knowledge creation, by research, 2) Knowledge transfer, through education and training and 3) Cultural and community development through services and programmes. HEIs need to formulate these functions if they are to become responsive to regional needs. On the other side regions engage education in the various aspects of development, mainly work force skills, innovation and cultural awareness. The resources of a region will be better utilised when the learning organisation of the region is consolidating its functions in accord with the dynamics of regional development.

Examples across the world show various forms of utilisation of HEIs in local and regional development. There is now a movement among the political class to adopt education as an essential trajectory for development reforms that increase innovative capacity. Chakrabarti and Lester (2004) provide examples of such political trends and their effective role in encouraging University-Industry collaboration. In Finland, the government has established a national policy to give universities a key role in development. They have implemented that through a dedicated national agency, the Finnish Funding Agency for Technology and Innovation (Tekes). The main purpose of this agency is to develop technology and then pursue its outcomes through private industry. In the USA, the National Science Foundation is seeking to develop programmes to encourage greater coherence between industry and universities. However, competitiveness remains an obstacle that faces these public endeavours in the final stages of product development.

4 - 5 - 3 - 1 Institutionalising the engagement of HEIs with their regions and local communities

The Organisation for Economic Co-operation and Development (OECD) is one of the largest institutions that offer development studies with a focus on the function of HEIs in regional development. It has a range of different programmes intended to benefit its member countries, dispersed around the globe. The OECD Programmes of Institutional Management in Higher Education (IMHE) and Public Governance and Territorial Development Committee (GOV) have undertaken a cross-country study to improve understanding of international trends and practice relating to higher education institutions and their regional engagement (OECD, 2007). The study incorporated surveys of 14 regions in the organisation's member countries, and produced *The*

Response of Higher Education Institutions to Regional Needs (OECD/IMHE, 2000) and *Cities and Regions in the New Learning Economy* (OECD, 2001).

The accumulated results of case study surveys together with the review of relevant critical studies (Lawton Smith, 2003; OECD, 2008; Goddard and Vallance, 2011) and applied experiences (Chakrabarti and Lester, 2004; Lauridsen and Kindtler, 2006; OECD, 2007) across the world identified some appropriate mechanisms and policies for organising the governance of regions in order to gain the effective engagement of HEIs with regional development:

- 1) Developing the national higher education system to empower universities with administrative and financial competence and independence.
- 2) Increasing government funding for universities to provide them with the required resources to support local development programmes and incentives.
- 3) Developing the leadership of HEIs and rehabilitating their staff to lead local developments alongside the academic leadership.
- 4) Organizing structured and systematic long-term programmes for local community services using the universities' attributes, including human resources.
- 5) Generating networking at a global level to broaden the opportunity for attracting human resources and investment from abroad.
- 6) Activating links with local government and private institutions to establish a unified vision for local development.
- 7) Matching and following-up of education and training outcomes with market needs.
- 8) Activating programmes of continuous education and delivering it to local people.
- 9) Developing the governance of HEIs to include representatives from the region's administrators, and correspondingly allowing representatives from HEIs in the governance of the region.
- 10) Encouraging joint programmes between HEIs of the region: to provide joint academic degrees, research, training and development programmes, strategies and associations, together with a one stop shop to cooperate with industry.
- 11) Supporting communication and cooperation with entrepreneurs and investors.
- 12) Establishing indicators and benchmarks for the continuous assessment of the policies and programmes for HEIs engagement with their locality.

4 - 5 - 3 - 2 International models of HEIs engagement

Countries enforce the role of HEIs with programmes and policies to engage them in local and regional development, working as engines for growth. In England they have developed collaborative ventures between universities in each region to consolidate their knowledge resources; these are mainly organised through regional higher education associations. The mission of these associations is, as stated by the North East of England's higher education regional association, is “to encourage, coordinate, facilitate and promote collaborative activities among the higher education institutions of the North East of England, to benefit the institutions themselves and the region as a whole.” (Universities for the North East, 2012). It is worth noting that the benefits of HEIs' collaborative efforts extend to government agencies, the private sector and civil organisations.

More oriented towards promoting technology-based businesses, the Georgia Institute of Technology (Georgia Tech) in the USA hosts comprehensive programmes of venture development and technology transfer, led by the Enterprise Innovation Institute (EI²). The EI² deals with the broad range of expertise available in the branches of Georgia Tech spread across the state. EI² helps various types of enterprises: companies, health care providers, entrepreneurs, economic developers and communities. In particular it works on improving their competitiveness through the application of science, technology and innovation. The programmes sponsored by EI² support economic development through local entrepreneurs, and facilitate the commercialisation of research. They have dedicated services of business incubation and start-up acceleration for new enterprises. The collective economic development programmes provided by Georgia Tech comprise a single entry point for SMEs that have proved to be more sustainable in generating local income.

HEIs can undertake the task of developing the local knowledge and skills base, to take it to a globally-competitive level in order to attract investment to the region (OECD, 2007). This could involve developing existing or newly established SMEs through international expertise. An example of this may be seen at the University of Jaume I in Castellon, Spain, that has helped traditional ceramic tile producers based locally to become leaders in their industry. The university established the Institute for Ceramic Technology (ITC) to provide access to the relevant knowledge and skills for the industry. The ITC also provides facilities for experiments and quality certificates, making it among the leaders in Europe.

The role of developing local capacity could equally involve developing and enhancing the production environment for a major branch of one or more international corporations. The University of Sunderland in the UK is an example of this, as it supports productivity in the local Nissan car plant in order to compete against the general trend of plants relocating to areas of cheap labour. The University established a regional alliance with local industries and government agencies, The North East Productivity Alliance (NEPA), aiming to maintain high levels of manufacturing productivity. NEPA provides a domain in which to improve skills in the work force, as well as developing new and improved production practices.

The Korean experience with the New University for Regional Innovation (NURI) project is a model for a policy of targeting regional innovation to balance the national development. The NURI project facilitates direct financial support from central government to HEIs in the peripheral regions. The Ministry of Education and Human Resource Development, in Korea, provided grants to 109 HEIs working outside the Seoul metropolitan area to implement programmes that are establishing regional innovation systems across the country. The aim of these programmes is to promote the attractiveness of the regional environment for talented people. The programmes aim to enhance the skills of the local workforce as well, in terms of accessible education and customised training courses. Another substantial element of the national programme is to encourage partnerships by local firms, whether public or private agencies, working together with research and development institutions to deliver advanced technologies to industry.

4 - 6 Conclusion

This chapter seeks to complement the previous one (Chapter 3: Theories of Regional Development), which presents the relevant thinking to be found in the literature of spatial development, and which seeks to explain the causes of inequality in regional development and the impetus for growth at various territorial levels, including regions and localities. This chapter sets out the issues of spatial development that are linked to reality, in terms of their being concerned with the practice of regional development policy and planning. The instrumental policies and plans for regional development may well follow a conceptual model for regional development, but in practice they must also follow a path that is influenced by the prevailing political ideology and economic environment. These two chapters, together, set out the basic concepts and their

instruments of implementation in order to provide an appropriate intellectual framework for this research.

Regional development policy and planning appear clearly as essential descriptions of the processes that take place in order to implement development aims. As they grow they will reveal significant degrees of variation when set against the theories of development, at least being affected by the conditions existing in each individual case as well as the available capacity and preferences selected. Historically, regional policy has passed through waves of varying purpose and approach. It began, in a limited way, to tackle disparity in unemployment rates during the late 1920s, but gained consolidation along with international political and economic phenomena. Global economic conditions have reflected a pattern of development which for its part required a particular approach to policy in order to cope with the accelerating prosperity after WWII, but which contributed to a widening disparity between regions. Along this line, the financial crisis of the 1970s impelled a restructuring of economic policies as well as approaches to governance.

The highlighting of regions as units of planning and targeted policy came along with the changing contextual aspects of development. These included the global restructuring of economic networks, the national remodelling of governance, and the local networking of production factors. Regional planning and policy development may be adopted as an integrating framework for locally based development; it could then be used to promote better coordination among a limited number of localities with specific connections. The regional level could also be used to provide a framework for national development policies when tackling a national problem of economic decline. It is unavoidable that governments must sometimes intervene to deal with structural defects in the national economy, using regional development. Even at the global level, regional coordination is an applied element of development policy. It increasingly represents an economic force that could provide a functional correlate to the increasing power of globalisation.

The context of regional development policy and planning depends largely upon a group of functional instruments that are integrated to bring together the requirements for development, including relevant sectors and spatial dimensions. The spatial essence of regional development requires associated analytical studies to evaluate the contents of regional development policy, using the categories of sectoral and spatial instruments. Sectoral instruments include tools such as restructuring market and production factors, to help achieve better performance and allow for a better fitting and more viable

economic sector in the region. Spatial instruments are, mainly, tools that deal directly with bringing development opportunities to lagging localities. These might take the path of rebalancing production among regions, or devoting resources to allow for endogenous development.

It is quite common for the wave of knowledge to give rise, occasionally, to topics and deliberations that are not totally new, but rather advanced with more analysis or enrichment from other disciplines. Moreover it seems unavoidably necessary, with such a dynamic and cumulatively evolving inter-disciplinarily subject, that several approaches to handling spatial development should be considered simultaneously. Governance is one of these aspects, and is essential when discussing regional development and its role in what happens locally. This could extend governance deliberations, while considering the various schools, concerning the validity and contribution of governance in multi-level spatial development.

The role of government is extensively discussed as part of the governance structures which contribute to the area of political determination within a development context. Deeper exploration of approaches and determining factors within the governance structure reveals the underpinning and controlling factors that mobilise social influence upon policies and planning directions. This takes the discussion of development policy to another related subject for deliberation, which is the institutional context. The institutional context of a society has proven to be the collective determinant of previous causes, occurring practice and potential motives of the development pattern in a society. Actually, in-depth analyses of spatial development theories have shown the critical role of power relations within the social context; this confirms the importance of including the social contextual boundary alongside the spatial deliberation of developmental conflict.

The description of regional development policy and planning in this chapter will have provided a better and fuller explanation of the earlier, conceptual presentation of theories concerning regional development. Together they establish the analytical framework of this study, which is formulated in the following methodology chapter (Chapter 5). Various lessons have been learned in the form of contextual determinants and analytical approaches. These lessons will formulate the elements and themes of enquiry for this type of study, and hence enrich the empirical study that follows in this research (Chapters 6-8).

Chapter 5

Research Methodology

Chapter 5

Research Methodology

5 - 1 Introduction

This research started with an overview of the practice of spatial development in Saudi Arabia. This led to definition of the research problem and then to establishing the purpose of the study. The research focuses on regional instruments for the spatial allocation of development resources, and is intended to follow-up previous studies which almost unanimously highlight the importance of regional development planning in spreading local development. Section (2-4) contained a detailed review of these previous studies. The strategy in this research was to formulate sets of analytical questions to help in understanding the fundamental elements for the subject of the research. These elements were treated as goals, so the research seeks to achieve them as means to reach the ultimate aim. These goals are reflected in grouped empirical sections that make up the framework of the empirical research analysis.

To determine the conceptual framework of this research, sets of analytical questions were laid out in light of the contextual framework (Chapter 1). Answering these questions provoked further exploration of spatial development in Saudi Arabia in actuality (Chapter 2). It also required a review of theories (Chapter 3) concerning spatial development in general, and regional development in particular. As a supplement to both the actual and the related theoretical concepts, some further investigation into regional development policy and planning (Chapter 4) provided a bridge to a practical understanding of how developments are really devised and structured.

Chapter 5 continues by formulating the preceding explanatory procedures and informative literature reviews into a systematic reasoned methodology to describe the overall structure and underpinnings of the empirical enquiry before proceeding to the actual case study. It begins with a synthesis of the conceptual framework, setting out the theoretical context of this empirical enquiry and the framework of its analysis. It goes on to discuss the selection of the case to be studied, the research design, the research framework and themes of enquiry. These together seek to justify the

methodological and empirical framework of the study, providing an investigation that will yield reliable results.

5 - 2 Conceptual framework (theoretical approach) of the study

The preceding chapters have set out the context of this study, which is a specific case in a single country. As Evans and Gruba (2003, p. 73) explained, reviewing current theory “gives the background information required to contextualize the extent and significance” of a study in order to set out the components of the enquiry. It also helps to identify other studies that have examined similar issues, to learn from their approach and results. The critique of regional development in Saudi Arabia (Chapter 2) provided background information about regional planning in the country. The critique set out three phases of development with distinct spatial implications triggered by institutional change. A critical review of the Saudi model of regional development then examined the underpinnings of current practice in regional development planning. It also included a critical examination of the validity of regional development policies, in an attempt to define their main areas of weakness. This helped to focus the empirical study on regional planning approaches and policies. The remaining parts of that chapter were devoted to explaining the two major frameworks of development planning in Saudi Arabia, the FYDP and NSS.

5 - 2 - 1 The extent and significance of the study

This thesis studies regional development planning and policy in Saudi Arabia against the background of a survey of theories of regional and local development. With a strongly centralised government like that found in Saudi Arabia, such a study can help us to learn about bridging the gap between a centralised system for regional policies on the one hand and development delivery to localities on the other, whilst also maintaining national coherence. The available critiques of spatial development in Saudi Arabia are principally concerned with the role of macro policies in local development, and mostly address the direct impact of national policies on a fragmented urban and social fabric (Mubarak, 2004a). Most of those studies identify the need for a coherent structure to deliver national development policies to localities through regional planning, as a balancing tool (Abdelrahman *et al.*, 1995; Mashabi, 1995; Othman, 1995; Mubarak, 2003). Section (2-2) of this study described in detail the experience of Saudi Arabia when it sought to develop its structure to achieve more balanced spatial development.

The review of spatial development in Saudi Arabia helped us to understand the background to such developments in practice (Reshoud, 1999) and, thus, to identify the components of institutional forms and policies as they relate to local development. Examining previous and current practice helps identify matters that need to be considered in future studies. The governance of Saudi Arabia has been transformed from fragmented local communities, with diverse structures and a variety of powers, into a central nation-state system (Al-Said, 1982; Mubarak, 2003).

That transformation only took place thanks to the enormous efforts by political leaders to overcome varying forms of opposition from the scattered communities, which took more than three decades (Zarkali, 1999). This was exacerbated by the great depression, as the country was formally established in 1932 (Monroe, 1973; Brown, 1999). This matches the situation in developing countries that were established as independent states during the 1950s and 1960s, and which tended to centralise their development planning (Reshoud, 2000). Such centralisation might be even more justified in Saudi Arabia, given the abundant oil reserves owned solely by the state and which allowed the newly established country to control development from the centre (Heller and Safran, 1985; Mubarak, 1992). Certainly, the history of this country has had an impact on the structure of the emerging state, and this explains some of the established ideas and beliefs concerning the way the state should be governed (Mubarak, 2004a).

Since this structure was established and controlled by policy-makers at the national level, executive officers in local development agencies remain at a distance from the concerns that lie behind national regulations, despite the existence of several national plans, policies and programmes that aim to generate local development. Central control of development exists either to manage financial resources efficiently, or to overcome the lack of executive capacity in localities. Meanwhile local officials play no part in approving development programmes, and sometimes do not even have a role in their implementation.

5 - 2 - 2 Theoretical framework

The conceptual framework of the study has two facets: theories of regional development, and policies for regional development. They both centre on the region as a pivot for spatial development. Accordingly, the theoretical framework is outlined through the definition of the region as an objective determinant of the relevant

dimensions, theoretical interpretations of regional development, and processes of regional development policy and planning.

5 - 2 - 2 - 1 What is the region?

Taking spatial planning as a departure point for development, regional development theories would be, as stated by Friedmann and Weaver (1979), a mixture of geography, spatial economy, politics and social formulae. Theories of regional development provide an overview of regions as focal points for spatial development. Regions themselves are defined in various terms, based upon the applicability of various disciplines that deal with regional development such as economics, geography, politics and social sciences. Each speciality has its own variables that are used to measure and formulate space. The most specialised and conceptually varied delineation of regions is seen in the economics-rooted debate about regional development; this may be summarised as stretching between the goods-market orientation, as in Christaller ([1933] 1966) and Losch's concept of Central Place Theory (1954), and the labour-market orientation, as in Fox and Kumar's (1994) functional economic area. On the other hand, there are delineations that recognize political or administrative divisions and combine them with actual functional relationships in identifiable and measurable units, as seen in the American Metropolitan Statistical Areas.

Writers commonly use the term "Planning Region" (Richardson, 1979) where regional boundaries are territorially delimited as a function of development. Such a region is a homogenous grouping of administrative units that share a common internal factor. While previous definitions are important when seeking to understand the meaning and basis of regional delineation in debate, the definition that this study requires needs to be more comprehensive to include the possible variables that may affect regional development. More detailed specification of the distinct characteristics of the region is provided by Markusen (1987) and developed by Dawkins (2003) who defines the region as:

"a spatially contiguous population (of human beings) that is bound either by historical necessity or by choice to a particular geographic location. The dependence on location may arise from a shared attraction to local culture, local employment centres, local natural resources, or other location-specific amenities." (Dawkins, 2003, p. 134).

This definition helps to identify the broader issues to be considered when investigating the underpinnings of regional development, and for that reason was adopted in this study.

5 - 2 - 2 - 2 Theories of development

It is important to affirm clearly that this study is concerned with spatial development and not just with economic growth. This includes the development of well-being, along with equitable distribution across localities. This means caring about quality and not just quantity, given that a rise in living standards generally improves the quality of life for the majority of people (Greenwood and Holt, 2010). From an economic perspective, it is not just about increasing wealth within a community but making wealth available to the people in that community (Morris, 1998). Development is achieved partly through growth, in addition to other processes that involve structuring the wider economic and social system (Todaro and Smith, 2006). However, within regional studies there are various epistemological philosophies that guide theoretical models of regional development.

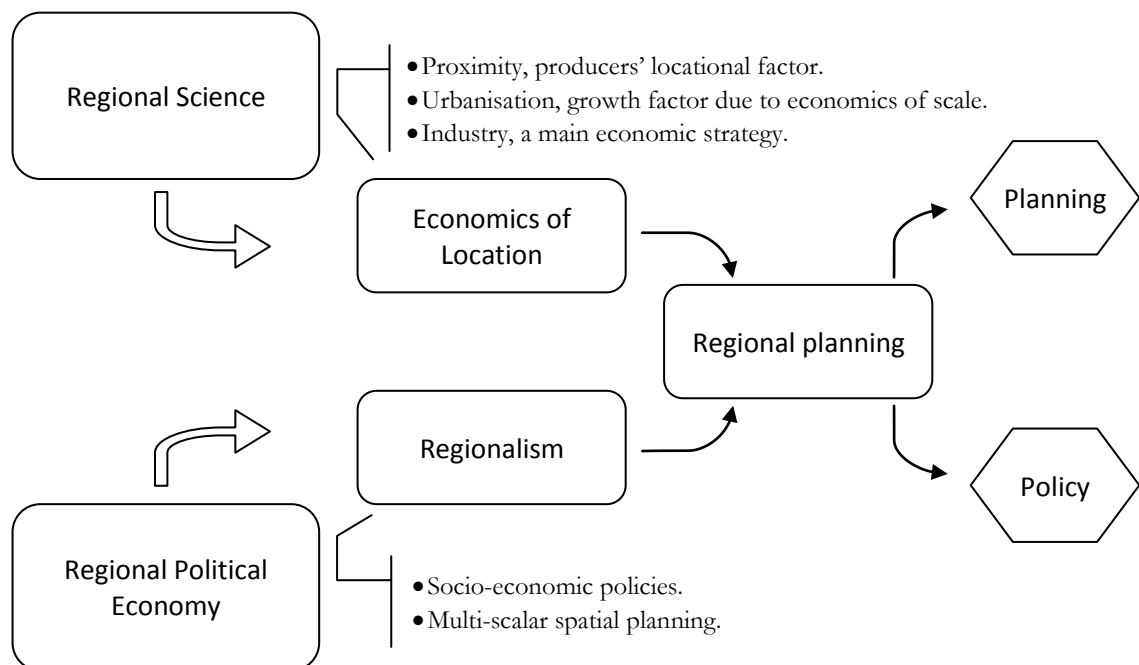
The most common albeit divergent fields of study in regional analysis, which provide a basis for the conceptual underpinning and epistemological referencing of spatial development, are Regional Science and Regional Political Economy (See figure 3-1). They take different economic approaches and thus include varying perspectives and models of analysis. However, they have both influenced the principles of regional planning (Friedmann and Weaver, 1979). Regional Science refers to theories of spatial economy that were first published in the 1930s based on neoclassical economics, and adopt positivist methodology as an epistemological approach (Moulaert, 1983). It offers economics-based analytical tools that measure inter-regional performance (Friedmann and Weaver, 1979). The main theories and development models in this field are Christaller's central place theory ([1933] 1966), Hoover's Location Theory (1937) and Perroux's economic models of space (1950). The key methods and tools of regional analysis include the input-output model, shift-share analysis, spatial interaction models and industrial complex analysis (Isard, 1960; Isard and Cumberland, 1961; Bendavid, 1974; Isard, 1975; Hoover and Giarratani, 1984; Isard et al., 1998).

The other field in regional analysis studies is Regional Political Economy, which appeared in the 1970s and contrasts with Regional Science (Moulaert and Salinas, 1983). As the name suggests, the concepts of Regional Political Economy are largely built on the idea of political economy. It considers the organization of economic resources in space primarily in terms of social forces and production relationships. It also takes into account the political basis for production and distribution systems. Regional Political Economy extends the analysis of spatial activities by looking also at

social interaction, providing a framework for economic activity represented in the modes of production. It also provides a basis for analysing the political structure represented in modes of governance. Regional political economy reinforces the social understanding of Marxist thinking in explaining the spatial relations of economic activities. It is associated with the historical, dialectical approach to political economy (Moulaert, 1983).

While Regional Science and Regional Political Economy represent fundamental approaches to the analysis of regional development, other concepts that consider the spatial factor in economic growth are used in studies of regional development. These may be grouped under subjective terms that refer to their area of application, such as Regionalism and Economics of Location. They contribute to regional planning through their analytical techniques or their approach to classification (Figure 5-1). Economics of location originally meant those studies that consider economic choices in regional planning (Friedmann and Weaver, 1979). These studies prompted the establishment of industries in certain locations, mainly as a way to promote spatial development or to achieve better returns on the space.

Figure 5-1: Conceptual influences of regional planning



Source: Synthesized by the author.

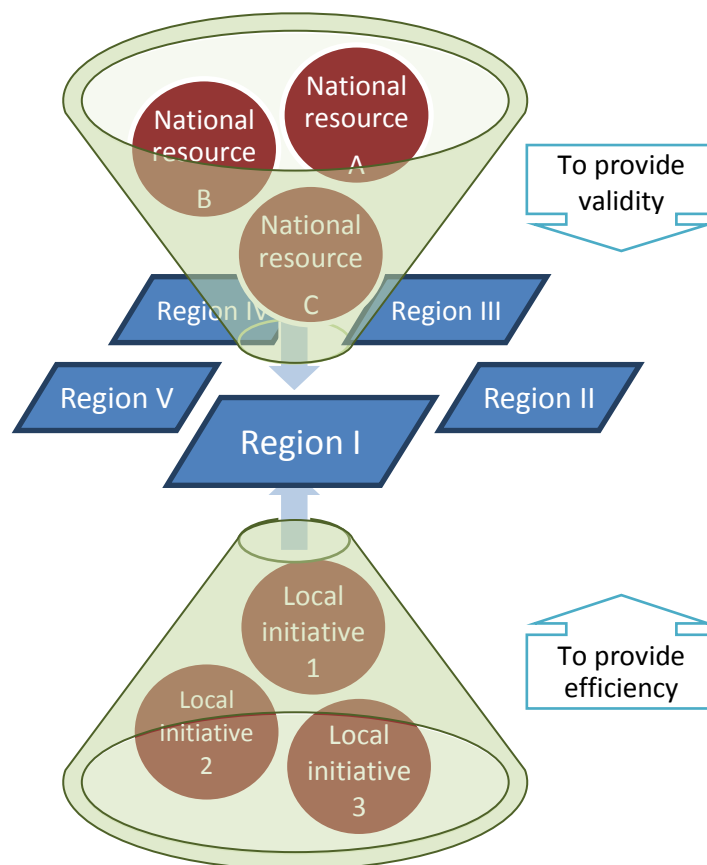
Regionalism, on the other hand, is a rather politically-charged term that has generated some debate when used as a model for government. Regionalism may be achieved through devolution from the centre of some meaningful government power. More

recently it has been seen as a model for arranging relations between countries; it seems that globalization has increased the claims of regionalism for promoting localities and their indigenous cultures.

5 - 2 - 2 - 3 Policy and planning of regional development

“Regional science can be seen as an agglomeration of a theory community and a policy community, and both are important to the success of the agglomeration” (Bolton, 2004, p.357). Regional policy was initially formulated to reduce disparity in regions’ economies (Armstrong and Taylor, 1987). At the intermediate level, regional planning may be a way to provide efficiency and validity between local and national levels of planning. It provides a collective framework for local initiatives to utilise indigenous resources, and for national arrangements to employ the best allocation of development resources (Figure 5-2).

Figure 5-2: Illustration of the role of regional development policy



Source: Illustrated by the author.

Structured regional planning regulations began to appear in the US and Europe around 1916, to organize the distribution of resources in the face of two apparently contradictory goals of efficiency and equity. It gained wider acceptance from the middle of the last century as a means to improve economic growth in developing countries (Todaro, 1971). The orientation of regional development policies and regional planning is commonly guided by the economic environment and political ideology (Albrechts and Swyngedouw, 1989; Martin, 1989). These researchers suggest two distinct revolutionary points in history, the ‘launching’ and ‘transformation’ periods. The launching era for regional policies was that which saw the growing prosperity of western communities following WWII, from the late 1940s to the early 1970s, while the transformation era followed the economic crisis that began in the late 1970s.

Regional development policies were initially prompted by the prevailing social, economic and political systems. In a reaction to problems that were largely the product of a capitalist market system, these policies were aimed at reducing or eliminating regional disparity, e.g. in employment and housing (Armstrong, 1995; Barro and Sala-i-Martin, 1995; Canova, 2001; Martin, 2001). In Britain, Martin (1989) explained how regional industrial policies had been used to redistribute capital and employment into depressed areas, and to balance development throughout the country.

After the financial crisis of the 1970s, restructuring the political economy changed the pattern of inequality in spatial development (Albrechts and Swyngedouw, 1989). This included changing “the political, social, technological and economic environment in which regional policy is pursued” (Allen et al., 1989, p. 107). The shift in production systems along with the geographic changes in employability during the mid-1970s must have had an impact on urban and regional systems, and hence on development policies (Fielding, 1994). Later, in the 1990s, more strategic planning at both urban and regional levels was taking place (Faludi and Salet, 2000). This included restructuring both institutions and the machinery of governance, in order to achieve spatial coherence and better use of resources (Albrechts et al., 2003).

As for the instruments of regional development, these may be categorised according to the matters with which regional planning is concerned, such as promoting effective spatial integration to achieve social and economic development (United Nations, 2008) as well as the “coordination of the spatial dimension of sectoral policies through territorially-based strategy” (Cullingworth and Nadin, 2006, p. 91). In this case, spatial

planning provides the link between sectoral and spatial development. However, each policy requires its own executive tools; the various instruments of development reflect the diversity of theoretical concepts.

By observing the transformation of development policies during recent decades we can see that the Neoclassical approach to growth, which focuses on determinants of regional per capita income levels and how low-income regions can converge or ‘catch-up’ with relatively higher-income regions, is probably not enough to provide us with appropriate development tools. Alternatively, the Keynesian approach advocates intervention and seeks direct government involvement to guide and distribute growth to regions and localities, thus avoiding their divergence. Considering macro factors, this assumes that government-directed growth has a better chance of stimulating returns (Rosenstein-Rodan, 1943).

However, development remains a need for developed regions seeking sustainability, perhaps while dealing with changes in the nature of their economy. Extending development from being simply concerned with the relationship between developed and underdeveloped regions led to the theory of ‘Conversion’ proposed by Elsner (1995). This is a strategy for regional development that involves the diversification of target markets, along with innovative production processes. Contemporary policies require the involvement of integrated sectors, including industry and services, in creating development opportunities. “sectoral cooperation, regional networking ... and balanced structural policy support using financial and nonfinancial instruments is required” to transform the merely industrial change process to “a general form applicable ... to severe structural change in general” (Elsner, 1995, p. 504).

It is important to avoid reaching a point that leads to a general depression, by “attempting to turn a rout ... into orderly retreat” (Schumpeter, 1994 [1943], p. 90). There is a need for new skills and habits, as well as developing new economies of scale (Mackay, 1993). This leads to focusing development policies on promoting innovation, through inquiring into pertinent needs that include the means of creating new sources and stimuli for development, and not only on what economies typically deal with which is “the administration and allocation of existing resources” (Mackay, 1993, p. 420). Development instruments here would be mainly concerned with restructuring policy as much as with new industries. Whether quantitative or qualitative, instruments are directed to support activities that have significant value to the region measured by their multiplier effect. The activities supported will collectively comprise “sectorally

interrelated complexes” (Elsner, 1995, p.514). They should also work in harmony with local official and social institutions, including the governance system.

Instruments of spatial development are based on national standards of welfare in local communities, public services and income (Kaldor, 1970; Mackay, 1993). This may include fiscal transfer from central government to the regions, and linking that transfer with local production as an automatic stabiliser to achieve more balanced development. Models of interregional convergence could be useful here, especially when considering the formulation of policies intended to balance development. Another perspective of regional development focuses on decentralisation in order to foster local production networks, local agglomeration economies, and the local capacity to promote social learning and adaptation, innovation and entrepreneurship (Stöhr, 1990a; Pyke and Sengenberger, 1992; Cooke and Morgan, 1998). This is based on the revival of local and regional economies to stimulate endogenous or indigenous ‘development from below’ (Pike *et al.*, 2006, p.89).

Furthermore, following the line of using the attributes of localities with their own development trajectories, institutionalism and the new economic sociology promote policies that depend heavily on networks as a way to stimulate growth in both prosperous and old industrial localities and regions (Cooke, 1995; Cooke and Morgan, 1998). This may involve the use of innovative technology to manage industrial relations (Moulaert and Sekia, 2003), whilst intervention is mostly microeconomic and focused upon the supply side including enterprise policy, small firm growth, innovation and skills development (Krugman, 1995; Amin, 1999).

Another policy promotes the knowledge economy, where development is interpreted as “the enhancement of the locality or region’s ability to produce, absorb and utilise innovation and knowledge through learning processes” (Pike *et al.*, 2006, p.95). More theoretically rooted, economic development may be interpreted as “a process of moving from a set of assets based on primary products, exploited by unskilled labour, to a set of assets based on knowledge, exploited by skilled labour” (Amsden, 2001, p.2). Development policies here should concentrate on raising the capacity to learn, starting with individuals (Lundvall, 2010) then moving along to the wider set of innovation-related regional actors (Hassink, 2005). As policies progress they should become more context-sensitive and less universal (Storper, 1997).

More recent economic policies have focused on all the regions within a national economy (Scott and Storper, 2003; Fothergill, 2005). In these cases, ‘levelling-up’

economic performance is considered the key to enhanced economic outcomes at local, regional and national levels (Pike et al., 2006). This contrasts with the traditional policy of redistributing growth from prosperous to lagging regions, characterised as ‘levelling down’. Building clusters has also become established as a policy for business and industry (Lagendijk and Cornford, 2000) “seeking institutional intervention to encourage their growth and contribution to regional and national innovative productivity and competitiveness” (Pike et al., 2006, p.112).

5 - 2 - 3 Analytical approach of the research

We have seen that intellectual approaches to economic philosophy vary in accordance with their different visions when determining those elements that are most effective in generating influence over economic matters, as well as in determining the most effective way to produce the intended outcome. This could mean viewing the pursuit of individual interests as the most important factor influencing economic growth, as per neoclassical economics, or that collective activities in conjunction with the available technology are most effective, as per institutional economics. At the same time, economic development might be achieved via the free market, following the mainstream of economic thinking, or through an integrated system of governance that includes relations between government bodies operating at different levels, and relations between public and private bodies in their various operating sectors.

The accepted principles underlying these basic approaches are not necessarily different: they variously recognise the accepted rules of social justice and the nature of human activities. On the one hand, there is an approach that emphasizes individuality and encourages earning wealth independently; on the other hand, another approach leans towards collective action as the basis on which to choose and determine action in the public interest. The success criteria of either of these approaches will of course be different. The principles that these schools are based upon, and on which their analysis is established, are the basis for making the choices for an empirical case study.

However, influential externalities may overturn one approach or the other. This appears, as described by Pike et al. (2006), to have been the case with the changing patterns of economic activity that accompanied globalisation, which opened markets and exposed firms and localities to varying conditions and degrees of impact; whether positive (Fischer, 2003) or negative (Stiglitz, 2002). The fact is that the control of production has shifted from the national to the global stage. The management and,

consequently, the development planning of localities has been concurrent with this shift, and has increased the complexity and breadth of the factors of globalisation as they impact upon economic production. This was particularly apparent at the turn of the twenty-first century.

Experience in various parts of the world shows that merely adopting a conventional growth model, e.g. a growth pole model, is not by itself enough to achieve sustained development (see Cuadrado-Roura, 1994; Martin, 1999; Vanhoudt *et al.*, 2000 for European cases). Latin-American countries could not maintain their industrial productivity, as their traditional development policies were inadequate when exposed to international competition (Love, 1994; Rodriguez-Pose and Tomaney, 1999; Dussel Peters, 2000; Pike *et al.*, 2006). Global experience has shown that such traditional means of development, without adequate consideration being given to the economic, social and institutional context, are neither effective, equitable or sustainable (North, 1990; Rodriguez-Pose, 1999; Pike *et al.*, 2006).

This indicates the need to review approaches to spatial development, and to adapt their instruments in line with emerging variables such as increasing emigration and the large income from oil. More involvement in the governance of localities and regions, as well as a better understanding of the structure of the population, is essential to cope with circumstances in which national patronage of support and protection is clearly no longer enough. Economic systems are being restructured around the regional level, with more consideration given to spatial breadth while seeking innovative competitiveness. The concept of local development has also taken aboard the specific nature of local societies with their own unique potential. There has been, as was seen particularly at the turn of the century, more (and more effective) involvement by local actors in spatial planning and its governance (Hillier, 2000; Healey, 2007a).

These issues mean there is a need to understand better, and to develop the structure of local communities, to improve their capacity to achieve real growth and development. This should go along with restructuring the governance, social and economic framework across all spatial levels. The institutional structure at regional and local level provides a suitable basis for studying the structural components of development.

There has been a tendency towards the restructuring of governance systems; this has been one result of examining relations among the various levels of government, with particular attention given to each sub-national level as these have a unique composition. It would seem that the evolving nature of governance associated with local and regional

development, and which has become more reflective of local circumstances, has resulted in interventionist policies. The changes that have affected economic activity, as well as the role of government and the governance structure, have led to the need for integrated patterns of development. These should be more comprehensive than traditional development policies, and should balance local production with foreign investment.

A development pattern such as this may result in the integration of labour skills with the infrastructure, in addition to encouraging local firms to use inward foreign investment (Rodríguez-Pose, 2001; Pike et al., 2006). Accordingly this research continues by looking at various aspects of local government, together with the policies for regional development (including the enabling institutional environment), to create a firm basis for understanding the nature of spatial development in Saudi Arabia.

5 - 3 Applying the theoretical approach to this empirical enquiry

The requirements of planning for development have, apparently, come in response to the need to progress beyond the promotion of the elements of direct economic production. There is a need to identify and address a comprehensive set of factors that affect local economic production, as well as the structure of the local setting, when seeking to achieve real, stable development. This includes the need to consider the spatial dimension when examining economic development, as stated from the outset, to establish a starting point in planning for development. Such an approach is appropriate in a research case such as this, where the problem lies in the low level of development observed in localities (other than a few primate cities) despite improving national economic indicators. This is further confirmed in that the government of Saudi Arabia has been making what have proven to be ineffective efforts to extend and balance development across the country since 1985, as a strategic goal in the FYDPs.

To apply the theoretical knowledge of this subject to the case of Saudi Arabia, we need to go beyond the analysis of its typical top-down, centrally planned development model to gain some understanding of the factors that hinder balanced development.

“national and sectoral plans, if available at all, seldom provide a structure sufficiently detailed for the coordination and mutual adjustment of local plans and projects, and that too little attention has been paid to the needs and ideas of the local population. As a result it has been difficult to mobilize the social potentials at the regional and local levels.” (Staveren and Dusseldorp, 1980, p.1)

Enquiries should go beyond currently legitimised processes, to investigate both the underpinnings and real practice in spatial development. The circumstances that affect actual practice have to be considered if local development is to really work. This includes the social structure and the pattern of governance, in addition to the economic foundations. Therefore this study has been designed to make its empirical enquiry in a locality in a way that allows, within the time and resource constraints inherent in such research, to bring about an understanding of the current practice of regional and local development in Saudi Arabia.

5 - 3 - 1 Regions in Saudi Arabia

5 - 3 - 1 - 1 The first phase (before 1970)

Due to the recent establishment of the Saudi state the local people still use the traditional names and boundaries of the regions despite the existence of a new system of clearly delineated boundaries setting out the current regions and clear regulations setting out the detailed administrative structure of these regions.. When a comprehensive and well established system is missing or is defective, especially political regulations, the general norm is that people revert primarily to the nature of the place as a basis for delineating regions. The succeeding determinant to distinguishing regions would be the activities and human relationships that are connected with certain places.

Therefore, in the period prior to the establishment of the state of Saudi Arabia and throughout the early stages of its foundation, there were only five recognised regions. They were known mainly by their geographic features in addition to some specifications attached to a few of them. There was the region of Hijaz, which is known by its cultural richness and historical civilisation. The existence of the two holy mosques in the cities of Makkah and Madinah has been a fundamental factor in distinguishing the region due to its strong connections with other parts of the Islamic world. The Hijaz region also has an essential factor that adds to its uniqueness and recognition that is its location on the western coast of the country, which allows for enhancing the region's trading relations and added value through the seaport of Jeddah.

On the other side of the country, there is the Eastern Region located on the eastern coast where there are several seaports that connect traders with South Asian countries. The Eastern Region has been enriched by its sea resources, especially when the inner areas of the country face a dry season that hinders agricultural activities. This region has also

been distinguishable by its oasis area in Alahsaá. They have sufficient amount of ground water to maintain agricultural activities.

The rest of the regions are mostly defined by their spatial characteristics and location. Hence, the Northern Region is the one that borders the Arabian Peninsula at the north side adjacent to the Fertile Crescent region. It was mostly known for herding nomads. Likewise, the Middle Region is defined geographically by the shape of Najd Plateau. It is the most isolated region because of its location in the middle of the Arabian Peninsula. Whereas, the Southern Region is named for the mountainous area on the south-western part of Saudi Arabia. However, it contains various terrains such as the coastal plains and the rugged mountainous areas. Finally, the south-eastern part of the country is comprised of a barren desert that has never known any aspect of a continuous human occupation.

This basic identification of the spatial classifications in Saudi Arabia is how the regions can be described at the first phase (before 1970), as mentioned in section (2-4). The role of the state was obviously limited to urban settlements more than regions (Philby, 1959).

5 - 3 - 1 - 2 The second phase (1970 – 1992)

The second phase, as explained in section (2-5), has seen the effects of the States' intervention in regulating governance and development mechanisms. These reorganisation efforts accompanied development projects and massive construction during the period of the economic boom beginning in the early 1970s. The plans and programmes of the State used specified names for the regions: Central, Western, Eastern, Northern and Southern Provinces (Alfarsi, 1996). The attention of the State on balancing development spatially had begun by then and became one of the major goals in the national development plans. However, the implementation of development works was concentrated on a limited number of urban areas. There was no clear identification for the regions at that time, which had a significant role in directing development efforts towards urban growth centres.

A clear example was the government's decision to build the industrial cities of Aljubail on the eastern coast and Yanbu on the western coast. It represents one of the State's policies to adopt supporting industrial development along with the consideration of spatial distribution of development assets. When regional development and balancing spatial development was identified as one of the strategic goals beginning from the third

FYDP (1980-1985), it clearly appeared that there was a need for administrative reorganisation of the regions and a comprehensive system to control the whole geographic area of the country, including its urban settlements.

5 - 3 - 1 - 3 The third phase (after 1992)

The adoption of the Law of Provinces on 1992 established a clear structure for the local governance; see section (2-6). The new structure has recognised more details of the vast national space and divided it into 13 regions. Moreover, the new regulations have identified a new composition of a local governance system through a governor and regional council, and incorporated a hierarchical system to administratively organise settlements. This current format of the regions presents a delineation that combines the geographic variation with the political considerations. These considerations take into account social and historical characteristics in a serious manner.

5 - 3 - 2 Choice of case study

This study seeks to examine the machinery of regional planning as a means to achieve local development; hence it is necessary to consider both regional and local levels. An understanding of the relationship between these two is an essential element of this study, which contains an aspect not previously covered by intellectual analysis. Along with the consideration of development policies at national level, it seeks to provide a comprehensive view of development that is more plausible as a way to understand the integration of the effective elements of spatial development. This is considered to be one of the contributions of this study.

The thesis includes empirical research undertaken at the regional level and a case study has been undertaken in Arriyadh Province, one of the 13 regions in Saudi Arabia. Within the region, one of the 19 counties was selected to investigate the elements and issues of development at a local level. The choice of this particular region and locality for the research was facilitated by the fact that the state is centrally governed, with common laws consistently applied across its territories. The Law of Provinces provides a typical structure for the governance of regions and localities, as well as the structure of their development functions (see Chapter 6). The financial arrangements of the state are even more centrally controlled, whether income or expenditure; and thus the regulatory

framework appears to be standardised over all the regions and localities⁶⁸. So the case of a region and a locality would be, to a large extent, typical for the others. Indeed the social structure and economic settings of each region have their own characteristics, and these deserve a dedicated study to explore and perhaps undertake some comparison between them. However such route of research is definitely beyond the scope of this study, given the time and resources available.

The region chosen for the applied case study is the central Arriyadh Province, where the capital city is located and in which the central government is based. It was chosen principally for the ease of access to sources of information. This includes access to the important bodies that operate at national level. Enquiries at local level were pursued in the Almajmaah County (Figure 5-3), a typical locality in that it includes a secondary city of middle size (population about 48,000)⁶⁹. The county of Almajmaah includes local branches of government agencies, which would satisfy the enquiry requirements of this research. It is also the one where most of the public officials, an essential source of information, agreed to cooperate with the research enquiries.

Figure 5-3: Location of the regional and local case study



Source: Adapted from SPAR documents (Arriyadh Development Authority, 2005)

⁶⁸ An exception to the standard practices, the municipality of Arriyadh is among 4 regional municipalities that have been granted authority to discuss their needs of budget directly with the MoF. Otherwise, regional municipalities communicate their budget through their national reference agency, i.e. MOMRA.

⁶⁹ Based on the preliminary results of the national census, Saudi Arabia (Department of Statistics, 2010).

5 - 3 - 3 Research design

The research involves the three main spatially distinguished levels of governance, as regulated by the laws of Saudi Arabia. Each of the national, regional (province) and local (county) levels is recognised in official plans and development policies. Non-public agents, including private firms, also coordinate their activities within the administrative delineation of these three levels. A study of the institutional framework and development policies at national, regional and local levels was essential to this research, to find out whether the development institutions do eventually have their policies reach and benefit localities.

As for the sectors involved, the preliminary research and pilot study identified the major sectors that have key influence on bringing about development and enabling its spatial dissemination. These include the Ministry of Economy and Planning, the Ministry of Finance and the Ministry of Municipal and Rural Affairs, all at the national level. At the regional level we find the municipal agencies: Amanah and the High Commission for the Development of Arriyadh, both of which are concerned with regional planning in addition to the supervision of municipal branches in the localities. At the local level we find the local municipality, which undertakes local planning. Interviews included a municipal official and two members of the municipal council. Alongside these institutions there are others that undertake parallel work affecting development, such as the Chambers of Commerce and Industry at both regional and local levels.

The actual research process included interviewing key officers from these major sectors, as a purview of the key players in the spatial development arena. As part of the interview process the research also used the opportunity of the interview as a chance to gather policy documents not generally available to the public, e.g. the guiding policy of the government's annual budget. Further interviews were conducted with other agencies and representatives as more issues emerged during the fieldwork. One of those important agencies is the Saudi Industrial Property Authority (MODON), a national public institution concerned with the establishment and development of industrial cities and technology zones in partnership with the private sector. Further interviews were conducted with officials from the education service, to complement the various activities under investigation. A few experts and planning specialists were also interviewed to gather information about the local setting, the need for development, and an independent view of the performance of the public sector. The total contributors to this research are 21 interviewees.

5 - 3 - 4 Why 'interview' method for empirical application

This research relied heavily on interview material for a number of reasons. Firstly, there is a lack of rigorous and comprehensive documentation of the mechanism needed for the operation of spatial development in Saudi Arabia. This is especially the case with government departments, which handle most of development works in terms of their determination as well as their implementation. The absence of such documentation limits the options of researching developmental issues, and forecloses from relying on document regulations, applications and information outputs to track and analyse developmental practices.

Secondly, and more positively, the nature of the information required to analyse regional development policies as well as their practices, which involves different spatial levels such as national and local authorities, has wide perspectives and largely interconnected. They require seeking the perspective of key officials who have the authority to decide for development actions and also have access to detailed information associated with all developmental practices. Moreover, the perspectives of each group of officials, who represent various sectors in one spatial level, need to be explored independently prior to discussions with other officials at different spatial level. Such deliberation is needed for independent answers for the questions proposed to each hierarchy of authority.

Thirdly, having access to document information in Saudi Arabia is not an easy task to achieve, let alone finding the useful information. There is a general sense of suspicion towards researchers and against disclosing information, which leaves a broad atmosphere of ambiguity and uncertainty. This was a clear conclusion from the pilot study conducted at the early stages of this research. Therefore, utilising personal contacts to meet and talk with the available officials is very beneficial for obtaining the most accurate information and perspectives. In fact, the personal reach of these valuable sources allows the researcher to get information that may not be otherwise disclosed. Indeed, some of the interviewees have provided valuable information and asked not to be quoted.

Fourthly, the fact that the research community, in this subject, involved people from different spatial levels, with varying job rankings, as well as different sectors, makes it questionable and risky to use detailed, fixed and pre-defined means of data collection. Flexibility of collecting such complex and varied information requires face-to-face interviews to better interact with the sources of information. Moreover, many of the

enquiries are dependent on information that are yet to be explored during the research process. That is the knowledge needed for such subject of research requires accumulated mode of information, which impose intervention by the researcher to develop enquiries based on the evolving information.

Fifthly, the research community, who are mostly Saudi government officials, need more subtle approaches to gather information that will probably touch on highly sensitive issues. Lastly, information is needed in detail, which would require a large amount of text. This is usually hard to get remotely, also would require permission via a face-to-face contact.

Therefore, for the sake of getting reliable information that includes sensitive issues semi-structured interview was the most suitable choice for this research.

5 - 3 - 5 Themes of enquiry

The themes of enquiry, and the concepts underlying them, emerged from the review of theories of regional development as well as regional development policy and planning (Chapters 3 and 4). By combining theoretical with empirical knowledge, a better balance between research questions and concepts can be obtained. Justin Cruickshank, in his definition of critical realism, provides an account of the process of obtaining knowledge:

“The most important assumptions or concepts influencing the compilation of data would be ontological assumptions concerning structure and agency. The reason why such assumptions are the most important is that social scientific research is concerned with exploring how individuals’ agency is influenced by the social context, and therefore there will be assumptions concerning the extent to which individuals had free will, to what extent individuals were constrained by structures, how different individuals were enabled and constrained by the social context in different ways, and so forth. In which case, what is required is a theory to explain how structure can influence agency. This is needed to avoid the problems of over emphasising agency, overemphasising structure, or arbitrarily overemphasising both in one piece of research.” (Cruickshank, 2003, p. 2)

Moulaert and Mehmood (2010) provide more specific indications for applying a structural realist approach to spatial development in their synthesis of a meta-theory for regional development analysis. They propose a framework for the analysis of regional development that balances the basic institutional dynamics and structural relations “with an interactionist view of relations between ‘development’ agents, the specificity of their agency, and a cultural perspective on their agency and institutionalization” (Moulaert

and Mehmood, 2010, p.114). Accordingly, this research included gathering additional information about the setting of spatial development and how policies are put into practice. More information were sought to feed the conceptual enquiries of such subject.

5 - 3 - 5 - 1 Contextual themes of enquiry

The contextual themes are those that stemmed from reviewing the available information about the case study, and the researcher’s own pilot study. Some of the reviewed information came from primary sources, such as laws and regulations; some came from secondary sources, such as other writers’ analysis. The issues engendered improved the researcher’s understanding of the context, while indicating the need for empirical research to meet the research aims. Table (5-1) lists these issues in the form of seven themes that were necessary to gain a proper understanding of the structure and practice of spatial development in Saudi Arabia. These themes needed to be covered in the study, gathering information about them from original sources: in particular, by interviewing key officials and experts.

Table 5-1: Contextual themes of the empirical study

1. What regional development policies are currently in existence?
2. What are the instruments delivering regional development policies?
3. What development resources are available, i.e. human capital, institutional capacity, and natural endowments?
4. What is the institutional structure through which those available development resources: human capital, institutional capacity and natural endowments, are used in the planning system and activities currently and prospectively?
5. What efforts and plans (or suggestions) are available to enhance policy instruments in the future?
6. Perspective on spatial development from different institutional levels (i.e. local, regional and national levels).
7. Regulated vs. existing practice of development.

These themes cover the context within which spatial development takes place, along with the instruments and processes required to generate and implement development policies. Looking at each of the themes in detail provides further justification for their use in the research, as follows:

1. What is the current state of the institutional framework of regional development policies?

The documents, plans and regulations that were initially reviewed, especially in the pilot study, provided background information about the general philosophy and procedures of spatial development in Saudi Arabia. It was soon apparent that the machinery of regional development is not sufficiently mature to be summarised in a simple way. It showed that the key players, the instruments and agencies involved were not necessarily consistent over time. Policies were at variance within the various sectors, and across the spatial levels.

2. What are the instruments for delivering regional development policies?

Along with the previous theme it appeared that the instruments used to deliver development policies, whether national or regional, to localities are not transparent. This would require empirical investigation into the various instruments and their procedures, and would include an exploration of hierarchical authority and the devolution of power.

3. What are the available development resources, i.e. human capital, institutional capacity, natural endowments?

Alongside the structures and instruments of spatial development there must be resources that empower and enable planning. These resources, including human capital, institutional capacity and natural endowment, are not well documented. Mostly they are obscure to the external observer, and thus require empirical documentation in a specific field of application. The case selected for this is Arriyadh region, including a locality within that region.

4. What is the institutional structure through which those available development resources, human capital, institutional capacity and natural endowments, are used in the planning system and activities currently and prospectively?

To complement the information collected under the previous theme, development resources need to be located in the structure within which they are put into operation. Institutions have a powerful impact on policymaking and planning; they determine how policies are formulated and implemented, and how planning is approached. Understanding the institutional structure is crucial to an assessment of the credibility of a development policy. The empirical enquiry would, then, require exploring the context of the communities studied, and any relationships involved in their pattern of development activities.

5. What efforts and plans (or suggestions) are available to enhance policy instruments in the future?

If we are to understand ongoing change or potential for change, research should include some anticipation of the future. Potential changes may be in agreed plans, studies or recommendations. Having an idea of what the future holds can only lead to a better understanding of current deficiencies; it is usually helpful to take a longer view when examining problems. The information to be collected under this theme would include both the structure and instruments of regional development.

6. Perspective on spatial development from different institutional levels (i.e. local, regional and national).

Those taking part in creating, implementing and monitoring spatial development are an important source of information, being insiders to practice at various stages. Their perceptions of their own role, as well as those of other actors, are invaluable. Insiders' reflective views reveal how the personnel involved in spatial planning and policy handle the constituted structure, and its operations. In this research, involving different spatial levels, it was seen as particularly important to seek the independent views of key officials as a measure of how far the structure and procedures of development conform along their varying spatial levels.

7. Regulated vs. existing practice of development.

Finally, it is important to learn from the field how the practice of development is different from that described in the various documents, e.g. plans or directives; looking into this may reveal some discrepancies. It is possible, and indeed might be anticipated, that those involved in spatial development will not always have the power to carry out what is expected of them. Another possibility is that regulations may have been enacted without reference to the institutions charged with their execution, subsequently being found impractical. We need to find out whether regulations or practices are defective.

5 - 3 - 5 - 2 Conceptual themes of enquiry

The conceptual themes are those arising from reviewing the relevant literature, which covers theories of regional development and regional development policy and planning. The main issues that would inform a particular, empirical case such as that in hand are synthesized in 12 themes, listed in table (5-2). These are the ones that appeared necessary to gain a proper understanding of the theoretical concepts that underpin regional development models, and conceptualise the options for relevant policies and

planning. This would require gathering appropriate and relevant information about the case study area

These themes are considered essential for a thorough understanding of regional development in Saudi Arabia. The themes collectively provide a conceptual framework that would help in analysing the case study, and produce a better-grounded understanding. Detailed consideration of each of the themes provides further justification for their use in the research, as follows:

1. Processes that develop over time causing socioeconomic inequalities within and between regions.

Theoretical evaluation of unequal regional development (Albrechts *et al.*, 1989a; Moulaert and Nussbaumer, 2005b; Moulaert and Mehmood, 2010) has broadened the conclusive determinants of inequality beyond current circumstances. This calls for examination of processes that may have evolved over time, yet have only produced new forms of inequality. Unbalanced development may occur between regions, or within regions among localities. It is important to identify the processes of such uneven development and how these have evolved to cause the current level of socioeconomic inequality.

2. Processes that develop over time, causing political tensions and inequalities within and between regions.

Along with the previous point that highlights how evolution affects the socioeconomic balance, there is also a strong possibility that tensions may arise (Myerson and Rydin, 1996). These tensions are political in nature, given the existence of various actors and groups in any community and who have their own considerations and priorities. Such tensions present multi-faceted and possibly overlapping challenges for development agencies (Moulaert and Nussbaumer, 2005b). Any analysis of multi-scalar spatial development, such as this study, should pay attention to the existence of such tensions.

Table 5-2: Theoretical themes of the empirical study

Intellectual concept	Main intellectual source	Conceptual themes
The historical evolution of the policy and planning, which led to the current form of uneven development between and within regions, is vital to be considered for the analysis and propositions of new policies.	(Albrechts <i>et al.</i> , 1989a; Moulaert and Nussbaumer, 2005b; Moulaert and Mehmood, 2010) (Myerson and Rydin, 1996; Moulaert and Nussbaumer, 2005b)	1. Processes that develop over time causing socio-economic inequalities within and between regions. See section (7-3-2). 2. Processes that develop over time causing political tensions and inequalities within and between regions. See section (7-3-3).
The structures that currently exist are fundamental to any development policies.	(Albrechts <i>et al.</i> , 1989a)	3. The resulting structural conditions of regional development. See section (7-2-1).
Consider the consequences of preceding factors that imposed inequality between or within regions.	(Albrechts <i>et al.</i> , 1989a)	4. The self-reinforcing mechanisms of unequal development. See section (7-3-4).
Determine the most appropriate development policy instruments and redistribution programmes.	(Albrechts <i>et al.</i> , 1989a)	5. Regional economic policy instruments and social redistribution programmes. See section (7-4-2).
Localities need the capacity to adapt to structural changes in the economy.	(Albrechts and Swyngedouw, 1989; Courlet, 1989; Osterland, 1989; Moulaert, 1995; Moulaert and Demazière, 1996)	6. The adaptive capacity of localities in term of labour skills and employment opportunities. See section (7-4-3).
The spatial features of the region have an important role in determining national economic growth and generating innovative development.	(Dawkins, 2003)	7. Spatial measures associated with regional development studies. See section (7-2-2).
Policy makers are often bounded by characteristics of the prevailing economic environment as well as the political ideology, which can determine and guide the orientation of regional development policies and the content of regional planning.	(Albrechts and Swyngedouw, 1989; Martin, 1989)	8. The economic environment and political ideology. See section (7-4-4).
Regional development policies should be evaluated against the broad economic policy of the national government and their intended changes, to determine the form of government intervention and devolution.	(Martin, 1989; Mackay, 1993)	9. Changes to economic environment and government role in the economy. See section (8-2-3).
Development policy instruments need to conform to structural changes at the national and international levels.	(Elsner, 1995)	10. Defects and potentials of structural policy instruments. See section (8-3-2).
Consider the potentials of regional development policies that support the currently effective sectors and are flexible to face evolving economic conditions.	(Martinelli, 1989)	11. Determinants of certain policies, which make effective economic sectors such as services and innovation available. See section (7-4-5).
Development policies have interrelated dynamics at different spatial levels, i.e. central, regional and local.	(Martinelli, 1989; Mackay, 1993)	12. Clearance of the range of regional development policy for each spatial level. See section (8-3-3).

3. The resulting structural conditions of regional development.

While identifying processes that accumulate over time, with their components and consequences, the structures that currently exist should be considered in any analysis of spatial development. They are fundamental to any development policies (Albrechts *et al.*, 1989a).

4. The self-reinforcing mechanisms of unequal development.

As well as addressing current structural conditions, development policies need to consider the consequences of preceding factors that have caused inequality between or within regions. These have their own enforcing impact as they become established in a community. They become self-reinforcing mechanisms within the institutional system and cause persistent imbalance, or possibly act as a brake on policies that aim to deal with inequality. So together with policies intended to deal with current structural conditions, as described previously, there must be policies aimed at overcoming specific problems (Albrechts *et al.*, 1989a).

5. Instruments of regional economic policy and social redistribution programmes.

It soon emerged that it is critical to consider the historical roots of unbalanced regional development, with possible changes to the structure of development in the targeted regions. Structural deficiencies require solutions that are specific to the affected region. There is also a need for social redistribution programmes to ensure inclusion of all parts of the communities involved (Albrechts *et al.*, 1989a). This study would need to find out about such dedicated solutions and programmes in order to cope with the 'historico-structural' problems caused by possibly long-persisting, unequal practices such as an imbalanced fiscal policy or governance structure.

6. The capacity of localities to adapt in terms of labour skills and the available employment.

Empirical analysis of regional development reveals the regions' vulnerability to fluctuations in their economic base, which may result in incompatibility between available labour skills and employment opportunities (Courlet, 1989; Osterland, 1989; Moulaert and Demazière, 1996). As production companies may encounter changing demand with consequent closure or relocation elsewhere, localities need the capacity to adapt to structural changes in the economy. Development policies should consider their interdependence, and facilitate a full understanding with flexibility of implementation via national governance (Albrechts and Swyngedouw, 1989). This requires analysis of

local organization and the competencies of production systems to measure the socioeconomic resilience of local communities (Moulaert, 1995).

7. Spatial measures associated with regional development studies.

There has been a growing interest in studies of regional development since the middle of the last century. These studies have caught the interest of researchers from a wide spectrum of disciplines, who have found that the spatial features of regional development play a significant part. The spatial aspect has been shown to have an important role in national economic growth, and in generating innovative development (Dawkins, 2003). Measuring the spatial performance of development bodies is important for those seeking to analyse regional growth and development, providing indicators to facilitate and encourage innovation in the progress of national economic growth.

8. The economic environment and political ideology.

The previous themes highlight different aspects of the context to be considered when analysing regional development, including social and ideological frameworks (Albrechts and Swyngedouw, 1989). This theme singles out the attention given to the economic environment in the targeted region, as well as the prevailing political ideology. Together, these factors can determine and guide the orientation of regional development policies and the content of regional planning (Martin, 1989). Political ideology and economic philosophy are most influential on policy makers and they need to be considered when reviewing previous and current development policies. They could also be expected to provide the underpinning for any future policies.

9. Changes to the economic environment and the role of government in the economy.

The significant influence of the economic environment makes it important to observe the government's orientation towards it, in terms of strategy and level of intervention (Martin, 1989). Trends in national government need to be evaluated against the economic structure of the regions, to avoid any mismatch that would contribute to failure. The analysis of the broad economic policy of a national government and their intended changes will inevitably generate discussion about the best form of government intervention, and also about devolution as a way to gain improved performance through economic development policies (Mackay, 1993).

10. Defects and potentials of structural policy instruments.

The historical trend of development may include periods of regression, affecting the development structure of the region. In such cases the instruments used may be rendered ineffective. The surrounding conditions at national and even international levels have an influence on the approach to regional economies; policy instruments need to conform with structural changes, and we should be able to measure their potential to include various sectors (Elsner, 1995).

11. Determinants of certain policies, which make effective economic sectors such as services and innovation available.

Some recent writers who have observed regional development policies and analysed the theories underpinning them have identified certain key policies for spatial development. These policies support the sectors deemed effective, and are also flexible in the face of evolving economic conditions. They apply to service sectors, and are policies that enable innovation (Martinelli, 1989). The analysis of regional development in the light of such policies would help to explore the greater opportunities arising from spatial development beyond merely alleviating current deficiencies.

12. Clearing the range of regional development policy for each spatial level.

There are relations in policy dynamics among the various spatial levels involved in development; debate has generated different opinions about an appropriate way to connect these levels. What is clearly important in the analysis of regional development is to identify the most suitable policy for each spatial level. Policies need to be adapted to their particular level, and the institutions active at that level: centralized financial support, regionalized programming and planning, localized implementation (Martinelli, 1989).

5 - 3 - 6 Framework of empirical analysis

The analytical questions that were laid at the initial stages of the research (section 1-2-4) were organised into sets that intended to compose procedural goals to achieve the ultimate aim of the research. The pursuit of answering these questions have yielded insightful issues derived from reviewing the context of regional development planning in Saudi Arabia (Chapter 2) as well as the concepts of both regional development theories (Chapter 3) and regional development policy and planning (Chapter 4). These contextual and theoretical insights comprised the themes of enquiry for the empirical research. Indeed the knowledge obtained during the contextual and conceptual

investigations added more insights towards the research goals and ultimate aim. Thus the developed research goals are now organised in eight topics; see table (5-3).

Moreover, following the logic of answering the analytical questions and fulfilling the research goals, it emerged that the empirical study will include:

1. Explanation of the reality of regional development in Arriyadh (Chapter 6),
2. Examination and analysis of the current establishment and instruments to deliver regional development policies (Chapter 7), and
3. Exploration of the institutional structure through which development resources are used in planning and activities, currently and prospectively (Chapter 8).

These three empirical sections will be informed by the goals that are explored through the empirical themes.

Table 5-3: Structure of the research goals

Aim	Empirical sections	Goals
To optimize the regional instruments for the spatial allocation of development resources in Saudi Arabia	Understanding the case of regional development in Arriyadh. (Chapter 6)	1. Current structure of regional development policy and planning in Saudi Arabia.
		2. Structure of regional development policy and planning in Arriyadh.
		3. Legal instruments for regional development planning and policy.
	Studying and analyzing the current establishment and delivering instruments of regional development policies. (Chapter 7)	4. Effectiveness of the current regional structure for spatial development.
		5. The existing practice for regional development policies.
		6. The available instruments and their abilities for regional and local development policies.
	Exploring the institutional structure through which the available development resources are utilised in the planning system and actions currently and prospectively. (Chapter 8)	7. Constituents of the institutional network at the regional level.
		8. The functional relationships between regional development sectors.

The optimised research goals became the guidance for the empirical investigations; as the ‘empirical themes’ that were derived from the contextual and theoretical insights helped shaping the layout of the analytical framework of the study (Table 5-4). Themes of enquiry are now grouped into sets to fulfil the research goals. Table (5-4) brings together the themes of enquiry related to their goals, which in turn are distributed into the three empirical sections that will be presented in the following chapters. The intention is that these three sections should collectively meet the main aim of the research.

Table 5-4: Layout of the analytical framework of the study

Aim	Sections	Goals	Empirical themes
To optimize the regional instruments for the spatial allocation of development resources in Saudi Arabia	Understanding the case of regional development in Arriyadh. (Chapter 6)	1. Current structure of regional development policy and planning in Saudi Arabia.	1-1 Administrative and municipal structure.
			1-2 Developmental instruments.
			1-3 Spatial development.
			1-4 Government agencies with roles in regional planning and development.
		2-1 Function of regional council within the region (localities).	
		2-2 Function of regional council with central government (Ministries).	
	Studying and analyzing the current establishment and delivering instruments of regional development policies. (Chapter 7)	3. Legal instruments for regional development planning and policy.	3-1 Local governance system
			3-2 Spatial planning of urban and rural areas.
		4. Effectiveness of the current regional structure for spatial development.	4-1 Existing structural conditions.
			4-2 Spatial measures associated with regional development.
			4-3 Regulated vs. existing practice of regional development.
		5. The existing practice for regional development policies.	5-1 Current establishment of regional development policies.
			5-2 Processes that cause socio-economic inequalities.
5-3 Processes that cause political tensions and inequalities.			
5-4 Self-reinforcing mechanisms of unequal development.			

Aim	Sections	Goals	Empirical themes
	Continue .. (Chapter 7)	6. The available instruments and their abilities for regional and local development policies.	6-1 Delivering instruments of regional development policies. 6-2 Regional economic policy instruments and social redistribution. 6-3 Adaptive capacity of localities. 6-4 Economic environment and political ideology. 6-5 Determinants of policies for effective economic sectors.
	Exploring the institutional structure through which the available development resources are utilised in the planning system and actions currently and prospectively. (Chapter 8)	7. Constituents of the institutional network at the regional level.	7-1 Institutional structure for planning system. 7-2 Available development resources. 7-3 Changes to economic environment and government role. 7-4 Perspective on spatial development from different institutional levels.
		8. The functional relationships between regional development sectors.	8-1 Efforts and plans to enhance policy instruments in the future. 8-2 Defects/potentials of structural policy instruments. 8-3 Clearance of the range of regional development policy for each spatial level.

5 - 4 Conclusion

This chapter acts as a bridge between the introductory, survey chapters and the empirical analysis; it is intended to facilitate the transition between those two large parts. It starts by synthesising the conceptual framework from the early chapters that set out the context for this study. There is a description of the research issues and their significance. The synthesis of the theoretical framework briefly presents the most relevant theories of regional development, as well as policies and planning for regional development.

The theories of regional development represent various epistemological approaches. They differ in their approach to spatial development, in the integration of sectors most prominently involved in the development process, and in the role of the different actors in that process. Planning and policy tools are intended to lead to successful

development on the intended spatial level, or to deliver a fair share of development between various levels. Accordingly, policy instruments for regional development vary based on the planning approach and the modes of coordination between socioeconomic and spatial development.

The studies reviewed earlier give a wider perspective of factors that engender and influence development across space, presented in the form of theoretical themes. The empirical analysis to follow will focus on the prospects for development in a region embedded within its national context, and materialised in its localities. Accordingly the next chapter 6 is dedicated to the case of regional development in Arriyadh region, by contextualising the structure of regional development in the country and the region. The research proceeds with analytical discussions in Chapters 7 and 8 concerning the empirical results collected from the case study through the use of interviews with key public officials and experts. These analyses enquire into the main themes identified from contextual and conceptual surveys, and seek to acquire a picture of the institutional structures as they affect spatial development.

Chapter 6

The case of Regional Development in Arriyadh, Saudi Arabia

Chapter 6

The Case of Regional Development in Arriyadh, Saudi Arabia

6 - 1 Introduction

This chapter launches the empirical part of the research. It presents a detailed explanation of the structure of regional development planning and policy in Saudi Arabia with Arriyadh province as an example of its regions. The chapter sets up the context for the empirical enquiry on the case study and, hence, start fulfilling the research goals. In addition to investigating the current structure of regional development policy and planning in Saudi Arabia as well as Arriyadh region, it includes exploring legal instruments for regional development planning and policy. These goals are achieved through the description of the bodies involved, as well as the networks of administration and financial flows that comprise the work of spatial development. This has made it necessary to focus the description on the specific case of one of the country's regions, to provide an illustration of actual practice in regional development. The main focus of exploration is upon the functional relationships involved in the regional development bodies.

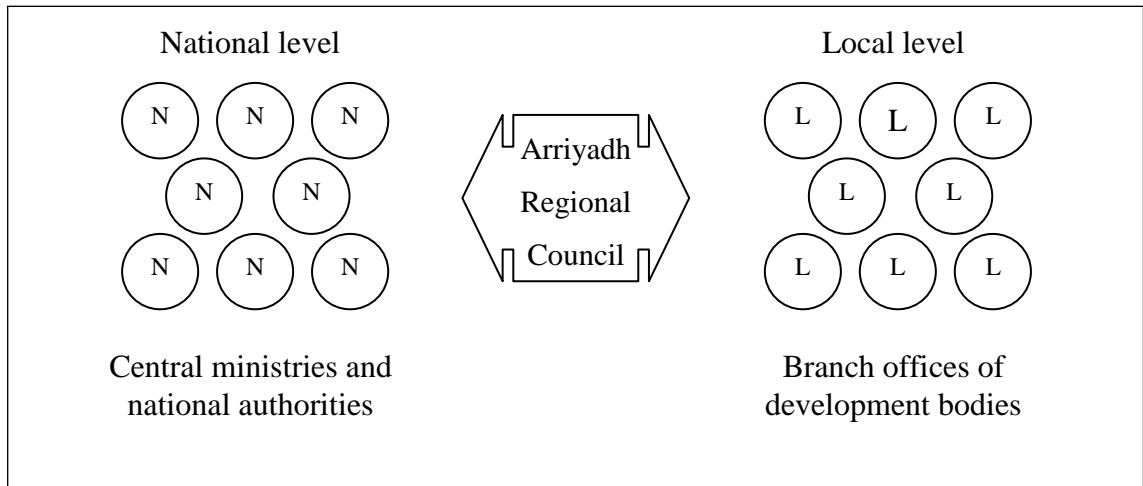
This chapter deals with the Arriyadh Province as a case study; this was selected as a typical regional example, to provide details for the analysis of regional development in Saudi Arabia. The uniformity of national laws including the Law of Provinces, which standardise regional governance authorities and their functions, has made the business of regional development almost common practice in all parts of the country. This particular region offers a richer choice as, given its size and importance, it could be expected to include all the relevant available institutional elements, such as government agencies and development policies. For the chosen case more extensive exploration had to be undertaken, including interviews with the staff working in the regional development institutions, to complement the analysis of the development framework and practice. Table (6-1) presents the details of the three goals concerned with contextual themes that will be answered in this chapter.

Table 6-1: Structure of empirical topics that respond to the first group of goals

Research axis	Goals	Contextual themes
Understanding the case of regional development in Arriyadh	1. Current structure of regional development policy and planning in Saudi Arabia.	a. Administrative and municipal structure
		b. Developmental instrument
		c. Spatial development
		d. Government agencies with roles in regional planning and development
	2. Structure of regional development policy and planning in Arriyadh.	a. Function of regional council within the region (localities)
		b. Function of regional council with central government (Ministries)
	3. Legal instruments for regional development planning and policy.	a. Local governance system
b. Spatial planning of urban and rural areas		

It is intended that this chapter should explore the operational networks of the regional council of Arriyadh, this being typical of the major developmental body in every region. This should establish a clear understanding of the developmental framework in the regions of Saudi Arabia. The chapter starts by establishing the grounds for the current structure of regional development policy and planning in Saudi Arabia, including the institutional structure of the relevant administrative and municipal authorities, as well as the general development instruments and agencies involved. Following this, the main linkages that compose the governance functions between the development bodies in the Arriyadh Province are explored in detail. The relations investigated are those between the regional council and local development bodies on one side, and between the regional council and central government on the other (Figure 6-1). The last section of this chapter explains the legal instruments available for regional development policies.

Figure 6-1: The relations explored in the regional development case study



Source: Compiled by the author

6 - 2 The current structure of regional development policy and planning in Saudi Arabia

Regional development is essentially based on governance and its spatial structure. In these, the legal and administrative framework within which development procedures operate play a major role; meanwhile, the development procedures result from policies and plans for the regions and localities. The system of national development planning and policy in Saudi Arabia may be described as possessing a tripartite division of power (Arriyadh Development Authority, 2005):

- 1) One division is the administrative framework of central and regional governance, which organizes the scales of planning and has control over defining responsibilities and level competence for each administrative unit. This framework is controlled by the Ministry of Interior (MOI).
- 2) Another division is national development planning, which is represented by five-yearly, cross-sector national plans, with the Ministry of Economy and Planning (MOEP).
- 3) The last division is spatial planning which is carried out by, or under the supervision of, the Ministry of Municipal and Rural Affairs (MOMRA) for regional and urban space across the country.

Governance in Saudi Arabia derives its basis from the Law of Provinces (1992b) that is enacted and executed by MoI. However, spatial development plans are generated

centrally by MOMRA through the National Spatial Strategy (NSS), with participation from regional municipalities via individual regional development strategies. Other government agencies have recently initiated or are planning to develop regional strategies for their sector, such as the authorities for investment and tourism. Plans and strategies from MOMRA, like all other government agencies, should be informed by the national Five-Year Development Plans (FYDPs) which are prepared by the Ministry of Economy and Planning (MOEP). Therefore representatives from these three government divisions of power are included in the targeted interviews of key officials; presented in the following chapters.

The regions of Saudi Arabia are managed administratively by governors, with municipalities headed by mayors; both appointed by the head of the central government. The administration of regions is regulated by the Law of Provinces, which vests the central authority over regional administration in the Ministry of Interior (MOI). Municipal organization, however, is totally separate. Central municipal affairs rest with MOMRA, which has recently amended the structure of its regional and local agencies to work within the administrative and geographical structure set out by the MOI for the regions. Accordingly each region has a governor who represents the MOI locally, and a mayor who represents MOMRA and works under the supervision of the governor as well.

Every ministry or government agency that provides services to the regions is required, by the Law of Provinces, to have a branch in each region. The head official of that branch is then required to report directly to the parent ministry or agency at the centre, and at the same time to operate in close coordination with the governor of the region. The projects and budget for each service agency (health, education, water, etc.) are discussed in the regional council, which may be considered an advisory body to the governor. The regional council is expected to discuss all that is conducive to improving service standards in the region (Royal Decree, 1992b, article 23), and is entitled in particular to:

- Determine the needs of the region and propose their inclusion in the State development plan.
- Determine what projects are useful, arrange them in order of priority and propose their adoption as part of the annual State budget.
- Study the region's urban and rural organizational layouts, and follow up their implementation after being adopted.

- Follow up the implementation and co-ordination of those parts of the development and budget plans related to the region.

The authoritative power of the regional council is derived from its head (Royal Decree, 1992b, article 7), the governor, who is required among other duties to:

- Work for the development of the region in social, economic and urban terms.
- Work for the development of public services in the region, and their enhanced efficiency.
- Manage the counties and districts, and supervise the heads of counties and directors of districts to ascertain their competence to perform their duties.
- Supervise government departments and their personnel in the region, to ascertain their proper performance of their duties.
- Make direct contact with ministers and heads of government agencies for discussion of the affairs of the region, in order to promote the performance of the bodies answerable to them.

6 - 2 - 1 Administrative and municipal structure

The Law of Provinces created a three-tier system for local administration:

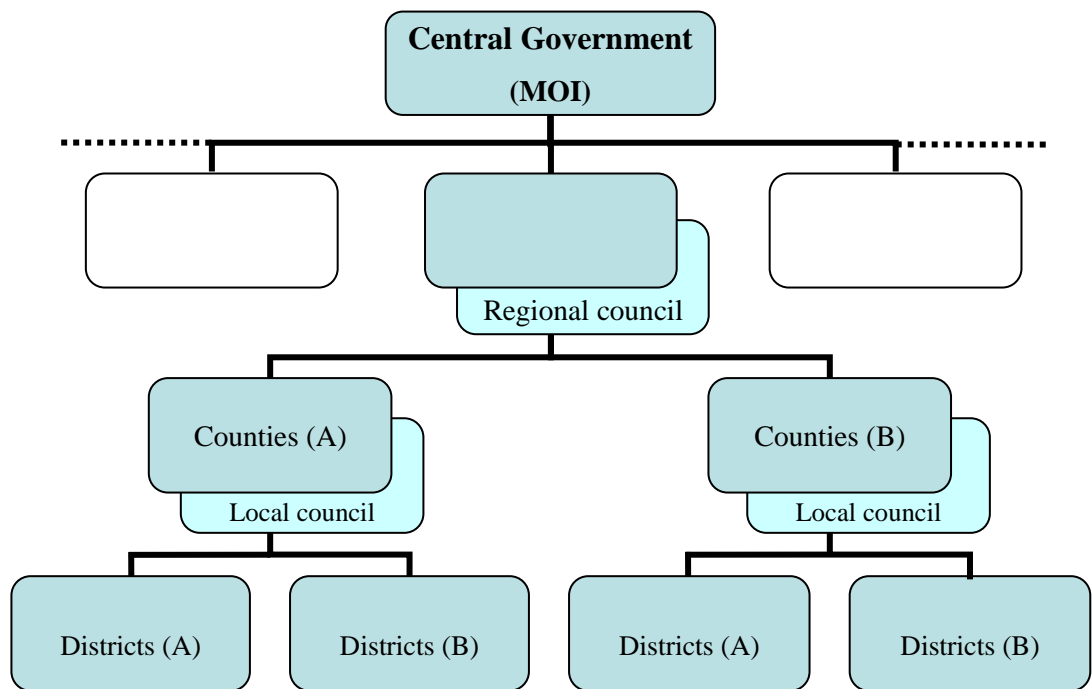
- 1) Regions,
- 2) Counties (class A & B),
- 3) Districts (class A & B).

There is a principality in each region, headed by a prince governor who is appointed by the King. There is also a regional council, appointed by the president of the council of ministers to each region. Each region is made up of class A and class B counties; class A counties have heads that are appointed by the president of the Council of Ministers, while class B counties have their heads appointed by the Minister of the Interior. Class A and class B districts constitute the lowest administrative level⁷⁰ (Figure 6-2).

The actual spatial division of this structure is left to MOI to determine, giving consideration to the population, geography, security, environment and means of transportation. MOI has used this system to establish 13 provinces and 103 counties with definite geographical boundaries (Figure 6-3).

⁷⁰ Law of Provinces, article 3.

Figure 6-2: Structure of local administration



Source: Illustration from the Law of Provinces (1992b)

Figure 6-3: Map of regions in Saudi Arabia



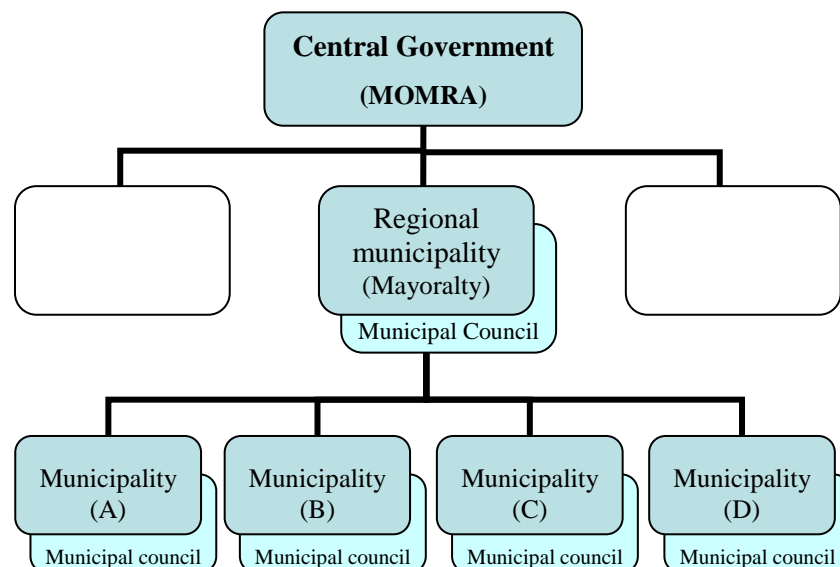
Source: Adapted from SPAR documents (Arriyadh Development Authority, 2005)

The municipal administration system is also structured in three tiers:

- 1) Mayoralty (Regional Municipality),
- 2) Municipality,
- 3) Village Cluster.

Each region has a mayoralty, which is a regional municipality that is considered a reference point for all local municipalities. Local municipalities in the counties are classified into five groups based on the responsibilities they hold. Each municipality has a semi-elected municipal council, half of its members being chosen by a general election while the others are appointed by the government (Figure 6-4).

Figure 6-4: Structure of local municipal administration



Source: Illustration from the Law of Municipalities and Villages (1977) and the Executive Regulation of the Municipal Councils (2005a).

6 - 2 - 2 Developmental instrument

The main source of development instrument formulation in Saudi Arabia is the FYDPs, which were initiated in 1970 to provide an overall national guide for development (see section 2-5 for details). FYDPs have been developed over time, to catch up with each period's needs and the available resources. They began to refer to regional development in the Second Plan (MoP, 1975-1979), which divided the Kingdom into five planning regions. The Third FYDP (MoP, 1980-1984) emphasized the need to pour economic

assistance into the regions, especially rural areas. The aim was to develop productive activities, stop population drift to the large cities and provide a basis for self-reliant communities. Accordingly it proposed the creation of a system of national, regional and local centres, as a framework to link the development policies spatially. It defined those centres as:

- 1) National Centres, which accommodate higher services and functions.
- 2) Regional Centres, which provide regional services and functions.
- 3) Local Centres, which provide the daily services and functions required by villages.

By placing urban centres into these three levels it may be supposed that each government sector will plan for their services on the same basis.

The main policies for regional development in the Fourth FYDP (MoP, 1985-1989) are:

- Expanding and accelerating the application of the development centres system, proposed in the previous plan as urban growth centres.
- Supporting the programme of village clusters that was initiated by MOMRA.
- Continuing the urban planning work instigated at the level of the administrative regions by MOMRA, in addition to the Ministry of Economy and Planning surveying the regions as a direct way of ascertaining economical potential and requirements for each of the main and subordinate administrative levels.

The Fifth FYDP (MoP, 1990-1994) highlighted the role of regional development as an instrument for socioeconomic planning for the nation as a whole, and urban planning for the localities. It also stated that it was time to change the approach that had been adopted to plan for sectors, since this was affected by the extreme centralization of financial and administrative responsibilities; and that they should give the spatial dimension increased importance, in order to enhance the local environment.

The Sixth FYDP (MoP, 1995-1999) adopted the new governance structure that was provided through the Law of Provinces, which provided a spatial and legal reference to facilitate development planning through a clear, hierarchical classification of authorities and geography. The legal framework that emerged has a considerable degree of influence over planning, so this FYDP recommended reviewing the system of development centres and village clusters based on the new arrangements for governance. The plan also stressed the importance of data as a vital tool for spatial

planning. It recommended the establishment of regional information centres, and unifying their technical codes⁷¹.

The Seventh FYDP (MoP, 2000-2004) raised the issue of development quality more than previous plans did. It raised the issues of differences in the availability of work, high quality infrastructure, facilities and services between the country's major urban centres and rural communities. Accordingly it proposed these developmental policies:

- Enhancing the efficiency of infrastructure and services in rural areas, in order to reduce migration to urban centres.
- Encouraging Saudi citizens to take up employment in rural areas through the provision of rewarding employment opportunities, material incentives and suitable living conditions in these areas.
- Establishing information centres in the regions, and developing a mechanism for updating the information on a regular basis.
- Identifying appropriate investment locations and comparative advantages across the regions, in order to encourage the private sector to increase investment in different regions and through the development centres.

The Eighth FYDP (MoEP, 2005-2009) has continued the emphasis on regional development as an important tool for overall national development. It established the first phase of a long-term strategy for the national economy which will frame four FYDPs up to 2025. This plan includes better balance between regional developments as one of its major aims, and asserts that achieving such balance requires building a productive base that depends mainly on the self-developmental resources for each region. It proposes the creation of a new axis for economic development away from the existing major cities. At the same time it assumes that more authority will be given to the regional councils and localities, to increase their involvement in the development process. This is expected to encourage their part in spreading development more equitably across space.

⁷¹ A recent decision (7/12/2010) has been made by the council of ministers to establish a permanent national GIS committee within the General Authority of Survey.

6 - 2 - 3 Spatial development

The National Spatial Strategy (NSS), produced by MOMRA in 2000, is the most inclusive guide to spatial development in Saudi Arabia. The NSS is a long-term policy guideline, aimed at providing a regional perspective to the development process. It contains national and regional policies that are intended to guide future developments in the regions of the Kingdom, with a new spatial structure. It offers a spatial framework for urban and rural development (see more details in section 2-6).

In cooperation with regional municipalities, MOMRA has prepared strategies for some of the regions and structural plans for most of the cities. Regional municipalities are responsible for all local planning requirements. They prepare a draft structure plan for each county in cooperation with its municipality, and seek official endorsement from MOMRA.

The regulatory system that guides municipal works in general, including spatial development, is dispersed and only partly covers those matters with which spatial planning is concerned. When a specific need to regulate something is raised, it is usually legalized by an order from the Council of Ministers. An example is that some major cities have an urban growth boundary that is certified and protected by the highest level of authority, the Council of Ministers. Therefore, it is worth highlighting the NSS comment that spatial planning at national, regional and local levels still lacks a legal framework, which led NSS to recommend the establishment of a comprehensive Spatial Planning Act that would clearly define the powers and responsibilities of those agencies concerned with spatial planning.

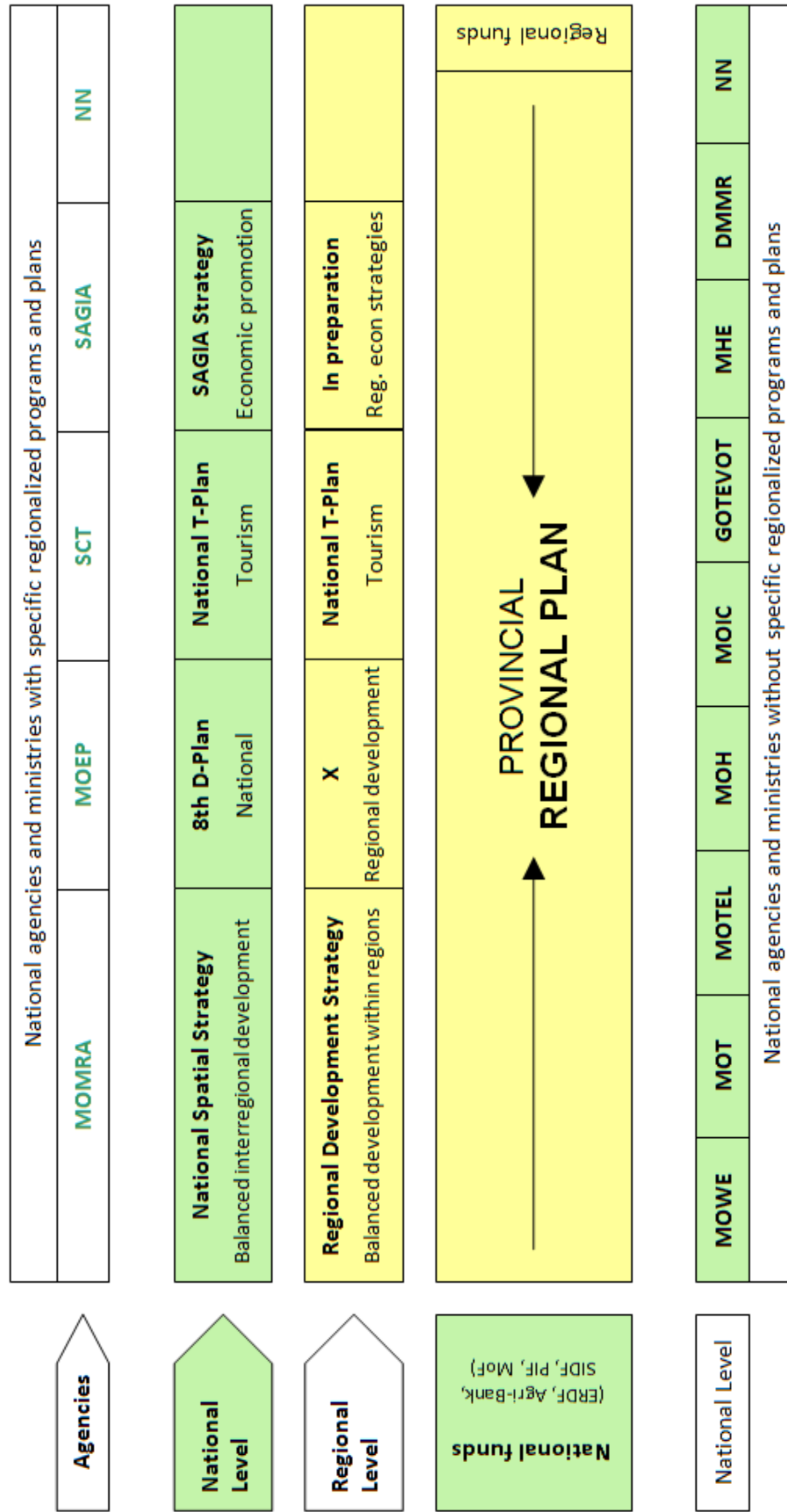
6 - 2 - 4 Government agencies with roles in regional planning and development

There are various public agencies that significantly contribute to, or have a direct role in regional development (Figure 6-5). The practice of development within these agencies and the perception of their key officials are detailed in the discussions of the interviews in the following chapters (7 and 8). The agencies include:

a. Ministry of Economy & Planning (MOEP):

The MOEP produces the FYDP, and reviews its achievements annually. It also provides the central statistical agency, which conducts a formal comprehensive census every 10 years in addition to producing some periodic cross-sector statistics. The ministry has been instructed to produce a national strategy for housing, plus another strategy for transportation, in cooperation with other relevant agencies.

Figure 6-5: The institutional network contributing to regional development in Arriyadh



NN = Other agencies and ministries, such as Ministry of Defence, National Guard, Ministry of Interior.

Source: Strategic Plan for Arriyadh Region, Technical Working Paper, Governance (2005, p.10).

b. Ministry of Municipal and Rural Affairs (MOMRA):

MOMRA is responsible for drawing the national spatial framework. It undertakes, as part of its role, the instigation of a development strategy for each region. The involvement of regional and local municipalities depends on the availability of local expertise.

c. Ministry of Finance (MOF):

The MOF has a major role in determining the fate of development projects. It is the core agency offering central finance for projects proposed by other public agencies. It also has a direct role in providing subsidies and interest-free loans to citizens and investors through various specialised funds:

- *The Real Estate Development Fund*, which provides interest-free loans for individuals to build homes.
- *The Saudi Industrial Development Fund*, which grants medium and long-term loans for private industrial projects to help enlarge the industrial base of the country.
- *The Saudi Arabian Agriculture Bank*, which specializes in providing financial assistance for agricultural activities in all regions of the Kingdom. Its mission is to assist the development of the agricultural sector and to enhance its production efficiency, by providing interest-free loans to farmers to enable them to secure industry requisites such as machinery, irrigation pumps, agricultural equipment, livestock, poultry-keeping and fish-farming equipment, etc.
- *The Saudi Credit Bank*, which was established to extend interest-free loans to Saudi citizens with limited financial resources to help them overcome financial difficulties.

d. The Saudi Arabian General Investment Authority (SAGIA):

This is a government agency that is meant to be a gateway for foreign investment in Saudi Arabia. Its mission is to create a pro-business environment, to provide comprehensive services for investors, and to foster investment opportunities. Regional development is one of the six roles that it has assigned to itself as part of a five-year strategy.

e. The Supreme Commission of Tourism (SCT):

As part of its national task to develop tourism, the Commission has determined the need for a managed tourism strategy for each region in the country. It intends to collaborate

with regional councils to exploit their tourist resources and develop the region's capacity to utilise them.

f. The Saudi Organization for Industrial Estates and Technology Zones (MODON):

This is the official national authority that promotes and develops industrial estates and technology zones. Its tasks include the provision of land and infrastructure facilities, as well as licensing investors and coordinating their requirements within the wider context of the national plans.

6 - 3 The structure of regional development policy and planning in Arriyadh

The regional case study presented in this research is Arriyadh Province. This is the most central region, in which the capital city of Arriyadh is located. In addition to the city of Arriyadh, the region comprises 19 counties (Figure 6-6): 10 in class A, and 9 in class B (MoI, 2010). It also has 449 districts, of which 168 are in class A and 281 in class B (Al-Tawail Management Consulting & Training, 2005). Arriyadh occupies about 19% of the total area of the country, making it the second largest region with 374,000 km² (about the size of Germany).

In addition, based on the 2007 census it has the second largest population with 5.8 million people, which equals 24.3% of the total population in the country. Most remarkable though is that 75% of the region's population resides in the capital city of Arriyadh (Alribdi, 2005). This makes the population of Arriyadh city alone about 4.1 million, while the next largest county in the region has only 327,000 residents (Department of Statistics, 2004). Population density in the region is about 15 persons/km², while Arriyadh city contains 850 persons/km². It is not surprising that 90.5% of the population in Arriyadh Province is urban, exceeding the 80.8% national average (Alribdi, 2005).

The structure of regional development in Arriyadh Province contains no major exceptions to the standard development structure and procedures existing in other regions; see previous section (6-2). However the importance of this central region has imposed itself on the volume of the structure, and on its operational effectiveness as a centre of power. Arriyadh Province is headed by a high- ranking prince governor. The governor is the regional, accountable administrator of Arriyadh Province acting on behalf of the central government, for whom he applies the State's general policies, the provisions of the Law of Provinces, and other laws and regulations. Thus the governor

has wide authority, which is demonstrated in his representation of the Minister of Interior in the region with responsibility for preserving law and order and implementing judicial rules. In addition the governor is liable for the development of the region, and has the authority to contact Ministers and heads of government departments for that purpose. The governor is also entitled to oversee public agencies in the region and to evaluate their performance.

Figure 6-6: Map of Arriyadh counties



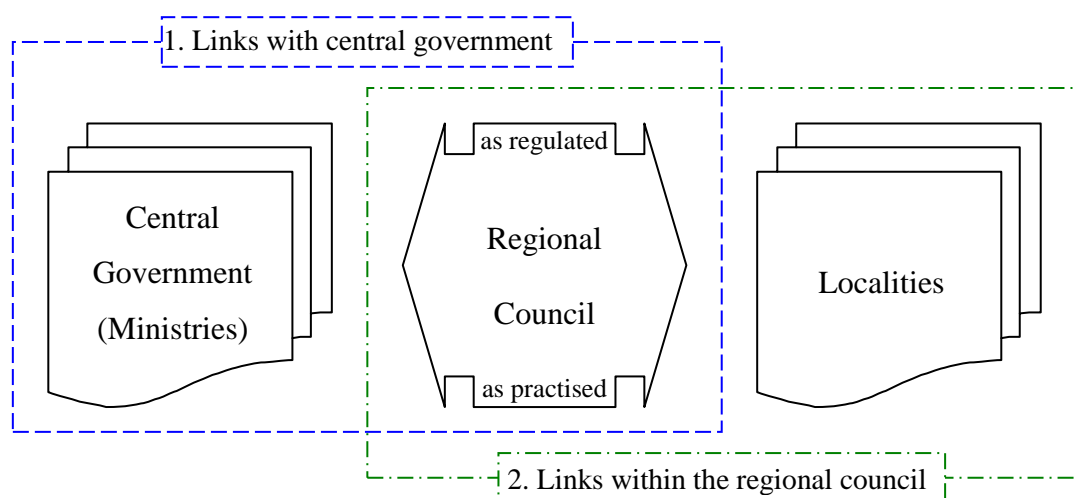
Source: Adapted from SPAR documents (Arriyadh Development Authority, 2005).

The Regional Council works as an advisory body to the governor with regard to developmental planning, as an element of his role. The council has the power to discuss all that is conducive to improving service standards in the region; Arriyadh regional council is thus the highest official developmental body in the region. It is headed by the governor, and consists of 32 members representing public agencies in the region together with citizens from various counties who are appointed by the Prime Minister for a term of 4 years. The public agencies represented in the council are:

- Ministry of Education
- Ministry of Transport
- Ministry of Health
- Ministry of Social Affairs
- Ministry of Islamic Affairs
- Ministry of Water & Electricity
- Ministry of Agriculture
- Ministry of Labour
- Ministry of Municipalities and Rural Affairs
- General Presidency of Youth Welfare
- Ministry of Commerce & Industry
- Ministry of Communication & Information Technology

The role of the regional council, as part of the process of development, requires making a link between localities and central government (Ministries) to advocate and promote the development of the region (Figure 6-7). Following is the structure of regional development in Arriyadh Province as has been organized in accordance with statute, and as it is actually practised on each of its two sides.

Figure 6-7: Role of the regional council in development structure



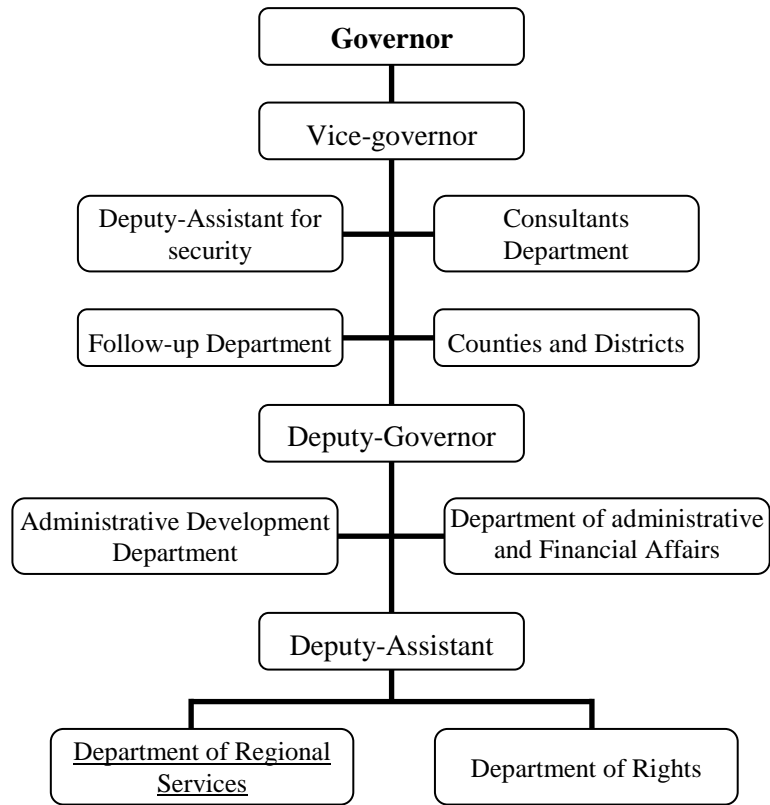
Source: Compiled by the author

6 - 3 - 1 Function of regional council within the region (localities)

6 - 3 - 1 - 1 The regulated local structure of regional development

Arriyadh regional council is meant to be the highest of the local authorities that plan, monitor and evaluate all development work conducted within the region's boundaries. The regional council is based in the headquarters of the region's principality (Figure 6-8). The Law of Provinces provides the basic ground rules of the regional development structure for the regional council and its chairman, the governor, regarding the promotion of development within its localities⁷².

Figure 6-8: Structure of Arriyadh regional principality



Source: Principality of Arriyadh Province (2010)

⁷² Specifically, articles: 15, 16, 18, 23, 26, 29 of the Law of Provinces.

a. Council Membership:

The "regional council" consists of:

- 1) The Governor as Chairman.
- 2) The Vice-Governor as Vice-Chairman.
- 3) The Deputy-Governor.
- 4) Heads of the region's official bodies, which are specified in a resolution to be passed by the Council of Ministers on the recommendation of the Governor and approval by the Minister of the Interior.
- 5) A number of local people (not less than 10) judged as eligible in terms of their learning, experience and specialist knowledge, appointed by order of the Prime Minister upon the Governor's recommendation and the approval of the Minister of the Interior, with a renewable four-year membership term.

b. The Council's role and legitimacy:

A member may submit in writing to the chairman of the regional council any proposals for development that fall within the council's jurisdiction. The chairman, for his part, should place each proposal on the council's agenda for discussion. The regional council should have competence to discuss all that is conducive to improving service standards in the region, and is entitled in particular to:

- 1) Determine the needs of the region and propose their inclusion in the State's development plan.
- 2) Determine what projects are useful, arrange them in order of priority and propose their adoption as part of the annual State budget.
- 3) Study the region's urban and rural organizational layout, and follow up their implementation when they are adopted.
- 4) Follow up and monitor the implementation and co-ordination of the relevant parts of the national development and budget plans related to the region.

c. Internal work organization of the council:

The regional council may set up, when the need arises, special committees to study any matter falling within its jurisdiction, and may seek consultation from experts as needed. Likewise, it may invite whomsoever it wishes to attend council meetings and participate in the deliberations without a right to vote.

6 - 3 - 1 - 2 The locally practised structure of regional development

The regional council is the only body that brings together the various government agencies in the region. Council meetings and working committees provide the opportunity for members to become aware of the each other's activities and plans. The residents' representatives advise the council about general circumstances and particular needs within their locality, although they are not elected by the residents and do not have an organized framework to communicate with locals. The internal work of the council is organized by the council secretariat. There are permanent committees within the regional council that specialise in the main subjects of the council's concerns:

- Committee for services and utilities.
- Committee for economic development.
- Educational and cultural committee.
- Health and social committee.

The secretariat of the regional council receives reports from the regional branches of government agencies about their progress in service provision, with updated information about the current competency of their services. In addition, each agency provides the council with its needs and sometime plans to meet future demands. In parallel, the region's governor receives complaints, requests and proposals directly from local residents regarding administrative and developmental issues in their locality. The secretariat of the regional council collects all such claims and sends them to the appropriate committee within the regional council, which studies the issue and proposes a decision for the council. Thus, the council secretariat is located within the structure of the Arriyadh principality as a department for regional services (Figure 6-8).

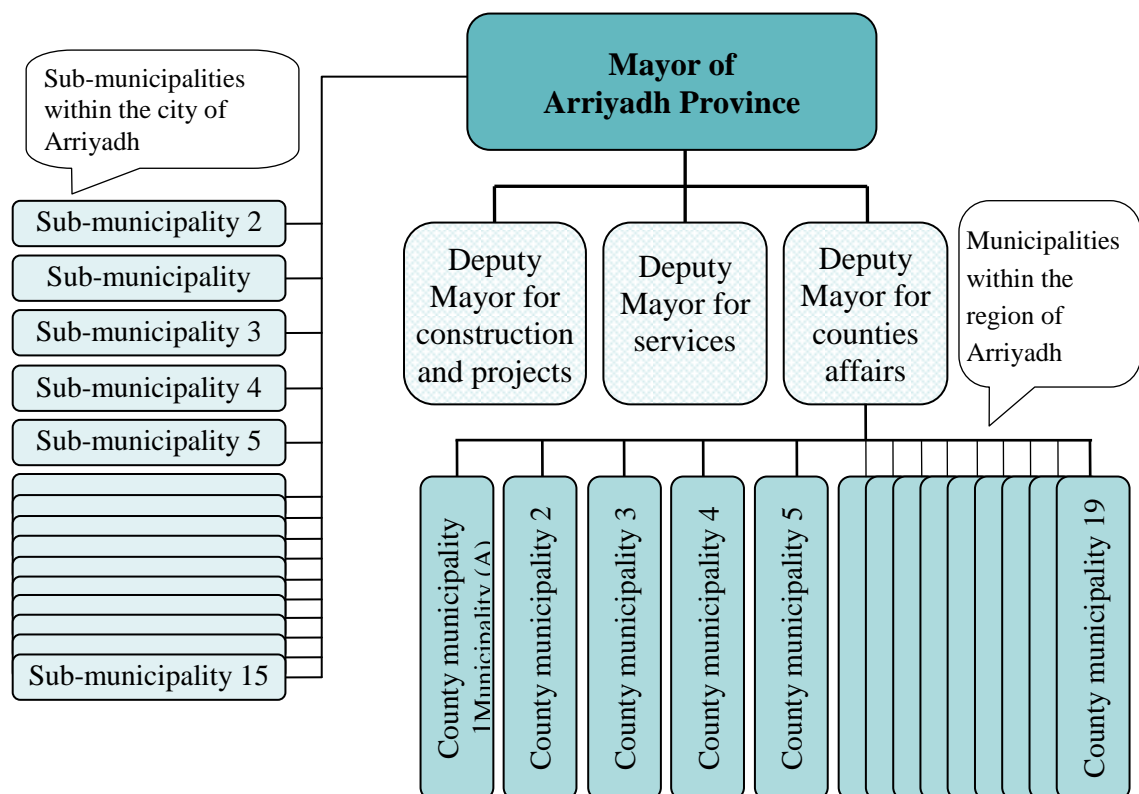
It is important to notice, though, that heads of counties and directors of districts are not involved in the regional council. The counties and districts have an administrative structure (Figure 6-2) that links them with the regional governor, but it is independent from the structure of the regional council. The regional governor holds bi-annual meetings with the heads of counties, which focus mainly on enforcing general order in their localities, in addition to some developmental matters. This seems to be a more politically oriented organization. When the need arises to discuss some development issue the regional governor of Arriyadh will call, sometimes, for a joint meeting of heads of the counties with the regional council.

Nevertheless, Arriyadh has a unique authority that is not available to other cities and regions, this being the High Commission for the Development of Arriyadh (HCDA), which is chaired by the principal governor of the region. This was established in 1982

and has an executive bureau, the Arriyadh Development Authority (ADA), which specialises in conducting studies and supervising important construction projects in Arriyadh City. The HCDA has wide authority and powers, supported by an independent budget from the central government. The government created this unique commission in order to accelerate construction and development in the capital city. The ADA, as an executive body to the commission, has recently widened its scope beyond the city limits, and has begun a strategic plan for the Arriyadh region. This extended role of development came due to the lack of capacity suffered by the regional council, which does not have an executive bureau within its structure.

After the recent restructuring of MOMRA, the Mayoralty of Arriyadh became the chief governmental body managing spatial planning in the whole region. It is responsible for planning requirements and supervises all the counties' municipalities (Figure 6-9). The deputy-mayor for the affairs of the counties' municipalities used to be the general director of municipal and rural affairs in Arriyadh Province. The duty of this position covers all municipal services in the region outside the city limits of Arriyadh; after the restructuring of municipal administration in Saudi Arabia, the region's mayoralty became the only reference point for spatial planning and municipal services in the region.

Figure 6-9: Municipal structure in Arriyadh region



Source: Illustrated from Arriyadh Regional Municipality (2010)

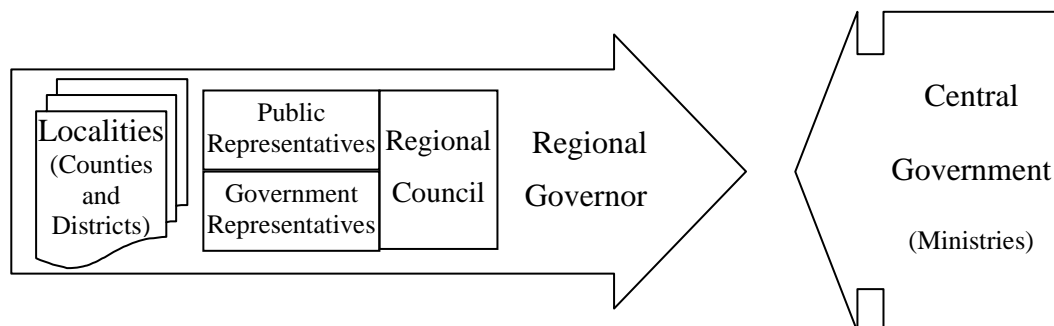
6 - 3 - 2 Function of regional council with central government (Ministries)

6 - 3 - 2 - 1 The regulated central structure of regional development

A major role for the regional council is to be the voice of the region for all developmental requirements. It is structured in such a way as to be able to envision the most preferable future for all the region's settlements, and to organize their requirements into projects. These projects are proposed to the responsible central government agencies for consideration in their annual budget. Central government controls most of the basic development sectors, and organizes their funding centrally through the Ministry of Finance (MOF). The regional council is allowed through its chairman, the regional governor, to contact the Minister of Finance to negotiate the region's budget which will be granted through its various sectors.

The national budget is controlled and organized centrally, but also on a sector basis. Central agencies then distribute the projects and expenses regionally through their branches; accordingly the regional council is supposed to consider all their proposals indirectly, in the context of the national FYDP. The Law of Provinces provides the basic framework for the development structure of the regional council regarding its relations with central government agencies⁷³. This structure is based on the council's roles and duties, and those of its chairman, the regional governor (Figure 6-10).

Figure 6-10: Linkage between Localities and central government



Source: Compiled by the author

⁷³ Specifically, articles: 5, 7, 14-16, 24, 32-36 of the Law of Provinces.

a. Administrative organization:

- The governor of the region is required to answer to the Minister of the Interior, and bound to submit a copy of the regional council's resolutions to the Minister.
- The governor is required, among other things, to:
 - Make direct contact with ministers and heads of government departments to discuss the development needs of the region, and the performance of the bodies answerable to them. The Minister of the Interior must be acquainted with these contacts.
 - Submit annual reports to the Minister of the Interior on, among other things, the efficiency of public utilities in the region according to the executive rules of the Law of Provinces.
- The regional council proposes and submits to the Minister of the Interior any move considered to serve the general good of the region's resident population.
- The regional council consists, among other members, of heads of the government agencies' branches in the region.

b. Role of the regional council:

- The regional council should have competence to discuss all that is conducive to improving service standards in the region, and is entitled in particular to:
 - Determine the needs of the region and propose their inclusion in the State's development plan.
 - Determine those projects that are useful, arrange them in order of priority and propose their adoption as part of the annual State budget.
 - Follow up the implementation and coordination of those parts of the development and budget plans related to the region.

c. Legal relationship between the regional council and central government agencies:

- The Chairman of the Council, as the governor of the region, informs Ministries and governmental agencies about council resolutions that have a direct bearing on them.
- Each Ministry or government agency providing services to the region is asked to appoint an official at the head of its bodies in the region. This official should report directly to the parent ministry or agency, and operate in close co-ordination with the governor of the region at the same time.

- Ministries and government agencies are required to pay due regard to the regional council's resolutions. If the concerned ministry or governmental agency finds any such resolution unacceptable, it must explain to the regional council the reasons for its objection. Should the regional council remain unconvinced, it may take the matter to the Minister of the Interior to put before the Prime Minister.
- Each Ministry or other national governmental agency which maintains services to the region should inform the regional council, the moment the State budget is issued, of the projects allocated to the region from that ministry's or agency's budget, and also of what has been decided it should obtain under the development plan.
- Any Minister or head of a governmental agency may consult the regional council on any matter pertaining to its area of competence, and the council should give its opinion as requested.

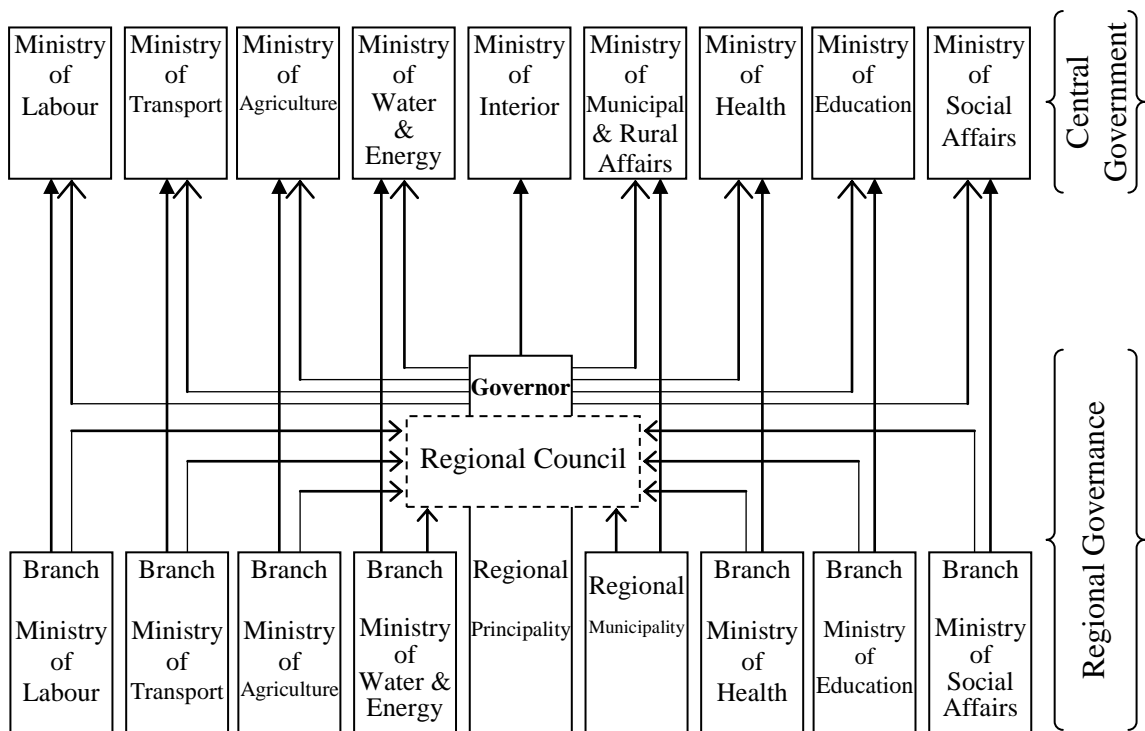
6 - 3 - 2 - 2 The centrally practised structure of regional development

The council is made up of a number of permanent committees that specialize in different areas. These committees evaluate projects in the region that have been proposed for adoption in the next national budget; they also review and follow up the implementation of projects approved in the previous national budget. Additionally, they study and review suggested projects in preparation for their being presented at the general meeting of the council, to discuss and determine their priority. When the council decides on the projects for each of the region's public agencies, the governor writes to the relevant central ministry suggesting these projects for consideration in their next annual budget (Figure 6-11).

Periodically, the governor will hold a meeting with the ministers to stress the importance of what the regional council has suggested, as a form of follow-up and encouragement. There is always some negotiation between the two parties until agreement is reached. At the central level of government, each ministry and independent public agency writes annually to the Ministry of Finance with their budget proposals, based on requests from the regional branches. This is another point of negotiation where each central agency can include their proposed budget in a national agenda. The Ministry of Finance has its own perspective, based on the availability of governmental resources and its view of priorities. The mechanism for integration of each sector's proposed budget with the national development plan is not clearly defined.

The regional governor might make direct contact once more with the Minister of Finance, and attempt to persuade him to adopt the projects proposed for the region. Given the importance of the regional council in regional and local development, it will be explored further in the next chapter with the interviewees' contribution.

Figure 6-11: Structure of regional development



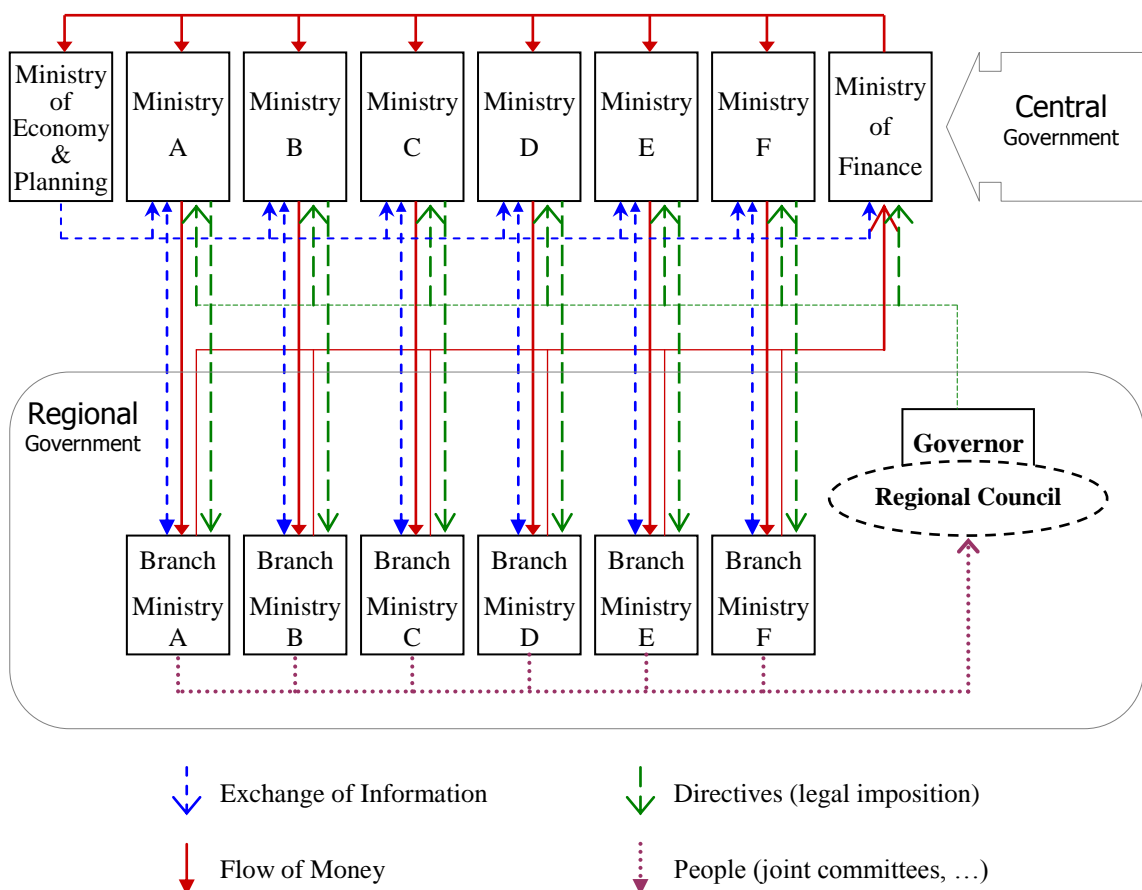
Source: Compiled by the author

6 - 3 - 3 Summary

The regional council is an organization that allows the governor of the region to practice his role and responsibility for developing his region within a national system of highly centralized government. The governor of the region, as chair of the council, is the chief law enforcement officer, and is the person who supervises the overall development of the region. Hence the regional council, as an advisory body, brings the regional representatives of government agencies together with appointed citizens' representatives from the sub-regional units (counties) to assist the governor with his regional development duties. However, the current structure of regional development requires development work be carried out by different agencies working to different scales, i.e. the national and local planning levels.

The developmental legal instruments provided to the regional council are inadequate for effective development planning. Although structurally it may appear rational, the legal framework of the regional council lacks an important component that could make it an efficient sub-national authority complementing the system of local governance. It now lacks the minimum requirements of independence in legal imposition and financial holdings (Figure 6-12). The current effectiveness of the council upon regional development depends almost completely on the governor's powers, which are politically based while also being a matter of personality. This is clearly a result of the lack of a consolidated governance system that is supposed to lead development.

Figure 6-12: Centre-region operational relationship



Source: Compiled by the author

Consequently, two issues are unique and require special attention when evaluating the development structure in Saudi Arabia. First is the absence of elections for the local administrative structure. Although there has been an election recently to appoint half of the municipal council members, the regional administrative structure as yet includes only appointed personnel. Second, the government structure is still largely controlled

from the centre, despite the multi-level structure of local governance. The central government agencies exert complete control over the regional branches, especially where financial matters are concerned. This, in turn, may justify the persistent lack of capacity by localities to develop their own resources.

6 - 4 Legal instruments for regional development planning and policy

The application of regional planning takes place within the system of local governance. This includes the various spatial relationships of regional planning and policies between national and local institutional levels. Therefore, it is important to realise and consider the governance system that represents the institutional structure within which development planning and policy is designed. Governance provides a territorial regulatory mechanism; in other words it is a mechanism for regional and local development. Local governance organises the sectors and spatial relations that regional development addresses simultaneously. Furthermore, the strategic approach to regional planning requires dealing with the institutional network that, on its part, incorporates multiple scales of governance (Neuman, 2007).

As we have seen in Chapter 4, the approach of governance and its level of maturity in a society may significantly affect the nature of development policies (Friedmann, 1975). The local governance system should be carefully considered when examining regional development concepts in the literature, which is generally drawn from western societies. Developed countries work within an established system of governance and institutional practice that may comprehend proposed development policies in a way that may not work for immature systems. However, the theoretical survey of regional development policies (see section 4-5-1) shows that developed countries have seen restructuring of their mode of governance up to the end of last century driven by the aim to achieve spatial coherence and better utilisation of resources (Albrechts *et al.*, 2003). The evolved western approach to governance tends to focus on the complex socioeconomic relations within and between urban and regional units (see section 4-3).

Based on the current structure of regional development in Saudi Arabia (see section 6-2-1), there are two main parts of government agencies that are strongly attached to regional and local development. The first part is the governing bodies, represented by the regional principality and its regional council at the regional level, as well as the county's governorate and its local council at the local level. They all are supervised by

the MoI as a central government authority. This part is the core of the governance network, as the regional and local councils are the only instruments of institutional linkage on a spatial basis at their levels. The second part is the municipal agencies, represented by the regional mayoralty as well as the local municipalities of the counties. These agencies are also supervised by MOMRA within the central government. This part of the government structure is the one responsible for spatial planning, which includes the NSS, regional strategies and physical plans and local land use plans.

6 - 4 - 1 Local governance system

In Saudi Arabia the structure of government is still evolving, as an emerging system. The relations of governance remain heavily dependent on the actual structure of government bodies and their bureaucratic model of interaction. This may be most clearly seen in the structure of regional development, as described in section (6-3). Reshoud (1999) showed how the Law of Provinces organises administrative and development communications by regulating the hierarchy of local governance, and determining the responsibility for spatial development; in the regions, that is through counties and districts. The governance organisation appears to divide the national space into geographic units with a hierarchical administrative structure and branches for public departments. It also establishes the communication mechanisms, along this hierarchy, between development agencies whether they be sectors of services or spatial governing bodies.

It is worth noting that the Law of Provinces has given the principal of the region, through the regional council, the task of planning to develop the region; this is indicated by the 7th article, which states that among the roles of the regional principal is to “work for the development of the region in social, economic and urban terms” (Royal Decree, 1992b, article 7[d]). However, the governance system does not provide an appropriate level of competency for this function (Sarrouh, 2003). There is no executive body at the disposal of the regional council and, hence, they do not have the technical and financial powers to tackle such a major task. The structural organisation of government departments, with their heavy centrality, deprives the regional council of authority over regional and local public departments (see Figure 6-12).

Al-Shiha (2008) stated that the difficulties that face localities’ development in Saudi Arabia stem from the lack of a single body responsible for their management and local policy-making. Municipal councils are restricted to supervising basic municipal

services, and do not have financial and administrative independence and authority. The current situation in the management of cities is based on the delivery of services through branches that implement the decisions of central ministries. Decisions depend on the internal administrative bureaucracy, without a local body to draw public opinion and reflect the aspiration of local residents about the quantity and quality of services to be offered; nor how they wish their city to be in the future.

There are two types of administrative organisation within local governance in Saudi Arabia (Sa'ati, 1999). First is a work system that is based on delegation of powers. This includes executive administration units as branches of the central government departments. They do not have the capacity to formulate or make decisions for their local context. Sectors falling under this type of administrative system include branches of most of the public services such as municipalities, health services, education, transportation, etc. The second administrative organisation is the work system that is based on devolution of powers. This type includes local units that have more authoritative power and can take the lead in generating initiatives, while still under the control and supervision of the central government. Examples include the regional principalities, regional councils, municipal councils and regional mayoralities.

The varying forms of centralisation and decentralisation are essential concepts that shape the governance relations and determine approaches to local development. The detail of these concepts reveals some overlapping among these forms (Khashquji, 2002). Centralisation takes two forms: 1) administrative concentration, 2) partial-devolution. Unlike the complete dependency on the centre in the first form, the second form allows partial authorisation; but without independence. Decentralisation also takes various forms: 1) political decentralisation, and 2) administrative decentralisation. Political decentralisation includes the overall supervision and capacity to decide upon a future vision for the territory, while administrative decentralisation is limited to the managerial functions of a specific sector.

These detailed structures of authority in Saudi Arabia's government indicate that it has both sectoral and territorial forms of decentralisation. In sectoral decentralisation, the authority is allocated for certain services sectors to establish independent commissions that exercise their authority across the national space (Sa'ati, 1999). Such commissions gain flexibility from being independent from central government; the freedom to operate on a commercial basis. The territorial decentralisation, on the other hand, has meant authorities allocated on a spatial basis: regions, counties and districts (Sarrouh,

2003). These devolved authorities supervise the other sectors working within their jurisdictions. Restructuring the administrative system in combination with the spatial structure was recommended as necessary to achieve effective public performance (Almutairi, 2002). The structure sought should be integral to the governance system and assist the proper management of available and potential national resources.

6 - 4 - 2 Spatial planning of urban and rural areas

MOMRA deals with development in two parallel ways. It provides basic municipal services for cities and villages, such as controlling building permits and regulations, urban street management, waste collection and disposal, and food inspection. At the same time, it is responsible for land use planning and subdivisions as a basic spatial planning function, in addition to other, more comprehensive plans and spatial strategies of higher scale (see Table 6-2). The NSS that MOMRA prepared and which was endorsed in 2000 is considered the national reference for the spatial layout, as it provides distribution of urban centres and their interconnecting growth corridors (see section 2-6). As part of this national strategy, it recommended that each region should establish a strategic plan to fulfil the national spatial framework.

Table 6-2: Spatial planning documents

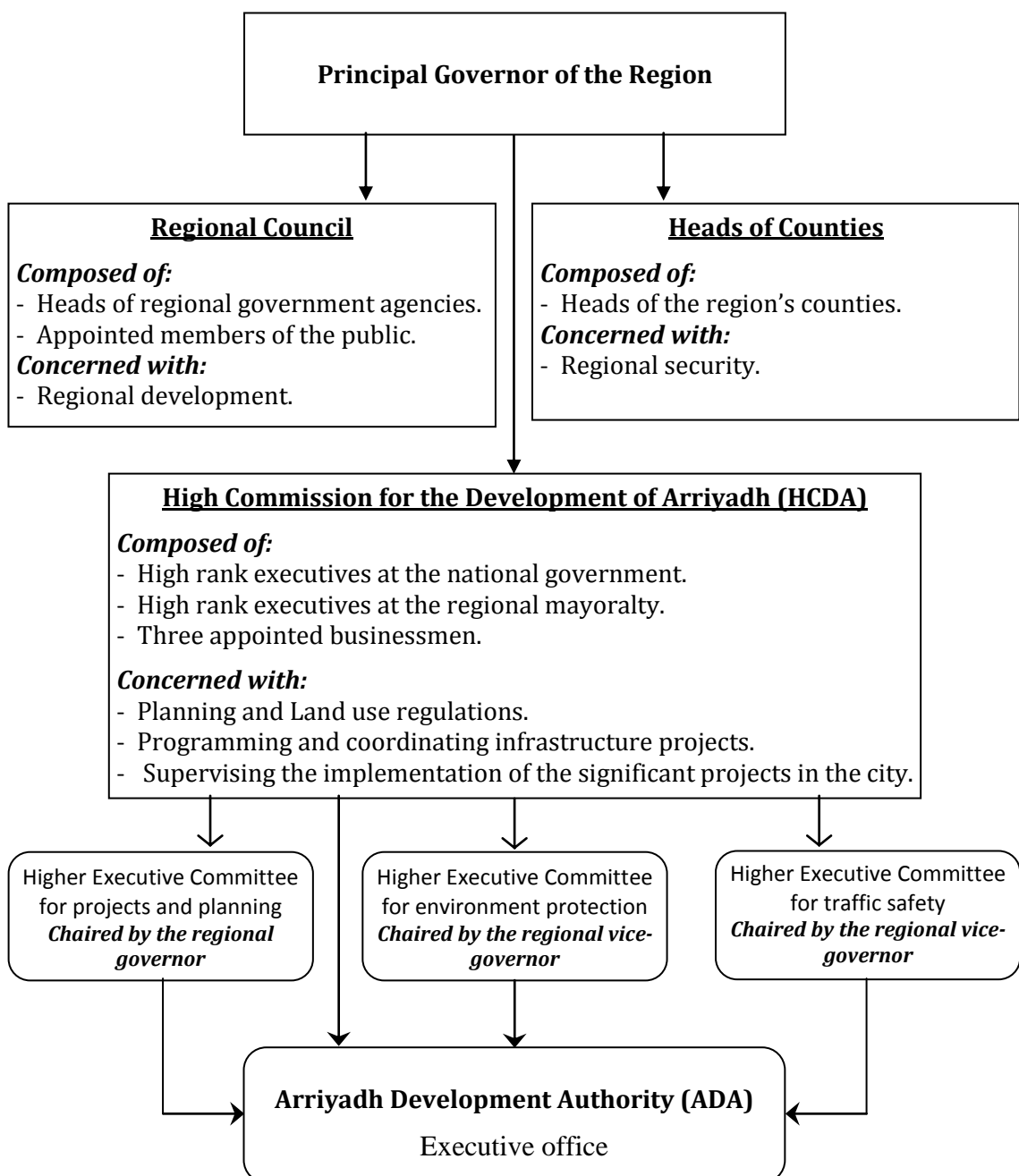
Level	Agency	Plan	Purpose & contents
National	MOMRA	NSS	Spatial strategy & policies for national development: <ul style="list-style-type: none"> - Structural distribution of urban centres. - Linkages of growth corridors.
Regional	HCDA	SPAR	Regional strategy & development policies: <ul style="list-style-type: none"> - Details of the urban centres and regional connections. - Regional development policies.
Local	Municipalities	Structural plans	Physical planning and urban regulations: <ul style="list-style-type: none"> - Land use regulations. - Programmes to enhance the physical environment.

Source: Compiled by the author

Implementing regional plans is typically the task of the municipal sector, represented by the regional mayoralty. In the case of Arriyadh, the regional council chaired by the principal governor decided to refer the task to ADA, to make best use of their capacity.

ADA is the executive office that handles technical studies and administrative tasks for the HCDA, which is an authority made up of joint government departments concerned with the management affairs of the city of Arriyadh. HCDA is also chaired by the principal governor of the region (see Figure 6-13) and has been the supreme planning and management authority dedicated to the development of the capital city since its establishment by the council of ministers under resolution No. 717 in 1974. The arrangement for ADA to implement the regional strategy represents the first expansion of the spatial scope of the studies to benefit the whole region.

Figure 6-13: Institutional structure in Arriyadh region



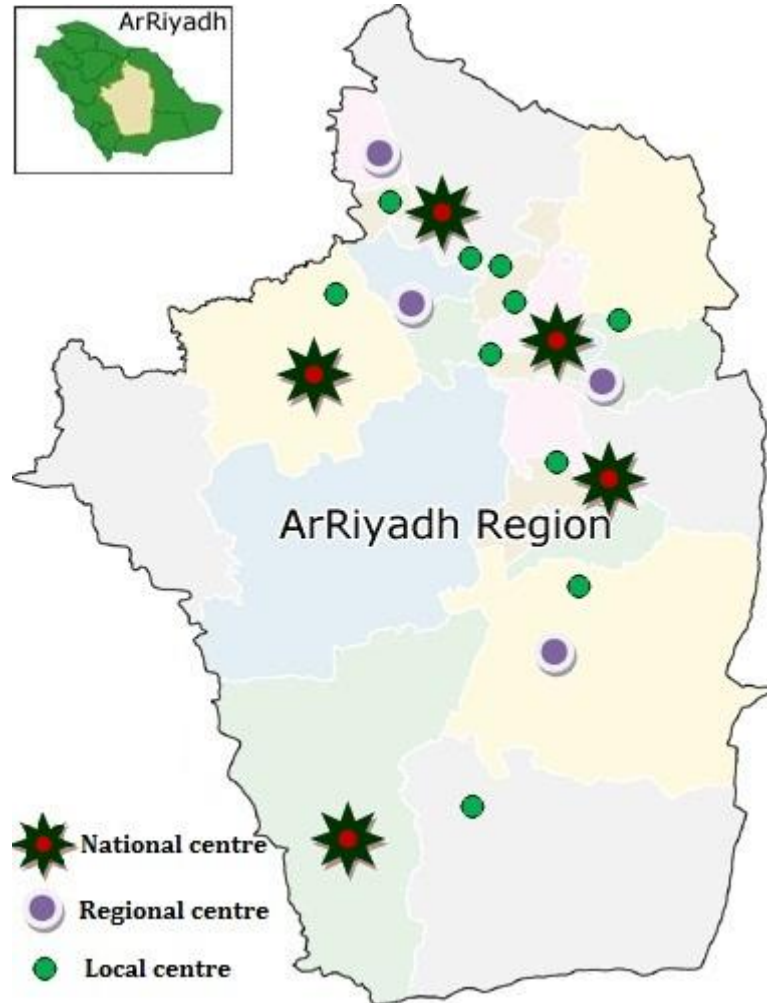
Source: Compiled by the author

Thus, the region has benefited from a unique institutional structure where the HCDA brings more authority and financial power, and ADA brings a valuable implementation resource in the form of its specialised staff. Together they have formed an institutional instrument that is able to deal with the region's planning and management needs. The principal governor and chairman of the Arriyadh regional council ordered ADA to prepare the Strategic Plan for the Arriyadh Region (SPAR) in 2001. ADA pursued the strategy through a contract with a foreign consultant working in collaboration with some local experts, during the period 2005 to 2009.

The spatial layout determined by the NSS provided the spatial basis of the regional strategy. The NSS classified the existing urban centres in the country into three types: national, regional and local growth centres. It proposed that spatial development be directed through a group of urban centres that have high growth potential in the short term, in addition to identifying another group with less growth potential but which qualify by integrating parts of the national space at the long term. Based on the NSS there are three national centres, three regional centres and eight local centres that are seen as having high potential for growth over the short term, in Arriyadh region. There are also two national centres, one regional centre and two local centres identified as being suitable to integrate with other growth centres over the long term located within Arriyadh Province (see Figure 6-14).

The classification of urban growth centres brings about different levels of development as identified by the comprehensive national plans, the FYDPs. The development begins with the structural hierarchy of governance institutions, such as branches of government departments. It also operates as a justification for the annual budget projects. National growth centres might be eligible for major projects, such as airports or universities; the ranking of urban centres provided by the NSS is a major factor influencing the distribution of development across the region. The layout of governance institutions should be coherent with the spatial strategy, to allow for localities to integrate and work out their development policies.

Figure 6-14: Urban growth centres in Arriyadh region



Source: Map adapted from SPAR documents (2005) and information drawn from the NSS (MOMRA, 2000, pp.45-46).

6 - 5 Conclusion

Given the dominant role of the government in Saudi Arabia in leading development planning, and also in delivering most of the public services, we could say that its model of administrative organisation for territorial units as well as its model of institutional structure for the provision of public services are what constitute the general structure for the mechanism of planning and design of policy for regional development. Under this general structure, the system of planning and policies for regional development is divided into three organising powers:

- 1) The regulatory framework of local government, which is managed centrally through the MoI and is devolved regionally and locally to regional councils and local councils respectively. This framework is regulated by the Law of Provinces.

- 2) The framework of development planning, which is managed centrally by the MoEP. This is produced in the form of FYDPs that set out national strategies and provide policies for the sectors⁷⁴ of development.
- 3) The final organising power in regional development is the framework of spatial and physical planning, which is a task of MOMRA as the central urban and rural planning agency, but also delegated to regional municipalities where technical capacity is available. This framework is laid out in different ways at the different spatial levels, as there is the National Spatial Strategy as well as regional strategies for some regions, but merely physical plans for others. There are also urban strategies for some major cities and land use plans for others.

Through these frameworks, consisting of the planning system and development policy in the country, we can consider the Law of Provinces to be the principal and most inclusive regulator that is able to set out the sectoral and spatial relations represented in other frameworks. The Law of Provinces is particularly important as a basis for regulation, given the current number of administrative authorities in Saudi Arabia with their various internal organisations and powers. Integration of the other regulatory frameworks for development on this basis means coordinating their roles and functions on a spatial basis. To this end, the Law of Provinces is currently the most appropriate basis for governance and spatially-based development in Saudi Arabia.

The Law of Provinces distributes the tasks of socioeconomic development into hierarchical spatial domains. It states explicitly that this is the role of principals of regions and local governors, assisted by their councils. In accordance with these functional and graduated roles there are geographic divisions in sub-national classifications, starting with regions, counties and then districts. Sectors of basic services are distributed across these levels according to the extent of the need for branches of these sectors.

The development instruments of the FYDP have been tending gradually towards adopting the evolved governance structure constituted by the Law of Provinces for about two decades, in their pursuit of spread and balanced development. Additionally the national spatial planning provides, through the NSS, an ambitious vision of the spatial layout of urban centres in a way that targets balancing the aims of efficiency and equality of resource distribution. However, this strategy lacks detail in terms of the

⁷⁴ Sectors of development are represented in Ministries or other form of national institutional agencies.

practical aspects of its implementation, and requires follow-up. It probably needs to be integrated with other national and regional development planning processes. The latter point raises questions about the extent of interconnection between development efforts by the various government bodies, whether structurally or through their view of the development mechanisms and policies.

As shown in the case study of regional development in Arriyadh, it is apparent that the regional council is at the centre of the institutional structure that supports local development. So we can take the regional council as a firm starting point to analyse the functional relationships between both the various spatial levels of governance and the numerous development sectors, in order to coordinate the efforts being pursued for development in the localities. The analysis of the regulations and practice of these functional relationships reveals two major issues: one is a weakness in the mechanism for the representation of local people, due to the absence of an institutional link between the public and regional councils; there are no elections for council members, and the appointed members have no clear constituencies. The other aspect is the weakness of government agencies at the regional level, and even more so in the localities. This makes the sub-national councils merely additions to the bureaucratic chain.

Currently, the role of the regional council in bringing development resources to its localities remains largely dependent on the initiative of the region's principal governor and his political power. The governor is obliged to use his personal influence against the institutional power of national government agencies to press for the approval of budget requests from those regional and local public departments that fall within his supervision. This is in addition to the expected role of the principal governor, along with the regional council, in facilitating indigenous development ideas. They could assist local people by providing flexibility for investment from those who have authority at the national level. Creative ideas for development will only be achievable if we improve the understanding of the institutional system and working instruments.

To this end, the forthcoming chapters seek to explore in depth the empirical practice of regional and local development processes. Chapters 7 and 8 present discussions for the extracted information from the relevant key officials of both public and private institutions as well as experts. Their overall views that represent different sectors and spatial levels should help to draw a comprehensive understanding of development arrangements in Saudi Arabia and particularly the role of regional policy in delivering development.

Chapter 7

Arriyadh Region:

The Current Establishment and Delivering
Instruments of Regional Development Policies

Chapter 7

The Current Establishment and Delivering Instruments of Regional Development Policies

7 - 1 Introduction

This study started with a review of the critical assessment of spatial development and spatial development policy in Saudi Arabia (Chapters 2-4). Chapter 2 concluded that there was an important role for regional development planning in the case of Saudi Arabia considering its geographic and political features as well as other socioeconomic factors. Chapters 3 and 4 have been devoted to the wider theoretical overview of thoughts and concepts of regional development, planning and policy. The insights from these evaluations have been employed to formulate a framework (Chapter 5) to evaluate the role of regional development policies in Saudi Arabia in fostering local development. The previous chapter described the circumstances of regional development in Saudi Arabia with particular account for the Arriyadh Province as a case study in order to apply this research to a real life situation.

Chapter 6 furnished a description of the basic features of regional development in the case of Arriyadh from the available primary and secondary resources, comprising the first part of the empirical framework. This information was substantial to set up the context for the empirical enquiry on the case, and include contextual themes that respond to the initial three goals of the research (see Table 6-1). The other two parts of the empirical framework respond to other sets of the research goals by means of providing descriptive analyses for the results of the interviews, which were the primary method of enquiry. The goals that are sought to be accomplished in this chapter and the one that follows are reflected through groups of intrinsic concepts reviewed in the theoretical studies, and synthesised into specific lists of themes, see section (5-3-3).

This particular chapter comprises the second part of the empirical analysis, which provides a study and analyse to the current establishment and delivering instruments of regional development policies. This axis corresponds to the goals: 1) examining the effectiveness of the current regional structure for spatial development, 2) exploring the existing practice for regional development policies and 3) investigating the available instruments and their abilities for regional and local development policies (Table 7-1).

The response to these goals is hoped to realise a major step towards evaluating the regional development policies and resources distribution to localities.

Table 7-1: Structure of empirical topics that respond to the second group of goals

Research axis	Goals	Theoretical themes
Studying and analyzing the current establishment and delivering instruments of regional development policies.	4. Effectiveness of the current regional structure for spatial development.	a. Existing structural conditions.
		b. Spatial measures associated with regional development.
		c. Regulated vs. existing practice of regional development.
	5. The existing practice for regional development policies.	a. Current establishment of regional development policies.
		b. Processes that cause socio-economic inequalities.
		c. Processes that cause political tensions and inequalities.
		d. Self-reinforcing mechanisms of unequal development.
	6. The available instruments and their abilities for regional and local development policies.	a. Delivering instruments of regional development policies.
		b. Regional economic policy instruments and social redistribution.
		Adaptive capacity of localities.
		c. Economic environment and political ideology.
		d. Determinants of policies for effective economic sectors.

To understand the current establishment and delivering instruments of development policies in Saudi Arabia, we needed to examine the effectiveness of the current regional structure including administrative sub-divisions of the country in delivering regional and local development policies. Also, we needed to evaluate the existing practice of regional development policies. To this end, an exploration was conducted into the available instruments and their capabilities for regional and local development policies. To gain a better understanding of this part of the study the complete information, from the scholarly-reviewed literature and the findings from the practitioner interviews, is laid out here in a discursive analysis under each of the synthesised theoretical themes.

7 - 2 Effectiveness of the current regional structure for spatial development

The spatial sub-division of the country is the basic physical structure through which the delegated development institutions design and deliver development policies. Accordingly this first topic in the empirical investigation is devoted to evaluating the effectiveness of the current regional structure for spatial development, in response to the first goal of this research. Three themes, of the related issues inspired by the theoretical survey, are investigated under this empirical topic in pursuit of that goal. The first theme for this evaluation is to understand the existing, and not just the constituted, structural conditions of the administrative and institutional development mechanism. This is an essential step in the analysis of development delivery (Albrechts *et al.*, 1989a). The next theme looks at the spatial measures that would be covered by regional development studies. This is intended to reveal the spatial dimensions of development policy, as that is believed to be a stimulant that triggers innovation in the ways of economic growth (Dawkins, 2003). The last theme in this section seeks to enquire into the differences in the practice of development between the regulated structure and those that just follow existing trends. This should help in critically understanding the appropriateness of the structured approach of development against real life conditions that have imposed themselves. It should also reveal undocumented practice, to find out the actual trends in practising regional development.

7 - 2 - 1 The existing structural conditions

It is fundamental to comprehensively understand the current structure of regional development, as it results from the actual practice of spatial development in general, in order to develop rational development policy (Albrechts *et al.*, 1989a). This part of the analysis will cover the existing structural conditions among the main actors of development in the case of Saudi Arabia. These are the governance and development structure, municipal structure, planning processes and private sector.

7 - 2 - 1 - 1 Governance and development structure

The local governance system in Saudi Arabia, as stated by an academic expert in strategic development planning, lacks a real devolution of authoritative power. In an obvious lack of conformity, territorial governors cannot adequately exercise their role as set out by the Law of Provinces (Almubarak, interview 2008). This problem appears to

affect both regional governors and heads of counties, and includes the lack of authority, both financially and structurally due to insufficient staff being appointed to the tasks that need to be met as set out in the Law of Provinces. The head of Almajmaah County, who is highly ranked politically, has stated clearly that he has neither the regulatory mechanism nor sufficient power to govern the work of those central developmental agencies that establish new development projects within his area of rule (Al-Saud, interview 2008). Specifically, the lack of financial power by local governors (heads of the counties) imposes a severe limitation upon their capacity. They are currently limited to routine administrative procedures which do not allow for real development practice.

The head of Almajmaah County explained that “the current governmental mechanism means that the localities’ requests for development must pass through several processes of evaluation and trade-off at several spatial and sectoral levels” (Al-Saud, interview 2008). Initiatives may start with the local council, i.e. the county level. The *local council* comprises representatives of key government agencies at the county. They are governed by standards set by ministries and central bodies upon which their local committees operate. Next is the *regional council*, made up of representatives from key government agencies working at regional level; see Figure (6-11). The regional council collects requests for development projects from all the region’s counties, and then supports them within the central government agencies.

Then comes the role of the relevant *central government agency*, which considers requests from all the regions. Each central sector is restricted by what the MoF approves for them annually from the general budget. Then the relevant central agency starts financing directly their regional and local projects. Lastly comes the *Ministry of Finance*, which controls the allocation of the nation’s budget. It reflects the government’s annual economic circumstances, with financial policies that are directed more by activities than their location. It is assumed that the MoF is governed by the FYDP and directives of the MoEP (Salah, interview 2008). However, while officials in the MoF consider these plans as guides and supporting documents for the public sector, they do not necessarily guarantee the funding for projects that are based on them (Althabit, interview 2008). The main economic advisor of MoEP (interview 2008) confirmed that their national plans are not yet compulsory.

In addition to the lack of authority, there is some multiplicity and contradiction within development structures both spatially and sectorally. The head official of the local education department in the county of Almajmaah, who is also a member of the

municipal council and a local activist, explained that these multiplicities and contradictions among the structure of public departments create obstacles to managing coherent development efforts within a spatial territory (Aldukhayel, interview 2008). He mentioned other issues, such as the lack of professionalism among public workers and officials. Such deficiencies have resulted in a degree of uncontrolled competition among government agencies that lack an appropriate organizational framework to generate outcomes that are of benefit to citizens. This pattern highlights the structural and contextual difficulties faced by local officials that might hinder latent capacity within localities. Meanwhile, weakness in the government institutional system is perceived in the paucity of human resources that work in the governance system, as perceived by the private sector (Almojel, interview 2008).

By examining the role of the regions in the structure of governance and the development process, we find that the regional council plays a considerable part in leading the development of the region. The deputy mayor in the province of Arriyadh, who is assigned to the affairs of municipalities of the counties and is also a member of the regional council, explained that the regional council works as a coordinating authority for development requirements within the region (Altwaijri, interview 2008). The regional council receives requests from local councils to support their developmental projects when they are placed before the central agencies. The council discusses these requests among its members, including those who represent development sectors regionally, to elaborate upon the needs of all localities. The council will then support those projects that meet the issues of most current concern. They, then, provide access to the central agencies with more political power.

7 - 2 - 1 - 2 Municipal structure and role in planning

Municipal agencies have been clearly assigned the role of overseeing physical planning (Royal Decree, 1977, article 5). This role has been organized with different levels of responsibility at each spatial level, yet there is significant variation locally where municipal jurisdictions do not conform to the general administrative layout. The main municipality at the local level is only responsible for the major city in the county, which is called the administrative centre, along with some of its adjacent villages. As explained by its chairman, the Municipality of Almajmaah is responsible for municipal services in the city of Almajmaah and surrounding rural areas (Alhamdan, interview 2008).

Therefore, unlike the regional structural organization, municipalities at the local level work with different geographical boundaries and hence have different structural links. With varying degrees of administrative rank, there is a local municipality in each of the county's cities that have parallel links to the region's mayoralty (Amanah). Worse still is that there is no official structural association among the county's municipalities. This means the absence of institutional coordination for the essential municipal sector at the local level. Evidence of the need for such collaboration is seen in the initiative by the head of the county to bring the chairmen of his county's municipalities together for regular meetings as a means for him to supervise the municipal work, as well as coordinating municipal works within the county.

An expert planning consultant asserted that the recent structural development of municipal work, which is represented in the constitution of municipal councils in 2005, is not yet very efficient (Almosained, interview 2008). He concluded a critical survey of the work of municipal councils with a diagnosis that municipal councils have been provided with decisive authority over their municipalities, while the municipalities themselves are limited in their authority and powers. They are still limited to spatial planning and the control of construction works. Therefore municipal councils cannot formulate any development for their urban areas. The regional deputy mayor of Arriyadh Province (Altwaijri, interview 2008) also confirmed that the local municipalities' role is limited within the narrow scope of civic services; even after the lately enacted role of municipal councils and their given authority over municipalities, their scope of influence remains limited to the extent that it is inadequate for taking developments forward.

It is, hence, seen locally that the current format of municipal and local councils at counties has not provided a decentralised platform that would bring flexibility to municipalities (Al-Saud, interview 2008; Alhamdan, interview 2008). This is seen by local municipalities as a hindrance to the development process. A local municipal official stated clearly that the municipal council had given certain persons, who were not necessarily qualified, authority over them, causing obstructions in their work (Alhamdan, interview 2008). It comes as no surprise, and is widely accepted, that there is no clearly identified model for systematic development in localities (Alasker, interview 2008; Altwaijri, interview 2008; Nagadi, interview 2008). Current practice is that local municipalities are led by individual initiatives of their heads to develop their

localities. Each municipality operates mainly through those efforts that its staff can spare, together with the available human and financial resources.

7 - 2 - 1 - 3 Planning processes within the given structure

Local municipalities, that have the minimum capability to produce planning documents, submit their proposed plans to the regional mayoralty to seek adoption and legalization (Aldukhayel, interview 2008). The regional mayoralty has a dedicated planning department for counties' local physical planning. Nevertheless most of their plans remain concerned with the physical layout of individual localities, as they do not have access to other sectors to conduct the conceptualisation of wider development. At the same time the mayoralty seeks approval from the central physical planning agency, MOMRA, just like other government sectors that are tied to the criteria and conditions of central government (Nagadi, interview 2008). Despite this limitation of scope, the regional municipal agency finds these institutional processes to be necessary for coordination purposes (Altwaijri, interview 2008).

Meanwhile, almost in isolation from localities, the main regional development planning effort is a dedicated Strategic Plan for Arriyadh Region (SPAR) being carried out by ADA, the executive bureau of the High Commission for the Development of Arriyadh. This bureau is intended to oversee strategic development of the capital city, and is attached to the regional principal governor. Nevertheless, members of the local municipalities in the region were not involved in the process of preparing this regional plan. They have been invited only occasionally to attend presentations at some of its stages, to give feedback about options during the plan's progress (Alhamdan, interview 2008).

Despite the superiority and strong representation of the overseeing agency, the project director of SPAR admitted that "there is no obligatory policy or clear structural system that would grant implementation of the regional strategy" (Alshaye, interview 2008). It would only be adopted mutually by the affected agencies as delivered to them through the regional council. Each of the concerned government agencies has its own priorities and resources that are tied to their central reference agency; central agencies on their part have plans and priorities which might not conform to each region's circumstances.

The Mayor of the Arriyadh Province strongly criticised the current government's financial policy, imposed by the MoF. He explained that there is no link between approving development plans and approving their funds (BinAyyaf, 2008). Currently,

the required funds for development projects depend totally on the approval of MoF, which in its turn has its own methods for distributing government funds among the various sectors, based on the nature and type of projects and which depends on the available yearly budget. It is also guided by the political agenda of the central government.

This approach has no connection with the structure within which regional and local planning authorities must work. As the concerned official in the MoF stated “the existence of an approved plan, whether local, regional or national, would strongly support and justify government departments’ requests for funding from MoF” (Alhabit, interview 2008). However that does not mean any financial commitment, and so the implementation of the strategy is not yet confirmed. This would clearly leave development planning efforts with no obligatory support by the central government, and weaken the collaboration of the various concerned regional government departments that obtain their funding from their central reference agency.

7 - 2 - 1 - 4 Participation of private sector in development

The administrative and financial restrictions that limit the work of public firms in development works are clearly reflected in a weakened participation by the private sector. There are rare cases of public-private partnership at the local level. The secretary general of the local chamber of commerce at the county of Almajmaah (Aljauan, interview 2008) stated that the main problem, which hinders local coordination of development work between private and public sectors, is that officials from the local government agencies do not have sufficient authority. This leads to a weakness in flexibility that is necessary to provide cohesion in local developmental work that meets the real needs of the local area, which are obviously different from those in the larger cities. For example, the Dean of the Technology College in Almajmaah cannot negotiate with local people regarding the actual needs of businesses within the county in terms of training programmes, because the curriculum is set by the central administration in Arriyadh.

Arrangements by the private sector that are related to the development process are mainly coordinated through their own organizations, particularly the Chamber of Commerce and Industry (CCI) which has a local branch in Almajmaah that serves the

whole county⁷⁵. As explained by its secretary general (interview 2008), the chamber has some working committees based on the economic sectors (i.e. agricultural committee, commercial committee, entrepreneur committee etc). These committees meet to discuss their needs and concerns, then send their requests to the regional CCI in Arriyadh. The regional CCI collects such concerns from the other local CCIs in the region and presents them to national committees, according to their sector relevancy. These committees discuss the feedback from all 25 CCIs in the country, then formulate their visions in a unified form which is then presented to the council of Saudi chambers. This gathers the cases from the different sectors and sends them to the relevant government authorities. Such vertical networking might seem lengthy process to grant influence to the private sector, but it remains the most effective approach given the current structure of governance.

7 - 2 - 1 - 5 Coordination of other development sectors

Other development sectors have to work within the existing spatial fragmentation when they are planning and implementing their projects. Investigation of the higher education sector shows that the main university in the region designed its strategy to disseminate higher education facilities within the region without any involvement from localities. While working closely with the central Ministry of Higher Education to implement the national educational strategy, they do not have to coordinate with the regional or county administrations unless they need assistance with the allocation of land for new campuses (Almosained, interview 2008).

Another vital development sector which is relevant to industrial and technological activities has a smaller spatial management hierarchy, despite its strong spatial relevance. MODON, responsible for the management of industrial and technological areas, and SAGIA, which is the foreign investments management department, are both national authorities that handle the planning, supervision and promotion of industrial, technological and other economic development activities. While they share some development instruments, they are separately and differently structured and managed. SAGIA was mainly constituted as an independent national body to “oversee investment affairs in the Kingdom, including foreign investment” (Council of Ministers, 2000, Article 3) utilising various location and resource advantages. MODON on the other hand was established under the supervision of the Minister of Industry to “plan... the

⁷⁵ Not every county has a dedicated CCI. It would depend on the strength and collaboration of each locality's businesses.

industrial cities (or zones) that are allocated in the Kingdom, promoting their development and handling their management, maintenance and supervision” (Council of Ministers, 2001, Article 3).

The director of the Industrial Cities Department in MODON (Alsuhaibani, interview 2008) explained that industrial areas within SAGIA’s new “economic cities” are considered as belonging completely to the private sector. Thus land rent and the cost of operating factories are higher there, based on the competitive market price. It reaches SR20 (\$5.3) per square meter compared with SR1 (\$0.27) per square meter in areas managed by MODON. This provides an advantage to the public industrial cities that may offset the better logistic facilities provided by SAGIA, such as the One-Stop Shops which represent all the governmental authorities that investors might need to access.

The case of Arriyadh region has shown a high demand for industrial land within the city of Arriyadh. This is attributed to the size of the market which helps factories to distribute their products at minimal or possibly even no cost. The transportation cost of industrial production is confined only to bringing raw materials to factories. Other counties in the region would only benefit from the support of the two national agencies, MODON and SAGIA, if there was a local economic advantage; if not naturally gifted with such an advantage, strong local advocacy would be required to convince either of these agencies to adopt a project for the industrial or technological zones in the local area.

7 - 2 - 2 Control of spatial development performance within the regional structure

The spatial aspect has been shown to have an important role in national economic growth, and in generating innovative development (Dawkins, 2003). Measuring the spatial performance of development bodies is important for those seeking to analyse regional growth and development, providing indicators to facilitate and encourage innovation in the progress of national economic growth. One part of considering the spatial measurements of development would be how it is organised within the governance structure. The other would be planning and performance measures of spatial development:

7 - 2 - 2 - 1 Organizing development within the governance structure

The current governance system in Saudi Arabia does not appear to be supportive of local initiatives that could handle development policy, because the governance system

supports a top-down approach. There have been calls from specialised professionals for reforms to establish legitimate governance institutions for localities, to make them more representative of the population within their jurisdictions. One such call stems from repeated criticism of the current practice of governance, which is only carried out by typically bureaucratic civil servants appointed by the government (Alshihah, interview 2008). Despite the structured hierarchy of development roles for both regional and local levels of governance, actual practice that is restricted by directives from central government agencies demonstrates how the Law of Provinces is emptied of its contents.

The head of the Almajmaah County (Al-Saud, interview 2008) explained his practice of one of the main developmental roles given to local governors, which in this case is to “Work for the development of the county in social, economic and physical terms” (Ministerial order, 1993, article 9: clause 4). The county head chairs the local council which collects the needs of the affiliated localities, i.e. the Districts. They, then, assess the actual need through an Education Committee or Services Committee that emerges from the council but is guided by national standards in the form of regulations issued by the concerned central ministries. The next step is to pass these needs, with a supporting request from the local council, to the regional council. In turn the regional council does its part in the evaluation of such requests from all the counties, and passes the combined requests to the relevant central government bodies to take into account when preparing their annual budget.

At the regional level, the deputy mayor for local municipalities (Altwaijri, interview 2008) admitted that in other countries, municipalities are commonly the top managing agency in localities. He had found that the intended structural co-ordination did not happen in practice, but fragmentation happened instead. The structure of the government sectors in Saudi Arabia is organized in a way that links the administrative and municipal parts of governance. The two structures are linked by coordinating councils which have responsibility for resolving any possible conflicts between the various public sectors within the territory. At the national level, it is the role of the ministers’ council to bring all the sectors’ issues together. At the regional level there is a regional council for each of the 13 regions, spatially focused for all related sectors. There is also a local council for each county that reports to the regional governor and the regional council. However, despite all this, Altwaijri admitted that “regulations that have a link to local governance are still responsible for some conflict” (interview 2008). These arise from fragmentation in the actual management of local departments; the

municipal structure has a hierarchical managerial system that is strongly attached to the central agencies, while operating in parallel to a separate administration structure that governs regions and localities.

Closer examination of the development work handled by local government agencies reveals some of the fine detail of the difficulties that beset their accompanying localities' development. The head official of the education department in the county of Almajmaah, who is also a member of the municipal council and a local activist, (Aldukhayel, interview 2008) declared that development agencies lack indicators against which they might measure their performance. This highlights an absence of guidance regarding the quantity and quality of developmental initiatives and projects. Such indicators are needed by the leaders of development agencies to help determine the extent to which development is being achieved. They also need indicators to guide the organization of their daily work.

An academic expert in the strategic development planning in Saudi Arabia (Almubarak, interview 2008) also stated that one of the problems that hinder the government's efforts to achieve development generally lies in neglecting to work with key performance indicators (KPI). However, the Minister of Housing (Aldwaihi, interview 2008) pointed to the importance of the recent (July, 2008) movement by the government to establish a national centre for performance measurements directed to government agencies. This is expected to support the government's work in development by providing detailed measures that are commonly developed to achieve national goals. The concern would, then, be about the basis upon which such measurements might be established. If central government continues to keep authoritative power away from localities, such a movement might not be useful.

7 - 2 - 2 - 2 Planning and performance measures of spatial development

The actual spatial planning system appears to be hierarchically organized, starting with the National Spatial Strategy (NSS) which recommended that each province prepare a regional plan. In the case of Arriyadh, the regional municipality asked the regional council to assign this task to ADA, which has the capacity to prepare a strategy for the development of the region proceeding from the national spatial framework provided in the NSS (Altwaijri, interview 2008). The regional strategy, initiated a few years ago, has provided some guidance to the development of the region, although the plan was not set out in a clear legal format that could be used by stakeholders as a binding document

(Alshaye, interview 2008). Despite the strong political capacity at the regional level, the whole structure of governance does not appear to support the planning system.

Additionally, the internal progress of regional planning does not appear to be consistent. Regional officials (Altwaijri, interview 2008) believe that localities, i.e. local municipalities, are adequately involved in the process of formulating a regional strategy. In reality, the counties' municipalities have participated in the progress workshops to take their perspectives and inform them of the vision of the planners at the main planning stages within the work plan of the regional strategy (Alhamdan, interview 2008). The actual contribution of local professionals is limited to discussing the scope of views given by regional planners, who are mostly expatriates, while input from the local public has been totally neglected.

The content of the regional strategic plan, as seen from the case of Arriyadh Province, is rooted conceptually in the NSS (Alshaye, interview 2008). It tackles the regional part of NSS policies such as growth centres and development corridors. Altwaijri stated also that the regional plan includes measures that are based on the available opportunities and resources in localities, to best utilize them and spread development into surrounding towns and villages (interview 2008). These measures have been developed to serve the economic vision of the region within the wider national context. An example is found in one of the regional strategy proposals to reserve one specific area as industrial, and another as an agricultural zone (Altwaijri, interview 2008). Apparently the regional planners in Arriyadh believe that spatial planning is an interpretation mechanism to achieve the goal of economic development. The proposed strategic plan organizes various activities in the available space, including economic activities.

This approach has not convinced some local academic experts in strategic development planning in Saudi Arabia. Almubarak (interview 2008) finds the current planning approach as barely covering the physical aspects of planning, and thus cannot be described as development planning. The country in general is not following a unique spatial development model that can be attributed to a specific theoretical concept. Hence there is no real economic model that the spatial layout of the region might serve. Almubarak (interview 2008) concludes that the absence of appropriate, devolved authoritative power among the different spatial levels must also contribute to the lack of reality when planning for each locality and the region overall.

Despite the repeated criticism of the contextual structure of local governance and the recorded deficiencies in the planning process, there were no complaints about the size of

the territories that form the spatial sub-divisions (Aljauan, interview 2008; Almojel, interview 2008; Almubarak, interview 2008; Alshihah, interview 2008). There was no particular problem raised in terms of size appropriateness for planning efforts. The only observed comment was that when considering the vast area of the country and its regions, as well as the scattering of localities, a strong central organization will be required (Aldukhayel, interview 2008).

7 - 2 - 3 Regulated vs. existing practice of regional development

7 - 2 - 3 - 1 Practicality of the governance system

It is important to track the actual practice of regional development against the regulated structures of regional development, as they might not always be the same. Differences might stem from attempting to overcome deficiencies in the regulated structure, or as result of inadequate efforts. The head of the Almajmaah County, who is supposedly the chief supervisor of local development, found that the main development instruments lie in the hands of the central Ministry of Finance (Al-Saud, interview 2008) which implements political intention through financial policies. The Ministry has national concerns that are exclusively discussed at the national level, and are usually more sectoral than spatial. It is assumed that the MoF's considerations are governed by the five-year national development plans and directives of the Ministry of Economy and Planning (Salah, interview 2008). Yet it is not clear that real policies will emerge from these plans.

At the regional level, Almubarak (interview 2008) considers that the current status of the regional council is to provide a bridging link in the governance system. Essentially, regional councils are not provided by the governance system with an executive department with which to take on the role and achieve their goals as set out by the Law of Provinces. Also they lack enough resources in the regional administration to activate their role of promoting local development. It is clear that an important article in the Municipalities and Villages Law⁷⁶, which states that municipalities should be financially independent, is not yet practised. Moreover, the recent activation of the municipal councils' institutions has not changed this status and they are still fighting for it to be implemented. This provides an indication of the misleading structures that are available only on papers whilst aggressively contributing to failures of what otherwise seems well organised governance and development structures.

⁷⁶ Enacted in 1977.

7 - 2 - 3 - 2 Missing instruments from planning processes

A local municipal official stated that “the national spatial strategy lacks a significant execution instrument” (Alhamdan, interview 2008), i.e. local governance system. He supported this point by referring to one of the top planning officials in MOMRA, who once said that the NSS was born lame by not containing a mechanism detailing its operational methodology through local management. There is no identifiable model for the systematic development of localities, which are therefore led by individual initiatives. Local municipalities’ efforts at development are maintained by the leadership, activities and potential of their staff, as well as the availability of human and financial resources (Alhamdan, interview 2008). The lack of a supportive governance system, as well as weakness in conceptualising spatial development, have contributed to fragility in both planning and implementation efforts, especially at the local level. As a consequence this has adversely affected the localities’ capacity and contributed to the imbalance in the spatial distribution of resources.

Given the existing, unclear guidance for local development, some government officials recognize that the most efficient way of planning local development is to learn from the actual experience of how central and regional government departments manage their work (Aldukhayel, interview 2008). There is not necessarily any assessment of the cost and benefits of developmental projects proposed by localities, neither for planning nor in their implementation. This means that the central budget allocation agency, i.e. the MoF, does not rely on statistical analysis of the anticipated cost and benefits when determining whether to support government agencies’ requests for funding. In addition, executive agencies at the national and regional levels do not pay strict attention to the financial aspects of their project once they are approved by the Ministry of Finance. This lack of efficiency in evaluating development projects may also affect the credibility of projects that are meant to provide long-term benefits and qualitative improvements, whether financial or mutual (Aldukhayel, interview 2008).

In this regard, in many cases the local experts referred to the difficulties which implementation agencies face due to the absence of blueprints⁷⁷ for any proposed plan (Almubarak, interview 2008). This causes many such plans to be put on hold, because they are not linked with resources. In addition, they usually lack implementation details for specific areas. This will be worse when local planners are not involved in the

⁷⁷ Operational plan.

preparation stages for their own localities, when in fact they are supposed to carry the programming and implementation processes through to their projected outcomes.

This disconnection in planning between national policy makers and local prosecutors hinders or even prevents some developments from taking place. The private sector, which tries via its regional and national coalition to bring about developments through the national government, ends up in some cases with abandoned or curtailed efforts because local government agencies do not necessarily follow the policy guidance (Aljauan, interview 2008). Despite government policies proclaiming the participation of the private sector in development, and the promotion of close relationships with the private sector, local government still remains some way from applying this orientation of governance. This disturbs the organization of local development, and it requires intervention from high authorities at the central government to resolve the involvement of private sector. For example, Aljauan (interview 2008) described how the Interior Ministry passed a resolution that requires government institutions to order private contractors to seek prior acknowledgement from the local CCI. This is intended to give transparency to the contractual relationships with the private sector, but as yet these directives are not effectively carried out in the localities.

7 - 2 - 4 Summary

The structure of government departments witnesses some multiplicity and contradiction within development sectors and along spatial hierarchies. These place a burden on the regions and localities, with lost opportunities and wasted resources. The organization of development suffers from contextual idleness because of an obvious deficiency in the flow of authorization power along the spatial tiers. There is a lack of real devolution, and in some cases weakness in the capacity to handle development and management. The administrative regulations (bureaucracy) contribute to weakened constituted powers, while not providing tools for directive measurement. The practice of development in localities is limited to an inventory of local needs and placing requests from the authorised agencies.

Some of the planning processes are organized within the central structure in a way that appears as a necessity for spatial coordination, while its actual contextual scope is limited, e.g. within one sector. Such a development structure does not benefit much from highly centralized procedures, as it may reduce the opportunity for creativity and competition among regions. Despite the existence of some joint committees, spatial

councils and other means of structural coordination, regional development sectors are individually tied to their parent agencies in central government by their financial and administrative dependence. The absence of real devolution to localities' public agencies has weakened their integration with the private sector in local development. Central agencies have, for their part, their own planning agenda and financial considerations. Therefore, the government's approach to development is still that of a dominant central and sectoral planning system.

The governance system appears well organized as a hierarchical structure, where all the related sectors required for development at each spatial level are available; see Figure (6-11). However the local officials concerned with development find this system empty of content, or at least strictly limited to the extent that it does not function effectively (Alshihah, interview 2008). Therefore, all development sectors at the local level are facing similar problems: the lack of authority, and flexibility. On the other hand, the superficial organization of the governance system leaves a satisfactory impression upon central officials who deliver instructions to the local bodies and expect smooth implementation by their branch agents to complete the development cycle (Nagadi, interview 2008). It is, therefore, no wonder that central government officials do not transfer more authority and allow more flexibility in regions and localities.

Local government agencies try to overcome the deficiencies of governance and planning systems by learning from experience. They cannot depend on the regulatory instructions that are supposed to guide their development work. Most critical is the way in which the allocation of resources and the adoption of local proposals for development projects take place. The central financial agency, i.e. the MoF, has its own perspectives on priorities and programming of projects; but these are described only vaguely, and remain remote from regional and local government departments. This situation explains the current practice, where plans for development are usually initiated without any prior financial commitment from the government. Thus there is nothing to ensure the implementation of such plans or guarantee their outcome. Consequently, efforts of optimising resources distribution must start with correcting the government financial policy to increase the transparency and stabilise the methodology of allocating national development resources.

7 - 3 The existing practice of regional development policies in Saudi Arabia

The second topic of the empirical investigation is devoted to the second goal of this research, which is evaluating the existing practice of regional development policies in Saudi Arabia through the case study. It will be covered through several themes that dig deep into practice and the underpinning processes that have brought about current circumstances. Four themes are covered in this section, starting with enquiries to reveal the establishment of the current regional development policy. This is aimed at understanding the perspectives and practice mechanisms of development policy in the case study, to complement the described structures of regional development policy as regulated and which is available in Chapter 6. The following two themes seek to reveal the processes that have developed over time, causing both socioeconomic as well as political tensions and inequality across the spatial units (Albrechts *et al.*, 1989a; Moulaert and Nussbaumer, 2005b; Moulaert and Mehmood, 2008). A number of writers have provided a critique of spatial and particularly regional development policies, in which they raise the importance of understanding the processes that evolve and become established over time, leading to the exacerbation of inequality among regions; see Chapter 4. The last theme is devoted to the factors that reinforce unequal development, which together with the two previous themes will require policies to reduce well-established problems (Albrechts *et al.*, 1989a).

7 - 3 - 1 The current establishment of regional development policies

7 - 3 - 1 - 1 Structure of the planning system

The MoEP, which is the development planning agency of the central government, believes that the spatial dimension of development is properly considered in the national development plans (FYDP) in the form of strategic goals to promote regional development (Salah, interview 2008). The implementation of this strategic goal is the responsibility of joint action by central government agencies; each of the central government departments prepares its own operational plan for its sector to achieve the strategic goals of the FYDP. MoEP for its part reviews the quality of these plans. However, Salah (interview 2008) commented that the MoEP is not satisfied with the way that central government agencies allocate their resources across the regions. The solution, as he sees it, is to impose restrictions on the decisions of central government agencies about distributing development projects spatially.

On the other hand, as was made clear by a specialist in local governance, the current intra-regional division of competencies, which is represented administratively by the counties and districts, is not coherent among all the government agencies that are responsible for the provision of developmental services (Alshihah, interview 2008). The government's local offices have various spatial fields and structural management covering their services. This would seem to reflect differences in the way regional government departments handle their local development. Moreover, any required coordination on the local or regional level between various sectors might require a loop through the central government agencies to grant the authority required, and to overcome the administrative mismatch between government departments that are structurally at the same spatial level.

Despite the acknowledged challenges of local governance that hinder better spatial development, recent regional planning in Arriyadh, which is considered the strongest region politically, is falling short of making direct structural changes to the local governance system within its region (Almosained, interview 2008). This was also explained by Alshaye (interview 2008), the director involved in the SPAR project, who suggested that the regional strategy could have come up with alternatives for reorganizing local governance in the Arriyadh region. It is known, though, that the legislative reference for the governance system is the Law of Provinces. It appears that making changes to this law is beyond the powers of the strategy; it would require approval from higher authorities in the government, i.e. the Ministry of Interior and then the Council of Ministers. This particular issue refers to the political approach of central government, which does not believe in the concept of allowing regions to have different structures. Central government is generally sensitive about the popular opinion and claims for equality (Alshaye, interview 2008). Some groups among the population have particular social significance and may put pressure on the government to provide equal treatment, with no consideration of the natural potential of some regions or even the national agenda for strategic development. Nevertheless, political will is the prevailing engine that generates change, thus placing an obstacle in the way of plans related to local governance.

To this end, development policy should be shaped in accordance with the governance system where it will be applied (Almubarak, interview 2008). That is why the strategic development planning expert insisted that we should consider the overall ruling paradigm in Saudi Arabia, which is a *traditional political system*, when we seek to

evaluate the mechanisms of local governance and the methodology of development. AlMubarak believes it “impractical to create a structural system and impose modern methods taken from democratic systems, and apply them in the environment of a traditional political system” (interview 2008). This might explain some isolated actions that the government has adopted when seeking to achieve some goals beyond the capacity of its ruling system. An example was provided: when the government decided to pursue diversification of economic resources, other than oil, and to spread development around the country, it established SAGIA. This independent agency has been allowed to build economic cities in the form of cantons where special regulations are applied, to provide a conventional environment for foreign investors that is isolated from the traditional local culture (Alsuhaibani, interview 2008).

7 - 3 - 1 - 2 Role of municipal institutions

Indeed, there has been gradual evolution in the structure of governance in Saudi Arabia, as well as some procedural improvements to various government institutions. Frequently these healthy efforts to reform have been in response to deficiencies that became apparent when serious challenges were encountered. The critical problem arises when reforms are conducted in isolation from the overall context, or in a piecemeal fashion (AlMubarak, interview 2008). The recent establishment of elected municipal councils⁷⁸, which are meant to support the work of municipalities, has ended up providing bodies that are little more than figureheads. They have not achieved their intended purpose of facilitating development, since the established role of municipalities is limited mainly to construction control (Almosained, interview 2008). There is already legislation that provides municipal councils with greater authority that should have brought more power, mainly financial autonomy, but they cannot use that power thanks to the strong financial control exerted by the MoF; municipalities and their councils are handicapped by the level of activity allowed by the MoF through the control of resources allocated to municipal projects, as well as specification concerning the disbursement of the allocated budget (Alqasabi, 2008).

Municipal officials at both regional and local levels admit to the current situation, where municipalities are limited to a narrow scope of work (BinAyyaf, 2008; Alhamdan, interview 2008). Thus municipal councils have been established with wide authority to supervise municipalities that have only limited authority. This has led to the spread of

⁷⁸ Launched in 2005.

negative opinions about municipal councils and low expectations of ‘democratic’ arrangements such as these. There have been cases where local municipal officials actually did not support the role of municipal councils in the administrative structure of development. They are not interested in a supervisory council that may interfere in their work but does not contribute any strength to their administrative and financial position (Alhamdan, interview 2008).

The case for regional municipal structure is less problematic than that for local municipalities, as they have access to other sources of influence via the other components of regional governance. This may raise different views about the role of municipal institutions in established regional development policies, between practitioners in the regional institutions and those acting in localities. In a debatable issue, the regional head of local municipalities believed local, municipal legislation to be adequate (Altwaijri, interview 2008). He found the municipal regulations detailed enough to guide their daily work. From another perspective, daily work by local municipalities does not include future planning, nor does it afford flexibility in development initiatives (Alhamdan, interview 2008). The chairman of Almajmaah municipality commented that the municipal organization is defective. MOMRA, he explained, still depends on expatriates who put forward proposals for organizing the municipal administration system of the country. Those experts do not consider the needs of small- and middle-sized municipalities, and have particularly neglected the difficult requirements of rural counties. Such practice reinforces the deficiency of resources distribution if the actual needs of localities are not met.

7 - 3 - 1 - 3 Planning and implementation processes

Spatial planning processes are outlined centrally through MOMRA, which has issued a national guide for the preparation of regional plans (MOMRA, 2005c) as well as local master plans (MOMRA, 2003, 2005b). This national guide explains the methods of preparation and the various stages of such plans. It also provides standards for the procedural steps that any regional plan should include. This guide serves as a detailed manual for each region to use, so that the format of all regional plans becomes consistent. However, the conceptual framework of regional plans is based on the NSS, which outlines the spatial layout for the country in 2025 in the form of growth centres and development corridors. Regional planning authorities have a certain range in which they can modify the policies and structure drawn up by the NSS, but that is limited in the case of growth centres to possibly increasing their number or upgrading their

proposed level: for example from a local to regional growth centre, or from a regional to national growth centre (Alshaye, interview 2008). So the proposed growth centres in the NSS cannot be reduced or downgraded in the individual regional plans.

Unlike the situation regarding proposed growth centres, regional planners have more flexibility to modify development corridors within their region (Alshaye, interview 2008). The NSS policy of assigning development corridors is a general policy; regional planners may develop their own alternatives for the region, and modify the national development corridors as appropriate. They can add growth centres and upgrade the level of certain municipalities in the region's counties and districts as required. The director of the strategic plan of Arriyadh region pointed out that ultimately, the regional plan has to be validated by the minister of MOMRA. This helps to ensure that regional planners conform to the NSS guidance originally prepared by MOMRA.

When it comes to the process of implementing regional and local projects, there is a unique course of administrative procedures. Planning, including making regional plans, is generally conducted in the absence of prior consent for financial support from central government (Nagadi, interview 2008). All proposed projects are negotiated with the MoF on an annual basis, whether these are part of a composed plan or projects that have been proposed independently. The municipal budget coordinator within the MoF (Althabit, interview 2008) explained that the sectorally divided officials of the MoF sit with their counterparts in each government department and negotiate the budget by seeking to determine real needs and priorities. The negotiation includes the ability of the proposals to meet actual needs, as well as their size, place and timing, by providing a critical study or precise information. Another way to win the approval of the MoF is by obtaining influential political support -from the regional council, the minister concerned, or sometimes by direct instructions through a royal decree-.

These determinants sometimes provide an inference of indicators that support the budget proposal, but in other cases operate as a means of enforcement. The process of negotiating and approving the budget in the MoF depends on experience in the field, to put priorities in order. During the last two years, officials from MoF have adopted a more active approach and have begun to carry out visits to government agencies to examine their activities and projects in order to become familiar with the actual causes of need as they exist on the ground (Althabit, interview 2008). If we consider the vast size of the country, along with the scattered nature of settlements, this appears to be a

huge burden for the central MoF to bear. A critical question arises regarding the viability of the governance structure if such procedures are deemed necessary.

Some government agencies try to anticipate the approval of MoF for their proposed plans at an earlier stage, by inviting their counterparts in the MoF to their progress evaluation meetings in which they try to convey the purpose and importance of proposed projects. Sometimes those in charge of government departments, or other concerned individuals, pay a visit to the MoF officials as a means of convincing them, or adding pressure to their efforts. All these steps tend to be subjective; there are no clear foundations or criteria that the MoF provides to other government departments to help them deal with the financial aspects of planning.

7 - 3 - 2 Processes that develop over time causing socio-economic inequalities within and between regions

This part of the analysis reflects the intellectual idea of several scholars (Albrechts et al., 1989a; Moulaert and Nussbaumer, 2005b; Moulaert and Mehmood, 2010) who asserted the importance of considering the historical evolution of the policy and planning in the community under examination. They claim it has a vital role in producing the current form of uneven development, such as socio-economic inequalities between and within regions. These grounding information are included in the empirical analysis here to examine the role of the governance system within which development works take place, planning processes and the role various development sectors in Saudi Arabia as they are practiced. These processes are required be considered for the analysis and propositions of new policies

7 - 3 - 2 - 1 Development procedures within the existing governance system

Despite their overall satisfaction with the regulations that govern local development works, municipal officials at regional level admit that the structure of local governance is responsible for some conflict (Altwaijri, interview 2008). This arises from the split referencing of the local spatial management between municipalities and the administrative governing body. Each of these two bodies is connected vertically with different regional and national government agencies, which reduces the opportunity for local cooperation. A specialist in local governance stated that “there is no real structural organization for the local governance in Saudi Arabia.” (Alshihah, interview 2008). He explained that the current regulations lack the basic pillar of local governance, which is financial and administrative autonomy. This lack of power

increases the dependence of local government departments on their parent agencies at the regional and central level and, simultaneously, reduces the validity of local-local coordination. Alshihah (interview 2008) added that what appears, superficially, to be a well-organized hierarchical government system is actually void of real content, and contributes to poorly-balanced development.

As long as local coordination of development is missing, it will be hard to achieve real development. The highest governing authority at the local level, which is represented by the head of the county together with the local council, has neither regulatory mechanisms nor the power to manage the development work that central government agencies undertake within their administrative area (Al-Saud, interview 2008). The head of the Almajmaah County explained that the authority of the local council, which is under his chairmanship, is limited to the power of sitting or relocating some facilities and services, mainly schools and health centres, in one place or another. If they identify the need for a development project in their locality the local council has first to evaluate it, based on national standards. The request, then, has to pass through several committees at the local, regional and national levels. The final decision comes from the relevant central sector and the central financial authority. No wonder, then, that the officials in localities feel powerless despite their clear understanding of their area's needs.

A real devolution of power within the governance system in Saudi Arabia is needed to deal with local requirements. Almubarak (interview 2008) added to local development needs, the essential requirements of efficiency and consumer satisfaction. Given the current structure, experts believe the lowest appropriate level of organization for local development to be the regional council, which could bridge the gap of sector-coordination for local governance. Nevertheless the regional council does not have the necessary capacity, in terms of its administrative structure and resources, to take on this role, which is one of the main tasks set out in the Law of Provinces (Almubarak, interview 2008). In fact, the only factor that helps regional councils to practise their role, at least partially, is the strong political power that resides in the personality of the principal governor of the region who is commonly a member of the royal family.

Within the current governance system, municipal activities are limited to the provision and management of daily civic services (Aldukhayel, interview 2008). Any local development initiative has to go through the regional municipal agency to obtain approval and support when considered by the central agencies. Additionally, local

municipalities are not institutionally connected within the county (Alhamdan, interview 2008), with no official link maintained between cities and villages. As another aspect, public awareness of municipal activities and their limitations is extremely low (Alasker, interview 2008). This ignorance had also been observed by members of the local municipal council (Aldukhayel, interview 2008), who found it a large obstacle to development, especially in rural communities. The lack of institutional backup in localities hinders activists from gaining influence and financial support from regional and local authorities.

7 - 3 - 2 - 2 Planning processes and development

Some procedural defects are apparent in the regional planning process carried out by municipal agencies (Alhamdan, interview 2008). Local municipalities are not treated as real stakeholders when a regional municipality undertakes to provide a regional plan. They are only invited to attend presentations of some of its stages, for feedback. When it comes to the general public, they are totally excluded from the whole process. The way that the regional plan is formulated depends on the experience brought by expatriates, who play the role of chief planners. This confirms the view of local planners, that there is no clear model for systematic development for localities in Saudi Arabia (Alhamdan, interview 2008; Almosained, interview 2008; Almubarak, interview 2008). Such regional plans do not include the necessary resources for localities to implement the developments proposed. Therefore local municipalities are led by individual initiatives, with little coherence to whatever has been planned regionally. Each local municipality is restricted by its limited capacity in terms of human and financial resources.

The experience of municipal officials reveals that the central budget allocation agency, i.e. the Ministry of Finance, does not rely on any critical analysis of cost and benefits when determining whether to support agencies' requests for budget allocation (Alhamdan, interview 2008). Rather, they are heavily affected by political considerations well away from real economic choices. In addition executive agencies, i.e. the municipalities in this case, do not pay strict attention to the financial aspects of their project once it has been approved by the Ministry of Finance (Aldukhayel, interview 2008). Sometimes proposals from municipalities are rejected because the long-term benefits are beyond the consideration of the budget decision makers. Thus most government departments, especially at the regional and local levels, do not

undertake in-depth critical studies when they propose development projects, or choose the way to implement them.

The project director of the Strategic Plan for the Arriyadh Region (SPAR) explained that despite all the efforts that are put into planning processes and outputs, there is no constitutional framework that grants the implementation of a regional plan (Alshaye, interview 2008). Individual government agencies have their own priorities and resources that are tied to their central reference agencies, which have plans and priorities devoted to their own sector. These concerns might not conform to the trends in the region. Moreover, the funds required for projects to implement strategic policies depend totally on the approval of the Ministry of Finance. This central government agency has its own approach to distributing government resources among the various sectors, based on its perspective concerning the type of projects, and its own view of priorities. The agency is also bound by the national funding available and guided by the political environment in which the government finds itself.

The discrepancy in planning procedures does, indeed, have an impact on the disordered nature of basic development services in the localities. A specialist in MoEP (Salah, interview 2008) confirmed that it has become clear, following a national study of poverty, that the inadequate public services and infrastructure in some of peripheral regions and towns represent one of the main reasons, directly or indirectly, for the deteriorating economic circumstances of people in those areas. For example, the poor level of transport services has led to more road traffic accidents, which in turn has led to an increase in households where the head is dead or disabled. This has left many families at a financial disadvantage. As more families fall into the poverty zone, this affects both their education and health outcomes.

7 - 3 - 2 - 3 The role of various development sectors

At a local level the private sector found themselves dealing with a loose government structure, and sought an alternative path to coordinate the with public sector as partners. Businessmen ended up arranging to meet what they needed by way of cooperation from the public sector, such as adjustments to government regulations and policies, through the CCI coalitions at local, regional and national levels (Aljauan, interview 2008). This is because the officials in local government agencies do not have the authority required to create cohesion in local development with flexibility to meet the real needs of the locality, which are obviously different from those in large cities. Aljauan (interview

2008) believed the participation of the private sector acting with the public sector in decision making to be very limited.

In general, government departments do not share their activities with the private sector unless they need the support of businessmen to influence decisions, or to gain a positive response from higher ranking authorities and politicians. In other cases they might involve the private sector just to avoid their objections, but this does not make them real partners. Thus the current forms of participation are neither real nor valid. Businessmen believe that government institutions do not sufficiently consider their needs or the requirements of the market (Aljauan, interview 2008). An example of this claim is the government's enforcement of citizenship as a condition for jobs, but without arrangements for proper training.

The CCI official stated that from time to time central government agencies would announce policies designed to encourage the participation of the private sector in developments, and to promote a closer relationship between the private and public sectors. However, in practice local government departments do not follow these regulations. This causes some disturbance in the organization of local development. It has been concluded that one obvious cause of neglect of the private sector is the fact that the CCI is not represented in the local council (Aljauan, interview 2008). Businesses lack an official instrument to convey their voice to the local community and local government authorities. Businessmen have no official channel by which they might become acquainted with the plans of local agencies in their area of interest.

The absence of transparent management and planning in localities affects the inclination of investors to invest heavily in small cities. Significant investment and job opportunities can be drawn to localities, outside the large cities, if government development policies and project plans are clear and concrete. The current situation leaves the choice of investment location for various production plants completely to market forces. The demand for industrial land within urban areas varies significantly, from large cities to medium and small towns. The current demand in Arriyadh city is high when measured on a national scale, because it is a large market which helps manufacturers to distribute their products at little cost. There may even be no cost for distribution logistics, because some traders will come to collect goods directly from the factory gate. In this case, transportation costs are confined to the transport of raw materials to the factory (Almojel, interview 2008).

Other public agencies seem to prefer independence when implementing their spatial development strategy, as long as they have been granted the necessary resources. A university official in Arriyadh region (Almosained, interview 2008) stated that extending institutions of higher education is left to universities' own strategies. They liaise with the Ministry of Higher Education but do not have to coordinate with the regional or counties' administrations, unless they need their assistance in finding and allocating land for new campuses. Getting involved in local coordination for development delivery reveals some disturbing multiplicity and contradiction within the structure of government departments. Some local officials (Aldukhayel, interview 2008) admit that there is sometimes competition among government agencies, which reveals the lack of an organizational framework to bring advantages to local residents. The lack of development indicators for each government department has an impact on their expectations and causes a lot of waste and inefficiency.

Finally, it is worth mentioning that a high-ranking business man and official of the regional CCI (Almojel, interview 2008) made it clear that the main factors hindering development in Saudi Arabia currently are the shortage of human resources, and the pervasive justice system. He criticised the education system that produces a high percentage of graduates in religious and social studies, more than is needed, while the country suffers from a shortage of graduates in other specialities for which there is a real requirement. A question arises here about the coherence between the national orientation towards becoming an advanced industrial and technological economy, and the outcomes of higher education policies. As for the justice system, he believes that the government's efforts to encourage development and the contribution of the private sector are both affected by the opaque and inadequate judicial structure.

7 - 3 - 3 Processes that develop over time, causing political tension and inequalities within and between regions

The enactment of the Law of Provinces in 1992 was part of a national reform of the political system, aiming for a better quality of life, both social and economic. This law proposed a decentralised system of governance that would allow the supervision of spatially focused developments. However, in practice this system appears to be a mere specification of administrative territories without any political significance (Almubarak, interview 2008). In addition to the lack of power among local governing bodies, some specialists have attributed the deficiency of the Law of Provinces in facilitating real spatial development to the absence of any principles for public representation (Alshihah,

interview 2008). This highlights the intellectual concepts that affirm the importance of considering the processes that develop over time, causing political tension and inequalities between and within regions (Myerson and Rydin, 1996; Moulaert and Nussbaumer, 2005b).

The current structure has been devised by the central government through lengthy constitutional procedures; any amendment to this system would be beyond the capacity of regional and local government bodies. Even for the strategic planning project for Arriyadh region, it has been admitted that there is only a limited range in which SPAR can reorganize its local governance system (Alshaye, interview 2008). It would require approval from higher authorities within central government, starting with the Ministry of Interior. The decision will ultimately depend on the political situation of the national government, which might encounter some problems over allowing similar amendments in other regions with different social structures. Political considerations are the main engine that might generate real change, which complicates the implementation of regional plans related to local development.

The lack of power at the local level means that government agencies there depend solely on coordination with their vertical reference bodies, whether regional or central. The response of central government departments to development requests from their local branches is greatly influenced by the will of national politicians, and the enforcement of regional political power, rather than working within clear socioeconomic criteria (Salah, interview 2008). Regional planners, who stand amidst this dialectical conflict, find themselves planning for sectors with fragmented priorities and separated resources.

An evaluation of the role of governing bodies operating at various spatial levels, i.e. the council of ministers, regional council and local council, shows that they are ineffectual at providing access to public participation in decision making by government departments. The existence of these councils over inadequately authorised agencies is not practical (Alshihah, interview 2008). An expert explained that even in the municipal council of Arriyadh city, which is considered to be the most active and powerful council, members of the municipal council became frustrated with this system because they found themselves unable to make real difference (Almosained, interview 2008). They could not make any changes in the municipality's working procedures including the implementation of projects, economic approaches or the administrative structure.

The head of the local municipality in Almajmaah County also complained about the existing system in municipal councils that allows the candidature of near-illiterate people (Alhamdan, interview 2008). The system requires only that the candidate be able to read and write. The municipal official felt that the right to municipal council membership should be reviewed, with regulations to raise the quality of council members in terms of their education level. He emphasized, as a government official, that he was convinced about the importance of opening the way for the public, and about their right, to bring their voice to public agencies. In fact, other evidence (Almubarak, interview 2008), suggests that this problematic issue may be related to the inherent cultural customs and social considerations that do not recognize professional norms.

7 - 3 - 4 The self-reinforcing mechanisms of unequal development

In this part, the empirical analysis is considering the consequences of preceding factors that have caused inequality between or within regions. These have their own enforcing impact as they become established in a community. They become self-reinforcing mechanisms within the institutional system and cause persistent imbalance, or possibly act as a brake on policies that aim to deal with inequality (Albrechts et al., 1989a). Therefore, the consequences of the established governance structure and development procedures that have been practiced are included in the empirical analysis and discussed here.

The current established structure of governance has been clearly signified, especially at the local level, as the main driving engine that determines the way in which localities undertake development in their territories. Because of the limitations in the governance structure, the methodology of planning in Saudi Arabia is perceived as bureaucratic process with legislative boundaries and not strategic; it could be described as a technical bureaucratic system of one-way planning (Almubarak, interview 2008). This diagnosis is justified by the lack of real authority within local government departments, which do not have the power or capacity to coordinate local needs with stakeholders, including the private sector, in order to draw up a collective developmental vision. There is also “incoherence in the intra-regional divisions of local government agencies that play the main role of development provision” (Aldukhayel, interview 2008). The spatial realm for the services that they oversee is mismatched. The existence of these structural conditions cuts development policies short of being properly directed at a certain locality.

The strong involvement of the national government in regional and local governance has obstructed the provision of flexibility and devolution to those empowered regions and localities. A significant element among the driving factors is the traditional social structure in the country, which does not tolerate explicit variation among spatial units (Alshaye, interview 2008). If more privileges were granted for a certain region, all the other regions would claim the same treatment even if it were inappropriate for them at that time. So the political vision favours more control in hand, which leads to an overall slowing of the pace of development in ambitious localities. This approach will place a burden on regions that have capacity to reform their approaches to development, including the system of local governance.

Local officials are witnessing a mismatch between the development responsibilities that are assigned by the governance system against the balance of authority and power devolution. There are some cases where the superior body has less authoritative power than the government departments that they supervise, based on the structural organization of governance; this is the case between the head of a county and the chairman of the local municipality (Al-Saud, interview 2008). Other cases find a supervisory council that is assigned wide developmental tasks over several government departments that are strongly connected with other authoritative institutions. Examples of these contradictory networks are the municipal council and local council simultaneously. It has also been observed that some local government agencies maintain a mutual coordination due to the absence of any structured network for development purposes, such as those found in the municipal sector at the local level and the education sector at the regional level.

The malfunction of development procedures and governance structure might, significantly, hold back any potential local capacity to conduct the implementation of development from the bottom up. The current trend of assigning the task of planning to expatriates, or consultants based in the major cities, contributes to neglect of the real needs of small- and medium-size towns (Alhamdan, interview 2008). This has mainly meant neglecting the problems and requirements of rural counties. It is also interesting to note that there was no clear conception, among interviewees, whether there was in existence an identified model for the systematic development of localities. There is still a weak connection between spatial dynamics and economic models, i.e. development is still approached through pure economics and is sectors-based. This can be witnessed locally, where development initiatives are loosely linked with a national pattern of

development. This ambiguity in the overall and widely-scoped concept is exacerbated by strong local cultural traditions that sometimes collide with regulations intended to enhance the professional work of development agencies.

7 - 3 - 5 Summary

The two national frameworks of planning, i.e. the FYDP and the NSS, represent the official guidance for development in Saudi Arabia. The Ministry of Planning has adopted the FYDP to plan for national development, and to produce development policies to guide each sector. Regional development has been a strategic goal in these national plans, but its implementation has been left to various government agencies, each with its own interpretation. The evidence from previous plans is conclusive: measurement of spatial development has been lacking, although it is deemed necessary to control the activities of various government sectors in terms of balancing development projects spatially.

On the other side, the NSS is rarely mentioned as an influential factor in development in the related documents or by the officials and experts concerned, including those from MOMRA that produced the national strategy. It appears that spatial development proposed by the NSS is not supported by the existing governance structure, and this hinders both the delivery of development policies and implementation of plans. This deficiency might be ascribed to some conflict between the regulations for spatial development and the overall ruling system. The budgetary system for development projects represents a major problem that faces spatial planners. The MoF adopts the principle of approving individual projects for each sector alone, which creates difficulties for regions and localities seeking to create a comprehensive plan that would normally involve various government departments.

There has been a clear mismatch between the national planning system and the spatial governance structure. Reforms to both systems have been taking place, but in isolation from each other. Development policies that are centrally planned and financed stumble when it comes to spatially coordinated implementation. The lack of vigorously institutionalised, spatially coordinated development leaves much scope for tension, and contributes to the unequal allocation of development resources. It is worth noting that changes to the structure of local governance remain beyond the legal capacity of regional authorities. Social considerations, mostly attributed to the traditional culture, are believed to underlie central government's hesitation over allowing independent or

more flexible organizations for intra-regional development. This would explain the refrain of attempts to allow localities and regions to generate their own models of development.

The practice of regional and local development planning depends, logically, upon the given governance system which determines procedural regulations and imposes the contextual criteria. Regional development in Saudi Arabia is in practice handled by the municipal sector, which is required to arrange a coordinated plan but is not supported by functional statutes from the governance system. This has severely affected the implementation of spatial planning, especially in the regions where greater coordination among the various sectors is required. Defects in the local governance structure do not allow the development system to work properly, as the flow of authoritative power does not conform to the governance structure. The head of local governance does not have the authority required to deal with those local needs which he can best identify and understand. This provides a clear indication of the need for an appropriate structure for developing localities. It is not practical to limit the role of the head of the county and his local council to the application of central agencies' criteria and conditions, when seeking to provide public services. There are in addition too many procedures that local developmental requests need to pass through, which degrade their local character and might dissipate their concept and indeed their essence.

In addition to the lack of constructive power within the delegated governance structure, there is no interactive and clear mechanism for financing public projects. The budget procedures impose their own culture on development, being centrally controlled by the MoF with no correlation to the hierarchies of development and administration. The central financial agency is far removed from local initiatives, and takes a more political view of them alongside other national activities. Unified procedures might lead to unequal treatment despite the obvious differences that exist in local conditions. Also, central development agencies look at their social responsibilities and political commitments from a national viewpoint. This, for its part, takes them away from local development initiatives which are usually tied to approval of others when seeking development in their relative geographical area. And conclusively, the flow of money has a very different structure from the spatial structure.

In a broad sense, the absence of a clear and sustained national economic approach adds a pressure to localities that might seek to initiate endogenous development. Any potential development might then be weakened by the lack of a comprehensive vision

and inconsistent governance structure. Developments are usually initiated by individual sectors, and vary significantly based on the available resources, political support and personnel capacity. It is clear that the structural organization of government is devoted to individual planning by sectors, in a way that does not support collaborative organization within spatially delineated plans. Routine daily work is the prevailing activity of local government agencies, and this has limited the commitment of regional agencies to provide rules for local departments to follow. There is an absence of strategies for local development, which would generate a vision for the future and aim to encourage a flourishing socio-economy. This, in turn, ignores the need for a flexible framework that would stimulate local development initiatives.

Municipalities are the major player in the execution of any spatial plan, but that does not by itself grant regional municipalities the essential representation in the preparation of the regional plan. The powerful involvement of central municipal agencies has also paralysed local initiatives. It has become the norm that strategic planning is left to central agencies, but they obviously lack the appropriate skills to take charge of local initiatives for development. This indicates loose or absent regulations that would require such involvement. It appears, though, that there is a link between the lack of effective human resources and the sparse degree of devolution to local governing and development agencies.

The powerful but isolated administrative organization, together with the centralised financial policies of the government, stand as obstacles to planning efforts which require collaboration between various departments for their implementation. Such collaboration would also need to incorporate different spatial levels. It appears that this results from the problems of imposing an effective control system, and also the lack of personnel capable of carrying out the necessary flexible collaboration among different sectors. The absence of main stakeholders in the process of spatial development is one cause of the weakness in implementing development plans. In such instances the likelihood of adopting plans becomes less, with the risk that they might miss their target entirely.

There is, also, a clear deficiency caused by the absence of a systematic institutional approach to developmental programmes and projects. Personal motives dominate some of the current public programmes, reducing their usefulness and increasing the likelihood of wasting resources. As a cumulative effect, the central financial agency that grants money for such programmes becomes more hesitant about providing support

for local initiatives. These have obviously contributed to the greater centralisation of finance and authority, and less devolution to localities.

7 - 4 The available instruments and their abilities for regional and local development policies

This last part of the chapter covers the requirements of the third goal of the study, which is to explore the available instruments and examine their ability to deliver regional and local development in Saudi Arabia. The elements of this goal are powered by five theoretically inspired themes. The first theme surveys the available instruments for delivering regional development policies. The following theme examines the instruments of regional economic policy and social redistribution programmes, intended to cope with the ‘historic-structural’ problems caused by unequal practices (Albrechts *et al.*, 1989a). The third theme enquires into the adaptive capacity of localities in terms of labour skills and employment opportunities, since they need to be considered in any development policies (Moulaert, 1995; Moulaert and Demazière, 1996). The fourth theme lays out guidance for the orientation of regional development policies and regional planning, by exploring the economic environment and political ideology (Albrechts and Swyngedouw, 1989; Martin, 1989). The final theme examines the determinants of existing or potential policies that allow effective economic sectors, such as services and innovation, to be available. These determinants would, then, be used to solve the problems of unbalanced spatial development (Martinelli, 1989).

7 - 4 - 1 Delivering instruments of regional development policies

7 - 4 - 1 - 1 Regulations and procedures within governance system

The regional efforts to develop localities require clear systematic procedures to bring coordinated planning and implementation processes into reality. Development procedures, i.e. policies and instruments, are delivered through an established institutional structure that is assigned certain ordinal duties. The situation in Saudi Arabia appears to be dualistic, due to the strong role of central government agencies that play the major role in planning and implementing development projects. At the same time, the Law of Provinces has assigned to the governors of the regions and heads of counties the main role in spatial development (Royal Decree, 1992b). Regional councils were formed to support the principal governor, being comprised mainly of the

chief executives of government departments in the region. With subordinate power, each locality (counties) has a similar structure to the regional governance.

The sectoral approach to development, which is led by central government agencies, “gains its strength from the central ministries’ control over budgets; they have the authority to allocate development projects across the national territory” (Salah, interview 2008). The real power in development lies with sectoral agencies in the central government, with limited devolution to their regional branches and a minimum of power left for local government officers, at the expense of spatial governance institutions. Despite that, territorial governors are required by law to work for the development of their territories, -whether regions or counties- in social, economic and physical terms, as well as working to develop public services and improving their efficiency (Royal Decree, 1992b, articles 7 and 13). So, the current reality is that these territorial officials’ work is limited to observation and reporting to their higher officials.

The main reason for the weakened role is that local government officers are very limited in their power (Aldukhayel, interview 2008). This leaves localities with competence to govern the activities of central developmental agencies that may be establishing new development projects within the territory. As Al-Saud (interview 2008) explained, the only remaining role for the local head of the county is to submit periodic reports on the performance of public services to the principal Governor of the region; therefore, further supporting institutions within the governance system such as the local council will hardly be useful. For example, the authority of the local council, which is under the chairmanship of the head of the county, is limited to situating or relocating some facilities and services (mainly education and health institutions) from one place to another.

The head of the county demonstrated that the work of the local council is concentrated on drawing in the requirements of affiliated towns and villages for services and facilities. They, then, assess actual needs through the relevant sub-committee within the council, e.g. the education, health, utilities or services sub-committee. These sub-committees follow in their assessments guidance given by the relevant central agencies, in the form of unified national standards. The next step is to pass the approved sectoral needs, with a supporting request, from the local council to the regional council. The regional council in its turn passes these requests, after the collection of similar requests from the other counties in the region, to the relevant central government agencies to be considered when preparing their annual budget (Al-Saud, interview 2008).

7 - 4 - 1 - 2 Financial instruments

The Ministry of Finance enjoys the greatest degree of control in terms of sectoral finance decisions (Almojel, interview 2008). The activities involved in coordination and allocation of municipal budgets in the MoF have been especially observed in this research, these being the most influential in spatial planning, in order to understand how they are organized and how they operate. The deputy ministry for budgeting is organized in a way that reflects the division of development sectors, involving several government agencies (Royal Decree, 2010). For example there is a deputy assistant for municipal affairs, a deputy assistant for educational affairs, a deputy assistant for health affairs, etc.

Development projects that are sought by local government agencies, e.g. county municipalities, and arrive at the relevant section of MoF via their reference agency, which is the region's Mayoralty (Althabit, interview 2008). Localities need to convince their regional agency about their needs from the budget, because each regional and national government department has its own priorities: either within the region or as a national responsibility. This regional or national department then gathers its proposed budget into a package, takes it to the MoF and tries to convince them about each element in the proposed budget.

This process proves the claim (BinAyyaf, 2008) that the government efforts at reformation through imposing an elected council upon a development agency, i.e. the municipal council, has only a marginal impact on achieving real development, as it does not add much strength to obtaining their funds. Therefore, the recently imposed municipal councils have not achieved the goal of decentralization that the government intended to provide for executive agencies in the regions and localities. This has created the belief that the current status of municipal and local councils only impedes the development process (Alhamdan, interview 2008). The relatively recent experience of municipal councils has cast a shadow on the level of understanding and cooperation between municipal officials and members of the public in the councils, because of the burden that these councils add while the same isolated and centrally controlled procedures of budget negotiations exist (Alasker, interview 2008).

7 - 4 - 1 - 3 Local municipalities and development instruments

The case study shows that the Municipality of Almajmaah is responsible only for municipal services within Almajmaah city and its adjacent rural villages, not for the

whole county (Alhamdan, interview 2008). There are municipalities in the other towns of the county, but with lower administrative rank and limited competence. All the municipalities in Almajmaah County refer back directly and individually to the regional Mayorality (Altwaijri, interview 2008). They all report to the deputy mayor for the county municipalities, from which they gain power and approval. Hence the regional Mayorality becomes directly involved in the planning efforts of each township within localities, these being major responsibilities given the size of the region and population served. Nevertheless, the regional Mayorality itself still needs authority from the central municipal agency (MOMRA) when it comes to the approval of local planning.

Spatial development in Saudi Arabia has taken a more concentrated approach recently in terms of urbanisation. Aldukhayel (interview 2008) who is a member of the local municipal council in the county of Almajmaah, stated that the government had ended its programme of supporting rural settlements. In the early stages of the country's development the state had a target to urbanize nomads within small, scattered and remote settlements. After the establishment of the nation and the significant growth of urban areas, the government found this trend to fragmented settlements was inefficient and hard to maintain; e.g. some settlements had a school in which a class perhaps had only three pupils. The current approach to spatial development in Saudi Arabia concentrates on enhancing the urban environment within a pattern of large, medium and small cities (Aldukhayel, interview 2008).

Accordingly, spatial planning takes place on three levels, i.e. national, regional and local, that are meant to complement each other and to form a framework for overall development across the country. The reality of the situation illustrates the lack of effective coordination among these spatial levels. A significant problem appears to be obstructions in the local governance system, which hinders the executive machinery for the national spatial strategy. The NSS was said to be born lame (Alhamdan, interview 2008), since it included no operational methodology to be implemented. The lack of effective machinery in the local governance system, including authority and competencies, adds to the problems in implementing local parts of the spatial strategy. The regional plan, for its part, lacks the legal framework that would actually oblige government agencies to implement the requirements of SPAR (Alshaye, interview 2008). Each of the government agencies concerned has its own priorities and resources that are tied to their central reference agency, which for its part has its own plans and priorities that might not conform to circumstances and trends in a region.

Above all that, the required funding for projects that implement strategic policies depends totally on the approval of the Ministry of Finance. In turn the MoF has its own methods for distributing government funds among the various sectors, based on its opinion about the importance of projects. This distribution depends on the available annual budget, and is guided by the political preferences of the government. This methodology has no relationship with the structure within which regional and local planning authorities work. The existence of a plan, whether local, regional or national, would only support and justify the requests of government departments seeking funding from the MoF. However at that stage there is no financial commitment (BinAyyaf, 2008), and so the implementation of a strategy is not guaranteed.

7 - 4 - 1 - 4 Private sector and development instruments

It is clear that businessmen understand that the real power lies in the control of finance, and that this is done centrally by the MoF (Aljauan, interview 2008; Almojel, interview 2008). They know, therefore, that the MoF is the main controller of the implementation of development projects, and the determinant of their trends. The participation of the private sector in decision making with the public sector is very limited. Government departments do not share business with private sector, unless they lack authority and need the voice or pressure of entrepreneurs to convey ideas and gather support from the higher-ranking politicians (Almojel, interview 2008). In other cases they might involve the private sector merely to avoid their public objection, but that does not make them real partners. Thus they see the current forms of participation as invalid and not real (Aljauan, interview 2008). Businessmen believe that government institutions do not give sufficient consideration to their needs and the market requirements which they must face. An example of this is the government's decision to enforce the citizenship condition for some specific jobs, which is incompatible with the training available to local people.

The instrumental work of the local CCI in Almajmaah, to arrange the logistics of private investment and to meet the difficulties of the regulatory environment, is organized via working committees based on economic sectors, e.g. the agricultural committee, retailers committee, contractors' committee (Aljauan, interview 2008). These committees meet to discuss the needs and problems facing member businesses, then send their requests for adjustments to the regional chamber of commerce in Arriyadh which collects such concerns from the other local chambers of commerce in the region and presents them to national committees, according to their relevance. These

committees discuss the feedback from the 25 chambers of commerce located all over the kingdom, then formulate their intentions in a unified form which is presented to the council of Saudi chambers. This national council gathers the cases together and forwards them to the relevant authorities.

The local CCIs only coordinate their issues vertically, with their regional and national hierarchy, not with their parallel public agencies in the locality. The secretary general of the local CCI in Almajmaah stated that throughout his long working experience the local council, which is supposed to lead development of the locality, “was unable to provide any real support for the private sector” (Aljauan, interview 2008). The private sector is not actually involved in the local community system and thus the local council does not consider them as real partners in development work, despite the importance of the private sector to local governance. A clear example of this important role is the issue of employability, where the local council will ask businessmen to provide jobs for its citizens while at the same time not supporting the CCI's requests for the government to provide training programmes. Businessmen at both the regional and local levels believe that the national government monopolises the development authority (Aljauan, interview 2008; Almojel, interview 2008). They believe that central politicians are not willing to relinquish their powers, neither to local government departments nor to the private sector, while still demanding their contribution.

7 - 4 - 1 - 5 Policy instruments of various development sectors

Amid the current absence of an active role in the spatial governance of Saudi Arabia, government departments plan and implement their projects separately guided by the periodical national development plans that are sector-based. Strategies from a government department will then be focused on their sector, with the aim of making their development apparent in the most effective way. Such strategies will hardly consider spatial balance in the intended services, if that comes at the expense of effectiveness. However, when a change in the political will emerged⁷⁹ aiming to encourage balanced development across the nation and to spread public services out of large and flourishing cities, those government departments changed their strategy to meet the evolving circumstances. Indeed, they were supported via the MoF with money to meet the costs of these changes. In this line, Almosained (interview 2008) shows that the Ministry of Higher Education has recently adopted a strategy of spreading higher

⁷⁹ A major change to the political orientation towards local development took place by the reign of the current King in 1st Aug 2005.

education within regions and across the country. Public universities are implementing this strategy with varying degrees of intensity, and a range of approaches. At least one primary university in each region has increased its reach by establishing separate colleges or community colleges. New universities have been established in several counties.

In terms of the production sector, the government's role lies in providing subsidies and facilitating logistics. The director of the Industrial Cities Department in MODON (Alsuhaibani, interview 2008) explained that their role is to arrange the process of making suitable areas available for industrial investors. This includes providing the land and the required infrastructure, i.e. roads, street lighting, electricity and water. For this, MODON does not receive funding from the government; it depends solely on the income it collects from renting industrial land. This is not a large amount of money, as it is subsidised by the government. Rental prices includes a one-off charge for the first time, SR20 (\$5.3) per square meter, and a yearly rent of SR1 (\$0.27) per square meter.

The MODON official explained that the government's policy is to give further support to industrial investment through its Industrial Development Fund, in peripheral and rural areas. An example of such support is providing the funds to cover the cost of electricity, which is already subsidized for all industrial investments, as an incentive in disadvantaged areas. It is worth mentioning that this minimal tariff is not available to investors in those economic areas managed by SAGIA. Location decisions in these areas are made on the basis of international competitiveness, and are not eligible for tariff subsidies. This is intended to support MODON's policy of developing less favoured areas. An example of such support in peripheral areas can be seen in what MODON did in the northern region of Aljouf⁸⁰. The one-off fee for renting industrial land was reduced further, from SR20 (\$5.3) to SR4 (\$1.07) per square meter.

7 - 4 - 2 Regional economic policy instruments and social redistribution programmes

It emerged from the intellectual review that it is critical to consider the historical roots of unbalanced regional development, with possible changes to the structure of development in the targeted regions. There is also a need for social redistribution programmes to ensure inclusion of all parts of the communities involved (Albrechts et al., 1989a). This study would need to find out about such dedicated solutions and

⁸⁰ A peripheral region in northern Saudi Arabia.

programmes in order to cope with the ‘historico-structural’ problems caused by possibly long-persisting, unequal practices such as an imbalanced fiscal policy or governance structure.

7 - 4 - 2 - 1 The instruments of government policy

The planning and implementation procedures for development policies and projects represent trajectories where the social distribution of development could be applied. The way these procedures are handled will determine the future shape of development, including its quality and diffusion. In addition to this expected outcome, these procedures could be intended in part to cope with historic-structural problems caused by previous unequal practices (Albrechts and Swyngedouw, 1989). The social programmes for redistribution of development resources may include direct development policies, such as applying development projects in disadvantaged areas (Albrechts *et al.*, 1989a). It could also include structural programmes, such as the inclusion of representatives from those disadvantaged areas in the planning and decision-making of development works. The regional mayoralty in Arriyadh claims that it has allowed the municipalities of the counties to take part in the preparation of the strategic regional plan (Altwajri, interview 2008). Representatives from the municipalities contributed to the progress workshops of SPAR to reflect their perspectives, and remain involved to help maintain the vision of the planners at each of the stages of the working plan for the regional strategy. However, this form of participation has been proved by local officials (Alhamdan, interview 2008) as inadequate and incomplete, and thus has little effect on the contents of the plan. Moreover, the participation of municipality officials is not supported by procedures that might allow the public voice and local opinions to be considered. There is no regulatory framework within spatial planning procedures that makes the voice of the public binding upon the government departments concerned.

The contextual framework of the regional plan, on its side, is stated to be based on a national outline for the spatial hierarchy within and connections between urban settlements, i.e. the NSS (Alshaye, interview 2008). This national framework, on the other hand, is meant to be the major spatial tool to facilitate development across the national space in an efficient and just way (MOMRA, 2000). The nature of a vast area with low population density has been the main driver behind adopting this approach to national development. Thus the conceptual spatial framework and principal

development policies of the Arriyadh regional strategy are derived from the national spatial framework, NSS (Arriyadh Development Authority, 2004).

When it comes to implementation, the regional strategy will be presented to the regional council including representatives of the local service sectors in the region. Those representatives are expected to direct their agencies' plans and projects to go along with the regional strategy, according to SPAR. Despite that, some of SPAR's policies have no power of authority for enforcement represented on the regional council, e.g. when building airports which is the concern of the civil aviation authority. In such cases the regional council can present a request through the governor to the relevant central government agency, via the formal channels. This request will be supported by the regional and national strategy (Alshaye, interview 2008).

7 - 4 - 2 - 2 Private sector and development instruments

The dominant centralised structure of governance in Saudi Arabia has imposed a similar organizational structure upon the private sector, especially at the local level. Businesses have had to organise their activities in order to best benefit from government spending on development projects through the structure of the CCI, which has a spatial hierarchy similar to that of government agencies. The local CCI in the county of Almajmaah, as explained by its secretary general, must go through lobbying arrangements with their allies at the regional and national levels to gain what they need from the government (Aljauan, interview 2008). They work in committees based on economic sectors in a way that mimics the government sectors. These committees discuss their needs from the government for intervention and regulation, then forward their requests to the regional CCI in Arriyadh, who then presents them to national committees as appropriate. At the national level the cases are again arranged based on their sectors as a proposed policy or regulation amendment that should support the private sector around the various locations.

Industrial development is still at the heart of the government's agenda. Industries in Saudi Arabia vary in size and specialisation; the scale of their activities is influenced by the abundant availability of natural resources such as oil and other minerals. Large manufacturing industries are totally under the control of the government, not only through the provision of infrastructure but also by complete or partial ownership, e.g. ARAMCO⁸¹ and SABIC⁸². The Royal Commission for Jubail and Yanbu is an

⁸¹ Saudi Arabian Oil Company.

autonomous national agency dedicated to the development and management of those two petrochemical and energy-intensive industrial cities (Al-Hathloul and Mughal, 2004). Other small and medium-sized industries of various kinds are also supported by the government through subsidy programmes. The Director of the Industrial Cities Department in MODON (Alsuhaibani, interview 2008) explained how central government supports industrial development in areas other than large urban conurbations through the Industrial Development Fund. Subsidized land rent and utilities are used to encourage the establishment of industries in remote and peripheral regions.

There is yet another government institution for industrial development, this one more oriented towards foreign investors. SAGIA, another autonomous national agency, is tasked with developing government policies to cope with international competition and attract foreign investors (Council of Ministers, 2000). In addition to facilitating foreign investments in the internal market of Saudi Arabia, SAGIA manages the development of new, specialised cities, e.g. an economic city, knowledge city and services city. The plan behind these specialised cities is to accelerate the progress of quality development in strictly and uniquely managed areas, while avoiding the heavy burden of government bureaucracy.

The government intended that high profile investments will generate innovation, provide quality jobs and diversify the national sources of income. However, the impact of development resulting from the work of SAGIA has been criticised in various ways. One major criticism is that they are not oriented toward supporting the existing communities. The strategic development planning expert, Almubarak (interview 2008), has described the SAGIA methodology for spatial development as being merely the building of isolated development complexes; these are segregated from the spatial fabric, and remain strictly regulated through different administrative and financial systems. The diversified environment created by SAGIA's projects and policies do not extend their benefits to existing localities.

7 - 4 - 3 The adaptive capacity of localities in terms of labour skills and employment opportunities

Localities need the capacity to adapt to structural changes in the economy (Albrechts and Swyngedouw, 1989; Courlet, 1989; Osterland, 1989; Moulaert, 1995; Moulaert and

⁸² Saudi Basic Industries Corporation.

Demazière, 1996). This is notably important for the case of spatial development studies as it has been intellectually elaborated. The adaptive capacity of localities in Saudi Arabia is specifically important in terms of labour skills and employment opportunities.

Development studies are inherently relevant to the intrinsic features of the society under focus, where its abilities should be recognized in order to properly evaluate development opportunities. This has been confirmed in the empirical investigation of regional development in Saudi Arabia, and the expert in strategic development planning (Almubarak, interview 2008) emphasized the importance for this research to evaluate the machinery of local governance and the methodology of development. He highlighted the fact that the traditional political system in Saudi Arabia imposes a unique structure, and might require different approaches to development than those prevailing in modern, democratic societies. The system of local governance in Saudi Arabia lacks real devolution of authoritative power. It also lacks the main principles of local development work, i.e. efficiency and consumer satisfaction. These limitations are a barrier to local government officials being active and cooperating with the local community, including the private sector (Aldukhayel, interview 2008; Aljauan, interview 2008).

Even at the regional level, municipal activities require more devolution from central agencies if there is to be real progress and customised development (Almubarak, interview 2008). In particular, they need to be able to develop their own human resources, and attract more qualified personnel. There are, indeed, failings in the quality of human resources, but not necessarily as described by some municipal officials who undertake development planning. In particular local municipal officials are faced by some influential but poorly-educated members of the public, who might nevertheless become members of municipal or local councils (Alhamdan, interview 2008). The low level of education and lack of advanced skills in localities is the result of internal migration of a new generation to the major conurbations. After all, making best use of such a difficult environment requires understanding and respect for the local culture. The power of the public has been long neglected, although some local initiatives have witnessed the unexpected readiness of ordinary people in peripheral areas to adopt contemporary ideas that advocate aspiration and transformation (Alhamdan, interview 2008).

Alhamdan (interview 2008) found through his official municipal experience that the endogenous power of members of the public in such places might help to overcome the

structural defects of the governance system that prevails in all local municipalities. The current technical capacity in local municipalities is not enough for them to deal with spatial development plans, whether regional or national. Furthermore, the chair of Almajmaah municipality commented that he has studied the status of the region's municipalities and found that 80% of them do not have sufficient capacity in terms of qualified human resources to tackle local planning initiatives (Alhamdan, interview 2008). This official concluded that even the central agency of MOMRA is defective, as it continues to depend on expatriates to generate proposals for organizing the municipal administration of the country. They also carry out most of the planning for the nation as a whole and its regions, and therefore small- and middle-size towns have far fewer advantages. Outsiders are more likely to be unaware of the problems, and to neglect or ignore the requirements of rural counties.

Elsewhere, business people have identified a shortage of engineers: "There is currently no more than one engineer per 1000 of the population, while in Korea for example there are 100 engineers per 1000 population." (Almojel, interview 2008). This shortage is attributed to be the outcome of higher education provision in the country. Local areas suffer more because there is a high demand for such specialists in the large cities, so they do not have access to sufficiently skilled human resources. This, too, suggests that local agencies are not ready to manage development activities.

The head official of the education department in the county of Almajmaah (Aldukhayel, interview 2008), who is also a member of the municipal council and local activist, has drawn attention to the low level of awareness in the community which represents a large barrier to development, especially in rural areas. Government agencies face difficulties arising from the culture of the local community, preventing the efficient management of government institutions. It is very difficult to apply the criteria for measuring staff performance, to give suitable incentives to the best personnel, and to hold others accountable for their negligence. Enormous social pressures prevent the installation of accurate accounting systems, while the system of government does not allow officials enough power to offer real incentives.

7 - 4 - 4 The economic environment and political ideology

The enquiries in spatial development studies go through various aspects of the context to analyse regional development, including social and ideological frameworks (Albrechts and Swyngedouw, 1989). This particular analytical discussion singles out

the attention given to the economic environment in the targeted region, as well as the prevailing political ideology. Together, these factors can determine and guide the orientation of regional development policies and the content of regional planning (Martin, 1989). Political ideology and economic philosophy are most influential on policy makers and they need to be considered when reviewing previous and current development policies. They could also be expected to provide the underpinning for any future policies.

7 - 4 - 4 - 1 Politics of the governance system

According to municipal officials at both regional and local levels (Alhamdan, interview 2008; Altwajri, interview 2008) the system of local governance in Saudi Arabia causes some problems for development management. This conflict arises from the division of government agencies that are mainly concerned with spatial management, i.e. the municipal sector, and governing bodies. On the one hand, there is a management structure for the municipal sector that covers all spatial levels, and is interconnected very closely in a vertical hierarchy from local to regional and national levels with MOMRA as their central authority; see figure (6-4). On the other hand, the governing bodies of regions, counties and districts also have their own vertical hierarchical structure, in parallel to municipal and other development sectors, but with the MoI as their central authority, see figure (6-2). These two distinct, multi-scalar government departments are both strongly involved in spatial development, yet remain segregated in terms of their responsibilities and financial resources.

Governors of regions are typically representatives of the king within their territories. They are expected to help economic and social conditions to flourish by making all the necessary contacts with concerned parties (Royal Decree, 1992b). This puts emphasis upon the government development structure, which is mainly sector-based, while spatial developments are managed by administrative communications. This explains the lack of regulatory mechanisms lying with local governors, who have only a limited range within which they can organize cooperative development between government sectors. Despite that, requests by local officials for more authority are repeated as a requirement if they are to control the work of those central agencies that are establishing new projects within their localities (Al-Saud, interview 2008; Aldukhayel, interview 2008; Alhamdan, interview 2008). These requests emphasise the importance of devolution underpinned by a strong system of accountability, but as yet the systems in place lack the flexibility to take on more responsibilities.

The lack of authoritative power and regulative flexibility lying with local officials has weakened the potential coordination of developments between the private and public sectors. The private sector does not get much help from government departments in the locality; they must discuss their requirements with their regional and national business allies, if they are to reach those in charge at the central agencies. Accordingly, businessmen do not see any real loss caused by their lack of representation on the local council.

7 - 4 - 4 - 2 Management of government departments

The culture of work in government departments has been criticised as being less than professional, especially in the localities (Aldukhayel, interview 2008). Social customs and relationships impose their traditions over professional administrative standards, and this affects the performance of public agencies. Aldukhayel (interview 2008) mentioned that some development programmes and projects are associated with their initiating personnel while they are on duty at the head of the relevant government agency; when they leave their positions these projects are most likely neglected or totally abandoned for different approach once a new official takes over. These projects are generally not formulated using a standard approach that will serve government policy; nor are they controlled by strong legislation that would provide protection and ensure continuity, regardless of the individuals managing the department.

In addition to this, Aldukhayel (interview 2008) found from his experience as a government official and member of the municipal council that the absence of indicators for the goals of the whole department, and for daily performance within it, represent a major defect in government departments. These absences indicate the weakness of the current institutional system. Government agencies face an additional challenge resulting from the powerful culture of the local community, which prevents their efficient management. Head officials find it difficult to apply criteria for measuring the performance of their agency's staff, to grant real bonuses to the most valuable personnel and to hold others accountable for negligence. There are huge social pressures that prevent the implementation of accurate accounting systems.

These issues adversely affect overall performance of public agencies, which are the main players in the national economy. The main cause of this culture of work is attributed to the traditional political system in Saudi Arabia. Such systems are known for their top-down, central planning approach to governance, where the rule of

personnel dominates the institutional system. Alzubair (interview 2008) highlighted the issue of the prevailing political culture, and stressed the importance of acknowledging this fact when evaluating the mechanisms of local governance and methodology of development. According to Dyckman (1961), it is not possible to reconcile the system of local rule with the system of traditional planning. The example of foreign investments in Saudi Arabia shows how the government had to establish a new independent department, SAGIA, to take over the task of developing and managing private, foreign investments. It also had to follow a policy of building new industrial and investment cities to contain the preferred management and culture within specific areas.

7 - 4 - 4 - 3 Economic value of development projects

When a development project follows the route to adoption, through all the bureaucratic procedures, it suffers the risk of losing its efficacy due to the way it is evaluated financially. The experience of municipal officials has raised concerns about the fixed criteria applied when it comes to economic evaluation of government projects (Alhamdan, interview 2008). Municipal projects do not get a proper evaluation which involves long-term assessment of costs and benefits; such an evaluation is ignored in both the planning and implementation stages. This means that the central budget allocation agency, i.e. MoF, does not have to follow a thorough analysis of costs and benefits when determining whether or not to support government agencies' requests for budget allocation. The evaluation by the MoF concentrates mainly on determining the actual need and benefits of the proposed projects, and decisions are based on their priorities (Alhabib, interview 2008). Accordingly, the implementing agencies, i.e. the municipalities in this case, do not pay strict attention to the financial aspects of their projects once approved by the MoF. This affects the running and maintenance procedures in the long-term, because it was not a major factor during the initial stages of evaluating public projects. In such a situation, good proposals from municipalities are rejected because their long term financial and mutual benefits are not considered.

7 - 4 - 5 Determinants of certain policies that make effective economic sectors such as services and innovation available

Some recent writers who have observed regional development policies and analysed the theories underpinning them have identified certain key policies for spatial development. These policies support the sectors deemed effective, and are also flexible in the face of

evolving economic conditions. They apply to service sectors, and are policies that enable innovation (Martinelli, 1989). The analysis of regional development in the light of such policies would help to explore the greater opportunities arising from spatial development beyond merely alleviating current deficiencies.

The regional municipalities have the national spatial strategy as a reference for their regional plans. The concept behind the layout of growth centres and corridors of the NSS is to spread and support urban centres, with connections that facilitate the disseminated effects of development. This national strategy may have provided the physical shape of production nodes but will, yet, require supporting policies to activate the various development processes within this physical shape. In the governance structure where such processes operate it is also vital to have full and proper use of the spatial organization.

The reality of the current development situation in Saudi Arabia is that each government department tackles the planning and implementation for their sector assuming that an effective arrangement of governance procedures exists, and that other sectors will in turn be integrated harmoniously. The regional municipal planners (Altwaijri, interview 2008) consider that their physical plans for the counties are the result of a development vision, and this vision includes the economy as its main focus. As an example, the head of regional municipal planning explained that one of the regional strategy's proposals in SPAR is to nominate one specific area to be an industrial city and another, an agricultural zone.

The aim to achieve such an economic vision is based on the availability of comparative advantages to best utilize them, then to spread the benefits of development over the surrounding towns and villages (Alshaye, interview 2008). However, the implementation of industrial cities and permission for agricultural activities requires policies that connect different central government departments. There is a separate strategy for industrial development across the nation, along with other supporting policies including funding. Further activities such as agriculture are linked with other issues, e.g. of identifying strategic crops and establishing policies for best utilising scarce groundwater. The lack of effective governance has hampered the need to bring all such concerned agencies together in an organized manner.

Indeed, there is a gap between spatial planning and coordination efforts in one side, and national economic strategies and policies on the other. The structure of governance needs to be reformed to bridge this gap, and to unify the efforts of national development

in a way that enable localities to innovate in ways that will benefit the whole community. There are currently some initiatives that seek to consolidate a regional vision for the economic future of the nation, which emerged from the CCI in Arriyadh through the biannual 'Arriyadh Economic Forum' (Almojel, interview 2008). This forum is intended to advise the central government about current circumstances, and to deliver the participants' view of ways to better serve the national economy. It includes technical subjects and legislative needs for economic development as seen from the field. However, the recommendations of these forums have not been adopted by the government.

This indicates the potential for development if more power were to be given to bottom-up lines of communication, especially between the regions and the national centre. The real participation of localities in formulating national strategies and development policies would enhance their effectiveness (Almojel, interview 2008). It would also strengthen local public agencies in a way that allowed them to be real partners with the private sector, and to achieve the appropriate level of integration. It has been argued that the current structural organization of government departments, along with their allocated role, does not permit local initiatives to develop their areas.

7 - 4 - 6 Summary

The apparently decentralised governance structure does not have the right and proper instruments to enable localities to highlight and meet their needs. Development is predominantly controlled by a number of government bodies at the national centre, where the money and most significant levels of authority are held. The regulations that guide development lack the capacity to achieve a balanced distribution of resources. The Law of Provinces has set out the structure of governance on paper, yet its actual implementation remains slow and imperfect. The country's spatial development is controlled by planning procedures, but these are not supported by an enabling governance structure. This obstructs contact between the national framework of development and local areas, while the role of regional planning is as yet inactive, mainly due to the lack of regulatory mechanisms.

Despite its semi-free market, the progress of development in Saudi Arabia depends heavily on government planning and policies. Indeed the greatest responsibility for the distribution of development lies with the government's development policies, especially where those closely affect people in localities. The lack of authority at the lowest levels

prevents localities from being considered in the regional and national processes of planning and formulating development policy. This weakness in local government departments has prevented the private sector from playing a significant role in the development of their areas. Local officials in government departments find that the current governance system does not trust them enough to manage their locality, even though they have shown both the need and their willingness to take on such responsibilities and to be subject to a precise system of accountability.

Such strongly sector-based and centrally controlled development approach leaves localities lagging in terms of developing human resources. The resulting impact of this shortage of qualified manpower across local government departments does stigmatise localities with the lack of competence to tackle development, and thus deprives them of the proper authority. However, local officials believe that competency and experience will come with responsibility. Experience in the county of Almajmaah has shown that the local public will be active in adopting a new vision of development for their locality if they are properly involved in the planning process, and are considered real partners.

The political essence behind the governance system emphasizes the government's intention to balance control of development in the country between strong sectors that are centrally managed and spatial administrations that derive their power from the various branching sectors, with cooperation. Yet the structural traditions of localities and regions are witness to the lack of cooperation between the agencies, despite the existence of those councils and other joint committees that bring them together. This isolation increases their dependency on government departments at higher level, regional or national. As an accumulative effect, this leads to a weakening of agencies' performance at the local level.

This means that the only route to making a difference in development is through close networking with government sectors, as well as active contact with the central authorities where the real power lies. The traditional procedures for adopting development projects are ineffective in producing long-term and sustainable projects. The central and sole control of finance by MoF has apparently placed a huge burden on this agency, depriving it of the opportunity to evaluate proposals by paying close attention to their long-term economic value rather than merely looking for the lowest cost.

Several regional and local development policies are drawn based on documented national strategies. However, the activation of such policies is not as strongly supported

as are macro projects that have national impact. This might raise the problem of consolidation between central agencies and local governing bodies. Regions and localities must be involved in the formulation of national strategies and policies; this is vital for the integration of the various development issues in the regions. It would also allow public departments in the localities to be responsive to the private sector, and to become real partners. Such public-private integration would have a real effect upon localities' development.

The example of the industrial cities of Jubail and Yanbu shows that they have long held a strategic dimension at the national level because their managing authority is directly attached to the central government. The government has supported them strongly, to encourage diversity in the economic base. In the meantime, MODON does not have anything like this strong and effective support from the government despite the fact that MODON serves a wider range of beneficiaries, and its impact is felt widely across the country. This indicates the importance of revising the government's strategy to support quality investments. It may well be the smallest and most innovative class of investments that best benefit the economy rather than huge industrial plants. The government itself has set thoughtful goals to spread development around the country, and to adopt new economies that are based on knowledge. These goals emphasize the importance of reviewing just how, and where, the country's resources are allocated.

Chapter 8

Arriyadh Region:

**Institutional Network and Functional Relationships
between Regional Development sectors**

Chapter 8

The Institutional Network and Functional Relationships between Regional Development Sectors

8 - 1 Introduction

This chapter continues the empirical discussions, which were presented in the two previous chapters. Chapter 6 started by discussing structure of regional development in Saudi Arabia and the Arriyadh region then its legal instruments, while chapter 7 laid the ground for an understanding of the current establishment and delivering instruments of regional development policies. For this purpose, Chapter 7 investigated three empirical topics: 1) the effectiveness of the current regional structure of spatial development, 2) the existing practice of regional development policies, and 3) the available instruments and their capacity for enacting regional and local development policies. These empirical topics were investigated, through interviews with officials from the various development organisations at national, regional and local levels, in response to the relevant three research goals.

The study of the current establishment and delivering instruments of regional development policies showed that there is an organized structure of governance in Saudi Arabia but in a sectorally isolated way, where each development agency works almost separately from the other agencies. The deficiency appears in the focus on the sectoral handling of the development resources distribution, which led to a mismatch between the efforts of central planning and the development practices within the existing spatial governance structures. So there is a gap between the national planning and development policies on one side, and their implementation and practice of local development on the other. Development agencies are not enabled with adequate instruments to achieve regional and local development in accordance with the decentralised governance system. In most cases the central government does implement its development policy directly to the public in localities, which adversely promote local development agencies. Consequently there is a need to pay attention to the organization of institutional relations, which are relevant to development, on a spatial basis; especially that there is an opportunity to utilise some of the existing spatial regulations

and planning references that have not been activated adequately, such as the NSS and some municipal enabling regulations.

To further the understanding of regional instruments for the spatial allocation of development resources in Saudi Arabia, this chapter presents the third part of the empirical investigation. It explores the institutional structure through which the development resources available in Saudi Arabia are allocated by means of the planning system, whether current or prospective. This purpose comprises the third axis of the study, conveyed through two empirical topics (see Table 5-3). To this end, this chapter gives an account of the constituents of the institutional network at the regional level, while also delving into the functional relationships between regional development sectors. As in the previous chapter, the following discussions of results collected from officials and professionals concerned with development at various levels are grouped according to the conceptual themes that have defined this study, and presented in Table (Table 8-1) here:

Table 8-1: Structure of empirical topics that respond to the third group of goals

Research axis	Goals	Theoretical themes
Exploring the institutional structure through which the available development resources are utilised in the planning system and actions currently and prospectively	7. Constituents of the institutional network at the regional level.	a. Institutional structure for planning system.
		b. Available development resources.
		c. Changes to economic environment and government role.
		d. Perspective on spatial development from different institutional levels.
	8. The functional relationships between regional development sectors.	a. Efforts and plans to enhance policy instruments in the future.
		b. Defects/potentials of structural policy instruments.
		c. Clearance of the range of regional development policy for each spatial level.

8 - 2 Constituents of the institutional network at regional level

This section starts by exploring details of the institutional components and perspectives of spatial development in Saudi Arabia, with particular emphasis on the regional level. It involves four themes, identified from the literature on this issue. The first theme is the available development resources, i.e., institutional capacity, financial resources and

human capital (Martin, 1989; Martinelli, 2005). The next theme concerns the institutional structure through which available development resources are allocated via the planning system (Murray and Hart, 1989; Roberts, 1989) to be used in development activities, both currently and in the future. The third theme is intended to cover more underpinning factors by seeking to document changes that are affecting the economic environment and the government's role in the economy (Albrechts and Swyngedouw, 1989; Martin, 1989). Such changes might prompt some alteration of regional development policies (Mackay, 1993). The last theme in this empirical topic seeks to explore the various perspectives on spatial development gathered from development workers employed at different institutional levels, i.e. local, regional and national officials, plus some independent practitioners (Martinelli, 1989).

8 - 2 - 1 The available development resources

8 - 2 - 1 - 1 Institutional capacity

Institutions of development in Saudi Arabia depend mainly on the government and its various agencies. As explained earlier, these institutions operate through three tiers of governance: national, regional and local. It has been shown that development arrangements in the country are sector-based; however, there is a spatial structure that is entrusted to oversee development at regional and local levels. The main agency that has been assigned the task of planning for the development of localities, including spatial planning, is the municipality (Royal Decree, 1977). Regional municipal officials (Altwaijri, interview 2008) stated in their interviews that the municipal legislation is adequate for this task. They find the relevant laws and directives to be sufficiently detailed to guide the daily operations of the municipality. At the same time, local municipal officials (Alhamdan, interview 2008) highlighted that some municipal legislation has not been activated in practice, and generally need to be updated if it is to meet the challenges of today.

From another perspective, the regulations that have a link to the local governance contain some areas of conflict which arise from the split referencing of the local departments for spatial management (Altwaijri, interview 2008). The responsibility for development of localities and their management is split between the municipal agencies and the administrative governing bodies. They are both concerned with promoting development, yet each of them has its own hierarchy that involves a national, regional and local administrative body. These two structures are linked by coordinating councils

which assume the responsibility for resolving any conflict (Nagadi, interview 2008). The governing councils, which are the national council of ministers, the regional council and the local council, represent the bodies promoting spatial development.

In order for the regions and localities to gain the adoption and support of their development projects from the central government, they need first to pass through several procedural and persuasive steps (Aldukhayel, interview 2008). Given that the municipality is the agency that is assigned the task of planning for the region's development, the municipality's planners need, firstly, to gain acceptance from the government's regional departments, as well as convincing some other national agencies who do not have regional branches. The second stage is to convince the relevant central agency of each sector to accept the region's proposals, and to adopt the suggested project or policy into their annual budget round. The following stage is to convince the MoF to accept the proposals and allocate the money required for the planned project. Within each of these stages, there are various considerations to be taken into account, depending upon the government agencies concerned (Al-Saud, interview 2008).

The actual strategic plan for the regional development of Arriyadh Province has demonstrated that the implementation of a regional strategy will depend on various departments at regional and national levels, operating independently (Alshaye, interview 2008). After adoption into the regional strategy, the regional council will use the power of the governor to convince central agencies to adopt the region's proposals. The affected government department faces another major hurdle, that of needing to persuade the MoF to grant the funds necessary for the proposed projects. The existence of the plan may support and justify the government departments' request for funding from MoF, but that does not imply the existence of any financial commitment. Accordingly, the implementation of the strategy is not confirmed at this stage (BinAyyaf, 2008).

8 - 2 - 1 - 2 Financial resources

The government's overall embrace on the functions of development comes from its dependence upon and control of the abundant natural oil as a source of national income. Therefore, financial policies in Saudi Arabia are common to almost all regions, not specifically for the Arriyadh region. The MoF is the central government agency that has full control over budget allocations, and it supervises closely the expenditure by other government departments. The annual budget for each of the government's sectors

is set according to the country's estimated growth for the following year; the amount allocated to each department is adjusted each year based on the annual GDP growth (Althabit, interview 2008). In the light of that the MoF tries to amend, by negotiation, the budget proposed for each department to fit the figure that has already been set for that department. Any incidental need for funding that government departments might require beyond the predetermined annual budget may be arranged as loans.

This singular control over budgeting has an effect upon the development activities of both public and private sectors. The public sector, especially in the localities, is affected by not having the power to choose the most appropriate projects to fit developments needed at the time. The head of Almajmaah County (Al-Saud, interview 2008) asserted in his interview that the lack of financial power given to localities limits the his work to routine administrative procedures. This situation does not allow the flexibility for local governance to deal with development in any meaningful way. The private sector also criticises the fact that the MoF is the main controller of project implementation and trends in development (Almojel, interview 2008). This centralised methodology keeps the localities at a distance from the decision making over financial resources, which reduce their opportunities to grant life to their proposed projects.

The government has various policies for supporting investment in general, and industrial projects in particular. There are some national strategic industries that receive direct financial support from the central government through devoted integral cities. The Royal Commission for Jubail and Yanbu (RCJY) receives a large annual budget to manage these two industrial cities, while MODON, which manages several industrial areas across the regions and localities, is not granted any budget from the government (Alsuhaibani, interview 2008). The plants that are allowed to invest in the industrial cities of Jubail and Yanbu are only basic industries⁸³; the industries that MODON supports are broader in nature and spread more widely across the country. SAGIA also receives more support from the government in the form of logistic facilities, and has more authority within supervised economic areas which have been oriented to attract foreign investors (Ababtain, interview 2008).

⁸³ Basic industries are those that depend on natural resources, i.e. mainly oil and gas, versus manufacturing industries.

8 - 2 - 1 - 3 Human resources

There is a general acceptance, among officials and practitioners at all the spatial levels, that there is a lack of qualified human resources to carry out development planning and implementation (Aldukhayel, interview 2008; Almojel, interview 2008; Altwaijri, interview 2008; Salah, interview 2008). Particular emphasis was placed upon the lack of awareness among local people regarding the nature and importance of future planning. Experience at the local municipal council in Almajmaah pointed up its members' complaints about the low level of awareness among the local community (Alasker, interview 2008). Local people do not attach any great importance to future plans, and hence do not participate in discussions or arrangements concerning development. This has been found to be a large obstacle to professional development, especially in rural communities.

On the other hand, and in a seemingly diagnostic episode, the practice of municipal work convinced the chairman of the Municipality of Almajmaah (Alhamdan, interview 2008) that municipal planners are neglecting to market their programmes and plans. He considers the publicity of planning works and outcomes to be a major factor in gaining acceptance and support from the public. This should encourage real public participation in the implementation of municipal plans and projects, and strengthen their chance of success. This is particularly important for local planning, where people are affected directly and will be carrying out most of the activities required to implement the plan.

Yet more concern is to do with the lack of qualified staff involved in development planning for the government. The central planning agency itself is witnessing a shortage of qualified human resources, and currently this seems to be a major problem for MoEP as well as other governmental agencies (Salah, interview 2008). Financial rewards in the government sector are so poor that it cannot compete with private firms, which attract the best qualified people. However, Salah (interview 2008) found that the progress of information technology, including applications and electronic transactions among government agencies, to have helped overcome some of the manpower shortage.

Even in the private sector, businessmen and officials from the regional and local CCI in Arriyadh region (Aljauan, interview 2008; Almojel, interview 2008) also confirmed the professional weakness of staff working in governance. A shortage of engineers and technicians was specifically stressed. The education system has been blamed for not producing human resources that meet the market's needs. There are many factors affecting that, but a particular example was provided: the institutes of technical

and vocational training would like to improve their facilities to serve local needs from qualified professionals, but find that they cannot attract staff to work for them because of the low salaries to which they are tied by the government.

8 - 2 - 2 The institutional structure through which the available development resources are allocated via the planning system

8 - 2 - 2 - 1 Municipal development structure

What is commonly known as the local level in the governance system of Saudi Arabia is the ‘county’ level, as repeatedly described in the Law of Provinces (Royal Decree, 1992b) and the Law of Municipalities and Villages (Royal Decree, 1977). However, there are municipalities at the lower ‘district’ level that work in parallel to those in the counties, both reporting directly to the regional Mayoralty. Municipalities, as explained earlier, are the government agencies that are responsible for physical planning in their localities, while the regional mayoralty (Amanah) carries out regional planning in close coordination with the region’s principal governor and the regional council. This apparently makes the coordination of development and planning by the regional mayoralty more diffuse, due to the multiplicity and fragmentation of local municipalities. The administrative structure of the governing bodies, i.e. region, county and then district, seems a more appropriate hierarchy to manage the broad geographic area (compare figures 6-2 and 6-4).

Despite the administrative arrangements by which localities come under the supervision of the head of the county, there is no official structural association for the local municipalities of the various cities and villages within one county (Alhamdan, interview 2008). It was not surprising to learn that the head of Almajmaah County does actually call for periodic meetings with the chairmen of his county’s municipalities. Those local officials find it necessary to coordinate their municipal activities, and to consolidate their indigenous resources, for the betterment of their own localities and the overall progress of development in the county. However, the bilateral relationship between the local municipality and the head of the county is limited to mutual coordination. Alhamdan (interview 2008) explained that the main power of the head of the county to benefit the municipalities lies in his supervision of the local security departments that might be needed for some operational and executive procedures. Thus local municipalities are now attached primarily to their regional reference agency, i.e. the regional mayoralty, rather than to local partners. The region’s mayor sits at the top of

the hierarchy of municipal works, and can provide links with national agencies as required.

Local development projects that comprise the development plan are usually launched from the local municipality, with close coordination with the regional Mayoralty. The regional Mayoralty presents these regional projects to the regional council, where the proposals are discussed among the members who represent different development sectors. They look for the regional council to reach a consensus and a common vision for the region's projects, with each government department involved implementing its part of the vision. In addition to the regional council, it is necessary to obtain the approval of the minister of MOMRA for the regional plan and indeed all major projects in the region and localities (Altwajri, interview 2008).

However, some of the real practice and experience of officials from other sectors reveals that there is a gap in development arrangements caused by the unconsolidated institutions of local governance. An example from the case study shows that, as part of a recent national policy to spread higher education institutions evenly over peripheral regions as well as across the counties, the main public university in Arriyadh Province has established a large number of colleges across the region in a short period of time. They obtained the necessary resources and support from their central reference agency, the Ministry of Higher Education, so they were able to proceed independently on their strategy and to implement their development projects immediately (Almosained, interview 2008). The university officials admitted that there had been no need or requirement to discuss their strategy and projects with regional or local councils. It appears that if the sector has the necessary competence, they can just assume the lead in their part of the development based on their own interpretation of the most appropriate spatial distribution.

8 - 2 - 2 - 2 Planning and implementation: mechanisms of development

It appears clearly that the institutional structure of development in Saudi Arabia is laid out by various sectoral departments within the central government, through the planning guidance of the FYDP. This structure produces national policies from each central government agency, and implements them through the regional and local branches of these agencies. At the same time, the NSS draws up the physical framework of urban centres and their connecting corridors. This spatial strategy has overridden the government's initial policy of settling nomads into new small and scattered village

clusters, which had been exhausting national resources and placed a burden on other services (Aldukhayel, interview 2008). The strategy has also signified the role of regional arrangements for development resources to meet the goal of balancing the development framework. It calls for supporting nationally planned urban centres and growth corridors through regional strategic plans (MOMRA, 2000).

The NSS suggests that regional strategies are to guide the work of regional councils, with the development priorities laid out spatially. The coordinator of the SPAR project stated that the regional strategy for Arriyadh has been carefully planned in detail, with various related organisations who deliberated for a long time (2005-2008) before producing documents in a way that was hoped to set an example for other regions to follow (Alshaye, interview 2008). He felt the experience of planning for a regional strategy in Arriyadh region to be unique in its broad scope. Part of SPAR's outcome proposed that the government should initiate a new Planning Act, as well as updating the current NSS and amending the structural procedures for governance. The particular interest in updating the NSS is due to its legitimisation of spatial planning by the Council of Ministers. The final approval of the regional strategy will come from the minister of MOMRA. This is expected to be a lengthy process, due to the huge volume of detail in the regional strategy, as well as the significant policies it proposes that might be beyond the competence of MOMRA to decide (Alshaye, interview 2008).

On the implementation side, the regional strategy has relevance for different government departments at the national, regional and local levels. The final recommendations of the strategy are presented to the regional council, and this involves representatives from the local services sectors in the region. Those representatives are expected to direct their agencies' plans and projects to follow the strategy in the region, in accordance with SPAR. Nevertheless, some policies require cooperation from central government departments that are not represented in the regional council, such as the Ministries of Justice, Higher Education, Communications and Information Technology, the Civil Service, plus other national institutions such as the Civil Aviation Authority and the Industrial Property Authority. In this case, the Law of Provinces (Royal Decree, 1992b, article 7 [i]) provides the principal governor of the region with the authority to discuss directly with the relevant Minister any policy or project needed as part of the regional development plan.

Funding the projects to implement the strategy depends ultimately on the approval of the MoF. Each sector has to balance the requests that come from the regions with the

approach that the MoF follows, to adopt and finance public projects in the annual budget allocated to each government department (Aldukhayel, interview 2008). The MoF approach to distributing government funds among the various recipient bodies is based on the importance of the proposed projects to the public, the available yearly budget, and is guided by the political orientation of the government (Althabit, interview 2008). This approach is not consistent with the structure within which regional and local planning authorities work. The existence of a plan, whether local, regional or national, becomes a secondary element of support to granting the funds for development projects. This reveals the dominance of subjective pressures, whether from politicians or the general public, over systematic and objective studies.

Meanwhile, since the regional strategy of Arriyadh is not yet effective, the process of granting development projects for localities still follows the governance structure organized by the Law of Provinces. The case of the county of Almajmaah shows that local governors and local councils do not have the regulatory mechanisms to deploy any new development projects, while municipal agencies have more authority in this regard (Al-Saud, interview 2008). The head of the county explained the current mechanism for development works that must pass through processes of evaluation and trade-off at several levels within public institutions.

Local Council:

Comprises representatives of key government agencies at the county level. They are governed by standards established by ministries and central bodies, and within which their local committees operate.

Regional Council:

Comprises representatives of key government agencies at the regional level. It collects requests for development from the counties, and supports them before the central government agencies.

Central government agency:

Considers requests from all the regional branches. In addition to the national policies established through the FYDPs, or directives given through the Council of Ministers, it is governed by what the MoF approves from the general budget. Then it deals directly with financing the projects of its regional branches.

Finance Ministry:

The MoF has national considerations, usually more sectoral than spatial. It implements political objectives through financial policies. It is generally assumed that this is governed by the FYDPs and directives from the Ministry of Economy and Planning; in reality the process is not that strictly related to the plans. This led to ineffective national development plans and obscurity to the future trends.

8 - 2 - 2 - 3 Financial arrangements

Alhabet (interview 2008) explained that finance departments work the year round to set the national budget for the coming year, following directions from a committee in the Council of Ministers that are delivered through the Minister of Finance. This committee provides an estimate of the coming year's budget, usually showing a percentage increase from the previous year. The MoF discusses the budget for the corresponding national or regional agency within a predetermined limit. The budgeting department, a deputy ministry in the MoF, is organized in a way that reflects the government's development sectors. There might be several government agencies that represent a development sector; for example, there is a deputy assistance department for municipal affairs, deputy assistance for educational affairs, deputy assistance for health affairs, etc.

In order to deal with the financial organisation of the government, and following the powers as they are currently distributed, local government agencies such as the county's municipalities must initially discuss their needs and proposed budget with their regional reference agency, the Mayoralty. They need to convince the Mayoralty about their needs from the budget, because this regional agency has its own priorities within the region or as part of its national responsibilities (Nagadi, interview 2008). These regional agencies, then, gather the budget proposals into a package and take it to the MoF. They have, on their part, to justify to the MoF each element in their proposed budget.

The agents of the budget sections in the MoF discuss the proposals with the administrative representatives of government departments, and negotiate with them to identify priorities and establish real needs (Alhabet, interview 2008). The estimate of real needs may be determined by the logic of their type, the volume, place and timing of the proposed projects. Another way to justify such projects is to provide a critical study or precise information that demonstrates the need for the project. The budgeting official

pointed that there may also be a degree of political support, from the regional council, the concerned minister or sometimes by direct instructions in a royal decree. The reality of the current situation shows that pressure from the public, whether through the media, direct contact by a concerned group or some public figure, does in practice contribute to the decision making over budgets granted.

Final agreement to the public departments' budget comes as an aggregation of each deputy assistant's department in the MoF first, then in overall balancing of the various government departments. The representatives of the budget sections in the MoF discuss the preliminary budget, which they have reached with other government agencies, with their higher ranking officials in the MoF: these are the sector coordinator, the deputy assistant and then the deputy minister. Each of these levels of discussion has its own agenda for sharing the government's budget among the wide range of agencies.

8 - 2 - 3 Changes to economic environment and government role in the economy

The significant influence of the economic environment makes it important to observe the government's orientation towards it, in terms of strategy and level of intervention (Martin, 1989). Trends in national government need to be evaluated against the economic structure of the regions, to avoid any mismatch that would contribute to failure. The analysis of the broad economic policy of a national government and their intended changes will inevitably generate discussion about the best form of government intervention, and also about devolution as a way to gain improved performance through economic development policies (Mackay, 1993).

There are currently many laws and regulations related directly and indirectly to municipal works and the arrangement of development in general. Most of these regulations were established during the early stages of the country's constitution, but there have been massive changes in the country's structure since its early days. A specialist in local governance (Alshihah, interview 2008) highlighted the fact that the population in Saudi Arabia was just 2 million in 1932, but had reached 27 million in 2010. He stated frankly that such a large population can no longer be ruled by following a traditional system. The enormous progress has had a great effect on the management and governance of the country, which has shown a much greater level of openness to the external world in response to the pressure from its citizens, plus external encouragement from the international community. The recent census in 2010 shows

that 31% of the population are temporary residents, who come for work opportunities on fixed-term contracts.

There have, indeed, been many successive updates and reforms to the structure of government, especially since 1990. Nevertheless, the general style of those ruling the country remains based on the traditional system. This has significantly affected the efficient performance of most government agencies (Alshihah, interview 2008). The consideration given to social structures has a key role in determining the distribution of public resources, while government efforts to reform its structure have had to accept the burden of previous traditions. In some cases, new agencies have been established to improve government performance and respond to the growing demand from the public for more and better services. The norm for these new agencies is however to remain isolated from the old institutions that have deeply rooted, traditional ways of providing their services. One head official from a government agency (Aldwaihi, interview 2008) mentioned that the Council of Ministers passed a decree in July 2008, establishing a centre for performance measurement directed to support government agencies. This centre is not yet in operation⁸⁴.

There are other changes taking place within established agencies, caused by other factors such as population increase and the improving quality of life. Nevertheless, these changes are still controlled by prevailing government regulations, e.g. the civil service system and the structure of budget appropriation. The deputy for programmes and planning in MOMRA (Nagadi, interview 2008) declared that the Ministry is now moving towards an increase in the number of Mayoralties within regions. They believe that this restructuring plan to upgrade municipalities will help them to gain more resources from the government, including jobs of higher rank. This shows how government agencies are dealing with the current limitations in public regulations, even if that contradicts the principles of their planning and other arrangements.

In response to changes that have already taken place, such as joining the WTO, the government has established an independent agency to manage foreign investments in the country. SAGIA has been put in place for just this purpose, with new regulations such as income tax, and special arrangements through logistic support. This support has helped overcome bureaucratic government procedures, and offers certain exemptions to foreign investors. In an even greater effort to offer exclusive facilities to large investors, SAGIA has set out a plan to establish several economic cities. Some of these

⁸⁴ As of early 2011.

are planned for less fortunate areas, as a way of supporting peripheral regions. Construction of one of these cities is currently underway. However, this agency also manages any foreign investments that have chosen to work in existing cities such as Arriyadh which has the benefit of a large market and more particularly, the leading government projects.

Development policies by the national government are now in favour of spreading resources across the regions, and outside large urban areas. Higher education reaching out into localities has encouraged other sectors to upgrade their services, in line with the existence of human capital within those areas. The government has also sought to support small towns by ending its policy of encouraging rural settlements. It used to have a strategy of settling nomads within remote desert locations in very small, scattered, settlements; the current intention is for a more diversified urban pattern which includes large, medium and small cities combined (Aldukhayel, interview 2008). The initial establishment of scattered small settlements proved inefficient and hard to maintain, e.g. the requirement to open a school in which classes might have only three students.

8 - 2 - 4 Perspective on spatial development from different institutional levels

8 - 2 - 4 - 1 Spatial development as seen from the national level

Spatial development planning in Saudi Arabia is controlled by the central municipal sector. The deputy minister of MOMRA explained in his interview (Nagadi, interview 2008) that the Minister has constitutional authority, and can devolve certain powers to his assistants or the regional branches (Mayoralties) according to their needs and capacity. As of July 2008, five of the 14 Mayoralties have been granted more power than the others. The head officials of these five Mayoralties are of higher job rank: the premier position⁸⁵. Thus the delegation of authority takes place according to the level of the municipal agency and its classification. Having such a position will allow the agency more resources from the central financial authority, the MoF, including human resources.

MOMRA officials found that the hierarchical organization of municipal agencies was structured to serve localities better (Nagadi, interview 2008). The 14 Mayoralties, which are the regional municipal agencies, are distributed according to the political division of the regions. However, it is intended to establish more regional municipal

⁸⁵ The premier position is the rank just below the Minister.

bodies to meet the increasing need to support remote areas, and to support the structure of urban areas, with higher-ranking municipal agencies. This will be implemented by upgrading some urban municipalities to a Mayoralty, better staffed by professionals able to carry out regional responsibilities to help the surrounding local municipality. Nagadi (interview 2008) hinted that MOMRA will follow the guidelines in the NSS for reorganising regional and local agencies to make them meet the functions planned for urban centres in the national framework.

The role of MOMRA as a central agency still requires it to coordinate with other sectors at the national level, and to draw up directives for its regional and local branches to work with, which is seen as justification for its retaining strong control. However, some MOMRA officials (Almansour, interview 2008) have criticised the ineffectual administrative culture within their agency. The absence of proper authority in most departments was reported by a highly-ranked official. There has also been criticism regarding the lack of clarity concerning the vision, and the way that tasks are distributed within such a large agency. This has left some departments overloaded, and others with few responsibilities. Cumulatively, its preserved authority and access to qualified staff mean that the ultimate power in decision making over local planning are kept within the central agency.

Given that the government bodies charged with development find that control still lies within the central agency, this does not appear to be an effective way of balancing the distribution of resources round the country. Evaluations of the spatial development currently emanating from the MoEP demonstrate the fragmentation of necessary resources (Salah, interview 2008). The current approach is that the national agencies are left to deal with the planning and implementation of development for their sector, according to their own vision and interpretation of the priorities across the country. The central agency of MoEP is, therefore, proposing more central intervention in the distribution of development projects. They plan to develop spatial indicators for development in each single region. They aim to link the budget for development projects with their location, so that it is not left to each central agency to decide the allocation of their resources. This is part of a new methodology for the FYDPs which they will be seeking to apply in the future.

The national planning approach and central control over implementation processes raise some questions regarding the validity of the overall political system and governance structure. The split referencing of development sectors at the regional and local levels

is a major problem preventing localities from having a valid role in development; see Chapter 6. In a general evaluation of the development system, an academic expert in strategic development planning in Saudi Arabia has stated that while central leadership might succeed, central planning is not doing so (Almubarak, interview 2008). It seems that the type of planning that the government (represented by the MoEP) adopts is corporate planning. Its methodology is to set priorities, specify long-term objectives that are general in scope for the whole institution, formulate policies and strategies, and then allocate the resources required to implement them. Taking a totally different approach, SAGIA's strategy for spatial development is to build dedicated and exclusively managed development areas. Almubarak (interview 2008) concluded his evaluation with a difficult question concerning how the country might reconcile strategic planning, including such basic principles as participation, transparency and accountability, with its traditional political system.

8 - 2 - 4 - 2 Spatial development as seen from the regional level

The regional officials in municipalities have a wide range of responsibilities, and authority to exert the necessary degree of local control. However, their authority over local planning issues operates in parallel with that of the central municipal agency (MOMRA), so the devolution of power does not shorten the planning procedures. Despite the technical capacity that is available to each regional Mayoralty to provide planning services for their local municipalities, they have to involve MOMRA for their input and final approval. That notwithstanding, Altwaijri (interview 2008) found that the municipal legislation at regional level is enough to guide their daily operations. So, in contrast to what the localities are arguing, the perception at regional level is that local municipalities do not need more power or greater capacity, as their main requirement is for managerial staff to carry out daily tasks. At the same time, the regional official did admit that regulations linked to local governance can be ambiguous. Conflicts caused by the split referencing of local spatial management structures can be expected to have an adverse effect on local development.

The satisfaction of regional officials with the level of power and capacity of local municipalities implies that they are happy with the existing structure of governance, which does not provide local municipalities with real control over the development of localities. The only appropriate level to plan and manage development of the localities would, then, be at the regional level. The regional planning official (Altwaijri, interview 2008) was satisfied that regional plans will achieve the goals of economic

development for localities; i.e. regional planning is an adequate substitute for local planning. He believed that the spatial plan that they prepared dealt with all the various activities required to achieve development, including economic activities.

Regional planning in Saudi Arabia might have a promising opportunity to achieve a successful balance of development among localities. A business man acquainted with public affairs (Almojel, interview 2008) in the CCI of Arriyadh region believed that the current subdivision of the country into 13 regions is appropriate for planning economic activities, given the country's size and population distribution. The spatial layout of urban centres is seen to benefit from the regional control of development that distributes resources wisely among dispersed centres. However, the private sector's view is that the regional planning approach requires a strong central system to control such scattered localities.

Conclusively, there was agreement about the promising role of regional planning in guiding economic activities and achieving balanced development in localities. The content of such planning practice however remains yet to be criticised. In a neutral perspective, the expert in strategic planning asserted that even at the pure urban and rural planning level, there is not what might be fairly described as a spatial development model that could be attributed to a specific theoretical concept (Almubarak, interview 2008). In addition, he claimed that there is no actual regional planning in the country. What is currently practised, he found, is merely physical planning. Even these physical plans are mostly produced without operational plans, i.e. blueprints, making them no more than analytical and design documents without attached resources. He described the current condition of the regional council, which is supposed to be the chief development planning authority of the region, as a provisional alternative to bridge the gap for local governance. They have neither an effective structure nor enough resources to undertake their role as set out by the Law of Provinces.

8 - 2 - 4 - 3 Spatial development as seen from local level

If government officials charged with national and regional responsibilities show some agreement in their satisfaction with some aspects of the structural and institutional arrangements of spatial development, local officials' assessment of the actual conditions is rather discouraging. The main government official at local level, the head of Almajmaah County, believed that central agencies have singled out the power needed for localities' development (Al-Saud, interview 2008). Each sector controls its local

department in terms of decision making and financial management, in addition to the super control by the MoF that stands above all government agencies and has national considerations that are more sectorally focused. The current structure of government does not allow the head of the county, as a prime official in the locality, to achieve the expectations required of him by the Law of Provinces: namely to develop the locality.

Actually, the current structure of local governance suffers from severe fragmentation due to the dependence of each sector upon its vertical reference agency. This is often observed by the municipal council when they try to arrange common development projects. The council members receive requests from their local community that require collaboration between various government departments. They believe that there is an obvious need to consolidate local government departments within the county (Aldukhayel, interview 2008). Additionally, government departments need to improve their efficiency and transparency by developing indicators that measure and track their performance. The role of the local community also needs to be actively facilitated in the development process, to raise awareness and to spread responsibilities among them.

The local municipal official (Alhamdan, interview 2008) confirmed, from his side, that there is no systematic model for the development of localities in the country. He particularly mentioned that the NSS lacks a proper system of local governance to apply its policies. At the county level, local municipalities are led by the individual initiatives of their planners. Each municipality operates by depending on whatever efforts its staff can spare, as well as the availability of human and financial resources. Local municipalities are given no clear approach to development and guidance by the regional and central controlling agencies (the Mayoralty and MOMRA), but have no authority to develop their own model.

The heavy centralisation in the municipal sector does not qualify MOMRA to meet the planning needs of localities. They still depend on expatriates who plan and put forward proposals to reorganize municipal administration in the country. Local municipal officials find the municipal system, imposed centrally, does not consider the needs of small and middle-sized municipalities (Alhamdan, interview 2008). At the county level they face a range of requirements from rural communities that are scarcely considered in the national and regional plans. The difficulties and requirements of rural localities, in particular, demand closer work with locals. At present, municipalities are required to implement national standards in local communities, each of which has its own life style

and unique needs. The result is dissatisfaction with the existing governance structure that prevails across most public agencies, as well as the private sector.

Finally, from a neutral viewpoint, a specialist in local governance (Alshihah, interview 2008) believed it necessary to revise the governance structure to include a local constitutional authority that is able make local decisions and will become the major reference for local institutions. Only constitutional change would make this authority a real representative for the local population, not just a typical civil servant appointed by the government. This substantial change, as Alshihah observed, would be enough to improve the quality of development, and permit much greater equity among regions and localities. It would create stronger local bodies that were able to meet the repeated claims for balanced and more enriched spatial development.

8 - 2 - 5 Summary

There is currently a government structure that can be seen to regulate development and its distribution. This structure connects the bodies responsible for development with the instruments that regulate and monitor spatial development. However, it is apparent that the route of planning for spatial development is separate from the route of implementation. It is also apparent that the legitimacy of the regional strategic plan is not obvious. The adoption of the regional development strategy is carried out by the regional council that in turn seeks, through members who represent government agencies, to adopt their projects and upload the necessary funds to their central referencing bodies and to the central finance agency. Here we can see the impact of the exclusive decision-making and financial power lying with central agencies, whether within each sector or the control of the MoF which is also independent of the central planning agency. At the same time, there are no mechanisms or specific criteria that set out clearly how those central agencies approve development projects in order to clarify the vision for departments at regional and local levels.

The budget allocated to each public agency at the national level is not necessarily tied to its performance, nor the importance of its proposed projects including their social, economic or environmental returns. The budget available for each department is linked to a specific percentage, whether increasing or decreasing, that corresponds to the predicted national economic growth in the coming year. This principle in allocating the country's resources to the services sector does not consider the timing requirements of their various developments, nor the nature of their projects. More importantly, this

approach does not consider the various needs of regions and localities which differ greatly in their needs and performance.

The government adopts different policies for each of its development institutions. The industrial development policy grants RCJY full financial support, directly from the government, to establish and manage specialised cities for industry together with the necessary infrastructure and supporting facilities. SAGIA is supported logistically, having been granted special rules and policies to attract foreign investment. MODON is supported by subsidies granted to investors in the areas that it manages. This includes subsidised rent and facilities, mainly power, in addition to grants covering the cost of establishing new plants.

The problem of inadequate human resources seems to be a major constraint upon development, from several aspects. The central government agencies themselves are still short of trained staff to work on studies and development plans, even within the central planning agency, but especially at the local level where there is a dramatic shortage of qualified human resources. Working for the government carries few financial incentives, which leads to people being reluctant to work with the government. Even the private sector lacks specialized technical personnel, due to the poor balance of educational outcomes with the market's need for human resources. Meanwhile educational and training institutions are burdened with government control over financial resources, including the determinant of employees' financial incentives, thereby reducing their ability to attract the teaching and training staff that they need.

We noticed how the level of criticism increased when discussing the issue of competent human resources with officials working at a lower level. Officials in the central agencies believed the current system for development to be adequate. The regional officials stated their general satisfaction with the current system, but raised some concerns: mostly related to difficulties in the implementation of development work caused by the machinery and the human resources available. Officials in localities are in agreement about the failings in the current approach to development. They call for reform in the current context and structure of local governance, and public policies to achieve better local development. Specifically, there is a need for more structural consolidation for municipalities at the local level. This is required for spatial coordination as well as for the aggregation of human resources, instead of the current dispersal. The current structure of the main development planning agency is

inefficiently controlled and managed centrally. Consequently the private sector has no role within the institutional structure of local development.

Despite the existence of a pyramidal hierarchy for the process of obtaining funding for local development projects, the procedure for supporting these requests lacks any logical sequence. Political support and social pressure have an important role in the approval of local proposals. It appears clearly that there is a lack of solid and transparent criteria for government agencies to evaluate and decide whether to support any proposed development. Currently the issue is left to the applicant's personal ability to convince the relevant officials, and whether there is any supporting information or public recognition of the need for improvements.

When political goodwill is present and the central government becomes involved in a developmental issue, matters are usually resolved quickly. Resources can be poured in, bypassing a lot of bureaucratic procedures. An example of this possibility is the recent, massive development of the higher education service, which involved tripling the number of universities in the country spread around the regions and localities within a period of just five years. Simultaneously, the number of scholarships awarded for students to study abroad jumped from a few thousand to tens of thousands, with students spread all over the inhabited world. Housing projects have also enjoyed massive growth, being encouraged by different public policies during the past five years. A dedicated central Ministry has recently been established for Housing.

Indeed, the government has pursued revolution in several of its areas of operation. These changes are sometimes isolated from the overall institutional system, due to the strongly established traditional system of rule and governance. The economic environment is witnessing progress, but that is yet to be felt within established cities and large institutions. Infrastructure, in the form of institutional development as well as physical structures that the government is supporting, is being established for small enterprises, especially in the less developed regions and localities. The higher education institutions that are already expanding are taking the lead in supporting the knowledge economy and progressively taking part in establishing innovative enterprises.

The national spatial planning agency, MOMRA, has a large structure and is overloaded with the work of managing municipalities across the country. It is trying to devolve some power to regional bodies, but this would require upgrading local municipalities to bear the load of managing the development of their region; i.e. going far beyond the daily administrative work of municipal services. Such restructuring will require the

approval of the MoF. Meanwhile, overall development across the country has been clearly recognised by the central planning agency as being fragmented. They believe that the solution would be more government intervention in the sectors' budget allocation procedures. The MoEP would then develop spatial indicators for each sector at the regional level and link sectors' budgets to the specific location, i.e. the province or county, as a way to monitor the spatial balance of development.

The regional level shows promise for development planning. There is potential for government at the regional level, with the support of the principal governor and the regional council, to achieve its strategic goals of achieving balanced development and diversified economy. There would seem to be even greater potential if there were an effective structure that encouraged and supported networking among the various public agencies at the regional level. The approach and context of regional governance and planning appear to be crucial in directing the outcomes of spatial and sectoral development in the localities. A contribution from dispersed local communities could be the missing key to effective planning. On the other hand the control of public resources by central bodies has an adverse effect on spatial planning, when there is no commitment to supporting the proposed plans.

Local development practitioners, whether officials or activists, agree about the fact that the localities in Saudi Arabia have been left helpless. Possessing only a minimum of power, they have many responsibilities and must cope with the demands of their local communities. Although the structure of local governance appears to represent a devolved hierarchy that bring all relevant parties in the locality under the supervision of the head of the county, the head of the county himself is deprived of any real power to practise his role. Additionally, each sector has its own deficiencies, mainly seen in the lack of efficient management and operating transparency. Lastly, the absence of real participation by local communities contributes to the weak and fragmented state of local government departments.

8 - 3 The functional relationships between regional development sectors

This second part of the chapter seeks to document and analyse the functional relationships between regional development sectors after considering the nature and possible uniqueness of the development policies and instruments for each sector. The first theme in this section is to explore those efforts and plans that might enhance

development policy instruments, starting with conclusive changes required by the local governance system and also changes to the planning approach that might be expected. The second theme seeks to observe defects and potentials in the structural policy instruments that guide development (Elsner, 1995). This includes the structure of the governance system and planning approach, with emphasis on the municipal sector. The last theme explores the reach and clarity of regional development policy at each spatial level; to find out if each institutional level is operating on adequate and harmonious policies (Martinelli, 1989).

8 - 3 - 1 Efforts and plans that might enhance development policy instruments

8 - 3 - 1 - 1 Required changes to the local governance system

The current system of local governance in Saudi Arabia requires improvement, given the findings that it is currently unsuited and ill-equipped to perform its role in development. A specialist in local governance (Alshihah, interview 2008) believes that changing the administrative system in Saudi Arabia is now inevitable, given the significant changes that have occurred in the country since its establishment. The growing population and changes to its pattern of distribution are making it necessary to reform the traditional political system and develop the governance structure. Alshihah (interview 2008) finds the current structure of local governance to be fundamentally defective, principally because the current regulations do not include the basic pillar of financial and administrative autonomy. Local developmental agencies act as branches of their central parent bodies, with implementation as their only role.

Specialists in local governance and strategic planning (Almubarak, interview 2008) believe it necessary to have a constitutional organization within the locality that allows for real power in local decision-making. The particular expectation from such constitutional change is to allow for a real system of representation for the local populace. With such a structure, the local governance system in Saudi Arabia would be ready to handle the real devolution of authoritative power. The regional council could play a mediating role by which central agencies could monitor local development (Almubarak, interview 2008). This role will need an effective structure that is competent and allows for smooth delivery of development policy, to achieve the goals set out by the Law of Provinces. This would require the provision of more financial and human resources.

The head of Almajmaah County (Al-Saud, interview 2008) described a situation in which the administrative system did not equip him with the necessary powers to manage the development of his county. The governance system also falls short of providing local government officials with sufficient authority to undertake their legitimate role and support their ambitions to develop their localities, whether individually or through the local council. Local officials demand more authority, agreeing to bear the consequences of that responsibility and to be accountable for any negligence or abuse (Al-Saud, interview 2008; Aldukhayel, interview 2008). There is some current legislation that grants additional powers to local municipalities in particular, but these laws have not been activated. Municipal councils are now fighting to activate an article from the Municipalities and Villages Law⁸⁶, which states that the municipalities should be financially independent. Their independence, if validated, could improve the effectiveness of municipalities and, hence, municipal councils to meet actual local development needs.

The restructuring of local governance and the provision of real powers to public agencies at the local level would facilitate their consolidation, and would also restore the role of the private sector as partner in the development of localities. Local investors (Aljauan, interview 2008) complain about the lack of information regarding the government's intentions in their area. The problem is that local government departments do not have the power to make decisions for their area of operation, which makes them less valued as partners. Meanwhile, if more authority were granted to local government departments, then the private sector could be informed and perhaps participate in decision-making through their representative on the local council. Restructuring would provide the private sector with official channels by which to become acquainted with the development plans of local agencies in their area of interest. This is also the case with the municipal council, where the private sector is not well represented.

The study of strategic development in the Arriyadh region (SPAR) has considered the current need to reform the system of local governance. However, the director of SPAR (Alshaye, interview 2008) explained that any proposed changes would require approval from higher authorities in the government, starting with the Ministry of Interior. This issue is related to the overall political approach of the government which has wider considerations, such as the capacity of other regions. The varying social nature of the

⁸⁶ Approved in 1977.

population in each region and the pressures for equality that face the government also represent a vital determinant of the structure of the governance system. There is a customary agreement that any proposals for change will have to be applicable across the entire country. This consideration is delaying the efforts to reform, when each step requires confirmation of the readiness and capacity of all local communities to undergo such changes.

Above these obstacles, the experts (Almubarak, interview 2008) revealed, there is a significant challenge represented in the question of how to reconcile strategic planning, with its basic principles of participation, transparency and accountability within the current 'traditional political system'. This is a critical point which claims that mere reform and restructuring will not work with the current political approach. The activation of an idle system, or making changes to it, has now become a complicated task. Such work is not normally left to the relevant agency alone to reformulate; it may also be tied-in to other agencies, such as the Ministry of Finance or the Ministry of Civil Service. Therefore a comprehensive, national overview of reform is needed to organize the work of government agencies to better serve local departments. Any proposed reforms should include the preparation of a work force to implement the tasks, as well as ensuring public awareness.

8 - 3 - 1 - 2 Expected changes to planning approach

The deputy minister for economic affairs in the MoEP (Salah, interview 2008) declared that they, as the central development planning agency of the government, acknowledge the problem of spatial disparity in development across the country and within regions. Although regional development equality is stated as a strategic goal in the FYDP, government agencies are failing to follow what is laid out in the plans. Accordingly, the MoEP is trying to institutionalize the implementation of the FYDPs by tightly linking the annual budget requests from government agencies with the policies of the FYDP and its yearly operational plans (YOP). This aims to bind both the MoF on one hand and the government agencies on the other, to follow the consensus represented in the FYDP policies and the YOP projects.

The MoEP is also planning to make the necessary improvements to make the FYDPs more involved in spatial development (Salah, interview 2008). It is looking towards an upcoming version of the FYDP that will include indicators for development in each single region as a means of adjustment and control. The development indicator in the

region will consist of detailed measurements that cover all aspects of the development, such as health, education, public service etc. The function of these measurements is to provide management information for the regional governor as well as the central government about the level of development at regional level set against a national indicator. These indicators and measurements will enable the governor to monitor the level of performance by each development sector within his region in comparison to national ones. Each sectoral indicator will be inferred based on models taken from developed countries, e.g. the European Community in the field of social services.

This way the MoEP will be able to distribute development projects around the regions according to the priorities as they appear from the indicators, the aim being to ensure and maintain equality when distributing national resources among regions and localities. The economic planning official from the MoEP (Salah, interview 2008) explained that if some regions have greater capacity, and request advanced projects while there are regions still lacking basic services, those lacking will be favoured. If there is not enough money for advanced projects, those regions will be encouraged to develop endogenous resources and seek a contribution from the private sector. The central government will, then, only be committed to equality between regions. In parallel, the national adoption of detailed development indicators will meet the needs of local government departments. Local officials (Aldukhayel, interview 2008) are asking for productivity indicators that will enable them to manage their services properly and that will also provide information about the plans for the country as a whole, for every development sector, so that they can coordinate their work with partners across the other counties. They also call for the provision of productivity indicators within each spatial unit, e.g. to compare the productivity of the education department with the productivity of other government departments in Almajmaah County.

8 - 3 - 1 - 3 Sectoral changes to the development approach

There are, also, some ongoing changes to various sectors within the government system that have come in response to compelling needs and demands. A high ranking businessman and official of the CCI in Arriyadh (Almojel, interview 2008) highlighted the crucial need to improve the justice system as a vital means of adjusting the balance of development. He also called for improvements in the education and training institutions to produce qualified human resources that meet what the market actually

needs. The government has already started⁸⁷ to restructure the justice system and has provided an exceptional level of funding to improve its effectiveness. The new structure is intended to accommodate the requirements of a civil society as well as encouraging the role of foreign investors in the country.

The government has also adopted a national project that seeks to develop the general education system⁸⁸ including developing the curriculum, updating and improving teachers' skills, and enhancing the learning environment. This is consistent with some notable developments in institutions of higher education, and changes to the learning policy. In 2005 the government adopted a five-year programme to provide scholarships for university students wishing to study abroad; this programme has since been extended for a further five years. Experts are anticipating great improvement in the quality of human resources in the near future, when the participants in these programmes return to the job market (Almubarak, interview 2008; Alshihah, interview 2008; Salah, interview 2008).

The structural changes taking place in these various sectors are expected to have a cumulative effect: to promote development that will encourage more sectors to undertake further improvements. The private sector's contribution to spatial development through industrial investment shows that industrialists are currently paying extra to locate their plants en masse inside, or very close to, the few large cities. This is clearly undesirable; however, these industrialists (Almojel, interview 2008) would be willing to move to the counties if proper facilities were provided. The director of the Industrial Cities Department stated that MODON is about to finalise arrangements to establish large industrial clusters in the counties of Almajmaah and Alkharj, within the Arriyadh Province, in a strategy intended to reduce the over-crowding of manufacturing facilities in Arriyadh city (Alsuhaibani, interview 2008). He mentioned that there is a high demand from investors to obtain space in these locations, but that they still need financial support from the government to prepare the land and facilities for industrial use.

As another way in which Saudi Arabia has been actively seeking to diversify its sources of income, the national government has been looking to attract foreign investments. The government has provided exclusive logistic support, managed through SAGIA, to promote unique projects that will provide added value all around the country (Ababtain,

⁸⁷ In 1st October 2007.

⁸⁸ In 12th February 2007.

interview 2008). The main contribution of this policy to spatial development is found in SAGIA's approach, which is to develop new cities for innovative activities. The current plan is to develop an economic city, knowledge city, logistics services city and a heavy industries portal city (SAGIA, 2009). These cities are located in peripheral regions where the investment environment has been carefully designed to meet international competition. In a parallel movement, some of the existing large cities have also begun to build their own, unique image to attract competitive investment. SAGIA might not lead the policy of equalizing the distribution of development resources.

Universities play a vital role in advancing the knowledge economy through their research and development programmes. Some universities in the Arriyadh Province have already established their own investment corporations, to make best use of their innovative products, and have also established entrepreneurs' incubator institutions. Universities and community colleges have now extended to all the regions and most of the counties (Almosained, interview 2008). The first results of this decentralisation policy look promising, and this model could be considered for other regional developments in the future. It has had a direct impact on the spatial development of medium and small size cities, and has helped to retain the population of peripheral regions and localities (Almubarak, interview 2008). All these changes by the public institutions have been motivated by the determination of the head of Saudi Arabia's political system, the king, who took charge in mid-2005.

8 - 3 - 2 Defects and potentials of structural policy instruments

The historical trend of development may include periods of regression, affecting the development structure of the region. In such cases the instruments used may be rendered ineffective. The surrounding conditions at national and even international levels have an influence on the approach to regional economies; policy instruments need to conform with structural changes, and we should be able to measure their potential to include various sectors (Elsner, 1995).

8 - 3 - 2 - 1 Defects and potentials of the current local governance system

The problems of local governance in Saudi Arabia are concentrated around the basic pillar of local governance, which is financial and administrative autonomy. All local developmental agencies have to refer to their central authoritative agency to obtain approval for their major activities, only having control over their daily administrative work. The head of Almajmaah County (Al-Saud, interview 2008) said that he needs

regulatory mechanisms and authority if he is to manage the activities of the central developmental agencies that are establishing new developments within his area of rule. The current structure of local council does not carry any authority from upper, regional or national levels in order to empower real local initiatives. The main administrative and financial decisions are made by the central agencies, albeit partly with regional departments.

Even at the regional level there is a lack of real cohesion among members of the regional council, who are representatives of regional government departments, and this reduces the effectiveness of their development policies. A specialist in local governance (Alshihah, interview 2008) made it clear that the current intra-regional divisions, represented by the counties and districts, do not correspond with all those government departments that play a role in the provision of development services. The government has local offices with various fields to cover. A local official (Aldukhayel, interview 2008) also confirmed the existence of role multiplicity and contradictions within the structure of government departments. This, in turn, adversely affects local development performance. The lack of a consolidated structure for spatial development is apparent even at the national level, as observed in SAGIA's policy of the new economic cities vis-a-vis the MOMRA's framework of national urban centres and development corridors laid out in the NSS, where both control the allocation of growth centres but with no channels for coordination.

Despite the emphasis upon strategic planning at the regional level, which is reviving after the legitimisation of the NSS, efforts at implementation have met the reality of inefficiency in the governance system. The power to restructure the governance system in any way is beyond the capacity of the region, such decisions being confined to central government (Alshaye, interview 2008). The experience of the SPAR project has shown that there is only a limited range within which the regional strategic plan can reorganize the local governance system. It requires approval from higher authorities in the central government, starting with the Ministry of Interior. This is also related to the political complexion of the government, which can accept or refuse it according to their wider considerations of the social structure in each region. Another issue is the public pressure that the government would face, through claims for equality, if any region enjoyed greater flexibility or privileges in their local governance. Political considerations are the main engine that could drive any changes, which places an obstacle before the implementation of plans related to local governance.

8 - 3 - 2 - 2 Structural constraints in the municipal sector

Municipal councils have only recently⁸⁹ been incorporated into the municipal structure, with the aim of broadening citizens' participation in the management of their localities. The structure of municipalities themselves has not witnessed any matching reform. Municipal officials at national and regional levels admit that the scope of municipalities' work is narrowly limited within civic services (Altwajri, interview 2008; Nagadi, interview 2008). Activating the role of municipal councils, and the authority given to the public over municipalities, has not added to their scope of influence which remains limited to construction control and a few services related to the layout of roads; not much on development issues. Analysts and practitioners (Almosained, interview 2008; Almubarak, interview 2008) have stated that municipal councils have been unable to make any progress in development due to the currently fragmented structure of government departments. The organizational structure of municipal councils does not enable localities to initiate development plans or policies.

Members of municipal councils have become frustrated with this system, having found themselves unable to make any difference (Almosained, interview 2008). Even the municipal council of the capital city of Arriyadh, which is considered the most active and powerful, has been unable to make any changes in the municipality's working policies, economic approaches and types of project, nor to change its working structure. The municipal council could not even activate an article in the Municipalities and Villages Law which states that municipalities should be financially independent (Royal Decree, 1977, article 1); they are still seeking its activation at the time of writing. At the local level, municipalities are segregated in such a manner that each town has its own municipality that works in coordination with the regional mayoralty without structural connections with other municipalities in the county.

The institutionalisation of a council over the municipal agencies has apparently generated dissatisfaction among all those concerned. Local municipal officials are not happy about the additional controls imposed on them by members of the public (BinAyyaf, 2008; Alhamdan, interview 2008), who may not be able to understand the basics of municipal and civic works. The chairman of the Municipality of Almajmaah (Alhamdan, interview 2008) suggested that the right to municipal council membership should be reviewed and controlled, not given freely to anyone without a certain level of education. He asserted, though, that this criticism does not negate his belief in the

⁸⁹ October 2005.

importance of public participation. It is simply, for him, the problem of granting approval authority over the municipality's activities to people who might not be able to understand, discuss and suggest alternatives to the work.

Despite the existence of elected municipal councils, the regional planning process does not involve any real participation by the public, nor even from the officials of development departments within the localities. Most of the personnel involved in the stages of producing regional strategic policies are those who have influence upon the decision to approve the plan. The institutional sponsor of regional planning is the regional council, which has a scope of representation that goes beyond that of the municipal council that is confined to the local level. The regional council includes residents' representatives, who are appointed by the central government. However, there is no actual practice of correspondence between these public representatives and the residents of the region. Moreover municipal officials are represented in the regional council by only the regional mayor and his deputy, who are concerned with the affairs of the counties' municipalities.

8 - 3 - 2 - 3 Effectiveness of the approach and mechanisms of planning

The basic concern raised by the planners and officials involved in strategic planning for the Arriyadh region (SPAR project) is the difficulty in implementing the regional strategy. The project director (Alshaye, interview 2008) explained that other than some mutual cooperation, there is no legal obligation on the government agencies to implement the output from SPAR. Each of the relevant government agencies has its own priorities and resources that are tied to their central reference agencies, which in turn have their own agenda and priorities for their sector. An agenda and priorities that are sector-based will not necessarily conform to regional intentions.

In addition to such institutional hindrances to implementing regional plans, gaining the funds for sectorally approved projects is another obstacle for departments as it depends totally on the approval of the MoF (BinAyyaf, 2008). On its part, the MoF has its own methodology for distributing government funds among the various applicants based on its view of the nature and priority of projects, and irrespective of the policy that they are seeking to implement (Althabit, interview 2008). The political impact of projects has an imperative part in whether they are adopted or not. This methodology is not connected to the structure within which regional and local planning authorities operate. Indeed, the existence of a plan, whether local, regional or national, supports and justifies

government departments' requests for funding by MoF, but that does not mean any financial commitment (Althabit, interview 2008). Given these circumstances, quite apart from the existence of a regional strategy, the implementation of policies remains uncertain.

These impediments to regional planning are persistent, despite the commitment of central government to using the national framework of development plans with regional strategies as guidance for allocating the state's resources (MOMRA, 2000). The chairman of the Municipality of Almajmaah (Alhamdan, interview 2008) explained this dilemma. He placed the blame on the composition of the NSS, which comprises a national framework for spatial planning, because it does not include mechanisms for implementation such as a consolidated system of local governance. The national strategy documents include no details of an appropriate operational methodology within the local development structure, such as inter-sectoral cooperation.

Other local and national officials have raised concerns about the shortage of qualified human resources committed to perform planning tasks (Aldukhayel, interview 2008; Salah, interview 2008). The governance system is inadequately and badly staffed (Almojel, interview 2008), which weakens its structure and operations. Local activists have raised concerns about the lack of a proper working attitude in local government departments (Aldukhayel, interview 2008). The personal wishes of officials usually prevail at the local level, dominating the course of action in public departments at the expense of the public interest. Aldukhayel (interview 2008) believed that there is a significant waste of public resources because of the attachment of development programmes and projects to their initiating personnel. This has been exacerbated by the absence of performance measures and achievement indicators for the public administration.

8 - 3 - 3 The extent of regional development policy at each spatial level

There are relations in policy dynamics among the various spatial levels involved in development; debate has generated different opinions about an appropriate way to connect these levels. What is clearly important in the analysis of regional development is to identify the most suitable policy for each spatial level. Policies need to be adapted to their particular level, and the institutions active at that level: centralized financial support, regionalized programming and planning, localized implementation (Martinelli, 1989).

In Saudi Arabia, officials from the primary development sectors at the regional level have the chance to deliberate on development issues for their region through the regional council while also enjoying, individually, close connections with the central government. The regional municipal official (Altwaijri, interview 2008) particularly considered that the councils operating within the governance system, i.e. the local council, regional council and council of ministers, do play a functional role in the spatial coordination that facilitates the diffusion of development. Local and regional councils are essentially spatial coordinating institutions that bring together government departments, and supervise their developmental activities (Royal Decree, 1992b). Nevertheless, both local and regional councils still need approval or direct involvement by central government agencies to put their proposals into effect (Al-Saud, interview 2008; Alshaye, interview 2008). The national council remains the strongest tier in the hierarchy of governance, as it is the constitutional body of the state (Royal Decree, 1992a).

The head of Almajmaah County (Al-Saud, interview 2008) expressed his dissatisfaction with a current governance system that lacks the authority, capability and machinery for local development. He explained that currently, the local council's actual role is to apply the policies of central agencies but without any real contribution from them to the locality. He also supervises the performance of public departments, but has no authority to tailor their policies to meet local needs. Any attempt to adapt the standard national criteria and policies to meet local circumstances is a lengthy and complicated process, and might require approval from various regional and central agencies. These obstacles, he believes, hinder the role of the local governor in encouraging important developments in his locality. He explained that the local council is comprised of representatives of government departments at the county level, but their connections with regional and central agencies are the key to achieving real changes to their locality.

The head official from the education department in the county of Almajmaah (Aldukhayel, interview 2008), who is also a member of the municipal council, noted that there is some overlap and contradiction within the structure and role of government departments at the local level. This uncertainty provides an administrative obstacle to the work of public departments in the localities. It also affects the efficiency of development efforts, with waste of resources. These adverse influences upon the performance of local officials have sparked higher ranking agencies, at regional and

national levels, to hesitate over the extension of more powers to local agencies. There is a prevailing doubt about on the localities' ability to lead development from the bottom.

The regional level of governance, on the other hand, has been helped to take the lead role in formulating the future. This support comes from the NSS, and is endorsed by the national council of ministers. The NSS imposes general development policies through a spatial planning framework (see section 2-6). The spatial framework incorporates policies that affect the physical arrangement of the governance system, through a tiered system of growth centres and corridors. As for the legitimacy of regional planning, the SPAR project in Arriyadh has been carried out in accordance with the NSS (Alshaye, interview 2008). The regional strategy will then provide more detailed policies that carry forward the task of developing the region, and seek to achieve the goals of both the NSS and the FYDP.

Despite the apparently well-structured hierarchy for the delivery of development policies that exists between national strategies and regional instruments, some academic experts in strategic development planning in Saudi Arabia (Almubarak, interview 2008) have doubted the consistency of national and regional approaches to planning. Practical experience is that the planning approaches among national and regional institutions do vary conceptually. The inconsistency is apparent in the difficulties of the implementation determinants; the national strategy itself has not been linked to the governance structure, to assign instruments for implementation that are compatible. Regional strategy has had to face the fact that the governance structure is isolated from the institutions of spatial development. The regional council and principal governor are required to seek approval for their projects, in a piecemeal approach, (Almubarak, interview 2008) with each single agency in the central government. The region has already faced difficulties in implementation, and concerns were raised about losing the integration of strategic development concepts.

8 - 3 - 4 Summary

The practice of spatial development in Saudi Arabia in general is facing difficulties with the institutional structure of government policy making and implementation. The Law of Provinces in 1992 was intended to reorganise the state's approach to governance, in order to enhance the government's performance and, especially, to balance development across the country. Despite this fundamental attempt to improve the governance structure, actual practice has proven that institutional handling of development remains

as yet ineffective. Accordingly professionals are expecting changes that will improve the instruments of development policy. Particular emphasis was given to the changes necessary in the local governance system, as a response to the growth and increasing level of awareness of the population. Representation of local communities, real devolution of authoritative power to local institutions, and a comprehensive system of performance measurement and indicators all appear to be necessary to achieve real development, and are expected by professionals to be in place sometime in the near future.

There are already certain regulations designed to support the performance of municipalities in particular, as the sector that is most directly concerned with spatial planning, but these regulations have not been activated. For example, the financial independence of local municipalities was included in the Law of Municipalities and Villages (Royal Decree, 1977, article 1) which appeared to give municipalities the flexibility and necessary degree of decentralisation to make decisions, but this was never actually granted by the central government. In addition to financial independence, officials in the municipal sector require more authority if they are to become the main point of reference for the planning and management of development projects in their locality. This means having more powers over other sectors in the locality in order to ensure better coordination of development between the various sectors.

The failings of the current institutional structure has obstructed the government's efforts to effectively achieve balanced development across the country, and have driven the central government to produce additional instruments for planning intervention. The strongest tool that the central government has at its disposal is control of the budget, through the MoF. The government's future plan is to establish development indicators for each region, and then to link the ministries' budget with specific local projects. This is intended to ensure that the state's resources are allocated in a balanced manner, with priorities based on the measurement of developments in the region.

In addition to the methodological changes in development policy, there have been some structural changes intended to enhance approaches to development. Since 2005, the country has witnessed successive efforts to reform the fundamental development sectors. Several national strategies and projects have also been launched, to support and enhance development institutions. The justice system, general education, housing programmes, social and entrepreneurial funds have all seen restructuring and financial

support. However, all these initiatives are conducted at the national level. Other programmes supporting development have been facilitated for the private sector, in particular industrial developments for local investors through MODON and for foreign investors through SAGIA, both of which are national government bodies. Reform undertaken by the Ministry of Higher Education remains the most effective example of the government's policy of decentralisation, given its action on the ground through the rapid deployment of higher education institutions across the regions and counties.

Considering the current efforts to enhance the functions of institutions responsible for development, spatial development has not received enough attention from central government which needs to provide institutional linkages within the regions. The persistent absence of administrative and financial devolution, which belong to the essence of a local governance system, has led to weak coordination among local government departments as well as poor integration of the private sector. Even at the regional level of governance, the regional council lacks the power and the necessary attributes to formulate development policy, since that requires collaboration between several public agencies. The capacity and geographic reach of the administration in each government department is not necessarily consistent with those of other departments. The criteria and policies of central government departments also vary when it comes to approaching spatial development. Thus we can see that those councils that have been established within the governance structure are unable to generate cohesive development.

Regional planning institutions are facing difficulties in implementing their development policies, mainly due to the reluctance of national agencies to transfer more power to the local governance system. The territorial administration at both local and regional levels does not have any binding authority over the various government agencies working within their territories, and there is in consequence no financial commitment from the central financial authority for their planned projects and programmes. The central government agencies are taking in their hands the responsibility for achieving national objectives, yet these may not conform to the projects proposed by the regions. The national spatial strategy that is supposed to advocate spatial planning has proved to be short of the tools required for implementation, and hence is isolated from the local governance system. Thus revising the compatibility of planning approaches at all the spatial levels along with the institutions and structure of local governance is essential.

Coordinating councils within local governance vary in their functions and powers. The national council, the Council of Ministers which is headed by the king, is primarily a legislative body. At this level, any coordination required for joint activities between government agencies is arranged through working committees. National strategies for development as well as major policies are considered, developed and ratified at this level. The regional council is a spatial coordinating council, and could provide a regulatory framework for development work of government agencies within its boundaries for the benefit of its localities. This council could produce studies and plans for developing the region, but it would still need legitimating consent from a higher authority. The regional branches of the government agencies include, in various degrees, implementation authorities that may influence the quality and spatial balance of local development. The local council at the county level is in fact more like a consultative body, with a very limited monitoring role and only marginal regulatory powers.

Chapter 9

Conclusion

Chapter 9

Conclusion

9 - 1 Introduction

The ultimate aim of this doctoral research was to provide a critical understanding about the mechanism of spatial development in Saudi Arabia, with a view to making recommendations for optimizing the regional instruments used in the spatial allocation of development resources in the country. Arriyadh Province was used as an example of how regional development policies in Saudi Arabia actually work.

The research began by identifying the features of spatial development planning in Saudi Arabia, through the factors surrounding the emergence and modification of regional development planning (Chapter 2). The review and analysis of national development mechanisms showed that there are indeed some defects in the spatial distribution of development resources. Moreover, it highlighted the insignificant role of regional development planning as a contributor to the national development goals and strategies provided to localities which are widely dispersed across a vast area.

To evaluate the nature of regional development in Saudi Arabia, and understand it fully, there was a need to review the relevant concepts and theories of spatial development, especially the models of regional development (Chapter 3). And because this study is concerned with applied solutions, it was necessary to include the issues of planning and policies of regional development along with the conceptual review (Chapter 4). This was intended to support the understanding of frameworks and mechanisms of planning for development at this spatial level, including both theoretical and applied instruments. This combination of theory and practice in the critical analysis and understanding of the subject of regional development was crucial to determining the conceptual framework that would direct the empirical assessment of the case study, as formulated in Chapter 5.

These preparatory studies, including the contextual and theoretical reviews, determined the conceptual framework that this research would require in order to achieve its ultimate aim. The accumulation of information, critiques and theories helped identify the issues that would direct the empirical enquiry for this research, and are outlined in Chapter 5. These issues are organised into sets of goals, where each set responds to one of three empirical sections. The first section comprises the contextual themes, and led

to understanding the case of regional development in Arriyadh. This is presented in Chapter 6. The second section comprises the theoretical themes, and led to studying and analyzing the current establishment and delivery instruments of regional development policies. This is presented in Chapter 7. The third section continues the analysis through theoretical themes related to institutional structuring. They were used to explore the institutional structure in Saudi Arabia, through which the available development resources are utilised in the planning system and actions, currently and prospectively. These analyses are presented in Chapter 8.

Together, the results of the preceding chapters have enabled the researcher to gain an integrated picture that responds to the ultimate research aim. This has come through gathering theoretical concepts from those studies that deal with planning for regional development; see section (5-2). The work for the previous chapters also assisted with the requirement to understand the mechanisms of spatial development in Saudi Arabia (9-2). The aim of the research is then fulfilled by the ability, after all that, to provide recommendations for optimizing regional instruments for the spatial allocation of development resources in Saudi Arabia (9-3).

9 - 2 Case study research findings

This research has identified a number of theoretical issues related to the subject of enquiry, as synthesized in Chapter 5 (see table 5-2). Empirical evidence, as seen in Chapters 7 and 8, has been sought according to these issues and informed through interviews. The interviewees represent various sectors that are concerned with development from different aspects (i.e. governance, education, municipal and private sector) and different spatial perspectives (i.e. national, regional and local). Implications from these results have emerged following their synthesis and integration into the whole context, and these are discussed below.

These implications were summarised in two sets of research findings. The first is findings pertinent to the structural organization of the Saudi institutions related to spatial development. These findings are further classified into those specifically concerned with the governance structure, and others concerned with institutional relations. The second set of findings is pertinent to the contextual reinforcement of spatial development in Saudi Arabia. This includes findings related to the development approach that might best be pursued in order to achieve the intended aims of spatial development. It also includes findings related to the instruments that deliver

development to localities. Combined, these two sets of research findings respond to the aim of optimizing regional instruments for the spatial allocation of development resources in Saudi Arabia.

9 - 2 - 1 Structural organization of the Saudi institutions

This study concludes that spatial development in Saudi Arabia requires some revision of the organization of responsibilities among its public institutions. This means the need to re-evaluate the governance structure, with the aim of preserving national coherence in growth and development outcomes among spatial units, as well as obtaining greater efficiency from the public sector. The implications of working to improve the governance structure would satisfy the need for equity and balanced development across the national space. Also in relation to structural organizational issues, to facilitate more equitable spatial development in Saudi Arabia, attention needs to be given to improving the relations between public institutions, to encourage them to cooperate more in order to achieve common objectives. This would enable them to link the assets made available to them through public channels collectively, in order to improve the outcome of their initiatives for all. Collective work requires a more collaborative than competitive approach. Development agencies, including devolved ones, need to work together rather than separately for their joint interest.

9 - 2 - 1 - 1 Regional context within governance structure

The research shows that the ground upon which development policies at the regional level can be built is unstable. There is a lack of transparency in the channels of policy delivery. This includes the lack of written documentation of daily practice, and the roles of personnel involved in the various development sectors and governance positions (see sections 7-2-3 and 8-2-4). Consequently there is also a lack of accountability running through the structure of development bodies, where central agencies maintain and apportion responsibility (see sections 7-4-4 and 8-2-4). These weaknesses are embodied in the governance system and institutional behaviour at the local community level, and collectively render it more difficult to complete the work of enabling a creative environment that seeks the ways and means for innovative development. It also has an adverse effect on the tools required for development.

In relation to devolution there have been persistent statements in several government documents, including laws and planning policies that emphasize the need to adopt a more decentralised approach to the provision of public services. In addition governance

structures have been re-organised to decentralise this provision, mainly through the enactment of the Law of Provinces, which suggests a strong commitment to decentralisation on behalf of the government and a belief in delegating the remit of public services management to regional and local agencies. Yet this decentralisation has not provided a comprehensive and tangible system of local governance that is coherent and has the capacity to provide those services. This is because the restructuring of regional and local public agencies to facilitate better local governance has not been matched by a simultaneous restructuring of central government agencies in accordance with devolved authorities. This restructuring should have included the provision of whatever is required to build the financial capacity of localities, which is commonly limited in underdeveloped countries (Shah and Shah, 2006), with sufficient real authority then handed over to local agencies.

Currently the MoF plays the central role in deciding the nature and scope of development projects, as well as their distribution across the country. This has affected the development role of other central bodies, including other ministries, and has imposed limitations on their functions as strategic hubs and distributors of spatial development within their sector. It has also weakened the role of regional councils and, even more, of local councils, which have been left with simple administrative roles such as relocation of some local services. The practice of development within such a structural organization affects the human resources and financial capacity of any devolved form of governance, whether regional or local. This was particularly illustrated by a local businessman operating in the county of Almajmaah, who found that the public sector in his locality did not have the power to make planning decisions and implement development projects nor, hence, to be a real partner in development. Given these situations, the municipal sector attribute real progress in spatial development to what the MoF alone approves, rather than what the regional and national plans and strategies have identified (see section 7-2-1).

The current practice of national development in Saudi Arabia does not conform to the structure that has been established for its purposes. To adjust the practice to the intended governance structure and current development approach, i.e. without making any radical changes, the country's development policy should be set by MoEP in the form of basic criteria and development strategies. The basic criteria should be made clear to the MoF, as well as other government agencies, as a fundamental reference when considering proposals for development projects and deciding whether they should

be adopted. The national government should set the wider values and objectives at the national level to give direction and vision; the local institutions should then be allowed sufficient space to develop more bespoke local initiatives to meet their local needs. These initiatives can then be considered in relation to the national annual budget for possible funding.

The recent changes in the governance structure of Saudi Arabia offers much potential for regional economic development, and will allow a good starting point for regional policy makers. There is a serious commitment by both political leaders and central government to diversify the national economic base. This has recently taken the form of investment in the infrastructure required by the knowledge economy, such as specialised higher education and facilities for research and development, in addition to greater openness to international markets and seeking more actively to attract foreign investors. However, to be effective on the ground these intentions and activities should be accompanied by an equivalent evolution in the governance structure that supports the capacity at regional and local levels. A well-structured, hierarchical system of governance should allow for better distribution of development tasks and flexibly reflect the evolving forms of social and economic patterns of living. This, in turn, will deal with the current and persistent inflexibility that has been repeatedly identified as hindering the effectiveness of the current establishment and practice of regional development policy and delivery in Saudi Arabia (see sections 7-2-1, 7-3-1, 7-4-4 and 8-3-2).

9 - 2 - 1 - 2 Role of institutional relations in spatial development

In addition to the expected implications arising from the current inadequate structure that controls spatial development, the defective local institutions remain a powerful impediment hindering the devolution of authority to localities with regard to development design and implementation. There is a critical need to deal with the constraints imposed by the current structure and processes that impede the ability of development bodies to extend the network of institutional cooperation and to constructively engage in the distribution of development roles, both sectorally and spatially. A clear example, highlighted repeatedly in this empirical enquiry, is an important article in the 1977 Municipalities and Villages Law which states that municipalities should be financially independent; this article has yet to be enforced (see sections 7-3-2, 7-3-3 and 7-3-4).

Therefore, it may be appropriate that central government and regional authorities start by supporting local development institutions to improve their capacity. This support needs to combine the ensured remit of responsibilities with the appropriate resources. This would strengthen the position of local development institutions, helping them to grow and to demonstrate their ability to take over significant development tasks from higher level departments. This would help meet the ultimate aim of optimizing regional instruments to take over the responsibility for spreading spatial development.

Emphasizing the restructuring of governance, as discussed in the preceding section, the organization of relations in public administration at each spatial level should guarantee an integrated system of regulators that ensure fairness and an effective spatial balance in resource allocation (see sections 8-2-2 and 8-3-2). At the national level, ministries should only take on a regulatory role: to assist regional bodies with appropriate means to regulate and empower local development, and to ensure that they are administered equitably and effectively. At regional and local levels, coordination enables the flow of institutional relations to provide shared, inspirational values and allow collaborative planning and measuring of development within local communities.

The consolidation of institutional systems, especially at the local level, needs a balance between controlling standards to ensure efficiency, effectiveness, and local innovation. The vertical liaison of a local institutional system with the regional one, and that of the regional with the central one, is particularly critical to an effective governance system. The MoEP could provide coherence to the country's development policy approach, which is a basic condition for development strategies to emerge. Thus the relationships of the various government agencies with the MoEP, rather than the MoF, will be vital to development projects. This should not mean a full transfer of control from one central agency to another: rather, MoEP should work on setting priorities for central funding, as well as disseminating information and experience of strategic planning to sub-national governing bodies. The regional level of development planning could play a key role in diffusing development, by delivering a strategic view of national development while enabling local initiatives.

The current regulations governing spatial development in Saudi Arabia have created a hierarchical system for deciding the developmental needs at each spatial level (sections 7-2-2 and 8-2-2). Each sector has the facility to reveal its needs to those agencies that deal with the provision of resources for localities. This structure allows for the communication of local requirements to state agencies at higher levels. Yet agents in

this hierarchical system retain a high level of control, not only centrally but also regionally, as in the structure for municipal development policy, despite the fact that regional public departments do not enjoy a sufficient degree of autonomy (see perspectives of agents at various spatial levels, in section 8-2-4). Regional agencies as they currently stand represent a burden rather than a support to local agencies. The impediment that the regional level of governance faces is the lack of delegated authority from central agencies, as well as the central body that controls financial decisions, i.e. the Ministry of Finance. This delegation is critical if regional institutions are to practise the intended allocation of development resources among localities.

It has been shown from the municipal and education cases examined in the county of Almajmaah that the absence of channels permitting direct contact between the departments involved in development at the local level, and the financial decision-making body within the central government, i.e. MoF, has weakened their ability to create a local vision (Figure 6-12 shows the current loop relations). The uncertainty that accompanies the long chain of steps required to communicate with the financial decision-makers is a barrier that undermines the current structure of governance, which has a fundamental role for regional councils in leading regional and local development. However, it is worth noting that regulations for the municipal sector do allow some regional municipal agencies, including that of Arriyadh Province⁹⁰, to discuss their annual budget and project funding directly with the MoF. No other development agencies enjoy such devolved authority. Nevertheless, despite the fact that the municipal sector in Arriyadh region is so favoured, direct contact with the financial agency is restricted by the lack of strategic consensus between the two agencies and is distorted by the concentration on purely financial measures.

There are several public institutions at the national level in Saudi Arabia that contribute to spatial development without being represented in any of the spatial governance councils, (explained in section 6-2). These institutions are:

- MODON, as a promoter of diffused industrial and technological production sites;
- SAGIA, as a promoter of foreign investment in general, but with more focus on dedicated economic cities⁹¹ and clusters where comparative advantage lies;

⁹⁰ Only 4 regional municipalities among the 13 regions enjoy this authority.

⁹¹ The approach of building new economic cities has been adopted by SAGIA to enhance the investment environment and contribute to the government's efforts to diversify the economy, see section (7-2-1-5).

- Universities, as an important education facility that attracts students to locate and possibly stay and establish their career in dispersed regions;
- KACST, as a national research and development institution; and
- Government development funds, which have strategies for directing their specialised funds such as industrial, agricultural, small and medium enterprises and real estate funds, to implement national policies for balancing spatial development.

Some of these institutions state explicitly that they aim to direct development towards less developed regions and localities (e.g. MODON's spatial distribution of industrial areas). However, there is no significant structural connection between them and agencies of spatial governance and development, whether regional and local councils or other development bodies. Furthermore, collaboration among them is almost absent, especially at the level of strategic planning. This places these significant institutions outside the framework of the institutional organization of effective regional development planning. While the national identity of these institutions may provide them with more power over decision-making, the regional councils need a valid link with them in order to best utilise their instruments for development.

Moreover, in spite of their controlling most of the effective power, the performance of central public agencies remains inadequate. They do not provide clear principles and values for the pursuit of development, either to the regional or local agencies. They sometimes have ambiguous rules, such as SAGIA's foreign investment strategy (see sections 7-4-2-2 and 7-4-4-2). Local officials have reported cases of missing and confusing guidelines, most apparent when this research investigated the education system (see sections 7-2-1-1 and 8-3-3). At the same time, as local public agencies lack the clarity of a national vision of development they still do not have any legal means to identify development values – and thus build a development vision – from within their local community, for example through public participation. Anxious locals put pressure on their local officials who do not have the instruments for defining development quality, while being accountable to higher bodies for satisfying local needs through development. It is evident that in order to give meaning to the aim of optimized regional development, clear accountability measures should include regional and local remits to ensure that local and regional bodies have sufficient power that allows them to contribute effectively to development planning. Local participation should be encouraged and incorporated in the course of any development.

9 - 2 - 2 Contextual reinforcement of spatial development in Saudi Arabia

Complementing the first part of the findings, which considers the shape and order of the governance structure and institutional relations, this section pertains to development dynamics that are carried on through that structural organization. This contextual reinforcement of spatial development includes research findings related to the approaches to regional and local development. It also includes findings regarding the provision of instruments meant to deliver development to localities, including policies and ways of measuring development.

9 - 2 - 2 - 1 Spatial development approach

Until recently (around the mid-1990s) the regions of Saudi Arabia were seen as merely administrative entities. Regional government sought mainly to manage local security. Socioeconomic issues were left to the individual initiatives of the appropriate branches of central agencies, and these were available only in certain regions according to the demand for development (see section 6-2-4). This approach of central control over economic activities appears comparable to the situation in industrialised countries during the prosperous period after WWII, and which lasted until the economic crisis of the 1970s (Martinelli, 1997).

This international experience of central control over development may have been equally applicable in Saudi Arabia, especially during its period of prosperity which followed the economic boom of the 1970s. However, with the enactment of the Law of Provinces (Royal Decree, 1992b) and drawing from the findings of the case studies undertaken and described by officials at regional and local levels (see section 7-3), the country currently seems to be in a transition stage towards the acceptance of a real role of a bottom-up approach to development. This is clear from the testimony of those heads of national and regional government and development agencies who were interviewed for this research, and to a lesser extent by those at local levels. Interviews also suggest that while the devolved apparatus may have been set up, actual devolution is still not organized very well (see section 8-2-2).

It appears, implicitly, that the national government's approach towards development is an ill-defined mixture of a strong, centrally controlled macro-economy along with an incoherent, dispersed and decentralised system of governance, e.g. very strong national direction by the MoF over the allocation of budget among the various development agencies as well as the different regions and localities (see discussions in sections 6-2,

7-2 and 8-2). The practice of development is allegedly left to local communities through various bodies, such as municipal and local councils, and other civil institutions including chambers of commerce. However, the real action remains under the critical authority of central agencies, i.e. government ministries.

The result is structures that lack flows of communication with input from local communities, and corresponding resources from funding agencies. This indicates the need to link the spatial organization of governance in the country to a systematic economic approach of funding delivered from the centre (national government) to the periphery (the regions and localities). This could be accomplished through a strengthened form of intermediate government at the regional level. It also indicates the need to adhere to the natural characteristics of the country and the distribution of its settlements, which reflect the different natural and socio-economic characteristics of the various regions and localities.

In a country such as Saudi Arabia, rich with natural resources which make up its economic basis, the government needs to pay attention to establishing its economic structure in a way that will maintain the national resources of the country while maximising their returns for the benefit of local communities. The current gap between relatively high national economic growth rates and the uncorrelated living standards of local citizens indicates a defect in the operation of the economic structure. The cycle of wealth generation and distribution in the country is disconnected from the majority of the people. In consequence, very few of the wealth benefits are shared by the wider population.

The attention to balancing the economic structure is particularly important in this regard, because the availability of natural resources may overshadow the importance of developing all parts of the country effectively. The need is not limited to diversifying sources of income, but also to create an environment of governance that is capable of managing development resources and that should bring about real, balanced development in localities, and not just macroeconomic growth (see section 3-5-2 for discussion about theories of development). Any advantage and authority devolved to regional and local levels should be accompanied by a system of financial accountability. Models of local development should be explored and used even at a time when national wealth is in abundance.

Some of the approaches adopted for spatial development elsewhere may not be appropriate or even applicable in Saudi Arabia. They have generally been inspired by

western models, and will not necessarily fit areas that have unique contextual conditions. The models that enforce structuralist concepts such as stages of development or sector-based theories may even deepen the influence of developed regions, and reinforce the dependency of underdeveloped regions upon them (see section 3-5-2-3). However, we may refer to some models and instruments for achieving the goals of local and regional development that have adopted a poststructuralist approach (see section 4-4-2) as appropriate for Saudi Arabia.

9 - 2 - 2 - 2 Instruments of spatial development

It emerged from discussion with officials from the development agencies at the national, regional and local levels that the shortage of suitable workforce is hindering the implementation of development plans. This must also affect the capacity of localities to be autonomous and take responsibility for development. The current justice system has also been reported, specifically by representatives of the private sector, as hindering the effective contribution to development by entrepreneurs. The ambiguity of the judicial system (discussed in section 7-3-2-3) and the weakness of its instruments are serious constraints, and lead to the use of devious methods by businesses seeking to protect their investment. The ultimate result of this discouraging situation is the detachment of the private sector from any real involvement in development planning and policy making, especially at the local level, as seen in the case of Almajmaah County (see sections 7-2-2-1 and 7-2-4-3). The accumulated burden of failing development planning on the public domain will eventually become heavy for the public sector and severely impede its ability to provide facilitating services (e.g. infrastructure, schools and hospitals) that are relied upon by the private sector. This will adversely affect the performance of these services.

There is also an issue with the lack of measurements and indicators that the controlling public agencies at the centre require in order to assess developments across the country. These agencies hold the authoritative power: they design plans and policies, and expect their implementation by lower tiers of governance and development. The selection of implementation instruments is left to individual agencies, following individual instructions directed to their regional and local branches, to meet their part in development. This scattered approach to structures and funding weakens the effectiveness of spatial councils. The interviewed entrepreneur from the region of Arriyadh provided a case in point (see sections 7-2-2-1 and 8-3-1-2).

This indicates that there is an opportunity to deal with the huge burden affecting the performance of central agencies by devolving the task of choosing implementation instruments to regional and local councils (discussed in sections 7-3-2 and 8-2-4). Central agencies should be able to monitor the performance of sectoral development, and spatial coherence, across the country. This would allow localities to define their priorities and choose the most suitable methods of development, which may produce inspirational values and approaches, reflecting their diverse characteristics and needs. The current, inconsistent condition of national development in Saudi Arabia manifests itself in the incompatibility of current practice with organized structures and their assumed mechanisms.

Development policy should be built to fit the nature of the society to which it will be applied. Accordingly, the mechanism and instruments need to be adapted to the best use of the development potential of local communities, unlike the current practice in local governing bodies as seen in the case of Almajmaah, where development proposals are evaluated according to conventional national criteria (see section 8-3-3). Such adaptation is critical to achieving the national strategic goal of diversifying the economic base of the state, and reducing its dependency on oil. Indeed, it is a challenge to avoid reliance on the abundance of natural resources which do provide direct income, but solely for a national government that has extended its power across the area. The active involvement of local communities in progressing their own development, as well as in the cumulative progress of the state, would contribute to the overall proficiency and collective responsibility of society.

Thorough scrutiny of the circumstances and requirements of local communities in Saudi Arabia is necessary in order for the government to direct the policies and instruments of development to make best use of any underlying opportunities and potential, while also dealing with challenges and any areas of weakness. Such integrative consideration of the dynamics of the society will allow the state to choose the most appropriate approach, and find the most suitable instruments, to make effective progress in maintaining cumulative development. This will allow for close attention to indigenous resources and the advocacy of customised instruments.

Finally, the emphasis of development policies on local communities and their indigenous resources will assist in building upon local opportunities and constraints while avoiding their becoming overwhelmed by macroeconomic factors. After all, there remains a diversity of options for utilising local resources and for building on them to

create integrated networks based on innovative development models promoted locally. The networked pattern of development would benefit from, as well as contribute to, measures of national coherence because of the widened spatial inclusiveness of such approaches.

9 - 2 - 3 Main challenges of regional development planning

The findings presented earlier show clearly the weak attention given to the regional scale of development in Saudi Arabia. This confirms other findings by previous studies (see section 2-4-2) which have all called for promoting active regional planning to achieve better development in Saudi Arabia. Such activation of the role of regional planning involves a comprehensive set of activities that include integrating a clear hierarchical order with the governance structure.

Moreover, the findings of this research show that:

- 1) There is an explicit intention among the high ranking politicians in Saudi Arabia towards balancing spatial development and enabling regions to handle promoting development within their territories. However, the instruments and the structures, currently in place, do not allow such intentions to take place.
- 2) Despite the constitution of the Law of Provinces in place for about two decades ago, central government agencies remain in full control of the decision-making for development projects and determining their approach.
- 3) The Law of Provinces provides a system of hierarchical governance. However, the main conflict exists currently between the various sectoral departments of development more than any scalar conflict.

The "silo mentality" is severely affecting the progress of government departments, as they lack the proper communication and hardly agree on common goals or approaches to work. This mentality among officials in the public domain contributes to preventing greater integration between sectors, and hence leads to ineffective utilisation of resources. The problem appears in the lack of a common ground that brings the various development sectors together for a collective, spatially-based development planning. The ambiguity, and sometimes the complete absence, of the measurements and indicators of the spatial part of development contributes significantly in giving way for personal interpretations of development needs, which may lead to prevailing personal interests over that of the organisation.

9 - 3 Recommendations

9 - 3 - 1 General recommendations

It has become evident from this research that when issues of development have arisen in Saudi Arabia, the government has tended to make individual national policies to meet these immediate issues in an ad-hoc, incremental way. This approach frequently turns out to be both inappropriate and costly, and often results in ineffective, inefficient and isolated outcomes. The challenge of matching internal development needs and external political and economic powers may have been the impetus for the national government to insist on playing the major role in supporting local investment, thus impairing devolution to regions and localities. There is indeed an important role for the national level of governance in guiding spatial development, e.g. to support learning regions, but this still requires enabling the regions to play their part in development planning.

Programming and prioritization are essential if development projects are to be effective. This fact seems to have been ignored in development efforts in Saudi Arabia, where some policies are pursued without an appropriate basis, for example ignoring the strategic role of human resources or governance structures. The failure of some development projects due to their lack of coherence has already widened the gap between the government's budget agency and the other public sectors, and confirmed the need for continual intervention by the MoF in approving funds for all government departments. Therefore, restoring confidence to government agencies along with guaranteeing their budget, which means devolution, may require careful consideration being given to networking among institutions that need to collaborate in planning their quality projects at the right time and place.

More devolved authority needs to be dispersed from the central MoF to each development sector, and then to their regional and local branches. The tasks could be distributed among central government agencies, so that each central department carries out its technical responsibilities for the development projects in their branches, including setting the standards that permit fairness and facilitate monitoring. Regional and local development sectors would, then, have a direct route to these agencies when it comes to proposing and seeking approval for their development projects. In this case, the role of the central MoF would be limited to setting and balancing the overall financial budget without intervening further in tasks such as evaluating the justification and quality, or prioritising development projects proposed by independent public departments.

The task of establishing a real system of devolved governance should be planned to take place gradually, and in a controlled manner in order to maintain the functionality of the new responsible agencies, as well as permitting the coherent functioning of internal and external auditing systems. The devolving agency should also have a clear vision of what is expected from the development sectors at each spatial level, and provide them with measurements to guide their work. The concurrence of supporting capacity within local and regional institutions with devolved authority from central government is vital to allow an effective transfer of power.

The MoEP could coordinate development ideas among development sectors at the national as well as regional level. The provision of information would be a major support that the MoEP could offer, to illuminate the progress in regions and localities. This information could include quality indicators, spatial measurements and any nationally targeted aims for development. To further this purpose consideration could be given to moving the task of spatial planning, including the incorporation of the NSS, from MOMRA to MoEP. Integration of the NSS with the FYDP could be the future model for planning systems in Saudi Arabia.

There is a need to have a transparent and clearly accountable institutional system in which agencies responsible for monitoring performance are independent from those conducting implementation. This is a basic component of any governance system guaranteeing accountability, where a dedicated administrative body monitors the balance of spatial development. There is a need to produce detailed and transparent spatial indicators for development progress in regions and localities simultaneously, to allow for rigorous planning and reflective management. Such indicators should be designed to allow for aspiring forms of development, such as those advocating the knowledge economy, which is a strategic national goal for the country.

There is a need to enhance standards of development management through the collection and coding of indicators reflecting related regulations and the way they are applied. Each of the involved public agencies should have a clear vision of its role and objectives, which needs to be published. This should improve efficiency in their internal operations, as well as their use of public resources. It will also facilitate the integration of the work of the other development agencies.

9 - 3 - 2 Supporting regional development planning and policies

The organization of government sectors that are assigned with developmental tasks would be more effective if restructured to adopt regionally integrated approach for benefit of local areas. This would be a major transformation to the government, which would require clear support by the high ranking politicians and the central level of the government bodies.

The issue of fragmentation in development efforts requires adequate and lasting coordination, between the local governance structure and the overall approach to planning and development instruments in the country. Officials at both local and regional levels reiterated that the existing lack of coordination is a point of conflict for spatial development in Saudi Arabia. This should be resolved in line with the more realistic approach to planning and development policy, to permit the implementation of their outcomes. In this regard, advanced socioeconomic studies are needed in order to better understand the behaviour of local societies confronted with the political realities.

It is recommended that the central development agencies focus on generating a national vision for their work, with broad participation from the public, directly or possibly through officials of sub-national agencies. These agencies could then enforce measurements to apply this vision to any consequent systematic plans. This would allow the central government to better manage development, and follow up goals and strategies through executive plans prepared by localities to ensure that they conform to national values. It would also create the opportunity for localities to contribute effectively to indigenous development, as well as working towards the accomplishment of the overall goals and their own integration with other sub-national units.

Different types of policy are needed to achieve effective regional and local development. These policies may be summarised in three groups. The first group is policies to deal with the current problems of both institutional structures and procedural approaches, to obviate their negative impact. These include dealing with the scattered pattern of settlements, which depletes public resources without instruments utilising their potential to contribute to indigenous development. For example, the partially adopted concept of growth poles in Saudi Arabia lacks the connection facilities and interaction mechanisms to cultivate local development. The fundamental requirement for this deficiency is to provide an effective policy for the provision of infrastructure and basic services to localities.

The second group of policies is those working to correct the inconsistent trajectory of development, which in the main requires a strong spatial system of governance. The strength of regional government lies in the devolution of power from the centre as well as the effective use of that devolved power, thus also empowering the participation of localities. The rearrangement of the institutional system in pursuit of a well-organised spatial hierarchy would provide the backbone for an effective and productive local policy delivery system.

The third group comprises alternative policies to bring efficient and balanced development to localities. This should include more consideration being given to the emerging socioeconomic conditions in urban settlements. Civilization requires more institutionalised systems of coordination, rather than depending so heavily on traditional social procedures. Employment issues are becoming critical everywhere and require a well-established system of training, entrepreneurship and social security.

The implementation of these policies probably does not require inventing new instruments: the likelihood is that the instruments needed to achieve the desired policy objectives already exist in current practice. However, the way they are currently operating in Saudi Arabia is not working. Therefore a new approach is needed. This new approach should seek to understand a given problem and its unique context using relevant theory to inform this understanding. In so doing it is likely that pre-existing instruments may be used more appropriately taking into account the unique situation of each problem.

The various theories adopt different positions in their approach to spatial development, and each conceptual approach may concentrate on some aspect of the causes of lagging development or imbalance. The varying factors may result from different ontological and epistemological perspectives; however, they may well lean towards justifying similar approaches to development. Many theories coincide, albeit with various justifications, advocating policies that substantiate local development. These could include endogenous perspectives of development as conceptualised in Territorial Innovation Models (Moulaert and Sekia, 2003).

They advocate the utilisation of endogenous resources and enabling local production in order to create a flexible base for development from below; this is based on the strength that may be gained from the horizontal interconnection of production factors and production or facilitating agents through cooperation and knowledge exchange. Such a model would satisfy the need for flexibility and responsiveness given the uncertainty

and increasing complexity of surrounding conditions, as well as mitigating the cost and impact of economic or political fluctuations.

The general approach to development that focuses on localities and regions is advocated for both developed and underdeveloped areas, including those seeking to overcome deficiencies in their development processes. On the one hand, this general approach aims to reduce costs while supporting the foundations of economic growth, therefore allowing for maximising the benefits and supporting the validity of production factors. On the other hand, such an approach could minimise the burdens that arise from building new production establishments, or restructuring those that have deteriorated economically. The focus of development on localities will enable the establishment of a network that links the integral components of growth at the lowest possible cost. The building up of such a network should be gradual, to give an opportunity to those localities and regions that otherwise lack the capacity to generate economic growth and development in a highly competitive world.

The government need to work diligently to avoid silo-mentality that negates coordinating development work among sectors at the spatial level. This is critically needed at the regional level where governance structure is well constitutionalised through the Law of Provinces. The enhancement of working behaviour should facilitate the integration of development sectors and allow the intended decentralisation of governance and development tasks, as suggested by the Law of Provinces, to be operationalised. An important factor to eliminate silo-mentality is to facilitate cross-sectors collaboration, and to share information.

Appendix

Appendix 1

Participating Interviewees

May – July, 2008

Title and Name Position and Department	Spatial level
Eng. Mohammed Nagadi Deputy for programs and planning, MOMRA	National
Eng. Abdulrahman Almansour Deputy assistant for municipal affairs, MOMRA	National
Dr. Shwaish Saud Aldwaihi Minister of Housing	National
Dr. Ahmed Habeeb Salah Deputy for economic affairs, MoEP	National
Mr. Khaleel Althabit Budget coordinator for municipal affairs, MoF	National
Dr. Adnan Alshihah Executive Director, Prince Salman centre for local governance	National
Eng. Ali Saleh Alsuhaibani Director of the industrial cities department, MODON	National
Prince Abdulaziz ben Ayyaf Mayor of Arriyadh region	Regional
Mr. Qasim Alqasabi Vice-chairman of the municipal council in Arriyadh City	Regional
Dr. Musaad Almosained Deputy for projects, King Saud University	Regional
Eng. Ahmed Abdullah Altwaijri Deputy Mayor for the counties' municipalities, Arriyadh Mayoralty	Regional
Eng. Ibrahim Alshaye Project Director of the Strategic Plan of Arriyadh Region, ADA	Regional

Title and Name Position and Department	Spatial level
Mr. Saad Ibrahim Almojel Vice chairman, Arriyadh CCI	Regional
Prince Abdurrahman Abdullah Alfaisal Al-Saud Head of Almajmaah County	Local
Eng. Bader Alhamdan President of Almajmaah Municipality	Local
Mr. Sulaiman Aldukhayel Director of Education in Almajmaah, Member of the municipal council and local activist	Local
Mr. Abdullah Ibrahim Aljauan Secretary General, CCI in Almajmaah	Local
Mansour Ahmed Al-Asker Chair of the Municipal Council in Almajmaah	Local
Prof. Faisal Almubarak Expert in strategic planning and development, King Saud University	Independent
Dr. Hasan Qari Expert in planning and policy analysis, King Saud University	Independent
Dr. Abdulaziz Ababtain Expert in Investments Used to be a Team leader of regional and sectors development, SAGIA	Independent

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