Saudi Arabia Needs a National Strategy for Great Cities

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Saudi Arabia's transformation is usually described in terms of sectors: tourism, mining, logistics, entertainment, advanced manufacturing. It is less often described in terms of places. Yet the question of where new employment, universities, corporate decision-making and public investment settle will shape the Kingdom for longer than almost any single sectoral programme. It will determine how much of the country takes part in the transformation, what that transformation costs, and who bears those costs.

The argument of this essay is that the Kingdom needs an explicit national strategy for its system of cities. Such a strategy would not try to turn every city into a metropolis, which is neither feasible nor desirable. It would decide where sustained investment can produce additional centres of national significance, identify what each requires, and commit to building those capabilities over decades rather than budget cycles.

The case rests on three claims. First, urban success should be measured by the functions a city performs for others, not by its population or its construction spending. Second, the state already shapes economic geography heavily, so the real choice is between doing so deliberately and doing so by accident. Third, the costs and benefits of urban policy fall unevenly, and a credible strategy must say who gains and who pays.

What makes a city great

Population, construction expenditure and property values are the measures most often used to describe urban progress. They are also the measures most easily inflated by activity that does not last. A city can grow quickly while depending on public payrolls, temporary megaprojects or spending generated elsewhere. Cranes on the skyline can conceal a thin productive base.

A better test is functional. A city matters nationally when people and organisations beyond its boundaries need what it does. It may provide advanced medical care, manufacture specialised equipment, train researchers, organise regional trade, develop technology or shape intellectual and cultural life. Its significance rests on the quality and reach of those functions. Population and physical growth tend to follow, although the relationship is neither automatic nor uniform.

This definition widens the range of possible successes. Some cities should build large, diversified economies. Others can exercise national influence through a small concentration of exceptional institutions. A mid-sized city with a respected university, a

cluster of specialised firms and a serious cultural presence can contribute far more than its headcount suggests. The planning question is therefore not "how big should this city become?" but "what should this city be indispensable for?"

The case for concentration, and its limits

Any argument for building more great cities must confront a serious objection: concentration is productive. Employers gain from deep labour markets, workers from having many potential employers within reach, suppliers from proximity to customers. Expertise circulates through dense professional networks. OECD research across five member countries finds that doubling a city's size is associated with a productivity gain of roughly 2 to 5 percent (Ahrend et al., 2014). A strategy that scatters investment thinly would sacrifice these gains.

The same research, however, contains a second finding that is less often cited. For a given population, a metropolitan area with twice as many municipalities is associated with around 6 percent lower productivity, a penalty that a metropolitan governance body roughly halves (Ahrend et al., 2014; VoxEU summary). Size matters, but so does how a city is run. The productivity of concentration is partly a product of policy, not only of geography.

The right ambition, then, is not dispersal but the creation of additional places where productive concentration can occur. Two international experiences illustrate what that requires.

Germany: a system, not a capital. Germany has no single dominant city in the way Paris dominates France or Seoul dominates Korea. Federal functions are deliberately spread: the Constitutional Court sits in Karlsruhe, the Bundesbank in Frankfurt, the Federal Employment Agency in Nuremberg, the Federal Administrative Court in Leipzig. Much of this reflects history and federalism rather than a modern plan, and it cannot simply be copied. But it shows that a large economy can sustain several cities of national rank, each anchored by institutions with real authority, without obvious loss of national productivity.

South Korea: relocation without a full city. Sejong was established in 2012 as an administrative city about 120 kilometres south of Seoul, with a target population of 500,000 by 2030 (Wikipedia, citing city plans). It reached roughly 395,000 by mid-2024, but the National Assembly and several key bodies stayed in Seoul, and officials spent years shuttling between the two. Its growth has also proved fragile: when the Ministry of Oceans and Fisheries left for Busan in late 2025, Sejong's population began to fall (Korea JoongAng Daily). In 2026 Seoul announced a further phased move of around 350 agencies (Thairath). The lesson is that moving offices creates a government town, not a self-sustaining economy, unless private firms, universities and decision-making authority follow.

The state already chooses

Economic geography is often treated as the outcome of private preference. In Saudi Arabia, as in most economies where the state is the largest client, it is substantially the outcome of public decisions. Where ministries, regulators, universities, infrastructure agencies and state-backed enterprises locate determines where private firms can operate profitably. A company's apparent preference for one city often reflects the concentration of government clients, procurement officers, specialist advisers and professional networks there.

The Regional Headquarters Programme makes the point explicitly. Since 1 January 2024, government agencies have generally been barred from contracting with multinationals whose regional headquarters are outside the Kingdom, with narrow exceptions (Clyde & Co). In practice, those headquarters have gone to Riyadh, as part of an ambition to make it one of the world's ten largest city economies (AGBI). There are sound reasons for that choice. But it illustrates how procurement rules, not only market forces, decide where high-value jobs settle.

A national urban strategy would make such effects visible and deliberate. Major public spending decisions should be assessed for their cumulative geographic consequences. Each individual institution may have good reasons to choose an established centre; a long succession of such choices can produce a degree of concentration that no national policy ever intended.

The practical instrument is a location framework for new public functions. Research centres, specialist hospitals, technical institutes, regulatory units and the expansions of public enterprises should undergo a location assessment weighing their operational needs against their potential to anchor a regional economy. Some will remain most effective near existing concentrations of expertise. Others could seed new ones.

Relocating established institutions deserves more caution than placing new ones, as Sejong's experience shows. Moves disrupt staff, break working relationships and carry large transition costs. New functions and expanding programmes offer cleaner opportunities. Wherever an institution sits, it needs real authority over staffing, spending, procurement and partnerships. A regional office that must refer every decision to the capital will have a correspondingly small effect on its surroundings.

Choosing cities and building on what exists

Selecting cities for sustained investment is a demanding political and economic exercise, and it should be done openly. A credible process would weigh existing employment and business activity, the population each city serves, access to markets, institutional

capacity, infrastructure costs, environmental limits and evidence of commercial demand. It should also identify places where poor services or connectivity impose heavy disadvantages on a wider territory.

The strongest candidates will rarely be those with the most available land or the most ambitious masterplans. A city with established firms, experienced workers and a university able to excel in a particular field is usually a better investment than a site where every element of an economy must be created at once. The selection should also keep distinct purposes distinct. Spending meant to raise national productivity should be judged on productivity. Spending meant to improve access to healthcare or education in underserved regions should be justified on those terms. Folding every objective into a general promise of growth makes priorities impossible to set and results impossible to judge.

Within each chosen city, the strategy should concentrate on a few credible opportunities, found by close examination of firms, skills, supply chains and customers. Assigning every city a logistics zone, a technology park and a creative quarter substitutes administrative uniformity for economic judgment. Existing activity is usually the best starting point:

- **Jubail and Yanbu** already host heavy industry under the Royal Commission. The adjacent opportunity is in maintenance, component supply, inspection, technical training and, over time, engineering services sold well beyond the industrial cities themselves.
- **Buraidah and the wider Qassim region** have an established food economy, recognised by UNESCO's designation of Buraidah as a Creative City of Gastronomy in 2021 (Arab News). Processing, food testing, packaging, product development and distribution are natural next steps.
- **Al-Ahsa** combines a large agricultural oasis, a substantial university and a living craft tradition; it became the first Gulf city in UNESCO's Creative Cities Network, for crafts and folk art, in 2015 (Arab News). Its opportunity lies in turning heritage and agriculture into professional, export-capable industries.
- **Abha and the Asir highlands** offer climate, landscape and a university base that could support tourism services, hospitality training and environmental research.

These are illustrations, not recommendations; the point of a national process is to test such hypotheses against evidence. In each case the government's role is to remove specific obstacles: unreliable utilities, missing premises, absent certification bodies, weak training partnerships, or the lack of a shared testing facility. Such interventions are less visible than a flagship project, yet often matter more to competitiveness.

Saudi Arabia is not starting from nothing. The Future Saudi Cities Programme, run by the municipal affairs ministry with UN-Habitat, profiled 17 cities selected partly to promote more balanced regional development (UN-Habitat). In 2022 the Public Investment Fund

launched the Saudi Downtown Company to develop mixed-use centres in 12 cities, from Madinah and Al-Ahsa to Arar and Dumat Al-Jandal (Economy Middle East). What is missing is a framework that links such physical development to productive activity, institutional authority and long-term public spending.

Universities, culture and everyday life

Universities should be central to this approach, but their contribution cannot be assumed. A university can operate for decades with little connection to the economy around it, and more students and new buildings will not change that. Selected institutions need sustained support to reach distinction in fields with real academic and economic foundations: recruiting and keeping strong faculty, funding research over meaningful horizons, building postgraduate programmes and holding demanding relationships with employers. Some valuable scholarship will yield cultural and intellectual returns rather than commercial ones, and that is legitimate. The aim is institutions whose work gives people a reason to move to a city. That depends on standards and continuity, both slow to build and quick to damage through frequent changes of direction.

Culture belongs in the strategy on the same footing. Cities exert influence through the knowledge and art they produce: publishing, architecture, design, theatre, music, historical research and criticism. These also create professions, firms and networks that keep talented people in place. The Kingdom's regional diversity is substantial, and UNESCO recognition now extends to five Saudi cities: Al-Ahsa, Buraidah, Taif, Riyadh and Madinah (Saudi Gazette). Designations, festivals and events can draw audiences. Their value lasts only when permanent capacity exists to carry the work forward: archives, libraries, collections, publishing programmes, artistic education, production facilities and paid professional roles. A city also needs room for culture that is not commissioned from above: affordable premises, accessible venues, predictable licensing and space for independent organisations.

None of this works without the ordinary conditions of urban life. Skilled professionals decide as households. A spouse's job prospects, schools, dependable healthcare, housing costs and the ability to keep family ties all shape whether a move becomes permanent. A city that recruits talent but cannot retain it will keep paying to rebuild expertise. Investment should therefore be organised around complete urban environments, with housing and transport planned alongside employment, and with particular attention to established districts where improvements benefit existing residents and use capacity already in place.

Environmental conditions must shape the strategy from the start. Water availability, heat, flood exposure, terrain, coastal vulnerability and heritage protection set the viable scale and form of growth. They belong in the economic appraisal of a city's future, not in a later

planning stage. Population targets adopted before these questions are answered create expensive obligations.

Who gains and who pays

Urban policy is rarely neutral in its effects, and a strategy that ignores distribution will be captured by it. Four groups deserve explicit attention.

Landowners and renters. Announced investment raises land values before it raises incomes. Those who already own land near a planned district capture much of the early gain. Renters, young households and small firms absorb the cost through higher rents and operating expenses. Riyadh's own experience after the headquarters programme, when office rents rose sharply (AGBI), shows how quickly this happens. Serviced land supply, infrastructure sequencing and housing provision must therefore be coordinated before success arrives, not after. Land value capture, through betterment levies or public ownership of strategic sites, can return part of the gain to the public that created it.

Incoming professionals and existing residents. Sejong's early years included priority apartment allocations for relocating civil servants (Korea JoongAng Daily). Such measures help recruitment but can create two-tier cities in which newcomers enjoy subsidised access that long-standing residents do not. Saudi programmes should measure benefits to existing populations, not only to arrivals.

Selected and unselected cities. Choosing a limited number of cities means that others will not be chosen. Their residents will reasonably ask what they receive. The honest answer is the distinction drawn above: productivity investment goes where it yields most, while access investment in health, education and connectivity follows need. Keeping these streams separate, and visibly funded, is what makes selection politically defensible.

The established centres. Riyadh and Jeddah will continue to justify major commitments, and nothing here argues otherwise. But they also bear the costs of over-concentration: congestion, housing pressure and strained services. A wider system of strong cities eases those pressures. The goal is not to take from the capital but to stop asking it to absorb every new national function.

Governance, finance and evaluation

Governance will decide whether any of this can be implemented coherently. Urban economies spill across municipal boundaries, while responsibility for transport, land, housing, utilities and services is divided among many bodies. The OECD evidence on fragmentation cited above cannot be transferred mechanically to Saudi Arabia, but it supports a clear principle: someone must be accountable for aligning investment across agencies. Each participating city should have a binding development framework that sets

out responsibilities, funding commitments, decision rights and delivery milestones. Existing institutions, including the royal commissions and regional development authorities, should be used where they can perform this role.

Financial discipline matters as much. Every major asset should have a funded operating and maintenance plan before construction is approved. The true public cost of attracting a firm should include guarantees, discounted land, infrastructure commitments and procurement preferences, not only headline incentives. Private participation should be valued by the capital and commercial risk investors genuinely bear. Long-term national commitment can coexist with rigorous project selection: funds released in successive tranches, with independent review of whether interventions are working, so that support for a city stays stable while individual projects remain open to revision or cancellation.

Evaluation must separate national gains from activity moved between places. A firm relocating from one Saudi city to another may lift local employment without adding anything to national output. Construction jobs end on completion. Rising property prices may signal scarcity or speculation rather than economic strength. The right measures are sustained earnings, productive investment, business survival, skilled employment, institutional quality, access to services, housing affordability and cultural participation. Where the goal is access or reducing regional disadvantage, progress should be measured against that goal directly.

Conclusion

Urban systems develop cumulatively. Institutions train people who found firms; firms create professional communities; those communities sustain schools, cultural organisations and further investment. Once these relationships take hold, a city generates development through its own economic and institutional life, and no longer depends on the next allocation from the centre.

Germany shows that a large economy can support several such cities. Sejong shows that relocating offices without authority, firms and complete urban environments produces something less. Saudi Arabia has the fiscal capacity, the regional diversity and the early institutional building blocks to do better than either precedent would predict. What it lacks is a single framework that decides where, on what terms and for whose benefit. Those decisions are being made already, one project at a time. Making them deliberately would determine how broadly, and how durably, the Kingdom's transformation takes root.

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