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Research Article

THE GENERAL BUDGET IN THE KINGDOM OF SAUDI ARABIA: BETWEEN THE GOVERNANCE REQUIREMENTS AND FINANCIAL SUSTAINABILITY

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Summary: 1. Introduction. – 2. Governance of the General Budget: Principles and Mechanisms. – 3. The General Budget and Financial Sustainability. – 4. Conclusion: Results and Recommendations.

Keywords: governance, public budget, public spending, public revenues, financial sustainability.

ABSTRACT

Background: *The general budget is the essential mechanism for implementing the public policies of the state and thus for achieving sustainable development at all levels, especially economic and*

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social. In view of this importance, the issue of governance is raised as the most effective way to achieve the desired goals.

In this context, the research seeks to highlight the role played by the public budget governance in the Kingdom of Saudi Arabia in reducing the fiscal deficit caused by the instability of financial revenues while controlling the public spending process and searching for non-oil resources.

Methods: *The research relied on the descriptive analytical approach to study the reality of the governance of the public budget management in the Kingdom through the analysis of national and international studies and reports, with the aim of preparing recommendations related to improving the state budgetary management.*

Results and Conclusions: *This article produced results and recommendations that are evident in the fact that the management of the general budget in the Kingdom, although it has witnessed some improvement in the past years, still needs more effectiveness, transparency, and good performance. These are all considered to be the principles of governance in general and the public budget in particular. Therefore, these principles must be applied according to a mechanism consistent with the national legal and institutional specificities, as well as according to a time period that depends on performance indicators.*

1 INTRODUCTION

The priorities of financial policies vary in different countries of the world, in particular, between promoting economic growth on the one hand and achieving social development on the other. Regardless of the priorities adopted by financial decision makers, work must be done to consolidate the governance of managing the general budget by applying its most important principles, as well as benefiting from best practices in this field in order to achieve the desired goal of Vision 2030, which is financial sustainability.

The general budget is an essential mechanism for implementing the general policies of the state and thus for achieving sustainable development at all levels, especially economic and social. This is why the research is of great importance, as it is derived from the Kingdom's Vision 2030,[1] which attaches great importance to governance in the field of public finances. The research seeks to highlight the role played by the governance of the public budget in the Kingdom of Saudi Arabia in reducing the fiscal deficit, supporting the effectiveness of public spending, and strengthening the chances of achieving financial sustainability,[2] by clarifying the principles of governance and its role in achieving optimal implementation of the public budget, while benefiting from pioneering international experiences in this field.

In this context, the research raises a fundamental problem related to the governance of the public budget in the Kingdom of Saudi Arabia by devoting its basic principles and mechanisms with the aim of achieving the stake of financial sustainability in line with the Kingdom's Vision 2030. Therefore, we consider the extent to which the measures and procedures taken by the public authorities enabled it to support the governance of the public

1 Kingdom of Saudi Arabia, 'Vision 2030: An Ambitious Vision for An Ambitious Nation' (*Vision* 2030, January 2016) <https://www.vision2030.gov.sa> accessed 12 February 2023.
The Government of the Kingdom of Saudi Arabia promulgated its 'Vision 2030' plan through Council of Ministers Resolution No 308 of 18/7/1437 AH (25 April 2016). 'Vision 2030' is a strategic framework to reduce Saudi Arabia's dependence on oil, diversify its economy, and develop public service sectors. Key goals include reinforcing economic and investment activities, increasing non-oil international trade. The Council of Ministers has also mandated the Council of Economic and Development Affairs (CEDA) to define and monitor its mechanisms and procedures crucial to implementation.

2 Ibid. We note here that the Financial Sustainability Program came to replace the National Transformation Program that was issued in conjunction with 'Vision 2030'.

budget and achieve financial sustainability.

To answer this question, the research relied on the descriptive analytical approach to study the reality of public budget governance in the Kingdom, with the aim of producing results and preparing recommendations related to improving the management of the public budget and achieving financial sustainability.

Moreover, the research is based on several resources, the most important of which consist of the work of the authors A. Barilari and M. Bouvier on 'The new financial governance of the state' (2002),[3] two other works by M. Bouvier on 'Good governance of public finances in the world' (2009)[4] and 'Which new public financial model for which new State' (2022).[5] Reference is also made to the book by W. Banafa and A. Ali 'Fiscal Policy Between Growth Priorities and Justice Requirements' (2020),[6] which is a field study on the efficiency and effectiveness of systems public fiscal governance in the Kingdom of Saudi Arabia and ways to develop it, and, also, the research of B. Al-Bassam on 'The governance of the public budget in the Kingdom of Saudi Arabia' (2020).[7]

According to the above and in order to answer the main problem, the research will be divided into two axes: the first deals with the governance of the general budget in the Kingdom of Saudi Arabia by devoting its most important principles and supporting its legal and institutional mechanisms, while the second axis analyses ways to achieve financial sustainability.

2 GOVERNANCE OF THE GENERAL BUDGET: WHICH PRINCIPLES AND MECHANISMS FOR WHICH GOVERNANCE?

The Kingdom's Vision 2030[8] has attached great importance to governance in the field of public finances and included it among the principles that must be taken into account by decision-makers. It also considered it a goal that must be achieved in order to reach financial sustainability, for which an entire program bearing its name has been allocated and includes approved strategic options with the aim of rationalising public spending. In order to achieve this goal, the principles of public budget governance must be devoted,[9] and its institutional mechanisms must be activated.

2.1. Consecration of the principles of governance

These are the principles that must be activated to achieve the best levels of governance in the public sector. In this context, emphasis will be placed on the standards directly related to the field of public finance, which have been strengthened since the start of the implementation of Vision 2030. These principles are manifested through effectiveness, transparency, quality, and control.

3 André Barilari and Michel Bouvier, *La Nouvelle Gouvernance Financière de l'Etat* (Systèmes: Finances publiques, LGDJ 2004).

4 Michel Bouvier, *La Bonne Gouvernance des Finances Publiques Dans le Monde* (LGDJ 2009).

5 Michel Bouvier, 'Quel Nouveau Modèle Financier Public Pour Quel Nouvel État?' (2022) 159 (1) Revue Française des Finances Publiques 123.

6 W Banafa and A Ali, *Fiscal Policy between Growth Priorities and Justice Requirements* (Center for Research and Studies; Institute of Public Administration 2020).

7 Bassam Abdullah Al-Bassam, 'The Governance of the Public Budget in the Kingdom of Saudi Arabia' (2020) 17 (2B) Journal University of Sharjah for Humanities and Social Sciences 175.

8 Vision 2030 (n 2).

9 Bassam Abdullah Al-Bassam, *Governance in the Public Sector* (Research Center and Studies at the Institute of Public Administration 2016) 197-206.

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2.1.1. Effectiveness

Effectiveness or good disposal of public money is a general goal that governments seek to achieve and is, at the same time, an indicator for measuring performance in the field of public finance. The level of good disposal of public money is determined by measuring the government's ability to rationalise the disposal of public money by setting a ceiling for public spending in the medium and short term and striving to reduce budget deficit levels, which would enhance financial sovereignty and strengthen the confidence of the international community in financial capacity to the state.

Referring to the data available on the website of government institutions concerned with implementing vision programs in the field of public finances, specifically the financial sustainability program, we can deduce several data confirming the relative success in disposing of public finances, especially in light of the Covid-19 pandemic, which confused the public budgets of most countries. The preliminary statement of the budget for the fiscal year 2022 shows a decline in the deficit rate from 311 billion riyals in 2016, the year in which the vision was issued, to 85 billion riyals in 2021.[10]

The data published on the Vision website and related to the financial sustainability program also show that the discrepancy between budget estimates and the total actual performance of expenditures went from 16% in the period between 2014 and 2016 to an average of 4% during the period between 2017 and 2019.[11]

2.1.2. Transparency

Transparency requires informing citizens of the content of financial decisions, the reasons that prompted the authorities to issue them, and the goals they seek to achieve. It also requires defining the structures and agencies responsible for formulating and implementing public policies accurately so that it is easier for the concerned authorities in the state to determine responsibilities. Transparency also requires the publication of data showing the level of progress in implementing its policy.[12]

Transparency places an obligation on the shoulders of financial decision-makers to provide the legal framework that achieves access to information, and it also requires the provision of open databases that allow citizens to familiarise themselves with financial information related to the public budget before its preparation and during its implementation while highlighting all the risks and variables that would push the public authorities to adjust its financial policy.[13] In the same direction, transparency requires the commitment of public authorities concerned with financial affairs to improve the readability and understanding of the budget law by citizens in order to support their legal financial culture.

During the first six years of implementing Vision 2030, the Saudi government worked to support its transparency indicator, as shown through several data. The Ministry of Finance

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10 Ministry of Finance of the Kingdom of Saudi Arabia, 'Pre-Budget Statement for Fiscal Year 2022' (*Ministry of Finance*, 2022) <https://www.mof.gov.om/pdf/Pre-Budget%20Statement%20for%20Fiscal%20Year%202022.pdf> accessed 12 February 2023.

11 Kingdom of Saudi Arabia, 'Vision 2030: Achievements 2016–2020' (*Vision* 2030, 2021) <https://www.vision2030.gov.sa/v2030/achievements> accessed 12 February 2023.

12 International Monetary Fund, 'Annual Report 2016' (*International Monetary Fund*, 26 September 2016) <https://www.imf.org/external/pubs/ft/ar/2016/eng/fin-budget-income.htm#transparency> accessed 12 February 2023.

13 Michel Bouvier, *La Transparence des Finances Publiques: Vers un Nouveau Modèle: Actes du 6e colloque international de Rabat* (LGDJ 2013).

issues quarterly reports on the performance of the general budget and publishes the preliminary statement of the budget[14] before it is approved on its website. It also prepares and publishes a simplified version of the general budget for citizens. More broadly, the government provides reports on the level of progress in achieving Vision 2030 on its Vision 2030 website.[15] The National Center for Debt Management publishes on its website the annual borrowing plan, which includes guidelines for public financing. Its website also includes data related to the percentage of public debt in GDP and statistical reports that determine the development of indebtedness over the years and the percentage of borrowing from local financial institutions and from international financial institutions. These data are of paramount importance, as they affect the second criterion of governance represented in the indicator of good disposal of public funds.

2.1.3. Quality

The principle of quality is one of the important principles for achieving governance in general. However, the quality of legislation is of particular importance, specifically at the level of formulation and implementation in order to achieve governance in the field of public finances, and it requires the availability of a legal system that enables controlling the legal framework related to making decisions with a financial dimension and their proper implementation.

Here, this framework can be explored in a set of regulations in the Kingdom, such as the Basic Law of Governance, the Council of Ministers Law, and the Shura (legislative authority) Council Law, which stipulates that the budget be included in the form of a Law, after its approval by the Council of Ministers[16] and stipulated that no amendments be made to it in the revenue section, except by royal decree.[17] In addition, the Basic Law of Governance subjected the process of implementing the budget to subsequent control.[18]

This control system has been improved through the issuance of a set of regulations to rationalise spending and limit financial corruption, the most important of which is the government competition and procurement system (Arts. 83-87 Royal Decree No. M/128 dated 13/11/1440 AH).[19] In sum, it can be said that despite the development of rationing in the field of public finance, the latter needs further development and improvement.[20]

14 See, for example, the preliminary statement of the general budget for the year 2023. Ministry of Finance of the Kingdom of Saudi Arabia, 'Pre-Budget Statement for Fiscal Year 2023' (*Ministry of Finance*, 2023) <https://www.mof.gov.om/pdf/2023/Pre-Budget%20Statement%20for%20Fiscal%20year%202023.pdf> accessed 12 February 2023.

15 See the details of Vision 2030 (n 2).

16 Art. 26 of the Council of Ministers Law in the Kingdom of Saudi Arabia stipulates that the Council of Ministers 'studies the state budget and votes on it chapter by chapter and issued by Royal Decree'. See, Kingdom of Saudi Arabia, Royal Decree No A/13 'Law of the Council of Ministers' of 3/3/1414 AH (20 August 1993) <https://www.saudiembassy.net/law-council-ministers> accessed 12 February 2023.

17 Ibid, Art. 27: 'Any supplement to the budget shall only be made by Royal Decree'.

18 Art. 79 of the Basic Law of Governance states: 'All state revenues and expenditures are subsequently monitored, and all movable and immovable state funds are monitored, and the proper use and preservation of these funds is ensured, and an annual report is submitted to the Prime Minister'. See, Kingdom of Saudi Arabia, Royal Decree No A/90 'Basic Law of Governance' of 27/08/1412 AH (1 March 1992) <https://www.saudiembassy.net/basic-law-governance> accessed 12 February 2023.

19 Kingdom of Saudi Arabia, Royal Decree No M/128 'Government Tenders and Procurement Law' of 13/11/1440 AH (16 July 2019) <https://laws.boe.gov.sa/Files/Download/?attId=62b99145-7a14-408f-a70f-adbb0123ee0f> accessed 12 February 2023.

20 Among the countries that have made significant strides in the process of legal codification, we refer to the countries of the European Union (Orsoni 2007) and the countries of the Maghreb, such as Morocco, which issued in 2015 the Organizational Law related to the Budget Law No 130-13 dated 2-6-2015.

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2.1.4. Control

Control of the general budget oscillates between *a priori* control, accompanying control, and a *posteriori* control. The latter, considered the most important type of control because it occurs after the actual execution of the budget, has been dispersed between administrative and judicial bodies, which could weaken its impact.

Officials are working to correct these shortcomings, thanks to the rapid acceleration of general law-making in recent years and the shift towards the framing of financial transactions by modern legal systems based on international best practices. We consider that the Kingdom of Saudi Arabia has been relatively successful in strengthening the principles of public finance by enshrining the principles of good governance but also its institutional mechanisms. This enabled it to strengthen the financial resources of the general state budget.

2.2 Activate the institutional-structural mechanisms

The Kingdom of Saudi Arabia has developed a time plan to achieve its current ten-year vision, the principle of gradual implementation, as we can distinguish between the stage of establishment of the foundations of the vision and the stage of progress in completion.

In the first one, the stage of establishing the pillars of the vision, the Council of Economic and Development Affairs,[21] in conjunction with the Kingdom's vision, issued a document entitled 'The Governance Framework for Achieving the Kingdom of Saudi Arabia's Vision 2030'. This document included a specification of government agencies involved in defining policies and setting programs and arrangements necessary to achieve the Kingdom's vision. It also identified the administrative agencies directly responsible for implementing them.[22]

Referring to this document, we conclude that the vision distinguished between the agencies charged with drawing the central financial directions of the vision and the agencies entrusted with the implementation of the programs emanating from it. The legally competent structures for drawing general directions for public finance are represented in the Council of Economic Affairs and Development, and the Finance Committee, which is concerned with determining the budget allocated to the executive programs of the Kingdom's vision, in line with the need to rationalise public money spending and improve governance mechanisms. According to the document on the governance framework for realising the Kingdom's Vision 2030, the Finance Committee is responsible for developing and updating mechanisms for approving programs and initiatives, including developing a framework for medium-term expenditures. The committee is also responsible for preparing and updating detailed mechanisms through which financial requirements for programs and initiatives are approved. This includes studying financial requirements programs and initiatives, planning their cash flows and reporting on them. Several agencies also intervene to implement policies, the most important of which are the Ministry of Finance, the Ministry of Economy and Planning, and The National Center for Performance Management.

In light of the outputs of this foundational phase, the Kingdom of Saudi Arabia passed into the stage of implementing the requirements vision in the field of public finance. It issued the 'Financial Sustainability' program, which included the development of three public structures directly involved in the field of finance. It is represented by the Authority for the

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21 For reference, this council is organisationally linked to the Saudi Council of Ministers (Royal Decree No A/70 of 9/3/1436 AH (31 December 2014)).

22 Economic and Development Affairs Council, 'Governance Framework to Achieve "the Kingdom of Saudi Arabia Vision 2030"' (*Saudi Press Agency*, 2 June 2016) <https://www.spa.gov.sa/viewstory.php?lang=en&newsid=1507091> accessed 12 February 2023.

Efficiency of Spending and Government Projects, the National Center for Debt Management, and the Non-oil Revenue Development Center.[23] These bodies created within the framework of achieving the financial sustainability program enjoy legal personality and financial independence and carry out a set of tasks that all seek to achieve public financial governance.

More precisely, the Authority for Spending Efficiency and Government Projects is working to develop the financial planning process for government agencies in the medium term and to contribute to rationalising the disposal of budgets allocated to them by helping them not to exceed the spending ceiling set for them. The National Center for Debt Management is concerned with developing a policy for public debt, which ensures that the Kingdom secures its financing needs at the best possible costs in the short term and is keen to improve the Kingdom's credit rating with international rating agencies. As for the Non-oil Revenue Development Center, it is working on developing programs that seek to diversify the state's financial revenues, with the aim of disentangling the close link between the state budget and revenues from oil.

3 THE GENERAL BUDGET AND THE STAKE OF FINANCIAL SUSTAINABILITY

The public authorities within the Kingdom of Saudi Arabia considered the close delinking of the State budget between oil resources and the State's general revenues as a strategic goal included in Vision 2030, and government agencies worked to achieve it within the framework of the financial balance program that it adopted in 2016 and then replaced it with the financial sustainability program. And while the Kingdom has worked in this context to modernise and develop the tax system since 2017 through the introduction of new taxes, its efforts continued throughout the years that followed the issuance of the vision, and the financial repercussions of the Corona pandemic constituted an additional factor for reviewing the tax system with the aim of raising its efficiency and better governance. In addition, the public authorities in the Kingdom have adopted additional programs aimed at searching for other funds.

3.1 Continuous review of the tax system

Since the beginning of 2017, the Kingdom of Saudi Arabia has modernised its tax system by introducing new types of indirect taxes and applying what is known as 'immigrant fees' and fees on idle lands. These revenues have contributed to strengthening the solidity of public finances in the years between 2017 and 2020. However, the financial repercussions of the Covid-19 pandemic that appeared in mid-2020 led to a further review of the tax system in order to make it more consistent and contribute in a better way to achieving the financial sustainability of the Kingdom.

In this context, the tax system has gradually witnessed several transformations in order to achieve Vision 2030 in the period between 2017 and 2019. The Kingdom has known remarkable interest in taxes on consumption, as it considered these an important tool for financing the budget and implementing investment projects. What is meant by taxes

23 Kingdom of Saudi Arabia, 'Fiscal Sustainability Program' (*Vision 2030*, 2016) <https://www.vision2030.gov.sa/v2030/vrps/fsp> accessed 12 February 2023.
The National Debt Management Center was established in 1441 AH (Resolution of the Council of Ministers No 139 of 16/2/1441 AH (15 October 2019)), and the Government Expenditure and Projects Authority was established in late 1442 AH (Resolution of the Council of Ministers No 389 of 11/7/1442 AH (23 February 2021)), while the Non-Oil Revenue Development Center was established for the year 1439 AH (Decision of the Council of Ministers of 19/10/1439 AH (03 July 2018)).

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on consumption are the taxes that make consumption the event that creates them, so the taxpayer is subject to them when purchasing the product or when using the service. Value-added tax[24] and selective tax[25] are among their applications. In addition to these taxes, the Saudi public authorities introduced taxes on idle lands.[26] The value-added tax was applied during this period at a rate of 5%, while the tax on selective goods ranged between 50% and 200% of the price of the products subject to it, mainly sweetened drinks, energy drinks, and tobacco products. As for the taxes imposed on idle lands, they are collected annually at a rate of 2.5% on idle lands owned by one or more persons who have a natural or legal capacity from the value of the land.[27] In the same period, the tax was charged to working residents according to an upward scale determined according to the number of family members and the length of residence.[28]

In parallel with these new taxes, amendments have been made to the income tax system regarding residents who earn income from practicing in economic activity other than salaries and wages and every person working, for example, in the field of investing in natural gas or in the field of oil production.[29] The most important amendments relate to the widening of the scope of the application of income tax by subjecting it to shares held directly or indirectly by persons working in the production of oil and fuel, as well as taxable workers in the field of investment and transportation of natural gas, whether they are citizens or residents.

These tax amendments led to an improvement in the financial return of the state and its contribution to changing fiscal policy on the horizon of achieving the Kingdom's Vision 2030. In this context, taxes enabled, on the one hand, the financing of the state's general budget within the limits of 220.1 billion riyals in 2019 after it was in 2017 in around 87 billion riyals.[30] In doing so, it contributed to disentangling the close link between oil resources and the state budget.

Furthermore, the legislative interest in taxes has translated into a change in the fiscal policy of the state, as the tax system, which was characterised by its relative modesty compared to Western countries and most Arab countries, which witnessed the application of taxes on consumption several decades ago, today the tax system in the Kingdom is close in its characteristics to that of comparative tax systems.[31]

While the financial motive constituted the main incentive to enrich the tax system in the implementation of Vision 2030, we cannot deny that the amendments included in it enable the achievement of two additional objectives that confirm its importance in changing the features of the national economy and achieving sustainable development. On the one hand, the excise tax achieves a healthy goal through the high rate it imposes on products harmful to public health, and in this way, it expresses the social function of the tax and the role it may play in changing unhealthy habits in society. On the other hand, the amendments made to the tax system, especially those related to the consumption tax, reflect the Kingdom of Saudi Arabia's endeavour to join the international trends in the field of taxation, which are based

24 This tax was established pursuant to Royal Decree No M/113 of 2/11/1438 AH (25 July 2017).
25 It was established by Royal Decree No M/86 of 27/8/1438 AH (23 May 2017).
26 This tax was established by Royal Decree No M/4 of 12/2/1437 AH (24 November 2015).
27 Art. 3 of the Idle Land Law issued by Royal Decree of 12/2/1438 AH (12 November 2016).
28 Council of Ministers Resolution No 197 of 23 Rabi al-Awwal 1438 AH (23 December 2016).
29 Art. 2 of the Income Tax Law issued by Royal Decree No M/1 of 15/1/1425 AH (6 March 2004).
30 Saudi Arabian Monetary Authority, 'Financial Stability Report 2020' (*Saudi Central Bank*, 29 May 2020) <https://www.sama.gov.sa/en-US/EconomicReports/Financial%20Stability%20Report/FSR_EN_V8_U.pdf> accessed 12 February 2023.
31 E.g., the issuance of several legal texts regulating various taxes, such as the Law of Value Added Tax and the Income Tax Law.

on strengthening the principle of tax neutrality and working to strip it of incentives that may harm the competitiveness between countries in attracting foreign investment. In this regard, it can be said that the tax decisions taken in the implementation of Vision 2030 express the fusion of the Saudi government in these modern trends of public finance at the international level, as it was able to bring the tax system applicable to goods and services in the Kingdom closer to the tax systems to which these products are subject in other countries.[32]

Efforts continued in the Kingdom during the period between 2020 and 2021 to bring the tax system closer to the comparative tax systems, despite the fact that these years were marked by the effects of the Covid-19 pandemic on public finances, which necessitated the allocation of huge funds to confront them in most countries. In this context, the pandemic in the Kingdom of Saudi Arabia constituted a motive for the further development of the tax system, as the Kingdom has included three basic amendments represented in raising the value-added tax rate from 5% to 15% and adopting a tax on real estate disposals at a rate of 5% of the sale price. All these amendments aim at increasing tax resources and reducing tax evasion in the field of value-added tax, and achieving the requirements of tax justice. The list of taxes on idle lands has been amended, and the resources derived from them are used to finance housing programs. Amending the regulations aims to gradually expand the field of application of these taxes, with the goal of raising their financial returns and enabling them to achieve the social objective that justifies their establishment. In general, all the amendments included in the tax system contributed to improving the profitability of taxes in the general budget.

3.2 Find additional financial resources

In order to enhance the solidity of public finances, the Saudi government seeks to search for new financial tributaries added to tax revenues and, in turn, contributes to the development of the profitability of non-oil resources in the State budget in order to implement Vision 2030. The privatisation program adopted by the Kingdom and the program to stimulate governmental services to take initiatives aimed at developing their investment capabilities is included in this framework.[33]

Privatisation means a partnership between the public and private sectors or the transfer of ownership of assets.[34] Based on this legal definition,[35] we conclude that the Saudi regulator adopted a broad concept of privatisation, in which it combined two different legal mechanisms at the level of the results arising from them, in addition to contracts for the transfer of ownership of assets that are considered in its traditional form, privatisation includes public-private partnership contracts.

The first type of contract results in the forfeiture of public ownership of public services that were managed directly by the state, which means that they are removed from the financial responsibility of the state. As for the partnership contracts between the public sector and the private sector, they do not lead to the state's complete liberation from the management of

32 In this regard, we point out that the new tax policy came as a result of coordination between the countries of the Gulf Cooperation Council, which resulted in the signing of the Unified Value Added Tax Agreement ratified by the Kingdom under Royal Decree No M/51 of 3/5/1438 AH (31 January 2017).

33 Kingdom of Saudi Arabia, 'Financial Sector Development Program' (*Vision* 2030, 2016) <https://www.vision2030.gov.sa/v2030/vrps/fsdp> accessed 12 February 2023; Kingdom of Saudi Arabia, 'Privatization Program' (Vision 2030, 2016) <https://www.ncp.gov.sa/en/Pages/Privatization_Program_ppp.aspx> accessed 12 February 2023.

34 The Privatization Law issued by Royal Decree No M/63 of 5/8/1442 AH (18 March 2021).

35 Ibid, Art. 2.

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public services. The state participates with the contracting company in financing the project and has the authority to monitor and supervise its implementation.

Privatisation is one of the public policies that have been adopted a lot in the last twenty years, whether in developed countries or in countries that are in the process of developing.[36] In this context, the Kingdom of Saudi Arabia has been involved in the policy of privatisation since the Council of Ministers issued a set of decisions that regulate its legal framework.[37] Then the privatisation system issued in 2021 came to abolish and replace it[38] and thus represents the main reference for the implementation of the privatisation program that was launched in 2018, in implementation of Vision 2030; While the National Center for Privatization[39] represents the structural apparatus for it and is charged with its implementation.

The privatisation program is one of the legal tools for financing public finances in the Kingdom of Saudi Arabia. It can provide financial funds for the state, either through reducing spending on public services in the form of a partnership between the public sector and the private sector or by transferring ownership of assets by transferring them to the private sector. In addition to its role in controlling public spending, privatisation aims to enhance the participation of the private sector in providing quality services to its beneficiaries while promoting governance values based on financial efficiency.[40]

It remains to be noted that the implementation of privatisation programs poses great challenges to the responsible authorities represented by the National Center for Privatization and the Ministry of Finance, as they represent the two bodies directly responsible for developing and implementing the necessary plans to implement the privatisation program in accordance with the requirements of financial sustainability, and at the same time without prejudice to the right to access and use public services.

In addition, the Non-oil Revenue Development Center[41] faces the same challenge, as it represents the institution responsible for developing a strategic plan to support investment initiatives for the public sector and follow up on their implementation. On the other hand, the Non-oil Revenue Development Center is one of the organisational structures for implementing the financial sustainability program in its aspect related to enhancing the investment capacity of government agencies. It works to transform these entities from mere administrative entities that provide public services to the public, whose financial burdens the state bears, within the operating expenses in the general budget, to an investment entity that values the expertise of its human cadres and employs its technical capabilities to offer services in return for the public or to conclude contracts with the private sector. Consequently, these entities become one of the engines of economic development.

The initiatives offered by government services to develop their financial revenues require approval of the Non-oil Revenue Development Center, where the latter studies the feasibility of the initiative according to criteria it has set, which are mainly represented in the expected

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36 Organization for Economic Co-operation and Development, 'Annual Report 2009' (*OECD iLibrary*, 31 August 2009) <https://doi.org/10.1787/annrep-2009-en https://www.oecd.org/newsroom/43125523.pdf> accessed 12 February 2023.

37 Council of Ministers Resolution No 60 of 1/4/1418 AH (6 August 1997), Council of Ministers Resolution No 257 of 11/11/1421 AH (5 February 2001) and Council of Ministers Resolution No 219 of 6/9/1423 AH (11 November 2002).

38 Art. 2 of Council of Ministers Resolution No 436 of 3/8/1442 AH (16 March 2021).

39 Council of Ministers Resolution No 355 of 7/6/1438 AH (6 March 2017).

40 Frank Sader, *Privatization Public Enterprises and Foreign Investment in Developing Countries* (Occasional Paper (Foreign Investment Advisory Service), World Bank 1995).

41 We note here that the Oil Revenue Development Center was established on 3 July 2018, after converting the non-oil revenue development unit into a specialised centre.

financial impact of the initiative in the form of its implementation and its effects on economic indicators and the extent to which its objectives are linked to the goals of Vision 2030. The centre also follows up on the implementation of the initiative and makes sure of its achievement of specific objectives when proposed.

The initiatives offered by government services to develop their non-oil revenues fall within the framework of a comprehensive strategy aimed at stimulating public investment, which is defined as a set of financial interventions for the state to support investment and increase wealth. Thus, it supports the efforts of the private sector in raising the GDP indicators.

It is noted that public investment faces major challenges due to the accumulation of economic crises that the world is experiencing in this century, as it is considered one of the solutions to enhance the ability of public finances to deal with the various pressures it bears. Therefore, states are keen to devise new tools aimed at stimulating public investment and expanding their forms of intervention. In this section, the initiatives presented by government services in the Kingdom to develop their revenues in the implementation of Vision 2030 are mentioned as leading to diversifying the sources of financing their budget and helping them to achieve financial sustainability in the medium term.

4 CONCLUSION: RESULTS AND RECOMMENDATIONS

In conclusion, and in view of the above, the Kingdom of Saudi Arabia has experienced significant legal momentum in the area of public finance in the past seven years since the publication of Vision 2030, and public authorities have also made a considerable effort to issue legal regulations and formulate programs and decisions with a financial dimension, with the aim of achieving the objectives of the said vision, which consists more particularly of financial sustainability.

However, it should be emphasised that despite the efforts made in this area to ensure good governance of the general budget and therefore achieve the above-mentioned objective (financial sustainability), this requires even more effectiveness and efficiency in the management of the state budget. The achievement of this objective could not be real at the expense of the consecration of the principles and institutional mechanisms of governance. Moreover, this must be done in a manner consistent with the legal and regulatory environment prevailing in the Kingdom and according to a timetable based on clearer performance indicators.

Accordingly, we will present the following results and recommendations of this research. With the aim of achieving financial sustainability in the medium term, the financial sustainability program has been approved by the government of the Kingdom, in accordance with Vision 2030, through which it is intended to govern the general budget by carrying out a set of financial reforms in order to activate the principles of transparency and effectiveness (controlling public spending), control, and good performance.

1. Strengthening financial resources through two important measures: the first is the introduction of new taxes (2017-2019), the most important of which are the value-added tax and the selective tax, while the second relates to improving the tax system (years 2020 and 2021) by increasing its financial return and working to achieve tax justice by amending the value-added tax system and issuing a system for real estate disposal tax.
2. Strengthening the resilience of public finances by strengthening non-oil resources in the public budget to meet the fiscal deficit resulting from the instability of oil prices.

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3. Supporting the privatisation policy to increase financial resources and enhance the role of the private sector in providing services, which improves its quality and contributes to reducing its cost.
4. The increase in non-oil resources in the general budget after the aforementioned reforms were implemented, as these resources amounted to 930 billion riyals in 2021, after they were in the range of 369 billion riyals in 2020, an increased rate estimated at more than 39% (Statement of the general budget for the year 2022).

Despite the importance of the reforms applied in the Kingdom to public finances for the governance of the public budget, it is important to continue the reform path by expanding the rationing process, as it seems necessary to complete the requirements of governance, further improving the quality of legislation through the adoption of an integrated legal system that frames all aspects the legal framework related to the preparation and implementation of the general budget, similar to the Basic Law of the budget in force in developed countries. While the fiscal motive of fiscal consolidation has prompted the government to expand the tax system, the requirements of tax justice (e.g., reasonable tax rates) deserve greater consideration in implementing these reform programs.

Increasing the rate of satisfaction *vis-à-vis* taxation requires strengthening communication efforts and raising taxpayers' awareness of the importance of taxation in achieving sustainable development. In this respect, sensitisation programs can be adopted that strengthen the tax culture, the clarification of the direct link between the tax revenues collected from the taxpayers, and the development projects carried out.

The application of the privatisation program requires high efficiency, taking into account the legal principles that govern the public service theory when choosing the approved type of contract for the implementation of the project. It also requires the adoption of an effective plan in which priority is accorded to the method of partnership between the public sector and the private sector in the implementation of projects so that the transfer of assets is not resorted to except in cases where the project does not provide basic utility services to the public.

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