

Industry Report

Saudi Vision 2030 and the opportunities created in the education, defense, healthcare, and infrastructure sectors.

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1. Introduction

This report has been produced by Arabian Enterprise Incubators (AEI Saudi) for Virginia Economic Development Partnership (VEDP). The purpose of this report is to provide the companies in the State of Virginia with a detailed overview of the Kingdom's Vision 2030 plan, an ambitious framework to reduce the country's dependence on oil, diversify its economy, and develop public service sectors such as healthcare, education, infrastructure, and tourism.

The contents of this report have been compiled in good faith by consultants with significant experience and understanding of the Saudi market. However, information, insight and guidance contained herein should not be used in the place of formal professional advice (including but not limited to legal advice and tax advice) and AEI does not represent, warrant, or guarantee that the use of the contents herein will lead to any particular outcome or result.

2. Saudi Arabia - Country Overview

The Kingdom of Saudi Arabia was founded in 1932 by King Abdul-Aziz Al Saud and has been ruled by his sons since his death in 1953. The current ruler, King Salman bin Abdul-Aziz, is the oldest surviving son of the founding King. His son, Crown Prince Mohammed bin Salman is young, ambitious, and considered to be the leading power behind the throne.

The country has a rich culture that is greatly influenced by its Arabic and Islamic values and shaped by the diversity of its people. Recent figures from the [General Authority for Statistics](#) estimate the current population of Saudi Arabia at roughly 35 million people, with more than a third of the population consisting of expatriates. Around 70% of the population is below the age of 30, making it one of the most youthful countries in the world.

The Kingdom is divided into 13 regions, all united by the Arabic language, but each with unique heritage, tradition, and geography. Eighty percent of Saudi nationals reside in urban areas, with major cities such as Riyadh, Jeddah, and Dammam being the most popular. It is the scale of the country, both geographically and economically, that sets it apart from its high-profile neighboring countries in the GCC, such as the UAE and Qatar.

Saudi Arabia is a Muslim majority country and is sometimes referred to as the "Land of the Two Holy Mosques", in reference to the Kingdom's responsibility of guarding and maintaining the Sacred Mosques in Mecca and Medina. The Kingdom has three official yearly celebrations; two Islamic celebrations (Eid al-Fitr and Eid al-Adha), and Saudi National Day, which is celebrated on September 23rd. The official weekend falls on Friday and Saturday, and the Saudi government follows the Hijri (Islamic) calendar which is based upon the lunar cycles and recedes by about 11 days a year against a Gregorian calendar.

Each year, Muslim pilgrims from around the globe visit Saudi Arabia to perform the Hajj and Omrah rituals in Mecca and Medina. The economic impact of the pilgrimage on these two cities is substantial, as recent studies by the Saudi Chambers of Commerce have estimated that 25% to 30% of income earned in these regions is derived from pilgrimage alone. In fact, both pilgrimages generate nearly \$12 billion annually for the Kingdom, which is almost 3% of its non-oil GDP, and the country was expecting \$150 billion in income just from Hajj over the 2018 to 2022 period as it was preparing to host nearly two million pilgrims every year, but those plans did not materialize when the Kingdom was forced to limit the number of visitors to just 10,000 in 2020 and 60,000 in 2021 due to concerns around the spread of the coronavirus.

Despite the portrayal of Saudi Arabia in the Western media, the country enjoys a stable political and economic situation in general. To the outside world, the previously secretive Saudi society has seldom been

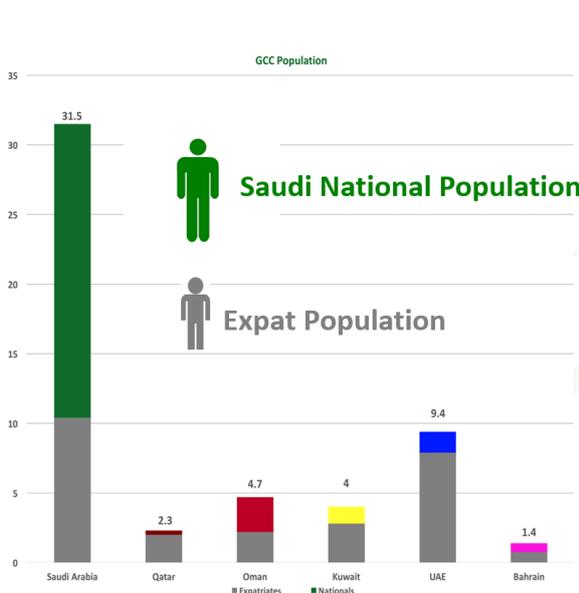
off the front pages in international consciousness, until recent years when the country started making headlines, whether due to its involvement in Yemen or its harsh stance on descendants, but the fact is that Saudi is undergoing a quiet revolution and from a Western perspective becoming an even more attractive market full of youthful optimism but with the funds to make grand changes a reality.

Saudi Arabia is a country that has been built and has prospered on the reliance of fossil fuels; the sales of the natural resources such as oil and gas constitute about 90% of the Kingdom’s exports, though as the world demand for oil keeps on declining, the Kingdom is now ambitiously trying to develop its other untapped industries such as mining, tourism, and entertainment, to help unlock the full potential of the country and be more economically resilient in the future.

The country ranks in the top 20 largest economies in the world and is considered one of the influential powers, politically and economically, in the region due to its Islamic position, economic wealth, and control of oil prices and global energy supplies. At only 84 years old, the Kingdom is a young country that has quickly risen to become the global powerhouse it is today and is quickly becoming one of the most desirable places to conduct business as it progressively moves away from the austere jurisdictions that once raised a few eyebrows in the West.

As a market, the statistics are well known and remain impressive across all sectors:

- \$48.5 billion government defense budget in 2020.
- The largest population in the Gulf with 35 million residents (as of 2021).
- The largest economy in the Arab world and the Middle East.
- Nearly 40% of GCC construction expenditure occurs in KSA.
- Nearly 25% of all MENA GDP comes from Saudi.
- Nearly 40% of GCC GDP comes from KSA.
- Nearly 40% of Saudi GDP comes from the private sector.
- Multiple mega-projects such as NEOM, Qiddiya, and the Riyadh Metro.



With such scale in land mass and population, KSA faces challenges which other Gulf countries do not. Particular problems exist with regards to infrastructure, public transport, educational capacity, medical services and border security and national defense.

2.1. A Rapidly Changing Social Structure

With the Vision 2030 initiative, the Crown Prince Mohammed bin Salman (MBS) has made it clear to Saudi Nationals and the rest of the world that Saudi Arabia is determined to achieve its ambitious goals while adhering to the true Islamic values of being a tolerant country. This was evident from the moment he took power where he was quick to implement various reforms that would have been unimaginable in the past. With a society that is historically deeply conservative, the Crown Prince has challenged the cultural norms and promised to transform the country into a more moderate and tolerant form of Islam, quoting:

“Do not write that we are ‘reinterpreting’ Islam — we are ‘restoring’ Islam to its origins — and our biggest tools are the Prophet’s practices and (daily life in) Saudi Arabia before 1979.”

- Crown Prince, Mohammed bin Salman

Asked why he was implementing reforms at such a determined pace, he replied: “I fear that the day I die I am going to die without accomplishing what I have in my mind.” He added that life is too short, but he is determined to make change happen in his lifetime.

After the launch of the Vision, the Crown Prince was quick to implement significant change that previously would have seemed unimaginable. Some of the most notable changes include:

- Depriving the Religious Police (The Mutawwa) of their arresting powers.
- Allowing Female access to sports events as of January 2018.
- Lifting the ban on women driving as of June 24th, 2018.
- Reopening Cinemas in March 2018.
- New Saudi “Tourist Visa” available upon arrival for foreign visitors as of August 2019.
- Relaxing dress code for female tourists in September 2019.
- Female access to Saudi Armed forces as of September 2019.

In addition, the Kingdom have seen under the patronage of the General Entertainments Authority over the last 12 months a program of musical events, singers, comedians, and circuses. From Monster Truck shows to Comic-Con conventions, and DJs playing music to mixed crowds during the Saudi National Day celebrations; all of which would have been unthinkable even just 5 years before.

3. Vision 2030

To understand the purpose of the Saudi Vision, we must take a look back at the Kingdom’s history over the last twenty years. The prosperous oil boom between 2003 – 2013 has helped the Kingdom amass considerable wealth while boosting its GDP and enhancing its economy, which helped turn the once underdeveloped country into a modern state. But when the global oil price collapsed in summer of 2014, Saudi Arabia was confronted with one of the most challenging economic situations of its modern history.

The Crown Prince Mohammed bin Salman realized that the country can no longer rely on oil as prices keep on fluctuating due to reduced global demand, and responded by developing one of the most ambitious



economic and social reform plans in the Kingdom's history, called "[Saudi Vision 2030](#)". The plan was unveiled in 2016, and at its heart, it is designed to reduce the country's dependence on oil and facilitate the growth of the private sector by slowly rolling back decades of strict government control and bureaucracy.

The Saudi Vision 2030 encompasses a root and branch reform program focused on creating new revenue streams for the country and increasing employment opportunities for its young nationals. It is an economic, social, and cultural transformation that aims to create a more diverse and sustainable economy, through the development of new industries and logistic capability, acting as a major hub between Asia, Africa, and Europe.

Since the inauguration of the Vision, the Kingdom has succeeded in implementing many supportive initiatives and structural reforms to enable economic transformation. This transformation includes several major efforts centered around key sectors. It seeks to enhance local content and national industry, launch and develop promising economic sectors, enable dimension aimed at maximizing the role of the private sector, and enhance the sustainability of public finances.

Although Saudi Arabia was initially planning to evaluate the first four years of its economic plan in 2020, things took a downturn when the Kingdom was hit hard by the Corona virus pandemic and a further decrease in the price of oil, which created uncertainty around the overall progress of the Saudi Vision. However, despite this unfortunate turn of events that blindsided the world economy, the Crown Prince was still committed to delivering his Vision. A recent incentive introduced by the government to help fast track the economy's recovery is the increase in VAT (from 5% to 15%) which was introduced to address the fiscal imbalance caused by a decrease in consumer spending.

Nevertheless, it is expected that the pace of this structural transformation towards sustainable economic growth will continue in the coming years, especially when considering the investment initiatives under the umbrella of the Public Investment Fund (PIF) and leading companies. It is also expected that the wheel of localization of knowledge and innovative technologies will accelerate as wide-ranging transparency and accountability reforms are adopted, and through the bodies set up to measure the performance of government agencies, holding them accountable for any shortcomings.

There's no doubt that the early implementation of structural shifts has also strengthened the Kingdom's economy and its ability to surpass the COVID-19 pandemic in 2020 steadily. Using Vision 2030's own "Key Performance Indicators" (KPIs) where available, economic data on Saudi Arabia, and comparative national surveys, what we find is that the Saudi government has invested a tremendous amount of energy, effort, and money in the Vision 2030 reforms, with some noteworthy achievements to date: namely in terms of fiscal stabilization and macroeconomic management, the development of capital markets and the banking system, the digitization of government services, and social reforms. In many other areas, however, reform efforts are falling short of their intended objectives, most notably in terms of creating jobs and transforming the private sector into an engine of growth.

In terms of the structure of the Saudi Vision, the plan is to have the PIF as the main vehicle for the delivery of the Vision from a government perspective; Saudi Vision 2030 relies on massive government spending and the ability to attract foreign capital, particularly in areas like the PIF-funded megaprojects, though both spending and investments were impacted by the current crisis.

Provisional full year GDP data for 2020 showed that the economy contracted by -4.1 percent. Looking ahead, we see overall GDP in 2021 rising by 2.1 percent year-on-year, with both the oil and non-oil sectors contributing to the rebound in growth. In this context, the recovery in the Saudi economy during the year 2021 will not be smooth, and any unforeseen negative developments related to Covid-19 present an ongoing risk to the country's Vision objectives.

That said, Saudi Arabia’s suspension of travel and wide vaccination rollout programs have ensured a low rate of virus infections in the country and a quick recovery in the business environment, with key projects such as NEOM, Qiddiya, Salman Park, and Amala enduring through the challenging times and proceeding ahead as planned.

Foreign direct investment is also expected to play a big role in developing the economy of Saudi Arabia. The Kingdom may have progressed with this aggressively by adding pressure on global firms to open a permanent base in Riyadh if they wish to continue winning business in the country, a move that was seen by many as a direct challenge to neighboring countries such as the UAE which was considered the safe haven for Western businesses and a major business hub in the Middle East.

3.1. Saudi Vision 2030 – Key Pillars

The main goal of the Saudi Vision is to enable the country and its citizens to unleash their full potential. The ambitious reform agenda is based on three key pillars: a vibrant society, a thriving economy, and an ambitious nation.



Figure 1 - Source: Vision 2030

Three Key Pillars:

- A Vibrant Society
- A Thriving Economy
- An Ambitious Nation

Aligned with the three key pillars of Vision 2030, MbS announced the launch of several ‘Vision Realization Programs’ (VRPs) that are designed to achieve and support each of the key pillars. The VRPs cover an incredibly vast range of initiatives that have been created to support and build the Kingdom of Saudi Arabia for generations to come. Each pillar includes a secondary objective within which one can measure its success and progress. It should be noted that whilst the VRPs are not specifically assigned to one of the pillars, there is a natural tendency to support one more than the other. As a vision, all the VRPs have a common goal, and that’s the delivery and support of the Saudi Vision.

3.1.1. A Vibrant Society

The first theme, a vibrant society, is vital for achieving the Vision and a strong foundation for economic prosperity. Members of the Saudi society live in accordance with the local tradition of moderation and are

proud of their national identity and cultural heritage. Therefore, the aim of the Saudi Vision is to allow the Kingdom's citizens to enjoy a good life in an attractive environment, protected by caring families, and supported by an empowering social and healthcare system.

By the year 2030, the Kingdom will aim to:

- Host 30 million pilgrims per year, by increasing tourist packages and access across the globe.
- Increase household spending on culture and entertainment within the Kingdom from 2.9% to 6%.
- Increase life expectancy from 74 to 80.

Vision Realization Programs (VRPs)

Vision Realization Programs are strategic targets and goals for Vision 2030. The VRPs were established by Council of Economic and Development Affairs on the 24th of April 2017. The program is reviewed every five years to ensure that relevant milestones are being set and achieved.

1. Quality of Life Program

The Quality of Life Program was designed to improve individuals' lifestyles by developing an ecosystem to support and create new options that will boost citizens' and residents' participation in cultural, environmental, and sports activities. This effort is in addition to other suitable activities that contribute to enhancing the quality of life of individuals and families, creating jobs, and diversifying economic activity.

Recent initiatives include the [Riyadh Marathon](#), which was held for the first time ever on February 24th, 2018.

2. General Entertainment Authority

Vision 2030 commits enormous resources to creating entertainment offerings as part of public life in Saudi Arabia, in an effort to keep the young Saudi nationals entertained and to entice them to stay in the country and spend money at home, rather than choosing to travel abroad.

In 2016, the [General Entertainment Authority \(GEA\)](#) began its work to build an entertainment sector essentially from scratch, with plans for cinemas, concerts, theme parks, water parks, street festivals, an opera house, and an entire "entertainment city." The GEA envisions investment creating more than two hundred thousand jobs.

Events includes world-class artists, musicians, and athletes who were invited by the authority to deliver events for the first time ever in the Kingdom.

3. General Sports Authority

[The General Sports Authority's \(GSA\)](#) mission, as part of the quality-of-life program, is to build a sporting economy from the ground up to include professional sports leagues and sports for entertainment, as well as greater physical activity for all Saudis, regardless of age or gender.

Since the announcement of Vision 2030, the Kingdom has hosted major sporting events and announced \$650 million for sports clubs in Saudi Arabia to develop infrastructure, diversify participation, and increase attendance at and engagement with the events.

Other GSA achievements include the licensing of women's gyms, the announcement of physical education for girls in public schools, allowing female attendance in sport stadiums, and the introduction of women to Saudi Arabia's Special Olympics team.

4. National Industrial Development and Logistics Program

This program was launched in 2019 with the aim of transforming the Kingdom into a leader in global logistics by maximizing the value achieved from the energy sectors and focusing on the two axes of the local and the fourth industrial revolution.

Among the most prominent achievements of the program is achieving rapid local gains in several projects until the arrival of 2020. The program has completed more than 23 government competitions with the beginning of the activation of the government competition and procurement system.

One of the biggest parts of this program is the launch of the "[Made in Saudi](#)" program, which provides a unified identity for local businesses to promote Saudi products and services locally and internationally. The 'Made in Saudi' initiative looks to create an identity for Saudi products that the Kingdom can take pride in.

The desire for Saudi Arabia to start exporting their products is demonstrated in the launch of five new shipping lanes from KSA to serve all the major continental markets. Whilst some shipping lanes were there before, primarily for gas and oil exports, it can be expected that the new shipping lanes will have a major overhaul and upgrade.

5. Public Investment Fund Program

The [Public Investment Fund](#) has become a key financial instrument and backbone of Vision 2030. The PIF supports many of the kingdom's most prominent, future-oriented projects and, through its investments abroad, now conducts public diplomacy on behalf of the country.

When it began in 1971, the PIF was a development fund that provided financing and investments primarily to public enterprises. The fund's new mandate (since the launch of Vision 2030) is to become one of the largest sovereign wealth funds (SWF) in the world. SWFs are assisting oil-dependent economies in diversifying not just their finances but the structure of their economies.



In April 2017, the Council of Economic and Development Affairs (CEDA) introduced the new "PIF program" in order to strengthen the Public Investment Fund, in line with the Saudi Vision 2030. The PIF program will derive its funds through a range of funding sources, such as capital injection from the government, transfer of government assets, loans and debt instruments, international investments, giga-projects and retained earnings.

The main goals of the PIF Realization Program are as follows:

- Grow the assets of the fund to be one of the largest in the world, targeting \$600 billion by 2020.
- Use the PIF to "unlock new sectors".
- Build global strategic partnerships.
- Promote high-tech innovation through investment in research and development and advanced technology sectors.

6. Doyof Al Rahman (Pilgrimage) Program

[Doyof Al Rahman Program](#) provides an opportunity for the largest possible number of Muslims to perform Hajj and Umrah to the fullest. This program looks to develop Saudi Arabia's tourism and cultural sites, aiming to elevate the experience of the pilgrimage. This program will also serve as a platform to confirm the relationship and effective role of the private sector in improving the tourism and cultural sectors.

In order to achieve a memorable spiritual experience for pilgrims, the program designed their journey into seven main points of contact, starting with the pre-arrival point, then arrival and departure, followed by transportation, visiting the Two Holy Mosques and the Holy sites, performing the rituals in a safe and healthy way, and finally the two points of hospitality and discovery of the Kingdom.

7. Housing Program

The [Ministry of Housing](#), which is the implementing agency to achieve the Housing Program in the Kingdom's vision, aims to stimulate real estate supply and raise productivity to provide housing options at the appropriate price and quality, and to establish partnerships with qualified real estate developers to develop various housing options on the Ministry's lands and private sector lands as well as on lands subject to fees. The Ministry has launched a program to develop undeveloped lands, referred to as "White Lands." It hopes to raise the proportion of residential ownership in the Kingdom and upgrade the housing sector. The number of projects affiliated with the Ministry of Housing reached 139 projects with 175,165 housing units so far, reaching the target of 70% ownership of residential housing by citizens.

Among the most prominent achievements of the Housing program since the inception of the Vision:

- The percentage of citizens who own houses in 4 years has increased from 47% in 2016 to 60% in 2020, exceeding the target by 8%.
- Abolishing the concept of waiting for housing support from 15 years to immediate entitlement through the "[Sakani](#)" platform, and providing housing and financing solutions to 834,000 families, including 310,000 families living in their homes.
- Providing adequate housing for the neediest families through the support system, by providing more than 46,000 housing units in various regions of the Kingdom in partnership with the non-profit sector and more than 350 associations.
- Activating the partnership with the private sector by developing more than 141,000 housing units and strengthening partnership with all banks and financing institutions by providing 424,000 subsidized real estate loans.
- Developing the organization of the rental sector in a way that preserves the rights of the lessor, the lessee, and the real estate broker through the launch of the "[Ejar](#)" platform, as the number of documented lease contracts reached more than 1.4 million contracts.

During the next phase, the housing program continues its efforts to raise the percentage of Saudi family ownership to reach 70% ownership by the year 2030, by providing 40,000 housing development units to support families most in need and adding 355,000 new financing contracts with the aim of continuing to provide subsidized real estate financing contracts by the end of 2025. It should be noted that in the year 2020, the housing sector witnessed exponential growth - an output that was better than expected due to the decline in construction during that period. This growth created an increase in direct job opportunities for Saudis and helped the construction sector contribute nearly \$43 billion to the country's GDP that year.

8. Health Sector Transformation Program

The aim of the Health Sector Transformation Program is to restructure the health sector in Saudi Arabia to be efficient, comprehensive, and integrated so that citizens, residents, and visitors can have access to high quality health services that are transparent and affordable. In this program, the role of the Ministry of Health is to ensure optimal coverage of health services to all citizens across the Kingdom, while also expanding the use of digital solutions, and monitoring the quality of the services provided. To achieve this, the Ministry will

link and coordinate with all health sector entities in the Kingdom, including VRPs and other government entities, while ensuring that they are all aligned with the strategic national goals of the program.

With 35 million residents, and nearly 20 million visitors every year, Saudi Arabia has experienced high costs along with concerns about quality of care in its public facilities, which has prompted the Ministry to restructure the healthcare system to privatize public hospitals and introduce mandatory health insurance. Prevention and primary care are also key focuses for the Ministry, which sponsors over 3000 health centers across the Kingdom.

While the program will focus on boosting health services and disease prevention, it will also play an important role in the Kingdom's future response towards health, social and economic impacts of unforeseen health crisis such as the current COVID pandemic.

This was evident in the recent year when the Ministry was quick to introduce proactive measures to help contain the novel coronavirus, the main highlights of these measures are as follows: travel bans, suspending religious activities, closure of non-essential shops, enforcing changes at workplaces, and imposing curfews. This was followed by the gradual return to working life with various precautions to prevent a spike in the number of cases. The imposed measures in Saudi Arabia succeeded in reducing the burden of the pandemic and its fatality rate. Comparatively, the fatality rate in Saudi Arabia was significantly lower compared to developed countries with better healthcare infrastructure such as the United States and United Kingdom.

One of the main goals of the program is to expand digital health services across all 13 regions and to provide awareness of healthcare systems. During the pandemic period, the pharmacies allowed residents to download their mobile applications to purchase pharmaceutical products, with a digital payment option and free home delivery.

The Healthcare sector also launched a package of applications such as Sehhaty, Mawid, Seha, Tawakkalna, and Tabaud. These applications allowed citizens, residents, and visitors to book physical and virtual appointments at local hospitals, clinics, or other healthcare facilities. Tawakalna is the official Saudi contact tracing app, which was approved by the Ministry to limit the spread of the virus and is now mandatory for entry into malls and government offices. The move towards digitization through these applications is considered a huge accomplishment in terms of the Vision 2030 healthcare program.

For more information on applications, [click here](#).

3.1.2. A Thriving Economy

A thriving economy aims to provide opportunities for all, by building an education system aligned with market needs and creating economic opportunities for the entrepreneur, the small enterprise, as well as the large corporations. The Kingdom will develop investment tools to unlock promising economic sectors, diversify the economy, and create new job opportunities. It will grow the economy and improve the quality of public services through privatization, while improving the business environment through the Ministry of Commerce and Investment, in an effort to attract the finest talents and the best investments from around the globe and leverage a unique strategic location that connects three continents.

By the year 2030, the Kingdom will aim to:

- Reduce the unemployment rate from 11.6% to 7%.
- Raise the value of public investment market assets to more than \$2 trillion.
- Increase private sector contribution to the GDP, to reach 65%.
- Raise the percentage of non-oil exports to at least 50% of the total non-oil GDP.

9. The National Transformation Program

The National Transformation Program (NTP) is the largest of the Vision Realization Programs and one that aims to develop the necessary infrastructure and create an environment that enables the public, private and non-profit sectors to achieve the goals of the Vision. The Kingdom is looking to achieve this through measures such as improving the efficiency and performance of the national government and its services, enhancing social development, ensuring the sustainability of vital resources, achieving governmental operational excellence, supporting digital transformation, and increasing the attractiveness of the labor market.

The NTP sets a KPI based on Saudi Arabia's ranking in the United Nations E-Government Survey, which measures digital government services. The baseline set was from 2016, when Saudi Arabia ranked forty-fourth out of 193, and although the 2020 target established was thirty out of 193, the Kingdom's ranking has only reached 43.

Nevertheless, the first phase of the program (from 2016 to 2020) contributed to many important accomplishments including but not limited to:

- Improving the regulatory framework and services provided to citizens such as judicial services
- Transforming the healthcare system
- Enhancing the urban landscape
- Developing the Kingdom's infrastructure, including the construction of sea water desalination plants and their associated networks
- Improving the ease of doing business
- Expanding digital transformation and technical solutions
- Regulating the labor market
- Empowering women and increasing their participation in the workforce
- Developing the non-profit sector
- Developing the tourism sector

It is important to note that several strategic objectives set for the NTP have been transferred from and to existing or new programs.

One other strategic objective of the NTP is to ensure adequate government response to public feedback and to provide access to information without or upon demand. The NTP chose the E-Participation Index, a subset of the above-mentioned UN survey, as a metric. Similarly, the baseline set was from 2016, when Saudi Arabia ranked thirty-ninth out of 193. The target for 2020 was to advance to a ranking of thirty out of 193, which in contrary has since increased to 66.

For the strategic objective of "transparency across government entities," the NTP set the goal of moving Saudi Arabia from a rank of sixty-third out of 173 in Transparency International's Corruption Perceptions Index in 2017 to a rank of forty-seventh in 2020. Again, it seemed highly unlikely that Saudi Arabia will hit its 2020 target, but the Kingdom managed to move its ranking to fifty-sixth as of last year.

A broader measure is the World Bank's Global Governance Indicators. The World Bank scores countries on six dimensions of governance. Over the last four years, Saudi Arabia has seen some advances, but also declines against these indicators. Saudi Arabia's scores have declined when it comes to political stability but held steady when it comes to regulatory quality and rule of law, and improved slightly when it comes to government effectiveness, the control of corruption, and voice and accountability.

As part of Vision 2030, the government has set as a strategic objective of "improving living conditions of expatriates". In this area, the government defines its KPI through the country's ranking in the Expatriate Working Abroad Index. The second KPI the government set for this strategic objective is the number of "appropriate" International Labor Organization (ILO) technical conventions that Saudi Arabia has ratified. On

the National Transformation Program website, the government provides the baseline of sixteen conventions (out of 177) in 2017 and a 2020 target of twenty has been set. The ILO website indicates that Saudi Arabia had indeed signed sixteen ILO conventions in total (nine of them technical) by 2017, but as of this writing, the ILO indicates that Saudi Arabia has ratified no further conventions.

The government has also set the strategic objective of “effectively attracting suitable global talent”, and as a KPI, the government employs INSEAD’s Global Talent Competitiveness Index, which attempts to ascertain a country’s ability to nurture entrepreneurial talent. Saudi Arabia was ranked thirty-ninth out of 119 in 2017, and the NTP sets the 2020 target as thirty-seventh out of 119. In the 2019 INSEAD survey, Saudi Arabia was still ranked thirty-ninth.

One of the key goals of Vision 2030 is to increase the participation of women in the workforce from 22% to 30%, and to reach that, the NTP aimed to provide more equal job opportunities for women in Saudi Arabia. Many Saudi women were previously restricted to work in certain fields, such as medicine, nursing, and teaching. And in the past, there were limited training opportunities for women in fields such as information technology, management, and engineering. The lack of these skills hindered women’s ability to obtain competitive employment, though over the recent years, the Kingdom have invested heavily in training programs for women and more recently introduced new laws to permit women to work different fields. As a KPI, the NTP takes the 2017 figure of 21.2% (percentage of women as a share of working Saudis) as a baseline and establishes the 2020 target of 24%. In the fourth quarter of 2019, the figure reached 27.3%, well exceeding the government’s target for 2020, though this figure is still much lower than in neighboring GCC countries such as Kuwait, the UAE, Bahrain, and Qatar.

10. Financial Sector Development Program

After watching oil revenues plummet in 2014, the Saudi budget tilted heavily into deficit, and foreign exchange reserves fell sharply, but Saudi policy makers did manage through the crisis with prudent fiscal policy in an effort to stabilize the economy. They reined in government spending while developing several new sources of government revenue, gradually bringing the national budget back on a trajectory toward balance, and thereby stemming the outflow of foreign exchange reserves.

With the help of the International Monetary Fund (IMF), the Saudi government developed a solid framework for medium-term budgetary planning, which at the end of 2019, had its economy on the right course to balance the budgets by 2023, until the pandemic struck. While a balanced budget is not necessary in economic terms, the building up of a cushion would help guard against future crises. Prior to the pandemic, the economic climate in Saudi Arabia had turned somewhat more positive as oil prices had made a modest recovery. Not only was the government on a path toward a balanced budget, but the country’s unemployment was also significantly reduced, declining to 12.0% for nationals in the fourth quarter of 2019, its lowest level since 2015.

Inflation was under control and, in fact, was slightly negative in 2019. After a contraction of 0.7% in 2017, the economy grew 2.2 percent in 2018, and was forecast to grow 1.9 % in 2019 before continued uncertainty in oil markets and heightened tensions with Iran prompted the IMF to estimate a modest uptick in energy prices (prior to 2020) which aided macroeconomic stabilization by boosting government revenues significantly, thereby providing policy makers much greater room to maneuver. This boost helped the Kingdom control its deficit ratio of GDP, reducing it from 15.8% in 2015 to 4.5% in 2019, but at the same time, it generated concern that reform efforts could stall as the sense of crisis ebbs. Historically, Saudi leaders have pushed reform when oil prices were low, only to abandon those plans when high oil prices returned. Writing about GCC countries, the World Bank cautions that “higher than expected oil and gas revenues could reduce the pressure for governments to reform”, though it is safe to say that in the case of Saudi, the Vision 2030 strategy has helped the economy recover quickly from the pandemic recession and the fluctuations in oil price, with growth projected to rise to nearly 5 per cent in 2022, thus further enticing the country to stay aligned to its reforms.

11. Fiscal Sustainability Program

The Fiscal Sustainability Program was launched in 2016 as a medium-term mechanism to keep a watchful eye over the Kingdom's public finances and help the country achieve a balanced budget. The Fiscal Sustainability Program seeks to complement past efforts in achieving the desired goals by completing work on the initiatives of the Fiscal Balance Program, in addition to adopting new fiscal policies that are aligned with Vision 2030.

The program has achieved many goals in terms of national systems related to public finance and has also helped in controlling the deficit ratios of the GDP from 15.8% in 2015 to 4.5% in 2019. It also contributed to strengthening financial discipline and developing public finances through the establishment of several entities, such as Government Expenditure & Projects Efficiency Authority, the National Debt Management Center, and the Non-Oil Revenue Development Center.

12. Privatization Program

The Privatization Program is one of the key initiatives of the Vision as it seeks to improve the efficiency of public sector by enhancing the role of the private sector in providing services and making government assets available. This will improve the quality of the services provided and contribute to the reduction of costs, while also encouraging economic diversity, boosting competitiveness, and attracting foreign direct investment.

The Privatization Program was launched in 2018. It seeks to identify government assets and services that can be privatized in a number of sectors, develop the privatization system and its mechanisms, define public and private sector partnership frameworks to enhance the quality and efficiency of public services, and support contributions to economic development.

Of the 96 public-private partnership deals brokered so far, 68 are in the water sector and sports, nine are in health care, six are in transport, five are in communication, information technology, and media, three are in municipalities and education, and one is in customs.

A vigorous privatization process leading to private sector participation in all of the Kingdom's airports has commenced with both Prince Mohammed Bin Abdul-Aziz Airport in Madinah (2011) and Terminal 5 at King Khaled International Airport in Riyadh (2016). The remaining airports are expected to privatize in 2018-2022. In a direct move to attract more foreign investors and expertise, the General Authority for Civil Aviation (GACA) has announced that no obligation exists to have a local Saudi partner. For some airports, the limit for local investors has been capped at 25% leaving the rest of ample opportunities for investments.

Likewise, the privatization of the healthcare sector in Saudi Arabia saw an upward trend when in 2017 the Saudi Ministry of Investment – then known as Saudi Arabian General Investment Authority (SAGIA) - announced that foreign investors could have 100 percent ownership in healthcare, among other sectors, opening up opportunities worth \$180 billion.

3.1.3. An Ambitious Nation

An ambitious nation is built on an effective, transparent, accountable, enabling, and high-performing government. Saudi Arabia will also prepare the right environment for citizens, the private sector, and non-profit sector to fulfil their responsibilities in facing challenges and seizing opportunities.

By the year 2030, the Kingdom will aim to:

- Reach the first 5 places in the e-government index.
- Reach one million volunteers in the non-profit sector annually.

13. Human Capability Development Program

The human capability development program looks to develop Saudi Nationals from an early age with the vision to allow the citizens to gain a broader skillset throughout their education. The aim of this program is to create opportunities for Saudi Nationals to compete globally in the labor market. Whilst this VRP has not been launched yet and is aimed for Q3 of 2021, the wheels are in full motion following announcements about educational reform. This program is also aligned with the Saudization aspect of Vision 2030 (for further info on Saudization, see Appendix), whereby employers are required by law to employ a certain percentage of Saudi Nationals in their business.

The recent pandemic phase may have also prompted this VRP to start early development of the virtual education platforms and test the launch of new e-learning methods for kids at all ages. The distance learning platforms were accessed by more than 9 million beneficiaries around the Kingdom, and other methods such as television broadcasting of 23 satellite television channels have helped in delivering education remotely. The Kingdom also funded professional development programs for more than 420,000 educational job holders in the specialized, educational, and technical fields, through a specialized educational platform. Publication of scientific research increased by 120%, as a special research strategy and identity for each university was developed to raise the quality of scientific publishing.

4. 5-Year Anniversary

This year (2021) marked the fifth anniversary of Vision 2030, and in celebration of this occasion, the Crown Prince Mohammed bin Salman did an exclusive interview in which he discussed the most prominent achievements of the Vision so far and presented the features of the next phase.

The interview was conducted on the 26th of April 2021 by journalist Abdullah Al-Mudaifer, which took through his program “Liwan” and was aired live on all Saudi channels. Abdullah Al-Mudaifer is only the third journalist to get such access after journalists Turki al-Dakhil and Dawood al-Sharian.

During the interview, the Crown Prince confirmed that the kingdom had no plans to introduce income tax and a decision (from last July) to triple value-added tax to 15% was temporary. He also said that the kingdom was in discussions to sell 1 percent of state oil firm Saudi Aramco to a leading global energy company, and that the country will spend more in the next 10 years than it has done in the past 300 years as he announced a new program to strengthen public-private sector partnerships.

To read the full script of the interview, [click here](#).



Figure 2 - Source: Al Arabia News

5. The Public Investment Fund

Website: <https://www.pif.gov.sa/en/Pages/default.aspx#1>

The Public Investment Fund (PIF) was established in 1971 as the sovereign wealth fund of the Kingdom of Saudi Arabia. The fund’s objective is to provide financial support for projects and investments aligned with the strategic expansion of the Kingdom’s economy through the expansion and creation of new sectors.

The PIF is the main vehicle for the delivery of Vision 2030 from a government perspective and will essentially be transformed into the Kingdom’s sovereign wealth fund with ambitions to manage at least \$2 trillion worth of assets and investments. If successful, it could end up being one of the largest sovereign wealth funds in the world, if not the largest, within a matter of years. The PIF is responsible for the launch of the majority of the major development in Saudi Arabia and is solely responsible for the launch of the Mega Projects within the Kingdom. The PIF is ever-growing, constantly looking for new opportunities and investment.

The PIF’s funding comes from several sources, including oil revenues beyond those required to balance the budget, and any other public listings such as the \$26 billion raised by Saudi Aramco’s first IPO on the Saudi stock exchange in 2019. The cash savings from economic reforms, including the energy price reform, are also reportedly directed to the PIF, and the fund receives some inflows from the Saudi Arabian Monetary Authority (SAMA). In 2018, prior to the listing of Aramco’s IPO, it was reported that the PIF had entered commercial debt markets with a loan for \$11 billion from banks as it seeks to boost its firepower to finance the Kingdom’s economic transformation plans.

In 2020, Saudi Aramco signed a \$69 billion deal with PIF to acquire a 70% majority stake in Saudi Basic Industries Corporation (SABIC). The deal will inject billions of dollars into the PIF during the agreed payment period of 2020 to 2028, which can finance its giga-projects initiatives.



Figure 2 – Giga Project Initiatives

The Saudi government is also planning to sell land to developers, such as the 4 million square meters it owns around Mecca, the most expensive real estate in the world. The need to attract foreign visitors is already underway with plans to attract Islamic tourism to the holy sites and plans to boost the 18-million annual visitors to 35 million in five years’ time. All of these sales will be invested into the sovereign wealth fund managed by the PIF and dedicated to either making returns to the Saudi economy or reinvesting those

returns to further increase the size of the PIF and further empower it to support the rebalancing of the Saudi economy.

The privatization initiatives (such as those commenced under the Privatization Program) will be implemented through PIF owned entities such as:

- [Saudi Arabian Military Industries \(SAMI\)](#): concerned with developing and supporting military industries in the Kingdom and has been the main focus for defense equipment industrialization activities.
- [Saudi Entertainment Ventures Company \(SEVEN\)](#): the execution and investment arm of the PIF in the entertainment sector.
- [Saudi Real Estate Refinance Company](#): provides liquidity for lenders (banks and finance companies) to enable them to offer more accessible housing finance solutions to citizens.
- [Saudi Investment Recycling Company \(SIRC\)](#): established to develop, own, operate and finance various activities across all waste types in the Kingdom.
- [National Energy Services Company \(Tarshid\)](#): established to improve energy savings, initially across public buildings, with \$500 million in initial funding.
- [Qiddiya Investment Company \(QIC\)](#): Qiddiya is a planned futuristic city dubbed as the capital of Entertainment, located nearly 50 kilometers south-west of Riyadh. QIC was incorporated in 2018 as a closed joint-stock company wholly owned by PIF with the goal of driving the development of the project.
- [Red Sea Development Company](#): another closed joint-stock company wholly owned by the PIF to develop the Red Sea coastline into a luxury tourism destination.

Other new PIF companies have strengthened the fund's positions in sectors such as aerospace, healthcare, and agriculture. The PIF has added [Saudi Information Technology Company](#) (SITE, a cybersecurity firm) and [The Helicopter Company](#) (THC, a domestic helicopter manufacturer) to its defense/security holdings. The [Saudi Agriculture and Livestock Investment Company \(SALIC\)](#) was launched in 2011 with a \$800 million start from the PIF to manage investments in sustainability in the agricultural sector and improve efficiency in the country's food import supply chain. To improve supply chain efficiency in the healthcare sector, the PIF launched [National Unified Procurement Company for Medical Supplies](#) (NUPCO) in 2007.

5.1. Key Investments

The Crown Prince targeted 50 percent of investments for domestic projects, as part of Vision 2030's overall goal to expand and increase the role of the private sector. The PIF has entered in a number of high-profile deals since Vision 2030's launch. In 2016, the PIF announced the establishment of the "Fund of Funds", a new investment vehicle designed to provide small and medium-sized enterprises (SMEs) with access to capital by investing in venture capital and private equity funds targeting the SME sector. The Fund of Funds will also support the creation of a thriving private equity and venture capital ecosystem in the Kingdom.

2016 was also the year that saw the PIF invest in the e-commerce industry, with a remarkable \$3.5 billion investment in Uber Technologies, the ride hailing app, which was then followed by another investment of \$500 million to buy a 50% stake in [Noon](#), an e-commerce and food ordering/delivery platform that was launched in Saudi Arabia in 2017.

That said, 2017 was the landmark year for inaugurating new Saudi projects. The pace of announcements and the scale of the were instrumental in establishing Vision 2030 as a transformational reform effort that could capture the attention of the international media and international investors. Notable among announcements were new giga projects such as NEOM, Qiddiya, Amala and the Red Sea Developments.

The PIF is also eyeing new investments in Saudi Arabia’s untapped entertainment sector, with the intention of attracting business, talent, and investment through events. The government is eyeing numerous sports, events, and exhibitions, such as NBA basketball and Spanish-style running of the bulls.

The PIF has plans for an estimated 900,000 houses and hotel rooms by 2030 across twenty projects, and the PIF is estimated to have spent \$22 billion on new and existing projects in 2018, including awarding contracts valued at \$15.3 billion, most of which are domestic investments in entertainment and tourism.

During the coronavirus pandemic, the PIF saw an opportunity to explore investment opportunities abroad in sectors such as aviation, oil, gas, and entertainment. Those included investments in coronavirus-hit companies that have lost a large share of their value such as Carnival Cruise Line, oil companies Royal Dutch Shell and Total, entertainment group Live Nation, and English Premier League football club Newcastle United.

The PIF has also invested in other global initiatives in an effort to strengthen the country’s strategic partnerships in key sectors such as:

- **The US Infrastructure Investment Program:** The PIF invested \$20 billion in a joint venture between the PIF and US private equity firm the Blackstone Group that aims to raise a total of \$40 billion for infrastructure investment in the United States.
- **Russian Direct Investment Fund Initiative:** The PIF has reportedly contributed close to \$2.5 billion to a \$10-billion fund for joint Russian-Saudi projects.
- **China’s National Energy Administration:** The PIF signed a memorandum of understanding (MOU) with China’s National Energy Administration to cooperate on a new renewable energy projects, but no dollar amount was announced.
- **Egyptian Joint Fund:** The PIF and the Egyptian International Cooperation Ministry set up a \$16-billion joint investment fund, with promises to develop an electricity plant, and other agriculture and infrastructure projects.

Beyond the above strategic partnerships, the PIF has also made investments in major international firms such as:

| Firm | Investment |
|--------------|---|
| Posco | The PIF purchased a 38 percent stake in the South Korean steel company’s engineering and construction division at \$1.1 billion in 2015. |
| AMC | An MOU was signed in 2018 with the US company to open between 50 and 100 cinemas in Saudi Arabia. |
| Six Flags | An MOU was signed between QIC and the US company in 2018 to open a Six Flags theme park in Saudi Arabia. |
| AccorInvest | The PIF and a consortium of investors purchased a 57.8 percent stake in the real estate financing company from France’s AccorHotels for \$5.33 billion in 2018. |
| Lucid Motors | The PIF invested \$1 billion in 2018 to launch the California-based company’s first electric vehicle. |

| | |
|-------------------|---|
| Tesla | The PIF invested between \$1.7 billion and \$2.9 billion in the US electric-car company over 2018 to own between 3 and 5 percent. |
| Magic Leap | The PIF invested \$400 million in the US augmented reality company in 2018. |
| Oyo | An MOU was signed in 2019 with India's largest hospitality company. |

6. Opportunities in the Healthcare Sector

The healthcare sector is one of the most lucrative sectors in Saudi Arabia outside oil and gas and is aided by a prosperous population and driven by strong economic diversification and privatization initiatives. Saudi Arabia’s government spending on the healthcare industry remains a key priority, accounting for an average of 15% of the overall spending budgeted, with progressive efforts to promote the private sector.

The country is endowed with a large, rapidly growing population, and suffers from a rising incidence of non-communicable diseases such as diabetes and heart disease, as well as a general consumer preference for imported goods and services. The health expenditure in Saudi Arabia is projected to grow at a Compound Annual Growth Rate (CAGR) of 6.1% to \$59.5 billion by 2022, from an estimated \$44.3 billion in 2017 (source: Alpen Capital). This growth is driven by a CAGR of 2.0% in the population, rise in the cost of treatment and increase in health insurance coverage.

According to figures from Aon Hewitt, the Ministry of Health in Saudi Arabia has spent close to \$71 billion in the five-years ending in 2020. Research from Knight Frank indicates that to keep pace with population growth, Saudi Arabia would require an additional 5,000 beds by 2020 and 20,000 beds by 2035, based on the current density of beds. Based on the global average of bed density, Saudi Arabia faced a gap of 14,000 beds in 2016, and this gap is expected to widen to 40,000 beds by 2035.

According to Export.gov, the Saudi Arabian market for medical equipment is estimated at just under \$2 billion and is growing annually at roughly 10%. With increasing awareness of health issues and a growing consumption of healthcare services in the country, there is a strong market for medical equipment.

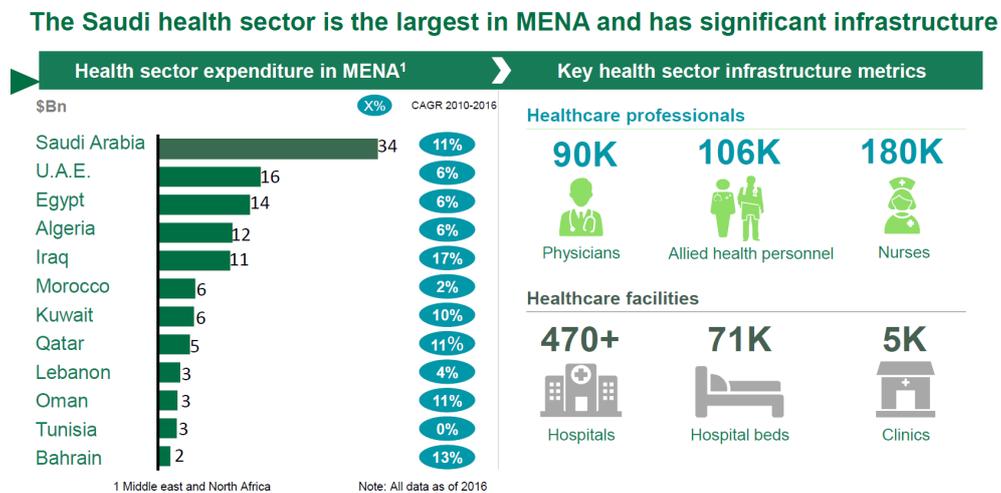


Figure 3 - Source: Invest Saudi Arabia

Vision 2030 plans to drive the transformation of the healthcare systems in Saudi by inspiring new collaborations between the public and private sectors for improved clinical and financial outcomes. Some of the Vision’s key priorities for the healthcare sector include:

- Increasing private healthcare expenditure from 25% to 35% of total healthcare expenditure.
- Increasing the number of licensed medical facilities from 40 to 100.
- Increasing the number of internationally accredited hospitals.
- Doubling the number of primary healthcare visits per capita from two to four.
- Decreasing the percentage of smoking and obesity incidence by 2% and 1% from baseline respectively.

- Doubling the percentage of patients who receive healthcare after critical care and long-term hospitalization within four weeks from 25% to 50%.
- Focusing on improving the quality of preventive and therapeutic healthcare services.
- Increasing focus on digital healthcare innovations

The healthcare sector in Saudi Arabia has witnessed collaborative progress over the years and, as a result, industry experts foresee a significant upward trend for the industry in the next three to four years. According to analysis by Colliers International, the following opportunities currently exist in the KSA healthcare sector:

- **Demand for private healthcare:** year-on-year, the volume and share of private sector service providers has been increasing in Saudi Arabia.
- **Increased demand for healthcare quality:** KSA's healthcare facilities in general, and in Riyadh and Jeddah in particular, are accredited by international healthcare accreditation bodies such as JCI and ACHSI.
- **Long Term Care (LTC) /Rehabilitation:** with the changing age profile, KSA requires a large number of LTC facilities.
- **Day-care surgical centers:** due to advancements in healthcare technology and the increase in the prevalence of lifestyle diseases, there is a higher demand for day-care surgery centers.
- **Demand for maternity and pediatrics:** private health facilities in KSA are focusing on maternity and pediatrics owing to high demand for these specialties.
- **Increased demand for specialized services:** centers of excellence focusing on certain specialties are expected to grow further, especially in Riyadh and Jeddah.
- **Laboratory and diagnostic centers:** standalone laboratory and diagnostic centers are required in KSA to support the increasing volume of outpatient facilities.
- **Primary care:** owing to the large population in the KSA and high occupancy rates of the hospitals, the country requires more primary care clinics and medical centers to meet the demand of the rising population.
- **Religious travel and tourism:** The country plans to welcome 30 million pilgrims by 2030, and there are 25 hospitals and 158 health clinics across the holy cities. As the number of pilgrims increases, the demand for healthcare provision will also increase exponentially.
- **Medical Equipment:** According to Export.gov, the Saudi medical equipment market is estimated at just under \$2 billion and is growing annually at roughly 10%.

Healthcare Opportunities at NEOM

The futuristic city of NEOM on the Red Sea promises a new lifestyle that does not currently exist in Saudi Arabia. The new city is planned to span over a total area of 10,000 square miles (25,900 square kilometres) linking KSA to Egypt and Jordan, creating new markets for many sectors, including healthcare and biotech. The biotech sector in NEOM City will focus on next-generation gene therapy, genomics, stem cell research, nano-biology, and bioengineering, in addition to attracting the talent to research, develop and apply the new knowledge; NEOM will be a new nexus for this vital activity.

NEOM aims to lead the world in health and well-being by creating an environment that optimizes healthy lifestyles, focusing on proactive personalized prevention and world-class treatment of diseases. NEOM's integrated person-centred health ecosystem will incorporate the latest technological advancements in healthcare and biotechnology. Dedicated digital infrastructure and artificial intelligence (AI) combined with genetic and smart technologies will offer real-time assessments and 'digital twins' for each resident.

In addition to the NEOM City project, broadly, there is a visible gap in the infrastructure available versus what is required in the healthcare sector in Saudi Arabia. Some key areas where opportunities exist are:

- **Healthcare services in high demand:** orthopaedics, obstetrics and gynaecology, IVF, ENT, gastroenterology, cardiology/cardio surgery and ophthalmology.
- **Healthcare services with capacity constraints:** rehabilitation, oncology, orthopaedics, and cosmetic surgery – there is significant outbound medical tourism for these services.

The majority of healthcare products in the Kingdom, including pharmaceuticals and medical equipment, are imported from overseas, and as of 2016, there were only 19 licensed pharmaceutical manufacturers in Saudi Arabia. In an effort to increase the quantity of locally made products, including pharmaceuticals, the Kingdom is encouraging more local production through the [National Industrial Clusters Development Program](#), which works closely with the MOH and other relevant regulatory bodies to facilitate this growth, and has already attracted leading global players such as GlaxoSmithKline, Sanofi and Pfizer.

Ministry of Health also aims to have 70% unified digital records by 2021 to help improve the performance and productivity of healthcare providers and enable a better quality of service to be provided, in support of the development of Vision 2030.

[The National Transformation Plan \(NTP\)](#) puts a strong focus on healthcare education and training. As healthcare needs in the country grow, there is a recognized need for skilled Saudi healthcare practitioners and support staff. With ties to world-renowned institutions and public-private partnerships, the increased education and training needs can be met both domestically and globally. Furthermore, this increased need could also be tailored through management and operational arrangements with internationally recognised service providers.

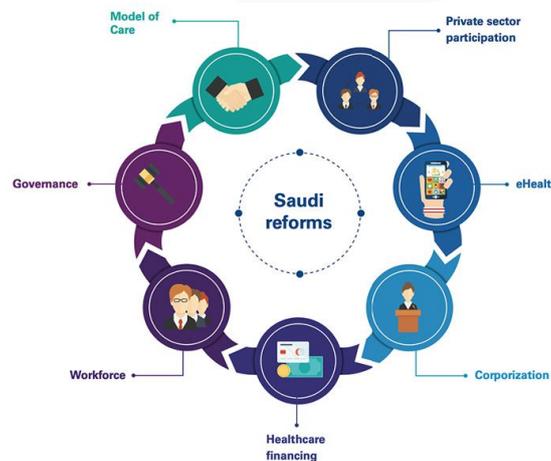


Figure 4 - Saudi Reforms in Healthcare sector

7. Opportunities in the Infrastructure Sector

The worldwide economic slowdown and the decline in the price of oil created a set of unique challenges for the Kingdom’s construction plans during the period of 2014 - 2016. A May 2016 report by the National Commercial Bank (NCB) reported that just under \$7.5 billion of new contract awards were made in the first three months of 2016, representing a 51% year-on-year decline, and a 39% drop on the preceding quarter. Fortunately, the sector started to pick up again when a number of infrastructure plans were either announced or initiated over the subsequent years following the announcement of Vision 2030 and the mega projects.

Prior to the COVID-19 outbreak, Saudi Arabia's construction sector had posted growth for the first time in four years, expanding by 4.1% in 2019 in real terms - an outturn that was better than expected. A key pillar of its Vision 2030 program is to increase non-oil economic growth, which was accelerated at the fastest pace in four years in the second quarter of 2019. However, amid the worsening situation with regards to the coronavirus outbreak and low oil prices, the construction sector recorded a mild decline of -0.8 percent in the year-to-Q3 2020, according to a market study by Jadwa.

Numerous project owners and operators were faced with necessary government-imposed health and safety precautions, liquidity crunches, global supply chain disruptions, reductions in manpower capabilities, and movement restrictions. This resulted in the lowest value of awarded contracts of \$21.2 billion in 2020, compared to \$52.6 billion in 2019, according to a report by the US-Saudi Business Council (USSBC). Though despite the continued year-on-year decline in the third quarter of 2020, the construction sector managed to rebound in the fourth quarter of last year as a result of the country’s strong efforts to mitigate the spread of the virus, the gradual reopening of socially restricted activities, as well as liquidity and subsidy support by the government to stimulate the economy.

The outlier in the construction sector in 2020 has been the exponential growth of the housing sector, which was driven by the development of affordable housing to meet rising demand. Saudi Arabia is investing in several social and urban development programs such as the [Sakani Housing](#) initiative, as part of its commitment to supporting the Kingdom’s Vision 2030 goal of increasing the rate of homeownership in the country to 70 per cent by 2030.

Other housing initiatives include [Roshn](#), which was launched in August 2020 by the Kingdom's wealth fund (PIF) to deliver the first community in Riyadh with quality residential neighborhoods to Saudi nationals. Roshn’s customer experience center is expected to be ready in Q1 2021, while the handover process of homes expected to start in early 2022. Construction is planned to be completed by Q4 2023.



Figure 5 - ROSHN Project Overview

The contraction of the project pipeline in execution was rolled over into 2021 as a number of major projects led by Saudi Aramco in the oil & gas sector were yet to be awarded. The effects of these delays will lead to many executable megaprojects being pushed back into the latter half of 2021 and into 2022.

The value of awarded contracts by region was led by Riyadh in Q4 last year with approximately \$1.5 billion or 34% of the total. The Riyadh region was supported by the real estate, transportation, and power sectors as they accounted for approximately \$1.4 billion or 97 percent of the combined total value. The largest contracts pertained to Roshn's Riyadh Community Project in the residential real estate sector as well as the construction of roads and bridges for the Qiddiya Investment Company within the transportation sector. This brings the total value of awarded contracts in the Riyadh region to approximately \$6.4 billion or 30 percent during 2020.

The Tabuk region garnered the second highest value of awarded contracts with approximately \$859 million or 20 percent of the total during Q4 2020. The Red Sea Development Company accounted for approximately \$680 million or 79 percent of all contract awards in Tabuk. The projects revolved around the development of utilities infrastructure along with real estate construction work. For 2020, Tabuk accounted for approximately \$1.6 billion or 8 percent of the total value of awarded contracts.

The Eastern region edged out the Jazan region by 1 percent to reach approximately \$589 million or 14 percent during Q4 2020. The oil & gas, real estate, and industrial sectors led the Eastern region with approximately \$386 million or 66 percent of the combined total value of awarded contracts. Despite the decrease in oil & gas contracts, the Eastern region accounted for the highest value of awarded contracts with \$9.2 billion or 44 percent of the total in 2020.

(Source: [Saudi Gazette](#))

Real Estate

The increased spending in the real estate sector during Q4 2020 increased the total value of awarded contracts to \$2.8 billion in the same year. This placed the real estate sector at the fourth highest spot compared to all other sectors in 2020. On an annual basis, the real estate sector in 2020 decreased compared to 2019 as approximately \$9.2 billion worth of contracts were awarded in that year.

The residential real estate sector is expected to continue to expand construction activities as the Ministry of Housing aims to increase the supply of affordable housing options. The growth of the mortgage market that was witnessed in 2020 continued unabated through the first quarter of this year to grow by 33,000 contracts worth \$4.4 billion.

Power Generation

The value of awarded contracts in the power sector during Q4 2020 of \$958 million was the highest it achieved in 2020. For the year, the power sector generated \$2.1 billion worth of contract awards, placing it as the sixth highest sector by value.

The resumption of the Renewable Energy Project Development Office (REPDO) tendering and awarding of its third round of contracts in 2021 will boost contracts awards in the power sector. Round three will award approximately \$8.4 billion worth of contracts in the second half of 2021 after delays in 2020.

To keep up with the increasing local demand for energy and the global initiatives in renewable energy, the Crown Prince announced seven new solar power projects earlier this year, in addition to the completed Sakaka and Dumat Al-Jandal projects, which are expected to produce more than 3,600 megawatts and reduce greenhouse emissions by more than 7 million tons.

The Sakaka plant was developed by ACWA Power, and is 50 percent owned by Saudi Arabia's Public Investment Fund.

The 400MW Dumat al-Jandal wind farm is the first utility-scale wind project to be developed under Saudi Arabia's National Renewable Energy Program (NREP). The project will be the largest wind project in the Middle East when completed.

Water

Saudi Arabia's population will increase by 4 million people over the next ten years. The country is investing heavily in critical infrastructures such as water. There are more than \$5.5 billion worth of water projects currently under construction.

The water sector's \$862 billion value during Q4 2020 increased the total value of awarded contracts within the sector to \$3 billion in 2020. This placed the water sector at the third highest spot compared to all other sectors in 2020.

The top 5 water projects in Saudi Arabia are:

- **Jubail 3A IWP:** the 600 thousand cubic meters per day plant reached a financial close in September 2020. The project is developed jointly by ACWA Power and the Saudi Water Partnership Company. Abengoa, Power Construction Corporation of China and SEPCO are the lead contractors on the project.
- **Rabigh 3 IWP:** utilizing state-of-the-art reverse osmosis technology, this 600 thousand cubic meters per day plant is also developed jointly by ACWA Power and the Saudi Water Partnership Company. Abengoa, Sidem Engineering and SEPCO are the lead contractors on this project.
- **Yanbu 4 IWP:** the Yanbu 4 IWP is a 450 thousand cubic meters per day desalination plant developed on a PPP basis by Mowah, Engie and the Saudi Water Partnership Company. South Korea's Doosan Heavy Industries and Construction is the primary contractor on this project.
- **Shuaiba 5 Desalination Plant:** the second seawater reverse osmosis project in the top 5 is the Shuaiba 5 Desalination plant constructed on the Red Sea coast in Jeddah. Developed by the Saline Water Conversion Corporation, the plant will have a capacity of 600 thousand cubic meters per day. A joint venture between Advanced Water and Rawafid is the lead contractor.
- **Shuqaiq 3 IWP:** another PPP project developed on a Build, Own, Operate (BOO) basis near Jizan on the Red Sea coast will have a capacity of 450 thousand cubic meters per day once completed. Developed by Marubeni Corporation, Abdul Latif Jameel and Rawafid Alhadarah Holding. Acciona is the main contractor on the project.

(Source: [ABiQ Business Intelligence](#)).

Transport

Earlier this year, the Saudi Contracts Authority hosted the virtual [Future Projects Forum](#) in partnership with Saudi Aramco and SABIC, which showcased about 1000 projects planned in the Kingdom over the next three years. 37 private and governmental bodies revealed projects worth more than \$160 billion.

During the forum, the Ministry of Transport announced a number of projects, including a 400-kilometer dual carriageway between Hail and Al-Ula, which will help improve transport between the two areas.

The Ministry also announced a two-lane highway project called Al-Shimassi-Al Qor, which will be built in Makkah. The 63 kilometer three-lane highway will be completed within three years. The project will help

increase the number of pilgrims who can access the city during peak periods, helping to reduce traffic congestion.

A linking road between the Jubail and Dammam highways was also discussed, while it was announced that the Dhahran to Al Batha road is scheduled to be completed within the next three years.

The Ministry is also committing to significant investments in the country's public transport, particularly through the creation of urban metro systems in the largest cities. The most advanced of these projects is the Riyadh metro, a \$22 billion integrated transport system which will include six metro lines and a multi-tiered bus network. Contracts for the metro system, which was divided into three work packages, were signed in 2013, and construction of all three packages is being carried out simultaneously. Work is anticipated to continue until 2022.

While the remaining metro projects (in Jeddah, Makkah, Medina and Dammam) have yet to proceed beyond the initial planning and management consultancy stages, the roster of international contractors involved in the Riyadh metro may give some indication of the shape of things to come. The consortia feature a mix of European, US, Korean and local firms, and include Bechtel, Alstom, Siemens, Bombardier, and the Consolidated Contractors Company.

Seaports

In recent years, Saudi Arabia has been on a drive to grow its network of ports, as part of what has become a period of transformation for the Kingdom's port infrastructure. One of the main targets under Vision 2030 is to replace oil exports with other, mainly petrochemicals, exports, requiring a substantial increase of seaport and logistical infrastructure for containerised exports. The government has been pushing, among other things, for the upgrading of ports to better handle the increasing number of ultra-large container vessels (ULCVs) travelling global shipping lanes.

There are substantial expansion plans for Saudi's West Coast facilities, with a high amount of new capacity to be added - overall, a 91% rise to 14.1 million TEU per annum from the current 7.4 million TEU per annum, which includes:

- **Jeddah South Container Terminal (JSCT):** dredging to 18m depth, expansion potential for additional 500m of quay, introduced of automated equipment.
- **Red Sea Gateway Terminal (RSGT):** has expanded quay to 1,300m, could add up to 1,000m when merged with the existing Jeddah North Container Terminal.
- **King Abdullah Port (KAP):** phase II plans, with 8 new quay cranes in 2020 due for delivery.

The Jeddah Islamic Port, which was established in 1976, remains the largest port in Saudi Arabia as it handles more than 70 percent of the goods exported and imported through the Saudi ports. The Jeddah Islamic Port has achieved a remarkable increase in the number of transshipment containers by 2.5 million standard containers during the year 2020, an increase of 12 percent compared to the same period of 2019, amid an integrated system of competitive services.

The Red Sea Gateway Terminal (RSGT), located in the northern part of the port, is to be expanded as it will be merged with the existing Jeddah North Container Terminal (NCT).

This continuous increase in transshipment activity, which is an added value to the economy, comes from the value-added services that the world's hub ports seek to increase by attracting regular international shipping lines to them, in line with the Kingdom's ambition to transform into a global logistics center.

(Source: [Ports Strategy](#)).

As the global economy crawls back to a new normal, the construction landscape still faces headwinds into 2021 yet breakthroughs such as the increase in the distribution of vaccines, the gradual resumption of social activities, and opening of international travel bodes well for the Saudi economy and infrastructure outlook.

Increasing demand albeit at a slower pace will also lessen the strain on the sector, and the role of the Public Investment Fund will be instrumental in developing the local economy by lessening the burden on the government, which has shouldered much of the capital expenditures over the years.

Looking ahead, growth in construction will be led by continued development of mega-projects, especially so with the PIF's new strategy for 2021 to 2025, which aims to invest \$40 billion annually in the local economy.

Saudi's construction industry is forecast to recover in 2021, growing by 2.9%, after contracting by an estimated 0.5% in 2020. In 2022, the industry is projected to continue to recover, growing by 3.2%, and then expand by 4.3% over the remainder of the forecast period (2023-2025).

Also, besides the continued roll-out of the Sakani program, we also expect the construction sector to benefit from the ongoing projects in a number of sectors, including, hospitals, touristic areas and airport expansions around the Kingdom (as highlighted in the recent fiscal budget statement).

Below are some of the key mega-projects announced by the Saudi government:

- **NEOM**: a planned cross-border city in the Tabuk Province of northwestern Saudi Arabia. It is planned to incorporate smart city technologies and function as a tourist destination.
- **The Red Sea Project**: a land and property development on the coast of the Red Sea. The project is focused on driving tourism into the country and will include 14 luxury hotels.
- **Qiddiya**: an entertainment mega project to be constructed south-west of Riyadh. Construction started in the beginning of 2019, and the project aims to diversify the income resources of the country.
- **King Salman Park**: covering over 13 square kilometers, King Salman Park will be among the biggest city parks worldwide. It will combine a wide variety of environmental, cultural, recreational and sports activities that will significantly enhance the life quality of all Riyadh residents. The project was announced by King Salman bin Abdul-Aziz on 19 March 2019.
- **King Salman Energy Park**: a new mega-project to be constructed between Dammam and Al-Ahsa in the Eastern Province and aims to provide different services and products including exploration, production, refining, petrochemicals, conventional power, water production and treatment, and drilling.

8. Opportunities in the Education Sector

In recent years, the education sector has consistently received the largest share of public spending. In 2020 the government allocated \$51.5 billion, or 18.9% of the total budget, to education. Of the three largest spending components by sector - Education, Defense and Healthcare and Social Development - only Education saw an increase in 2020, rising by an estimated 1.4% year-on-year.

Similarly in 2021, the education sector received the largest share, with an allocation of \$50 billion, or 18.8% of the total budget. Planned education spending is 3.8% lower year-on-year in 2021, compared with a fall in total expenditure of 2.9%. We note that planned spending for 2021 is similar to the levels of spending the government envisaged for 2020 during the release of that year's budget statement in December 2019. The education expenditures in 2020 were expected to increase by 1.4% as compared to the previous year, owing to e-learning and digital transformation initiatives a result of COVID-19.

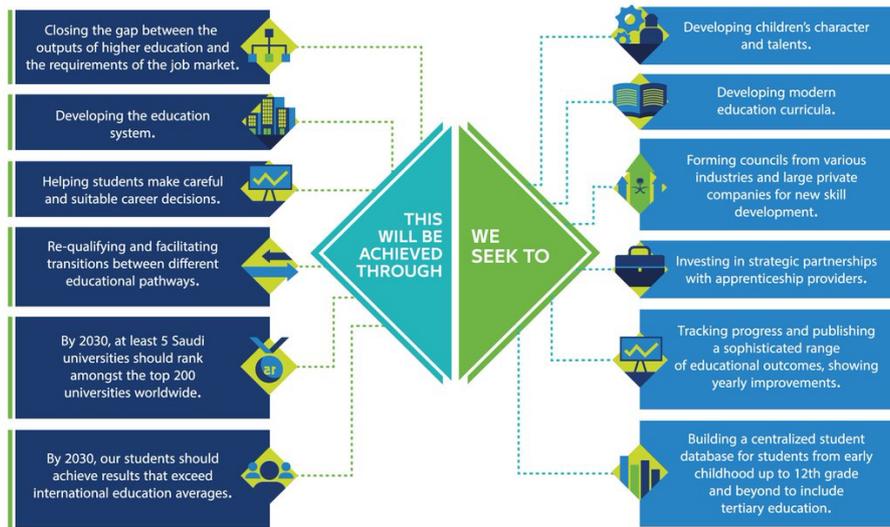
In the short-term, COVID-19 has increased requirements for investment in online infrastructure (software and hardware) – the budget confirmed that the trend started in 2020 will continue into 2021. Spending is also being driven by longer-term trends – the budget statement indicates the continued importance of Vision 2030 targets, such as sports and increasing female labor participation. Some of the areas that will receive particular attention in 2021 include:

- Tracks of high schools and specialized academies.
- E-learning and distance education, digital transformation, and information security.
- Teacher preparation programs.
- Education for people with special needs, early childhood, and elementary grades.
- The transformation of community colleges into colleges that grant an applied diploma.
- More focus on scholarships, both to drive inclusivity and to strive for academic excellence.

Vision 2030 aims to increase the efficiency of cognitive strategies at all educational levels, including the strategy of relying on the student, and this strategy allows the learner to search and access various resources, bringing the learner to the highest levels of quality and development.

In addition, the higher education authorities such as the [Ministry of Education](#) have set many goals in vital areas that include the scientific and educational spheres, so that the next generation can have access to empowering education. The vision's interest includes all educational levels, such as general education, higher education, vocational education, and education for people with special needs. The Kingdom of Saudi Arabia has provided attention to all academic and educational levels, in line with the requirements and needs of each stage.

EDUCATION THAT CONTRIBUTES TO ECONOMIC GROWTH



READY FOR THE FUTURE
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رؤية
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Figure 6 - Source: Saudi Ministry of Education

The increased spending on education and the forecasted increase in its requirements has put the education sector in front of many questions about the extent to which its goals and objectives are achieved and the impact of these expenditures on the quality of educational service, the level of education outputs, and their relevance to the aspirations of the Saudi labor market.

Massive spending on education has become a heavy burden on state budgets, which made the option of privatizing education an attractive one to help create opportunities for local and international investors. One of the goals of the sector is to empower the private and non-profit sector and raise their participation to improve efficiency. The financial sector for the education sector, with the approval of the Saudi Council of Ministers of the new university system, will give universities a disciplined independence, allow them to activate their own resources, and allow the opening of branches of foreign universities inside the country.

The system will gradually be applied to 3 universities in the first stage. This includes achieving the disciplined independence of the universities, so that they can build their academic, financial, and administrative regulations in accordance with the general policies approved by the state. It stressed that the new system would enable universities to approve their specializations and programs according to the development needs and job opportunities in the region they serve, indicating that the new system will contribute to reducing the operational costs of universities and push them to find new funding sources and reduce their dependence on the state budget.

The ministry requires international universities that want to open their branches inside Saudi Arabia to be:

1. Among the top 100 international universities globally.
2. Their faculty members are subject to the admission and teaching standards at the parent university.
3. Their curricula are taught at the parent university with the addition of materials on Islamic culture and the Arabic language.
4. Their systems are subject to the traditions of the Islamic religion, and do not contradict the applicable regulations in Saudi Arabia.
5. Male and female students are separated from their sections.

The Ministry indicated that through this framework it will raise the quality and efficiency of higher education in the Kingdom, and reduce foreign scholarship and its costs, in an effort to provide part of its expenditures on the state and on scholarships, and to create an element of competition between private universities to ensure the quality and efficiency of higher education.

The Saudi Vision for the education sector included several goals that the Kingdom seeks to achieve by 2030, and among the most important goals are:

- Developing technical schools to be an enjoyable and attractive educational environment for students.
- Adopting the latest educational methods and educational theories in public schools.
- Developing academic education programs and encouraging distance education, e-learning and self-education.
- Develop new mechanisms and methods of education and introduce the most important modern technologies.
- Raising the efficiency of male and female teachers by relying on the most powerful intensive vocational training programs.
- Good structural organization of educational administrations, organizations, and educational institutions in order to be able to provide the best educational services to students.
- Create a philosophical plan that suits the educational plans in the Kingdom, work to track mechanisms and events, and review the available means to improve efficiency.

With nearly 70% of the Kingdom's population under the age of 30, Saudi Arabia heavily emphasizes the development and promotion of education. Workshops are held with international bodies to gain the greatest benefit from those bodies during the development of strategic plans, and the most important of these participating bodies are:

- UN Women.
- ILO International Labor Organization.
- United Nations Population Fund UNFPA.
- The United States Agency for International Development and the National Bank.
- Some international agencies, some government agencies, private entities, and civil organizations.

9. Opportunities in the Defence Sector

For several years, Saudi Arabia has been one of the world's biggest spenders on military equipment and services. In 2018, the Kingdom had the world's third-largest military budget and topped the list of the world's biggest military spenders as a percentage of GDP.

Saudi Arabia's Vision 2030 acknowledges that the country produces less than 5% of its military needs. This prompted the establishment of [General Authority for Military Industries \(GAMI\)](#) in 2017 as a regulator and enabler of Saudi Arabia's military industry with the aim of increasing local industry contribution 10-fold.

Crown Prince Muhammad bin Salman has pledged to make Saudi Arabia, which is currently the world's fourth-largest military spender and the world's second-largest importer of armaments and other military supplies, a global leader by 2030, by localizing more than half of military equipment spending. [General Authority for Military Industries \(GAMI\)](#) is set to enable 50% localization of the Kingdom's military spending by 2030.

In May 2017, [Public Investment Fund \(PIF\)](#) also announced the formation of new national military industries company called [Saudi Arabian Military Industries \(SAMI\)](#) which aims to become one of the world's top 25 defense companies by 2030. SAMI will directly contribute around \$3.7 billion to the Kingdom's GDP in 2030, invest over \$1.6 billion in research and development, and create over 40,000 jobs in technical and engineering fields. SAMI will contribute by reducing the dependency on oil while protecting and strengthening national security.

Some of the key insights on the transformation of Saudi Arabia's military industries by H.E Ahmad Alohal, Governor of GAMI:

- Saudi Arabia have established an Industrial Partnership Program (IPP) to stimulate direct investment and strategic partnerships with international companies, and support SMEs to ensure their participation in the local supply chain.
- With a new National Military Industry Strategy, the Kingdom is transforming its defense and security sector in order to affirm defense and security spending as a significant contributor to the country's GDP.
- There have been considerable reforms in the industry over the past years, including allowing 100% foreign ownership for companies.
- The sector's strategy is based on 3 key pillars: Military Acquisition, Military Industry Development, and Military Research and Technology.
- GAMI was established as the regulator, enabler, and licensor of the industry, sitting at the center of a large and complex defense ecosystem.
- One of GAMI's key roles is to ensure that industry-wide best acquisition practices are standardized.
- GAMI guides both international and local investors to fill the gaps in the supply chain.
- By working with existing and prospective research centers, GAMI aims to build a robust R&T system.

GAMI is planning to host its first [World Defense Show](#) in March 2022, to provide insight and access to technological innovations that are shaping the defense industry: from start-ups and innovators to established multinationals. The show will take place between 6th and 9th March, and will then be held biennially, in Saudi Arabia's capital, Riyadh.

The World Defense Show is focused on military interoperability across air, land, sea, security, and satellite defense systems. It will provide a unique platform for the world's defense industry to network, partner, and share knowledge.

Appendix

10. Saudization Scheme

As a part of the Vision 2030 reforms, the Saudization policy (also known as Nitiqat) was introduced by Ministry of Labor and Social Development to encourage Saudi companies to fill up their workforce with Saudi nationals up to certain levels. The employment of Saudi nationals is an essential factor for any enterprise to do business in Saudi Arabia, and employees must strictly be employed by a Saudi registered entity which must maintain its Saudization rating (or Nitiqat system) depending on the industry it operates in and the company size. Abiding to Saudization ratings will enable the Saudi entity to employ expatriates and win government contracts.

The Nitiqat system is classified into six categories: Platinum, High Green, Mid Green, Low Green, Yellow and Red. Platinum is the highest percentage category followed by High Green and so on, with the yellow and red categories being the lowest. A certain percentage of Saudi Nationals must be hired in the private sector if employees are more than 9 in the company. The companies with less than 10 employees are excluded from the program, although setting up a foreign entity in the Kingdom will require the business to hire at least one Saudi national to begin operating the company.

To avoid losing government contracts, many local companies choose to hire Saudi nationals and pay them a salary just for Saudization compliance purposes, without asking them to commit to any work. To address this, the Saudi Ministry of Labor introduced the Mawazi system, in which a company can pay a fee to the Ministry of Labor (MOL) for a virtual Saudi National Employee to top-up Saudization levels. The fees for Mawazi are calculated based on the overall size of the workforce and the existing number of 'real' Saudi nationals employed by the business. Generally, the fee structure ranges from \$1,000 to \$2,200 per month.

The Ministry of Labor (MOL) is planning to expand this scheme by 'Saudizing' some jobs across different sectors. Currently, 50% of Saudization in the private sector has been implemented. The percentage for each sector is listed below:

- Financial and insurance sector – 83.6%
- Public Administration, defense, and mandatory social insurance - 71.9 %
- Activities of foreign organizations and entities - 71.5%
- Mining and quarrying activities - 63.2%
- Education - 52.9%
- Information and communications - 50.7%
- Supplies of electricity, gas, steam, and air conditioning - 50.6%

Reference: [Click here](#)