

# **First Arab Regional Forum on Innovations in Governance**

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## **Public-Private Collaboration of Government, Civil Society and the Private Sector**

### **Resource Paper: Saudi Arabian General Investment Authority (SAGIA) (Preliminary Findings)**

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#### **What lessons should innovators learn to facilitate public-private collaboration?**

Prior to 2000, Saudi Arabia had failed to attract significant foreign investments in its telecommunications, transportation, and power industries despite having a serviceable infrastructure, a well-regulated banking system, and the largest market in the Gulf. Foreign investors were deterred by incomplete and inaccurate economic data, government labor restrictions, delayed payment of contracts, restrictive visa policies for workers, confusing tax laws, and an extremely conservative cultural environment.

The Saudi Arabian Council of Ministers, intending to liberalize the nation's trade and investment programs, diversify the economy, and join the World Trade Organization, initiated the Saudi Arabian General Investment Authority (SAGIA) in April 2000. The Ministers empowered the SAGIA, under the auspices of the Supreme Economic Council, to license all foreign investment projects and to formulate government policies pertaining to investment activities. SAGIA's functions are multi-faceted: it serves as a facilitator, regulator, and innovator in attracting foreign investment to Saudi Arabia. SAGIA's semi-independent and quasi-governmental status is innovative and unusual; its relative autonomy allows the SAGIA more latitude in developing policy initiatives. Among its reforms, the SAGIA has established a Women's Investment Center and an Investor's Service Center, which provide licenses to foreign companies, support services to investment projects, and detailed information on the investment process. The SAGIA's most significant innovation has been to develop a network of public-private partnership, which integrates private sector interests with public sector operations. In this challenging role, SAGIA has reduced barriers to foreign investment and demonstrated flexibility and efficiency while maintaining transparency and accountability.

#### **What are some suggestions for innovators in public-private collaboration?**

SAGIA faced internal and external obstacles. Internally, SAGIA had to deal with lack of strategic focus, lack of employee integration, budgetary constraints, and shortage of human capital; all of which affected its ability to improve the investment climate. As

internal processes improved, SAGIA had to address the external domestic challenges emanating from its vague and fragmented legal jurisdiction (regulatory authority) that overlapped with those of other governmental agencies. SAGIA faced opposition from government bureaucracies and local and national businesses affected by its trade negotiations and agreements. Another challenge was to improve Saudi Arabia's image among the international business community. Finally, long-standing cultural and historical norms imposed some limitations on SAGIA's ability to empower and integrate women in its staff, as well as in the workforce of national and foreign organizations. SAGIA had to negotiate with and minimize resistance from other governmental agencies and social institutions affected by the changing environment.

Recent reports show that the planned activities produced positive results. The volume of foreign investments and business licenses issued in Saudi Arabia have increased significantly in the last three years, attracting the highest number of investments (in terms of value) in the Arab world. The actual impact on economic development has yet to be calculated. SAGIA may lack the capacity to monitor and assess the impact of businesses newly licensed to operate in the Kingdom. In addition, problems may emerge as local agencies attempt to increase their capacity to provide services for this increase in customers.

With regard to building public-private partnerships that leverage the resources of each affected party to a mutually beneficial result, SAGIA has focused primarily on major government ministries and big businesses at both the domestic and international levels. For instance, the announcement of the development of Economic Zones (EZ), massive industrial cities, took the market by surprise, indicating that planning for the EZ was somewhat limited to a few major parties.

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