This post is part of an AGSIW series on Saudi Vision 2030, a sweeping set of programs and reforms adopted by the Saudi government to be implemented by 2030.

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Saudi Arabia's economic reform efforts kicked into gear this week with announcements that public salaries are to be slashed and generous perks like long paid holidays are to be curtailed. This is the new Saudi Arabia that aims at increased productivity and a slimmed down fiscal policy. Most governments would anticipate some resistance to moves to reduce spending and streamline public sector employment in numbers and efficiency, in line with private sector productivity. For Saudi Arabia, the policy is both a shock, and among many citizens, a relief. The government is, for the first time, openly addressing issues of fairness and the necessity of broad changes to the bureaucracy. Importantly, the policy emphasizes cuts to ministers' salaries as well as across the board reductions in benefits. The policy makes it clear that Vision 2030 and the National Transformation Plan will have teeth. It will be implemented; and at the least, it is moving forward. In Saudi politics, the status quo is lamented; change is largely welcomed, especially by young people.

But this policy shift on public wages and benefits, while politically risky, is not the most important announcement on reforms this week. Another move, by the central bank, the Saudi Arabian Monetary Agency, has been more telling on the pace and appetite for economic reforms across the kingdom. SAMA has announced a "supportive monetary policy" and has deposited nearly $5.3 billion (approximately 20 billion riyals) in the local bank sector as timed deposits. This is a measure to provide liquidity on behalf of government entities. It will allow banks to lend to private sector companies that are currently under tremendous pressure to pay workers, suppliers, and subcontractors on a slew of government construction and infrastructure projects. It is a lifeline to the private sector and Saudi economy at a moment when the timing of economic reforms will mean everything. Trust that the government will make good on its commitments will mean the survival of businesses, and jobs.

The challenge of all structural economic reforms is timing. How much change can a government enact? How quickly will the population respond, and in what way? How long will it take to see some benefit of the policy change? This is the technocratic science of economic reform agendas. Too much reform, in a style of shock therapy, as in 1990s economic reforms of Poland and many other post-Socialist states of Eastern Europe, created adverse reactions. The cost of economic reforms, especially subsidy reductions and cuts to public salaries, can mean unemployment (and all of the effects of overburdened family support networks, in which women and children face the brunt of poverty and the anxiety of job loss), increasing poverty, default on loans, and in extreme cases, hyperinflation and bank crises. Economic liberals in many states were quickly voted out of office in favor of reconstituted Socialist parties (as in Bulgaria) when the pace of economic reforms seemed too extreme, and the results too few. Policy reversals can weaken reform agendas and entrench resistance to reform for decades. In Saudi Arabia, it will not be a democratic election that will test the commitment to reform, but it will be the calibration of reforms along with the public's perception of change and policy success. Saudis will need to see results, and quickly.

Saudi businesspeople stress the resiliency of the Saudi economy, citing its ability to withstand the last crisis in the mid 1980s, when oil prices fell, government borrowing surged, and much of the construction and financial sector of the kingdom went into deep recession. These same businesspeople will be reliant on the local bank sector to weather the reform process. The Saudi economy is very different now than it was in the 1980s and 1990s. It is more integrated into international equity and debt markets. It is also more reliant on foreign labor and on its own government for contracts. The twin goals of increasing the presence of nationals in the private sector and growing the economic activity of the private sector will require more action by the state rather than its simple retreat from the market. The state will need to reconsider labor policy and visa issuance, its patterns of contracting and heavy leaning on the local bank sector, and its legal procedures for insolvency and restructuring.

Reform efforts in the mid 1980s faced a problem in that the government simply cut back and made no efforts to save firms or restructure firms that might have aided in employment stability of the private sector, nor did they reform the labor markets to make training for Saudi nationals more appealing in a coming upturn. Saudi Arabia has been a feast or famine economy, but that pattern is not suited to today's global economy and the need to solicit capital from many sources and to make good on commitments to foreign investors. The Vision 2030 reform agenda is heavily reliant on privatizations, public-private partnerships, and foreign investment. The pace and the transparency of these processes, in the tender of privatization opportunities and the openness of government entity accounting to investors, will require a level of technocratic expertise upon which the private sector can rely. Shoring up the banks with a liquidity injection is a positive short-term development. Delivering change quickly, and fairly, will continue to be the greatest challenge to the Saudi economic reform process.

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