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Innovation for Integrated Service Delivery: The Case of SADAD in Saudi Arabia

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The Case Studies Series on Governance and Public Sector Reform in the Middle East and North Africa (MENA) is ongoing research collaboration between the Dubai School of Government and the World Bank's Middle East and North Africa Vice Presidency. The case studies are dedicated to identifying and disseminating experiences highlighting the issues and challenges confronting governments in the region seeking to implement various types of reforms and innovations in the public sector. The publication of these cases aims to disseminate some of the lessons that are being learned through comparing reforms in these different country contexts and to engage academics, practitioners, and policy makers interested in managing change and improving the quality and performance of governance and public administration systems that can provide better services to the public.

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Executive Summary

Until 2007, both service providers and the consumers of public and private services in the Kingdom of Saudi Arabia (KSA) faced a daunting task paying their bills. The traditional, cash-based bill payment method for services like water, electricity, passport, and telecommunication was an equally heavy burden on both the government and the public. The obsolete payment system was costing the government a loss of around 10 to 15 percent of its overall revenues due to human errors, fraud, corruption; it also led to significant delays in the processing of payments and thus frequent interruption of basic services. Customers incurred a substantial loss of time as they had to wait for hours in long queues at government agencies providing services or at banks collecting payments on behalf of public and private service providers. According to a study conducted by the Saudi Arabian Monetary Agency (SAMA[1], the Saudi central bank of the Kingdom of Saudi Arabia), customers wasted a total of 12-15 million man-hours annually in this process.

The situation was therefore, a cause of significant financial loss for the government and of continuous frustration and resentment for the public. Since the 1980s, the government initiated several attempts to fix the system, but all failed to achieve their desired outcomes. In 2007, a team of technocrats at SAMA made radical changes in the bill payment culture in the Kingdom, and substantially transformed it from being chronically dysfunctional into one of the best operating models in the region. Mohammed Al-Jasser (the governor of SAMA[2]) and Abdulmalik Al-Sheikh[3] (head of SAMA's Banking Technology) were in charge of the government's team to introduce a government-led innovation in service delivery.

This case study describes the process of reforming the process of bill payment in KSA, and how the SADAD system was conceived and implemented. It starts by providing an introduction to the political, economic and e-government contexts surrounding the payment system in the Kingdom. Then the case proceeds to identify the roots of the problems associated with the bill payment; it outlines previous solutions that were proposed by the government but which failed to achieve the government's goals. The creation of SADAD and the steps taken to implement it are then presented in detail. The case ends with a short conclusion and lessons learned.

Political and Economic Context

The Kingdom of Saudi Arabia (KSA) is a monarchy that sets its foundations on Islamic law. The KSA is the largest country in the Middle East, occupying 80 percent of the Arabian Peninsula. It is divided into 13 provinces, which, in turn, are divided into a total of 118 governorates. Since 1992, the country has made significant steps in its attempts to improve the political landscape and involve the public in decision making processes. In that year, King Fahed bin Abd al-Aziz introduced major structural reforms—including the Basic Law of the Government, the Law of Consultative Council and the Law of the Provinces—in an attempt to decentralize the governance system and improve service delivery to citizens. These three components were meant to regulate political participation and ensure the involvement of representatives of people in the government. In fact, this innovative approach to politics in the KSA still operates under the triangle of God (the source of legitimacy and legislation), the King (the guardian of the sacred laws) and the Saudi nation.[4] In 2003, the government held the first elections for municipal councils. On September 25, 2011, King Abdullah announced a milestone in democratic change in the Kingdom by allowing women not only to vote in municipal councils, but also to hold membership in it beginning in 2015. These changes promise more vivid political reforms in the Kingdom and greater inclusion of the public in the decision-and policy making processes.

[1] The functions of SAMA are as stated in their website are:

- Issues national currency, the Saudi Riyal.
- Acts as a banker to the government.
- Supervises commercial banks.
- Manages Kingdom's foreign exchange reserves.
- Conducts monetary policy for promoting price and exchange rate stability.
- Promotes the growth and ensures the soundness of the financial system.

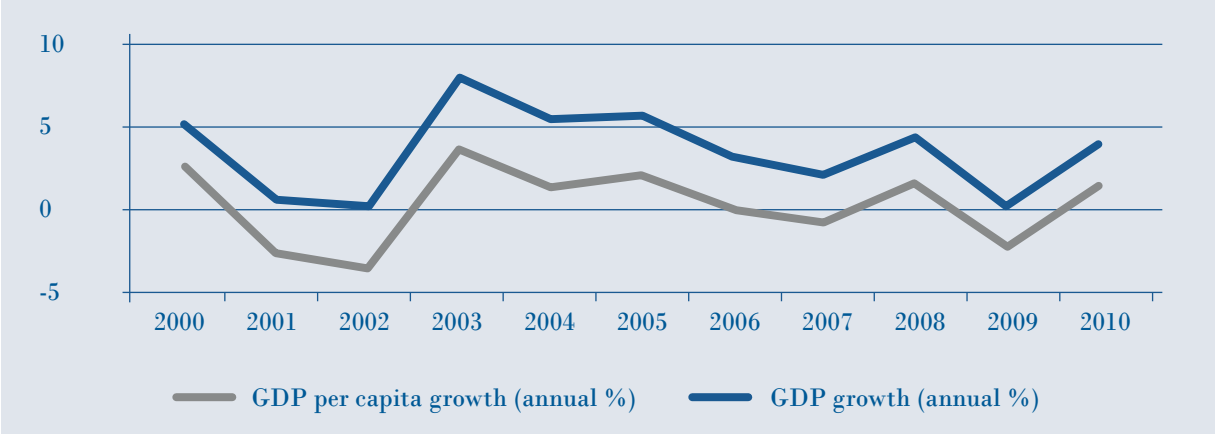
[2] He holds a Ph.D. in Economics from the University of California, served as executive director at the International Monetary Fund from 1990 to 1995, and was a key member of the Saudi Arabian negotiation team during the successful accession of Saudi Arabia to the World Trade Organization (WTO)

[3] He was the head of SAMA's Banking Technology.

[4] Al-Rasheed, M. 1996, "God, the King and the Nation: Political Rhetoric in Saudi Arabia in the 1990s," Middle East Journal, 50 (3), 395-397.

In the economic sphere, the KSA managed to achieve a robust boom during a short span of time largely due to the massive oil revenues the country has accumulated since 1960s. Oil revenues, especially during the 1970s and 1980s, contributed to half of the country's GDP and formed the foundation of its economic and social developments (Madhi and Barrientos 2003). However, since the economy of the KSA is still considered a "rentier" economy, although its relies less heavily on hydrocarbons compared to other GCC countries, the fluctuations of international oil prices have had negative consequences on the overall economy and on the government's ability to maintain public service performance. Although generous oil revenues allowed for large investments in public infrastructure and public sector development, the sudden drops in oil prices have severely affected the health and growth of the Saudi economy. The year 1986 witnessed a crash of oil prices that considerably decreased oil revenues from $42.6 billion in 1985 to around $20 billion in 1986 (Champion 1999). In fact, between 1980 and 2004, oil export revenues declined by more than 40 percent, resulting in a sharp fall in GDP per capita—from $23,000 in 1980 to less than $5,000 in 2004 (Wilson and Malik 2004). Moreover, the 1980s was an era when recession began hitting the Saudi economy; this continued all the way to the 1990s, which witnessed the huge public spending on the first Gulf War and other security concerns in the region (Chauvin 2010).

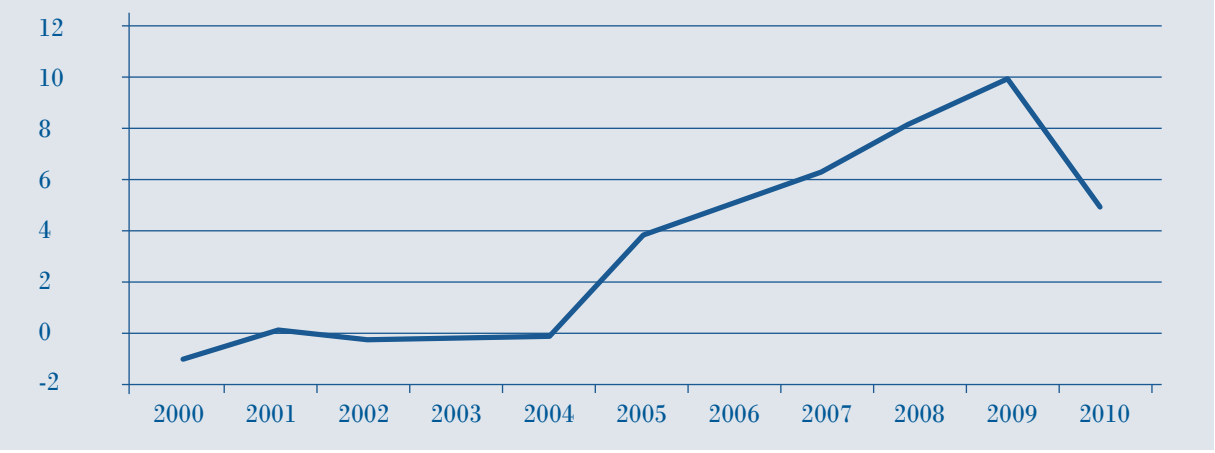
Figure 1: GDP and GDP Per Capita Growth Rates (Annual Percent)



Source: World Data Bank

In 2002, the economy regained its strength as oil prices rose, bringing higher revenues to the government's coffers. This allowed the government to focus on the macroeconomic challenges and deficits that it had incurred during the 1980s and 1990s, and to invest again in modernizing the public sector. As Figure 1 demonstrates, since 2002 GDP growth jumped from 0 percent to a significant 8 percent. GDP per capita rose as well, from -3.8 percent in 2002 to 2.7 percent in 2003.

Figure 2: Foreign Direct Investment, Net Inflows (percent of GDP)



Source: World Data Bank

In 2008, the KSA was ranked 13th among the most economically-competitive economies in the world by the International Finance Cooperation's annual "Doing Business" report (Chauvin 2010). Figure 2 reflects the sharp annual increase in the flows of foreign direct investment to KSA, commencing in 2004 and hitting as high as 10 percent by 2009. This was mainly due to government intervention to facilitate investment policies and establish a climate of entrepreneurship, as well as efforts to provide liquidity to local banks in order to attract foreign businesses and encourage them to invest in the country. Domestically, the government initiated several projects to increase the competitiveness of the market through innovations in service delivery, including e-government.

E-Government in the KSA

In its efforts to create a business-friendly environment, attract FDI and provide better services to its citizens, the government of KSA initiated various e-government programs. The government invested 3 billion Saudi Riyals (almost $US800,000) in 2003 to support e-government initiatives, and an extra 3 billion Riyals in 2006 (Al-Sobhi and Weerakkody 2009). A report published by the United Nations[5] indicates that the KSA started taking e-government seriously in the period between 2005 and 2008, which saw the introduction of numerous projects and innovations related to e-government. For a country with a fairly centralized form of government in the size of 2,149,690 square kilometers with over 100 cities, and a population of 26,131,703,[6] citizens find it hard to travel to central governmental departments to get their paperwork done (Huang and Bwoman 2003 as cited in Al-Sobhi and Weerakkody 2009). Hence, the establishment of a decentralized on-line system for public service delivery was essential to achieve high levels of performance in public sector.

The e-government is run by *Yasser* (In Arabic, it means facilitate) which aims to: (1) Enhance the efficiency of the public sector, (2) facilitate the procedures and steps that customers and citizens need to go through to get their business done, (3) increase return on investment, and (4) enhance the accuracy of information and data provided in a timely fashion.[7] The vision behind Yesser was that "by the end of 2010, everyone in the Kingdom will be able to enjoy—from anywhere and at any time—world-class government services offered in a seamless, user-friendly and secure way by utilizing a variety of electronic means."[8] Yasser plays a role of an enabler and facilitator during the implementation of e-government initiatives within ministries and government entities. Since 2004, the country has made good progress towards its readiness for e-government. The United Nations Global E-government Survey ranked KSA as the 90th out of 179 countries in 2004[9]. In 2005, that rank had jumped to 80th, while in 2010 the survey showed that the KSA was ranked 58th globally.

Despite the political and financial support for e-government initiatives, full maturity of e-government programs remained a challenge. Numerous studies conducted in the KSA showed major obstacles towards the success of e-government, including technical, cultural and social barriers. The weak ICT infrastructure in governmental agencies has been identified as one of the main hindrances to the full implementation of e-government projects. Sharaoui et al (2006) further indicated that the bureaucratic culture, an absence of a clear management network, an emphasis on the one-sided provision of on-line services rather than two way interactions, and lack of accountability and transparency were factors hindering the maturity of e-government in the KSA. Currently, most Saudi government entities have websites and electronic addresses, but they offer only basic information about the organization and the public problems they are expected to tackle, and most of the data is not updated (Al-Shehri and Drew 2010).

The Beginning: Roots of the Problem

Many studies and observers of the economic development in the KSA argue that economic liberalization and investment on human capital development in the Kingdom, mainly due to greater utilization of vast oil fields, was not complimented by gradual reform of the institutional and bureaucratic architecture of the country. The latter experienced slower

[5] "World public sector report: E-government survey, from E-government to Connected Governance". 2008 New York.
[6] CIA Factbook 2011
[7] Further details can be found at: www.yasser.gov.sa
[8] See "E-government Program in Saudi Arabia," http://www.yesser.gov.sa/
[9] http://www.observatoriotic.gob.cl/indicador/e-government-readiness-index

development and took much longer to mature and meet the international standards of best practices. The government needed to modernize its outdated bureaucracy and update its managerial skills that could support economic development and enhance the investment climate in the country. Inefficient, sluggish and disorganized bureaucratic systems have always been a hindrance for achieving higher economic development and building dynamic governments that deliver better services and higher public value.

Until the 1990s, paying for public services such as electricity and water bills, passports, labor permits, and school tuition fees was done in cash by customers at the entity providing the service. At the end of each day, there was an assigned agent, *Amin Al Sunduq* (caretaker of agency revenues), who was responsible for counting the revenues and personally depositing them in the agency's account in one of the local banks. The role of *Amin Al Sunduq* was very critical for the "survival" of each agency and its daily operations—even for the payment of the employees' salaries, which he paid in cash. This traditional process resulted in major delays in transferring the funds to the Ministry of Finance's account, and in many human errors that ended up costing government agencies large financial losses estimated to reach 10 to 15 percent of total revenues. Moreover, the *Amin Al Sunduq*—who transported huge sums of cash to the bank on a daily basis—was also a tempting target for robbery.

This method also resulted in the frustration and dissatisfaction of the public, who continuously complained about the burdensome task of paying for government services. On numerous occasions, the *Amin Al Sunduq* had to leave his office to deposit the day's revenues in the bank. That meant that the agency would stop receiving customers before the end of official working hours. Hence, hundreds of customers who had waited in long queues had to make extra trips to the agency to go through the whole process once again. The long-term viability of this model was doubtful, given the increasing demand on government services and rising public frustration from inefficient government services.

1980s: Early Attempts. Under heavy pressure from frustrated customers who complained about the slow process of paying bills and the reliance on the unreliable cash payment system, the government first attempted to initiate changes in the 1980s. The first step was to start change within the agencies themselves by introducing automation and new channels for colleting payments and revenues.

One of the major initiatives was taken by SAMA, which mandated that all banks, with no exception, should collect payments for utility bills from customers whether or not they had accounts with the banks at no charge. To make some profit from the operations, banks were allowed to keep the revenues from bills for up to 30 days before they transferred them to SAMA's bank account. Again, the government's policy and action did not take into account any long-term repercussions or negative consequences of its decision to allow all banks to receive bill payments, nor did it rely on any detailed analysis of the risks, costs and benefits of such a decision. The decision to allow banks to keep the funds for up to 30 days before they were wired into SAMA's account resulted in the disconnection of many customers, as customers tended to wait until the due date to pay their bills. This happened because there was no way to notify the service providers of the reception of the payment from the customers. Within a few years, the rapid increase of subscribers to various services like water and electricity—and especially mobile phones—had created very heavy demands on the ability of the banks to process payments.[10]

SAMA's decision to require all banks to accept bill payments created a vicious circle for both banks and customers. It required a heavy investment in IT equipment and more employees to process payments. Banks had to satisfy increasingly discontented customers who again had to wait in long queues and spend as many as 15 million man-hours annually to pay their utility bills. A survey conducted by SAMA in 2003 (Figure 3) revealed that the top three negative consequences of its decision were: (1) long waiting in queues and loss of time (100 percent of respondents), (2) significant delays in processing payments (72 percent) and (3) disconnection of services due to delays in processing bill payments (67 percent). These concerns were quite similar to those that had led SAMA to introduce the changes it had mandated, but which failed to achieve the desired outcomes. Furthermore, the banks started rejecting new customers who wanted to pay their bills since there was no financial incentive for the banks to process their payments. The situation was unbearable for the customers, for the banks, and for the government entities who collected their payments, sometimes after substantial delays that could last for several months.

In subsequent years, several new ideas were piloted by various government service providers to facilitate bill payment. Main government entities like the Ministry of Interior introduced coupons to be used for payments of fixed fees like

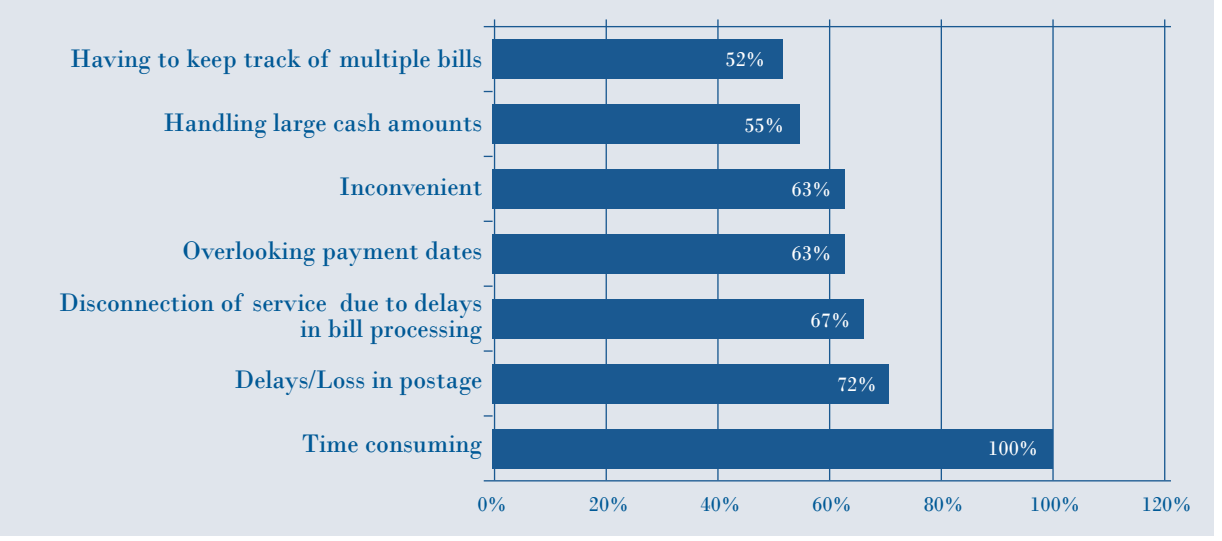
[10] The rapid population growth and demand on services like mobile phones, which increased by 67 percent a year, resulted in heavy traffic on banks, which processed up to 70 percent of bills. Up to 30 percent of bank daily visitors were there to pay their bills.

passport issuance and renewal, labor cards, and travel visas. These coupons could be purchased at any bank to be presented at the respective government agency.

The idea of coupons was effective in reducing reliance on carrying and paying in cash. However, it again led to unintended consequences and did not alleviate the frustration and dissatisfaction of the public. The coupons gave rise to counterfeits that were sold on the black market. These counterfeit coupons offered an alternative to the long queues that were necessary to purchase coupons from the banks. The counterfeit coupons created tremendous losses for the government's coffers. Also, some private individuals bought large quantities of coupons from the banks, and imposed additional charges to customers who purchased these coupons from them in an attempt to avoid lengthy bank queues.

By the 1990s, the failure of the coupon system forced some government agencies to stop their use and look for more efficient alternatives to facilitate bill payment. Hence bilateral agreements were signed between the traffic and passports departments and two major Saudi banks to process and deduct the payments of bills directly from customer accounts. The funds would then be transferred directly to the Ministry of Finance. Although this method was more creative and efficient than the coupons, access to it was limited only to those customers who already had accounts with these banks. Before signing these agreements with the two banks, the authorities did not calculate the repercussions of such an act and its long-term consequences. Therefore, a few months after the enacting of the agreement, discontent started to emerge from individuals who did not have accounts with these banks, who therefore had to pay an extra surcharge of 15 percent. The only way to avoid the imposed charges was to open an account with these banks. This gave an unfair competitive advantage to these two banks and made them the largest in KSA only because customers were penalized if they did not use them to pay their bills. Other banks complained about this and demanded equal right to receive the payments for utility bills from the public.

Figure 3: Consumer Issues Regarding Bill Payments



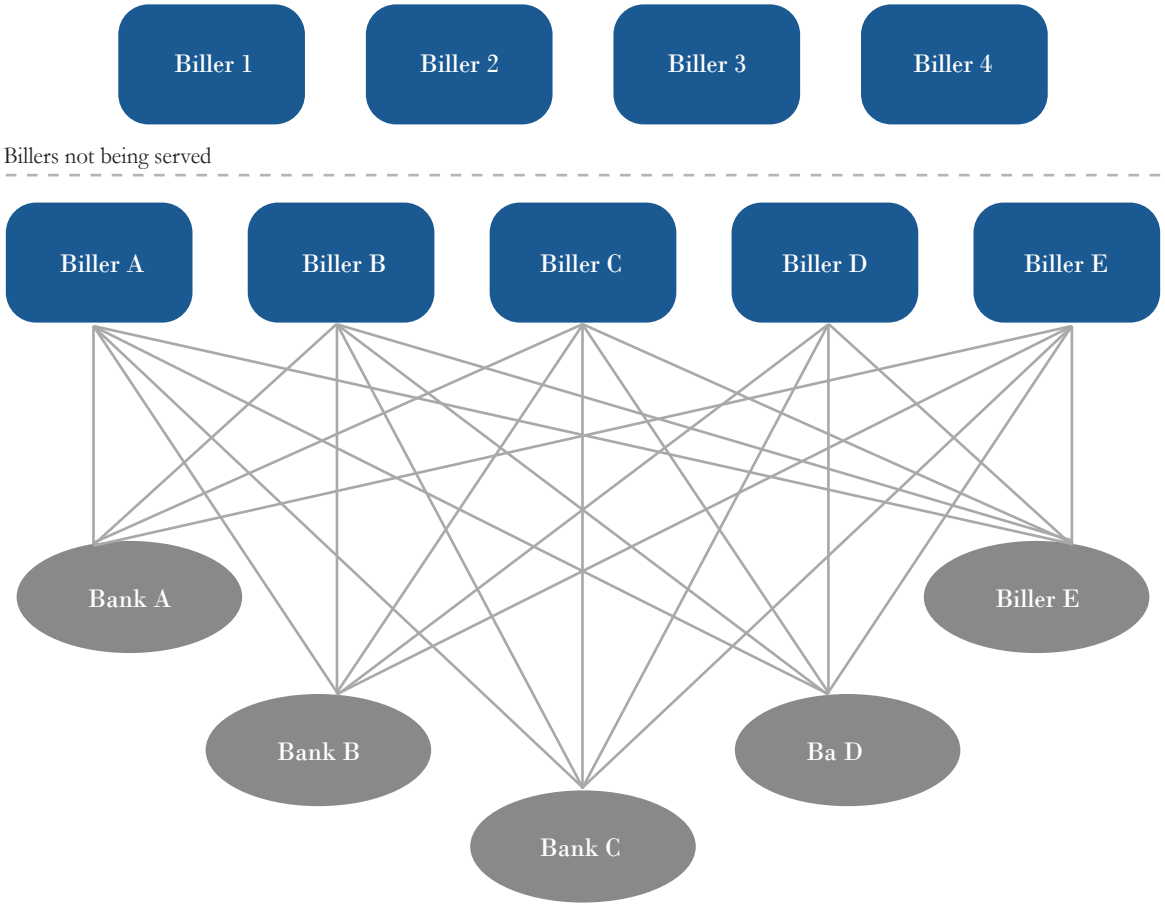
Source: SADAD

1990s: Still Not Getting It Right. The mandate by SAMA in early 1980s motivated some banks to adopt electronic methods and machines like ATMs, phone transactions, and internet to receive payments and reduce reliance on human labor. Numerous agreements were established among government entities and major banks to allow customers to directly pay their bills through the banks. However, the shortfall of this system was that it necessitated individual and direct channels among the banks and the billers. As Figure 4 demonstrates, each biller had to be connected with a specific bank. The shortfall of this practice and the reason why it was termed "Spaghetti model" is that it created a messy collection of individual institutional links which were hard to manage and sustain. This was not a problem at

[10] The rapid population growth and demand on services like mobile phones, which increased by 67 percent a year, resulted in heavy traffic on banks, which processed up to 70 percent of bills. Up to 30 percent of bank daily visitors were there to pay their bills.

the beginning, when the population of the KSA was smaller and the number of processed bills fewer and manageable. By the late 1990s and early 2000s, however, the population of the Kingdom increased sharply. Also, due to the privatization of the telecom industry, the number of subscribers to mobile phones increased exponentially, resulting in a skyrocketing number of bills. This required heavy investment on the part of billers and banks alike who had to process more payments, in the process exhausting and overwhelming their systems. Hence, new or smaller billers (mostly governmental) could not have access to this service, and they complained to SAMA about their lack of access.

Figure 4: The Spaghetti Model



Source: SADAD

Another challenge of the "spaghetti model" demonstrated in Figure 8.4 was that it lacked efficiency due to the very large volumes of transactions that had to take place daily. Payment data had to be entered manually by each bank, and then each biller had to be notified about the reception of the payment. Ahmad Al-Hasan, an engineer working with SAMA team indicated that: "If you have 12 banks with five billers, it is 60 connections, and if you have 20 billers, it is 240 connections, each with different IT standards and capabilities and duplicated investment due to the proliferation of non-standard multiple interfaces. In this case, banks will have large teams dealing with different accounting process for each biller. Also, billers will deal with accounts of each bank, and it would be a nightmare for the billers' treasurers."

Pressure mounted on SAMA, which, due to the ineffectiveness of the "spaghetti model," failed to receive the correct amount of revenues from more than 200 government entities located in various geographic locations of the country. Therefore, the chaotic, disorganized payment system was no longer sustainable and necessitated urgent, prudent and well-planned change. The government of the KSA, represented by SAMA, understood the seriousness of the issue, and began studying effective and meticulously-studied solutions.

2000s: Government-Led Innovation to Fix the Problem Once and for All

Solving the chronic and deeply rooted problems of bill payment in the KSA not only required the political will and readiness to heavily invest in IT equipment; more importantly, it demanded innovative and creative leadership. Being aware of the challenges and inefficiencies associated with the current billing systems, officials began to institutionalize a centralized, unified and comprehensive billing scheme to which all government and non-government entities would be linked in order to present and get paid for their utility bills. Al-Jasser backed his vision with the support of the Ministry of Finance with which he signed an agreement to garner the political support needed to build SADAD. Al-Hamdan, the deputy Minister of Finance, showed his enthusiasm and full commitment to the idea of creating SADAD to establish a more friendly investment climate in the KSA. To further support his vision and convince government stakeholders to invest in this project, he aligned his projects' objectives with those of the government to foster an environment that encouraged investment and attracted foreign direct investment and business to the country.

The timing of the inception of the SADAD project could not have been better. The KSA had already been in the process of introducing a massive e-government initiative that aimed at reducing reliance on traditional paper-based methods of government operations and adopting modern state-of-the-art technologies for service delivery. This was buttressed by a royal decree ordering the Ministry of Communication and Information Technology to shift toward adopting electronic systems for the public sector, eventually leading to the establishment of Yasser. Given the willingness of the government to modernize its public sector and adopt electronic means, Al-Jasser and Al-Sheikh seized the opportunity.

Learning from the mistakes and failures of past initiatives, Al-Jasser and Al-Sheikh focused on finding a suitable and sustainable electronic payment model for the Saudi context. One of the first steps Al-Sheikh took was to look at successful electronic bill presentation and payment (EBPP) programs in developed countries and learn from their experiences, and to try to analyze the Saudi environment in order to adopt a sophisticated EBPP system. He then conducted an extensive survey covering a large sample of customers to determine if they would welcome an electronic payment system and, if so, what type it should be. Moreover, he organized meetings with billers and different government entities and listened to their concerns and suggestions. This gave him a chance to look at the potential electronic billing system from the perspective of customers as well as billers, and to reach a system that would suit and satisfy both parties. To get technical advice, Al-Sheikh hired international consultants to draw for him a map of a typical EBPP system that would achieve better results than the previous failed efforts of SAMA. The models and recommendations SADAD received from the consultants did not fit the Saudi context, as they disregarded the contextual, cultural and technical characteristics of the Kingdom and were instead more appropriate for a Western environment. The Saudis relied more on paper based traditional forms of bill payments, and it was hard to introduce a totally different and online based payment system without taking this into consideration. The international consultants provided a system that would suit an environment that was used to on line bill payments and had the necessary infrastructure and capability to do so. Al-Sheikh's patience and deliberation in selecting an approach appropriate to the Saudi context would prove to pay big dividends in the long run.

Electronic Bill Presentment and Payment (EBPP): An Overview. The technological advancement of the past few decades has facilitated new forms of interaction and collaboration among governments, private sector and citizens (Goldsmith and Eggers 2004). A new array of innovative instruments has been developed and introduced to the public sector to allow consumers to pay their bills through electronic channels, thereby saving them substantial time and frustration caused by waiting in long queues. The EBPP system consists of two dimensions: (1) bill presentment, which involves the biller submitting a bill electronically; and (2) electronic bill payment, in which customer receives a bill online with a link directing them to payment options. Then, the customer can choose their preferred payment option and proceed with the online fund transfer (Au and Kauffman 2001, Radecki and Wenniger 1999).

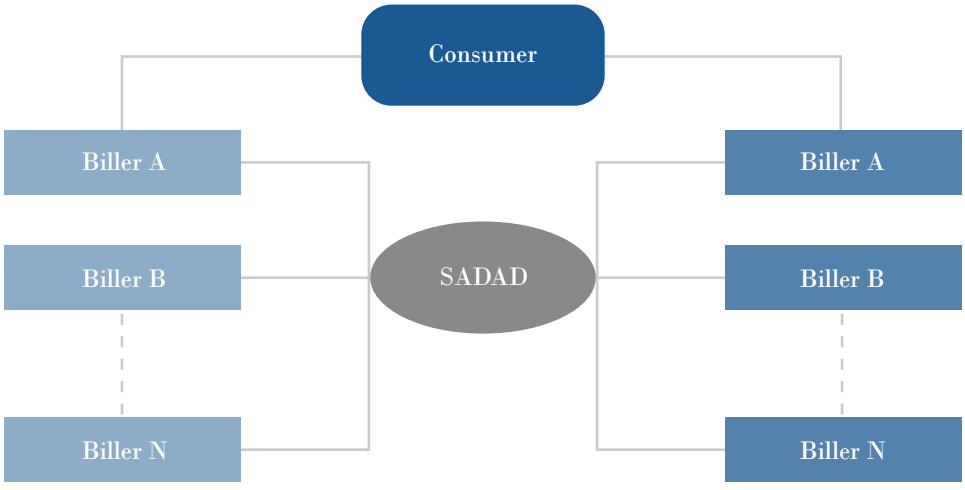
The benefits of EBPP for both billers and customers are numerous. For billers, it decreases the costs and time of processing bills and enhances the efficiency and quality of services delivered to customers. This results in fewer errors than with traditional paper-based payment options. Hence, the billers save the personnel time and energy otherwise spent, for example, on fixing errors and going back to the archives to double-check previous transactions (Fassnacht et al 2000). Moreover, billers also save the costs (for printing, postage and labor) they usually incur when they send paper

bills. Graven (2000) estimates that billers save up to 30 percent of the costs of traditional billing methods when they adopt EBPP systems. For customers, the EBPP allows fast, accurate and accessible management of the bill payments. They are spared the hours they would otherwise spend at the end of each month in paying their bills, as well as the frustrations and delays that caused by the slow and bureaucratic nature of some public sector organizations (Radecki and Wenninger 1999). More importantly, the EBPP shortens the distance between the machinery of the government and the public by allowing the public to access various government services and payments through only a click of the mouse. This enhances not only the quality of service delivery to citizens, but also the trust of citizens in the government and their comfort in dealing with its various departments and institutions.

Although EBPP can be viewed as instrumental in substantially enhancing the quality of government-to-public service delivery and reducing the time of processing payment transactions, its implementation is hindered by numerous obstacles, namely financial ones (Stefanadis 2002). McVey and Brown (2000) state that the implementation of EBPP requires considerable up-front investments from billers, with the average cost estimated at around $400,000. The high cost of providing the necessary technological platform, especially in the case of public sector organizations, is a hurdle that prevents these organizations from implementing EBPP programs. Hence, billers usually do not invest in EBPP until they are assured that a large portion of the public will use the technology in order to allow them to recover their up-front investment. Moreover, some Middle Eastern and North African governments lack the financial and know-how capacities to install modern and more sophisticated technologies in their public sectors.

Creating a networked and inclusive system. Al-Sheikh and his team envisioned a national system that would be an intermediary among the government, private sector and customers. It would form a comprehensive web through which all payments could be made, processed and directly transferred to SAMA's account. The SADAD model works as follows: The public or private billers send the billing information to SADAD, which receives and uploads the input into its system, making it available and ready for customers to access. The customers then have a choice of which payment method to use—bank branch, internet, phone, ATM, or even from their mobile phones. Once they choose the method of payment, the bank requests SADAD to retrieve the information regarding the customer's bill.

Figure 5: SADAD EBPP Model



Source: SADAD

Then, when the customer makes the payment, SADAD updates it in its system and automatically informs the billers about the status of the payment. As Figure 5 demonstrates, SADAD is the direct link between the customer, the bank and the billers, ensuring efficiency and a high degree of accuracy for processed transactions. Under the umbrella of SADAD, customers have become very comfortable paying their bills through various channels as it suits them and fits their IT literacy. Moreover, they only need to provide their National Identification Number (ID) to access all their bills, and no longer have to look for the service number of each utility bill they have to pay. The customers could pay their bills through five major channels; either through bank branch, ATM, internet, phone, or mobile phone according to their technological literacy and familiarity with these systems. When the payments are made through one of these

methods, the bank debits the amount and notifies SADAD which accordingly notifies the service providers. SAMA finds the system very accountable, transparent and reliable. In a click of a button, it can now retrieve information relating to the payments of hundreds of government entities in the Kingdom. It no longer needs to request them through the traditional paper-based processes that used to take months or even longer to collect from each individual entity. Therefore, the government saves substantial amounts of revenues that were previously lost in the process.

The efficiency and effectiveness of SADAD would not be achieved without the successful managerial and organizational best practices that accompanied its implementation. Being an exceptionally operational model within the machinery of the Saudi bureaucracy, SADAD needed to be run by people with superior education and managerial skills. Therefore, the selection criteria for the employees who worked at SADAD were set quite differently from the conventional and traditional criteria that were followed at other government organizations. SADAD was interested in young, western-educated, self-motivated and team-oriented local males and especially females who aspired for excellence in service delivery. In order to motivate these young talents to further excel in their duties, SADAD linked their performance appraisals to salary increments, and promotions were based on results and achievements. This guarantees their continuous investment in improving the quality of their work, and enhances their organizational loyalty.

Introducing and Building Support for SADAD

The first big challenge that confronted SADAD's team was to establish an integrated and networked electronic system that would be a liaison among the government, the private sector and customers. It was also necessary that this program be effective, efficient and transparent, and avoids the mistakes of the past. SADAD proved to be this long-awaited program. Yet after constructing it, the new challenge was how to attract both the billers and customers, gaining their confidence and trust and convincing them to use this newly developed program. Al-Sheikh reflected continuously on this issue, and was careful not to take imprudent steps forward. He thought that if he managed to attract the biggest financial institutions, like National Commercial Bank and Arab National Bank, as well as large government entities and private sector companies like Saudi Telecom Company, then other private organizations and public institutions would be encouraged to join and use SADAD. Al-Sheikh and his vibrant team managed not only to attract these large institutions, but also other ones like Saudi Electricity Company, within only two years. The building blocks of attracting these big financial institutions to use the system, and securing the necessary political support to shift the traditional paper based payment methods had been planned for even before the inception of SADAD. Al-Jasser set up a SADAD Steering Committee which comprised senior government officials, CEOs of major billers and banks. Accordingly, he did not need to persuade them to use the system since they were part and parcel of its construction.

Another challenge appeared later on after the inception of the SADAD program. Saudi Payment Network (SPAN)—an automated payments network through which the national ATMs and credit cards are linked—operated independently and outside the scope of SADAD. This created a confusing dual system of payments with two operators not linked to each other. However, SADAD managed to merge with SPAN, absorbing the SPAN database. All financial transactions concerning SPAN were subsequently processed through SADAD. Again, the leadership of Al-Jasser and his team was instrumental in overcoming this hindrance and allowing the program to operate with full efficiency and effectiveness.

The next step was to attract the remaining government entities and convince them to switch from their traditional paper-based payment methods. This was by no means an easy task. Abdelmalek and his team knew that they would be faced with strict resistance from bureaucrats who feared change and would not want the payment for their services to be handed to an external agency. Therefore, SADAD's team approached Ibrahim Al-Assaf, Minister of Finance, and his deputy for Government Revenues, Saad Al-Hamdan, who became personally involved in facilitating the transition to the new electronic payment system. Their political support was a crucial aspect in the success of SADAD. The Ministry of Finance, a supporter of SADAD's project since its infantry stages, issued a ministerial decision to all government entities in the KSA stating that SADAD would become the only gateway to pay bills, and through which the Ministry of Finance would receive the revenues of public billers. However, an unpredictable hindrance appeared. Almost 93 percent of the concerned government entities simply did not have the IT readiness to join SADAD. Accordingly, the Ministry of Finance decided to finance the supply of the equipment and knowledge necessary to adopt SADAD through a new initiative called Government On-Boarding. The commitment of the Ministry of Finance to make SADAD a success was reflected in its willingness to cover all the fees associated with joining the program.

The role of effective leadership was demonstrated again by the ability of the team to convince the banking institutions to adopt SADAD, and the billers to pay a small fee for processing their operations. The banks were reassured that their profitability would be enhanced significantly by joining the SADAD network, as it would provide more flexibility, accuracy and transparency in processing bill payment transactions. They were paying for convenience, peace of mind and superior payment services with higher quality and accuracy. Banks will also share part of the fee SADAD is collecting from billers. Various meetings took place between the SADAD team and banks' representatives on how to establish mutually cooperative partnerships.

2011: SADAD's Impact on Public Service Delivery in KSA.

The vision of Al-Jasser and Al-Sheikh—to drastically reform the utility bill payment situation in the KSA and transform it into one of the most effective and successful models in the region—has become a reality. SADAD has made public/private billers, customers and banks very satisfied with the quality of services delivered through the electronic channels of the system. Bill payment has shifted from the traditional, paper-based method to a more modern, electronic one. From 2003 until 2010, the number of customers who used bank branches to pay for their utility bills dropped from 73 percent to 6 percent. During the same period, reliance on the internet for bill payment increased sharply, from a mere 1 percent to 35 percent, while ATMs were the choice of 41 percent of customers.[11]

Figure 6: SADAD Network Growth Representing both Private and Public Sector Billers

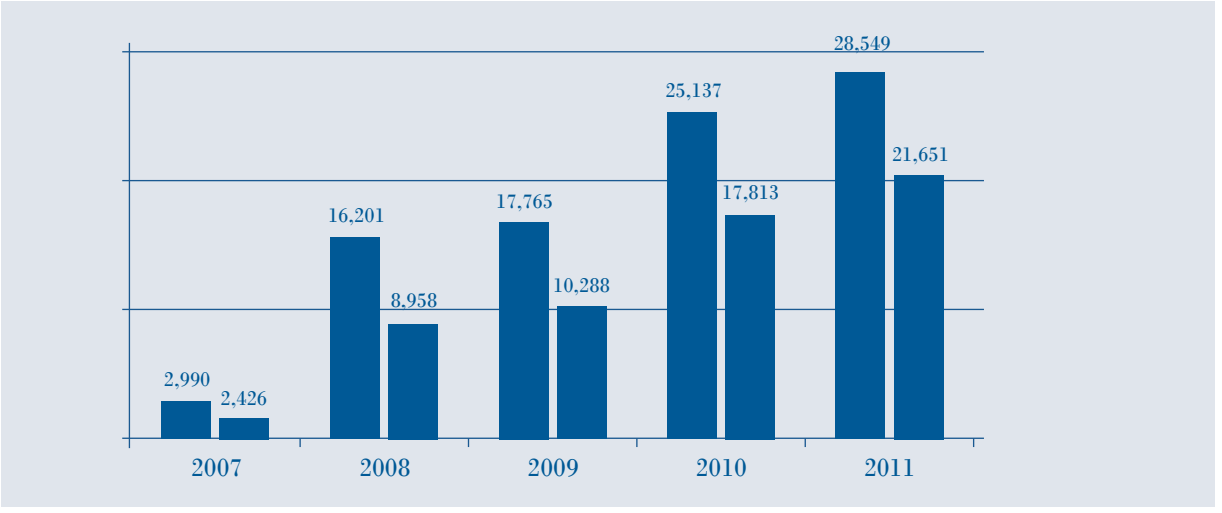
Source: SADAD

This remarkable development of SADAD in a short time span had important positive consequences for both customers and banks. The change not only improved the efficiency and transparency of paying service bills for billers and banks; more importantly, it led to enhanced quality of services delivered to customers. Billers received their funds within one working day, rather than waiting for 7 to 60 days, as had been the case before. Moreover, customers paid their bills within seconds, without having to either interact with *Amin Al-Sunduq* or miss payment deadlines and face service interruptions and incurred fines.

[11] Stastics provided by SADAD.

SADAD rapidly succeeded in attracting more private and public institutions, and by the end of 2009, all 13 banks present in the KSA had joined SADAD. Also, as Figure 6 demonstrates, the number of billers increased from 11 in 2007 to 104 in 2011. These billers range from universities, newspapers, hospitals, municipalities, telecommunication companies, etc. This reflects the trust of these public and private institutions in the high quality and phenomenal success of SADAD in achieving superior results in a very short period of time. Over 9 million transactions were completed each month, with a speed and accuracy that would have never been achieved without the implementation of a system like SADAD. Around 94 percent of utility bill operations throughout KSA were paid through SADAD. SADAD's high performance exceeded all expectations by achieving extraordinary results, again, in a very short period of time. The number of bills processed jumped from almost 3 million in 2007 to reach a phenomenal 28 million bills in less than four years. As Figure 7 clearly indicates, the total monetary amount of transactions in 2007 was 2.4 billion Saudi Riyal, but jumped all the way to reach 21 billion in 2011. These rapid positive results reflect the success of SADAD and its capability to win the trust and confidence of both billers and customers. The success of SADAD was also demonstrated by the numerous international awards and recognitions it gained. In 2008 it was rewarded the United Nations Public Service Award as the best government model for innovation and public service improvement. At the GCC level, SADAD won the first place in the e-Government Award, and was also the winner of Injaz E-Government Achievement Award. These international awards reflect the ability of SADAD to win not only the local appreciation and recognition, but also magnify its impact by demonstrating its success story to the rest of the world. SADAD has been viewed as a model that can be emulated, especially in the context of the GCC and the wider Arab world, where government bureaucracies and practices tend to share many commonalities.

Figure 7: Number of Bills and Transactions Made Through SADAD (2007 -2011)



Conclusion and Lessons Learned

While looking at the burdensome, frustrating, time consuming and inefficient situation of the payment of service bills in the early 2000s, one would not expect the dramatic change that transpired over a time span of 10 years. Earlier attempts, plans, reforms and programs had been implemented since the 1980s, but each of these just made the situation worse. The missing links to make those reforms successful were a clear vision, strategic thinking and planning, networked service delivery model and, more importantly, dynamic and committed leadership. It was the effective leadership of SADAD's team that guided the reform, and called for the interference of top officials when needed. Al-Jasser, Al-Sheikh, and the remainder of the SADAD leadership team recognized the crucial role of these factors, and made sure that they followed and integrated them into their mission to dramatically change the reality of bill payment and revenue collection in the KSA. Their job was a tricky but critical one, and the whole nation depended on its success. With their proven leadership, vigilance, patience, commitment and determination, they succeeded and made SADAD a model of success and a source national pride.

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