

**FOR  
AGENDA**

SM/08/210  
Supplement 1

July 1, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Saudi Arabia—Staff Report for the 2008 Article IV Consultation—  
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV consultation with Saudi Arabia (SM/08/210, 7/1/08), which is tentatively scheduled for discussion on **Monday, July 21, 2008**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Saudi Arabia indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Enders (ext. 38198) and Mr. Williams (ext. 38632) in MCD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, July 10, 2008.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being distributed in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

SAUDI ARABIA

**2008 Article IV Consultation**

**Informational Annex**

Prepared by the Middle East and Central Asia Department

July 1, 2008

Contents	Page
I. Fund Relations .....	2
II. Relations with the World Bank Group .....	4
III. Statistical Issues .....	5

**I. SAUDI ARABIA—FUND RELATIONS**  
(As of May 31, 2007)

**I. Membership Status:** Joined August 26, 1957; Article VIII.

<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>Percent Quota</b>
Quota	6,985.50	100.00
Fund holdings of currency	6,469.79	92.62
Reserve position in Fund	515.72	7.38
<b>III. SDR Department:</b>	<b>SDR Million</b>	<b>Percent Allocation</b>
Net cumulative allocation	195.53	100.00
Holdings	466.92	238.80
<b>IV. Outstanding Purchases and Loans:</b>	None	
<b>V. Latest Financial Arrangements:</b>	None	

**VI. Lending to the Fund and Grants:**

Saudi Arabia has consented to the Fund's fourth amendment. It has an associated lending agreement for an amount up to SDR 1.5 billion with the General Arrangements to Borrow (GAB), which was renewed for another five-year period from December 26, 2003. It is also a participant in the New Arrangement to Borrow (NAB) for an amount up to SDR 1.76 billion. In March 2001, Saudi Arabia agreed to support the PRGF-HIPC Trust with investments totaling SDR 94.4 million, which as of end-May 2006, were received as scheduled. Since 1989, Saudi Arabia disbursed SDR 49.5 million in PRGF loans under the Associated Agreement with the PRGF Trust. This loan had been fully drawn and repaid as of end-May 2006. Saudi Arabia has committed about SDR 2.6 million in grant associated with the IMF's Subsidization of Emergency Assistance for Natural Disasters. In April 2006, Saudi Arabia agreed to contribute SDR 40 million in end-2005 NPV terms in subsidy resources to support the Exogenous Shocks Facility.

**VII. Exchange Rate Arrangement**

Saudi Arabia maintains an exchange rate system free of restrictions on the making of payments and transfers for current international transactions. The Saudi Arabian riyal was formally pegged to the U.S. dollar, effective January 2003, as part of GCC preparations towards adopting a common currency in 2010. Prior to that, it was officially pegged to the SDR at the rate of SRls 4.28255=SDR 1, with margins of 7.25 percent even though in practice it has been pegged to the U.S. dollar since 1986, with a middle rate of SRls 3.7450=\$1. Saudi Arabia maintains security-related exchange restrictions pursuant to

UN Security Council resolutions 1267 and 1373. These security-related restrictions should be notified to the Fund pursuant to Decision No.144-(52/51).

#### **VIII. Last Article IV Consultation:**

Saudi Arabia is on the standard 12-month consultation cycle. The last Article IV consultation was held during April 30–May 20, 2007 in Riyadh. The staff report (SM/07/306) was considered by the Executive Board on September 17, 2007.

#### **IX. Technical Assistance:**

STA: Balance of payments statistics, May 7–11, 2005.  
 Monetary and Financial Statistics, November 19–23, 2005.  
 GDDS Meta Data Development January 26–February 6, 2008.

MFD: Needs assessment staff visit, May 2005.

FAD: Options for Indirect Taxation, February 25–March 11, 2006.  
 Public Financial Management and Statistics, jointly with STA, September 16–30, 2006.  
 Tax administration, November 6–19, 2006.  
 Enhancing Budget Process Reforms January 22–February 2, 2008.

#### **X. FSAP:**

Pre-FSAP mission, January 18–20, 2003.  
 The main FSAP mission took place in January 2004.  
 The FSSA was published on June 5, 2006  
 (<http://www.imf.org/external/pubs/ft/scr/2006/cr06199.pdf>)

#### **XI. Resident Representative:**

No resident representative is stationed in Saudi Arabia.

## II. SAUDI ARABIA—RELATIONS WITH THE WORLD BANK

The Technical Cooperation Program (TCP) has been providing policy advice, capacity building, and implementation support to development efforts in Saudi Arabia, on a fee basis, since 1975. The authorities have recently agreed to extend the relationship from an annual program to a longer horizon partnership to enhance the effectiveness of Bank support and to allow more focus on results.

Strategically, the TCP has recently moved away from fulfilling ad-hoc requests towards supporting development and implementation of sector policies and delivering core diagnostic reports in line with World Bank main areas of competence. The aim is to assist Saudi Arabia in better addressing its development challenges of generating productive jobs and housing for a fast growing population, modernizing education to meet labor market demands especially in the private sector, advancing and strengthening the financial sector to offer better instruments for savings, capital mobilization, leverage and intermediation, and of managing scarce resources, especially water in an increasingly fragile environment.

The World Bank continues to support ongoing efforts to: (a) improve the investment climate and enhance private sector participation in economic activity; (b) further develop the institutional capacity to update the regulatory framework governing the infrastructure sectors (electricity, telecoms, water, transport); (c) implement and manage PPP transactions for better delivery of basic services; (d) encourage SME finance and development; and (e) help improve public sector resource management.

Over the past year, agreement was reached to support important governance issues including support to national procurement systems, corporate governance, and management of electricity tariffs. The Bank expects to be asked to deliver more core diagnostic reports such as sector Public Expenditure Reviews, ROSC, and CFAA. Discussions on labor markets, education, health insurance, and housing which will add a critical human development facet to the TCP. Ongoing Bank support to the institution and capacity building of the newly established Saudi Food and Drugs Authority is a global public good that will be of significant benefit to many countries in the region and beyond.

To enhance Bank Group support to Saudi and MENA regional private sector development efforts, an IFC Representative Office co-located with the World Bank Office was established in Riyadh in 2007. IFC supports selective investments in Saudi Arabia to advance financial intermediation in housing and SME finance, and supports development of investment and corporate governance advisory services. Promoting south-south investments from the Kingdom has been off to a very good start.

### III. SAUDI ARABIA—STATISTICAL ISSUES

a. Economic and financial data provided to the Fund are broadly adequate for surveillance purposes, but quality and coverage need to be improved. Saudi Arabia began participating in the Fund's General Data Dissemination System (GDDS) on March 4, 2008 and comprehensive information on statistical production and dissemination practices appears on the IMF's Dissemination Standards Bulletin Board.

#### **Real sector statistics**

b. The Central Department of Statistics (CDS) compiles and publishes national accounts data following the guidelines of the *SNA93*. Annual estimates of GDP are calculated from both the production and expenditure approaches, at current and constant prices (with 1999 as base year). The statistical discrepancy between the estimates by type of activity and category of expenditure is included in the estimate of changes in stocks.

c. The concepts and definitions of the consumer price index follow the guidelines of the *CPI Manual* of the International Labor Organization. The expenditure weights for the index are derived from the *Household Expenditure and Income Survey* (HEIS) conducted in 1999, which covered 12,000 households. The prices are collected from 16 cities (13 regional capitals and additional 3 large cities) for 406 items obtained from the HEIS. Prices are collected from over 18,000 outlets representing a cross-section of establishments in each of the cities selected from the special survey of retail establishments conducted in 2001. CPI is monthly, with timeliness of 15 days. The CDS compiles also a wholesale price index.

d. Coordination between the CDS, Saudi Arabian Monetary Agency (SAMA) and the Ministry of Finance (MOF) is well-established. The CDS collects data on imports and exports of merchandise, which are directly entered into an on-line database shared with SAMA. There are also weekly coordination meetings between the CDS and SAMA's Research Department to settle outstanding data issues. With regard to the Ministry of Finance, the CDS receives data from the ministry on a regular basis and reclassifies them according to the SNA methodology, which differs from the aggregation used by the ministry for budgetary control purposes. In contrast, there is insufficient coordination between the CDS and the Ministry of Petroleum, except through the formal quarterly setting of the Data Committee which includes the CDS, Budget's Final Accounts specialists, SAMA, and the Petroleum Ministry. Typically, oil and gas data are received by the CDS after a long lag following the end of the reference period.

#### **Government finance statistics**

e. During the consultation missions, the authorities have provided detailed information on the financial operations of the central government, including data on amortization payments and financing (broken down between bank and nonbank sources) and the gross domestic debt stock, by holders. In addition, statistical information is provided on the Saudi Fund for Development and some data on the Public Investment Fund (PIF), as well as on

four other lending institutions (Saudi Agricultural Bank, Saudi Credit Bank, Saudi Industrial Development Fund, and Real Estate Development Fund).

f. The authorities have been working to address weaknesses in the fiscal data. As a first step, expenditure on wages and salaries were reclassified in line with the *SNA93* methodology. However, progress has been insufficient in compiling and reporting fiscal data in line with the *Government Finance Statistics Manual 2001 (GFSM 2001)* or in reporting data for either the *GFS Yearbook* or the *IFS*. The MOF is planning on using *GFSM 2001* definitions to report fiscal data. The September 2006 FAD/STA joint mission found that this would require a stronger legal framework to support the budget process, the adoption of a treasury single account and significant training and technical assistance to initiate a set of mappings of the budget classification to those of the *GFSM 2001*. The authorities endorsed the mission's recommendations and expressed an interest in reviewing the legal framework for the budget process and for the compilation of statistics. However, implementation is pending.

### **Monetary and financial statistics**

g. Most monetary and financial data are readily available in SAMA's *Monthly Statistical Bulletin*, published with a lag of about one month and available since March 2000 on the SAMA website. In particular, commercial bank data are adequate and provided on a regular basis. Information on deposit interest rates is published on a daily basis in the national press, but interest rates on government securities are not disseminated. Monetary data for SAMA are provided to the Fund on a monthly basis. More disaggregated data on SAMA's liabilities are only provided during consultation missions.

h. In November 2005, an STA monetary and financial statistics mission assisted the authorities in adopting the standardized report forms (SRF) for reporting monetary data to the IMF, however, the authorities have yet to report monetary data using the SRFs.

### **External sector statistics**

i. In May 2005, an STA mission found that the SAMA has made progress in implementing earlier recommendations, particularly on new forms used for data collection, including to survey government agencies and ministries, and a large number of private sector companies. The timeliness of data has improved, and the coverage of establishments has increased substantially, beyond financial institutions from which the SAMA already received data on a regular basis. While noting the improvements in data coverage and timeliness, the mission saw the need for further work on improving source data and recommended the introduction of the International Transactions Reporting System (ITRS) as well as enhancements to the existing data reporting systems to address current gaps, especially in the financial account.



j. SAMA publishes balance of payments data on an annual basis. CDS is responsible for collecting, processing, and disseminating international trade data. Saudi Arabia does not compile an International Investment Position, but reports international liquidity data on a monthly basis and BOP data on an annual basis to STA. Balance of payments data for 2006 appear in the *2007 Balance of Payments Statistics Yearbook (BOPSY)* and 2007 international liquidity data in the *International Finance Statistics (IFS)*.

### **Data dissemination**

k. Publication is generally limited to officially approved data. Data on real sector, national accounts, financial sector, limited budgetary accounts, and balance of payments are published in official documents, such as the CDS and the SAMA annual reports. In addition, as mentioned above, main financial data are available in SAMA's *Monthly Statistical Bulletin* with a lag of about one month, and on the SAMA website. The budget document is not published, but limited actual fiscal data are published in SAMA's annual report.

**SAUDI ARABIA: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE**  
**(As of June 13, 2008)**

	Date of Latest Observation	Date Received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>
Exchange Rates	03/2008	4/3/2008	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	02/2008	3/28/2008	M	M	M
Reserve/Base Money	02/2008	4/17/2008	M	M	M
Broad Money	02/2008	4/17/2008	M	M	M
Central Bank Balance Sheet	02/2008	4/17/2008	M	M	M
Consolidated Balance Sheet of the Banking System	02/2008	4/17/2008	M	M	M
Interest Rates <sup>2</sup>	02/2008	4/17/2008	M	M	M
Consumer Price Index	04/2008	5/29/2008	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>			NA	NA	NA
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	12/2006	04/2007	A	A	A
External Current Account Balance	2006	4/2007	A	A	A
Exports and Imports of Goods and Services	2006	4/2007	A	A	A
GDP/GNP	2007	4/2008	A	A	A
Gross External Debt	02/2007	04/2007	M/I	M/I	M
International Investment Position <sup>6</sup>			NA	NA	NA

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Refers to market-based interbank deposit rates. Other rates, including officially-determined repo rates and market-based T-bills and bonds are reported irregularly in SAMA's web page.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>7</sup> Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); or Not Available (NA).