



Total transformation

The kingdom's rapid metamorphosis into a modern and competitive economy continues. 2018 will see the country opening up further to investments in many sectors, with US companies in a leading position to take advantage of the huge potential

SAUDI ARABIA



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SHUTTERSTOCK: TRAVEL MANIA

Constructing a new economy

With major privatizations and investments on the horizon, March's official visit to Washington by Saudi Crown Prince Mohammed bin Salman — architect of the economic and social transformation taking place in the kingdom — is just one of the indicators that Saudi Arabia views US government and businesses as vital partners in building its future

2018 will be a landmark for investment in Saudi Arabia. For a start, likely inclusion in the MSCI Emerging Markets Index and FTSE Global Equity Index Series will attract up to \$20 billion, says HSBC. The much-heralded initial public offering of giant oil company Saudi Aramco should also happen by 2019 — just one element in a \$200-billion privatization program that will take place within the next few years, confirmed Minister of Finance Mohammed bin Abdullah Al-Jadaan at 2018's World Economic Forum.

These developments are part of Saudi Vision 2030 — the blueprint for a modern and competitive future launched in 2016. It aims to diversify away from oil; develop

sectors such as local manufacturing, health, education, infrastructure, recreation, housing, renewable energy, mining and tourism; and increase the contribution of the private sector, foreign direct investment and women. New mega-projects have also been announced, such as Neom, a huge city on the border with Jordan and Egypt; Qiddya, a massive entertainment park; and luxury resorts on 50 Red Sea islands.

“Saudi Vision 2030 is a whole new paradigm shift for the country. You have to applaud the one who pulled it off: Crown Prince Mohammed bin Salman,” says Sulaiman A. Al Gwaiz, governor of the General Organization for Social Insurance, which oversees pen-

sion and unemployment insurance schemes, and is a leading investor: “The major goals are based on very solid foundations of detailed studies and analyses of what was working in Saudi Arabia, what was not and what was possible.”

The plan's social impact has been dramatic. The last few months alone have seen a young and tech-savvy population attending cinemas and music festivals for the first time, as the government seeks to keep entertainment spend in the country.

Women, in particular, have been empowered. The new stock exchange chairperson is female, for example, while opening up driving to women may add \$90 billion to GDP, says Al-Jadaan.



To encourage local and international investors, numerous reforms have been implemented. The change in attitudes to business was apparently signaled to the world in November, when some high-profile Saudis were arrested for corruption. “Saudi Arabia has emerged as one of the very top markets for investment by outsiders,” asserts Al Gwaiz.

US-Saudi partnership for change

The US is in pole position to benefit from the Saudi transformation, due to what Secretary of State Rex Tillerson describes as their “very strong partnership.” This relationship is strengthening, with President Donald Trump choosing Saudi Arabia for his first offi-

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Ambition in numbers: A guide to some of the goals for the Saudi Arabia of 2030



cial overseas visit in 2017 and bin Salman visiting Washington as recently as last month. "Trump's visit was hugely important for symbolic and practical reasons," states Al Gwaiz, and deals worth \$380 billion were signed between governments and businesses during trip. Two months later, Tillerson attended a high-level US-Saudi Arabia CEO Summit in Riyadh. Here again, dozens of business agreements were made.

Companies committing to projects include General Electric, Honeywell, Blackstone, Halliburton and Lockheed Martin. More recently, AMC has agreed to explore commercial entertainment opportunities and, in February, Cisco announced it will develop 5G with Saudi Telecom Company.

While potential in the kingdom for US firms is vast, Saudi Arabia also offers other opportunities. Pointing out that the Saudi Public Investment Fund, which is set to see huge growth, intended to hold a large percentage of its assets abroad, Tillerson told those at the summit: "Saudi Arabia will find many promising investment opportunities in the US."

Saudi Vision 2030 is centered on three pillars: remaining at the heart of the Arab world, becoming a global investment power and developing into a regional trade hub



TOP 15

WORLD ECONOMY,
UP FROM 19TH



65%

PRIVATE SECTOR CONTRIBUTION TO GDP,
UP FROM 40%



5.7%

FOREIGN DIRECT INVESTMENT
CONTRIBUTION TO GDP, UP FROM 3.8%



TOP 10

NATION IN THE GLOBAL COMPETITIVE INDEX,
UP FROM 25TH



50%

NON-OIL EXPORTS CONTRIBUTION TO GDP,
UP FROM 16%



\$267 BILLION

NON-OIL GOVERNMENT REVENUE,
UP FROM \$43 BILLION



\$2 TRILLION

PUBLIC INVESTMENT FUND ASSETS,
UP FROM \$160 BILLION



30%

FEMALE WORKFORCE PARTICIPATION,
UP FROM 22%



6%

HOUSEHOLD SPEND ON CULTURE AND
ENTERTAINMENT, UP FROM 2.9%



7%

UNEMPLOYMENT,
DOWN FROM 11.6%

Widespread development of the financial arena

Saudi Arabia's financial institutions are changing to enable inclusive growth and to assist foreign investors

Saudi Arabia is rapidly developing its financial institutions in order to support the growth of its private sector and economy in general, create an advanced capital market and help increase foreign direct investment from 3.8% to 5.7% of GDP by 2030.

In the last few months alone, for example, Tadawul, the country's stock exchange and already the seventh largest in the world, has made its trading limits more flexible and widened the range of international organizations able to invest on Saudi Arabia's stock market.

Additionally, it has signed an agreement with Nasdaq that will enable the modernization of its technical infrastructure and allow it to introduce new asset classes to the market.

The country's program of advancement also covers the development of its public and private funds, and insurance companies. Most notable of its state-owned funds is the Public Investment

operations in line with the country's vision — and it is bringing impressive results. In February, the first six banks released their 2017 financial results, revealing average year-on-year profit increases of 11.3%. One of them, which provides an excellent case study for the possible role of banks in Saudi Arabia's economic transformation, saw an astonishing 18% growth: Riyadh Bank.

Banking on the future

"Banks will be playing an instrumental role in the success of Saudi Vision 2030," asserts Abdulmajeed A. Al-Mubarak, CEO of Riyadh Bank, one of the largest financial institutions in the Middle East. With a paid-up capital of \$8 billion, its Riyadh Capital investment arm, and a network of over 300 nationwide branches and 2,600 ATMs, his organization is at the forefront of transforming the Saudi banking sector and enabling the modernization of its economy.

The virtual spectrum, mobile in particular, is fundamental to capturing the vast potential of our young, tech-savvy population."

Abdulmajeed A. Al-Mubarak, CEO, Riyadh Bank

Fund (PIF), chaired by Crown Prince Mohammed bin Salman, who has stated that he intends it to control over \$2 trillion by 2030. PIF is at the heart of his government's plan for economic diversification, while its wider ambitions are to help create new worldwide industry sectors and shape the future global economy.

In addition, the kingdom's banks are being supported to adapt their products and services to cover every size of business, with Saudi Vision 2030 stating that the government will encourage all financial institutions to provide up to 20% of their funding to smaller businesses by 2030.

A number of banks have already made changes to their

For example, Riyadh Bank is in a prime position to help meet Saudi Vision 2030's target for increasing foreign direct investment, having offices in London, Singapore and Houston, which makes it the only active Saudi bank in North America. Since 1990, the Houston branch, which has agency status, has been "financing trade and investment flows between the US and Saudi Arabia, as well as the Gulf countries," explains Al-Mubarak.

He adds that, as well as supporting investors through its US office, the bank "puts a lot of effort into supporting investors on the ground, here in Saudi Arabia. We know the place, we know the landscape, connections and customs."



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To encourage the formation of a digital economy, Riyadh Bank invests heavily in technology and digital innovation, says Al-Mubarak: "A bricks-and-mortar branch presence is still very important, however the virtual spectrum, mobile in particular, is fundamental to capturing the vast potential of our young, tech-savvy population." The bank was the first in the kingdom to offer voice-activated payment services, for example, alongside apps created for different clients and devices. "These greatly contribute to the ease of doing business," he notes.

The bank also supports the growth of small and medium-sized enterprises (SMEs), another priority of Saudi Vision 2030, and has various services especially designed for them, says Enji Al-Ghazzawi, Executive Vice President of Operations. These include a partnership with the International Finance Corporation, which supports SMEs by, "assisting the owners to acquire financial and administrative skills, in order to enhance their competitiveness and develop their businesses," she states.

In addition, Riyadh Bank is the leading contributor to the coun-

try's government-backed Kafalah Program, which promotes financing for SMEs. "The share of the bank is 23.8% of the total amount offered through the program, covering 2,133 enterprises," says Al-Ghazzawi.

One of the bank's other focuses is the empowerment of women. It has one of the country's highest percentages of female staff and, "supports and encourages women to seize equal opportunities and hold leading roles at the bank," says Al-Ghazzawi, who became a female pioneer in the sector when she was appointed Executive Vice President in 2015.

Riyadh Bank provides branches and services specifically for women, whose contribution is misrepresented internationally, she believes: "In Saudi Arabia, we have businesswomen and women entrepreneurs in a variety of fields. We have got female intellectuals, researchers, scholars, doctors, engineers and bankers whom we take great pride in, and many international and prominent universities are full of Saudi female students who will undoubtedly have outstanding roles in the process of reform in the country."

Enabling youth potential

Investment in education is a priority for the country

“Our current education system is a product of the past, not an enabler of the future,” said Saudi Arabia’s Minister of Education Dr. Ahmed bin Mohammed Al-Issa in December. “Education is key to the success of Vision 2030. We need to rethink education from preschool through graduate schools and we need to do this urgently.”

This is happening, with the country currently carrying out major reforms to all aspects of education, which, at over \$55 billion, receives the government’s largest budgetary spend. The overriding aims are to build a knowledge-based society, and close the gap between outputs and employer requirements.

New schools are being built and university and vocational training college numbers have almost doubled in the last decade, with many of the later being public-private partnerships with international training providers. By 2030, at least five of these universities will be ranked among the top 200 in the world, if the government’s plans succeed.

Modernized curricula, rigorous education standards and measures to reduce brain drain are being put in place for a system that is intended to be totally inclusive — allowing everyone from women to the disabled to develop their talents to the full and contribute to the economy. To help increase access, there is a new national center for e-learning and distance learning, which will utilize state-of-the-art technologies.

Heavy investment in technology is planned throughout the system, representing a major opportunity for international businesses. In February 2018, for example, US-based telecommunications giant Avaya signed an agreement with Jeddah’s University of Business and Technology to explore education initiatives in the kingdom.

But there is potential in a wide range of activities, says the Saudi Arabian General Investment Authority, including setting up establishments from day-care to university, enhancing links to employers, supplying innovative blended learning and providing institutional services. Saudi Arabia is now looking for the external expertise in these and other areas, as it seeks to transform its education and enable its future.



Education drives change for women

The university spearheading female empowerment through education focused on innovation and entrepreneurship

“A key pillar of Saudi Vision 2030 is to develop knowledge and be a knowledge economy. You cannot achieve that without a strong foundation in education. Higher education in particular is important, be that by research, educating students or contributing to the social economy via consultancy and development,” says Dr. Haifa Jamal Al-Lail.

Al-Lail is president of the private, non-profit Effat University in Jeddah, an internationally renowned all-female institution that is at the forefront of the country’s development of a knowledge economy, while also helping to increase participation of women in the workforce.

It has four faculties — science and humanities, engineering, architecture and design, and business — for undergraduate and graduate study. It also has advanced research centers, covering intelligent building, virtual reality, Arabization, and innovation and entrepreneurship; and it offers consultancy services.

It aims to provide tomorrow’s leaders with a world-class, holistic education and is passionate about empowering women. For example, in 2018 and in collaboration with Ford, Effat University held a driving course for over 250 students — the first in the country since driving was opened up to women. “We believe in driving change,” notes Al-Lail.

Emphasis on collaborations

An important focus for driving change is entrepreneurship, she says: “One of our responsibilities is to develop entrepreneurs that can create their own businesses, and jobs for themselves and others.” The institution also encour-

ages female employment in industry. For example, in 2017 it began an association with US real estate investment and advisory firm JLL that will see more women working in property. “Industrial collaboration with US entities is a great way of advancing female participation in the economy,” Al-Lail enthuses.

Another focus is innovation and developing Effat University into a center of research excellence. “Research and consultancy are key for Saudi Arabia to become a producer instead of a consumer of knowledge,” she thinks, and she

welcomes US partnerships in this area: “Research and development is a key element in the US budget and aligning Saudi Arabia with US research institutions is crucial.”

The university already has relationships with some of these, such as Syracuse, Georgetown, and Duke Universities, Pratt School of Engineering, and the Universities of Miami and Southern California. In addition, having studied there herself, Al-Lail’s institution follows the US’s liberal arts education model, which she says, “emphasizes critical thinking, creativity and diversity,” and is an essential element in making Effat one of the top-ranked universities in the world — her ultimate goal.

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Investing in the nation's health

The Saudi health-care sector offers \$180 billion in opportunities for international investors, according to the Saudi Arabian General Investment Authority (SAGIA)

With Saudi Arabia investing \$72 billion in health care as part of Saudi Vision 2030 and the government substantially privatizing its health system, all parts of the sector are predicted to see exponential growth.

Much of the privatization is likely to be in the form of public-private partnerships. However, in 2017, the Saudi Arabian General Investment Authority (SAGIA) announced plans to allow international investors full ownership of health companies — opening up opportunities worth \$180 billion in numerous areas, it stated.

Significant investment has already been made — there are 2.2 hospital beds for every 1,000 people and life expectancy has risen to 74 years, for example. But more is needed, as Saudi Arabia has “a growing population and a rise in diseases such as diabetes,” states Dr. Mahmoud A. Al Yamany, CEO of King Fahad Medical City (KFMC), the kingdom's first and largest hospital, and the most advanced medical complex in the Middle East.

The country wants to raise life expectancy to 80 years by 2030. Al Yamany believes one of the main short-term challenges to this is improving efficiency: “The medical infrastructure projects we have planned at the moment will not be able to match the rising demand from a 2.3% annual population growth, without a growth in overall efficiency. The population is growing faster than the new projects can come online.”



To increase efficiencies, regional health companies are being established, which will each manage a range of facilities and compete with each other to ensure better care. In total, 290 hospitals and 2,300 health centers will be privatized by 2030. It is also introducing an electronic system to link all health centers, hospitals, pharmacies and patient records.

Holistic system

KFMC, which has 1,500 beds and is at the forefront of medical training and technology in the kingdom, “is the pathfinder for the emerging transformation of the sector,” says Al Yamany. “Instead of being a hospital receiving referrals, KFMC is now responsible for a defined population of about three million around Riyadh, taking over a number of primary-care centers and smaller hospitals to ensure integration. Instead of being responsible for patients who show up at the door, KFMC is now

responsible for keeping the whole population healthy.”

Al Yamany notes that only a few US companies are currently operating in Saudi Arabia, including Pfizer, which has invested \$50 million in a pharmaceuticals plant. But, he says, “I expect investment from the US to increase tremendously. More and more people are coming here and seeing the real country, how easy it is to invest in Saudi Arabia, the opportunities that are available and how much is being spent on healthcare.”



Healthiest business opportunities

■ **Services:** from outpatient and primary health clinics, to hospitals and long-term care. Patient record and quality control systems are also in demand.

■ **Education:** medical and nursing schools are needed, along with professional development training.

■ **Prevention:** fitness centers and public-health awareness.

■ **Pharmaceuticals:** Saudi Arabia wants local production plants, blood collection, sterile injectables and vaccines.

■ **Support:** the kingdom wishes to develop its bioequivalence, clinical research, information technology, recruitment, diagnostics, telemedicine, waste management and medical insurance.

■ **Devices:** the country is also looking to increase production of a wide range of medical and surgical equipment, and consumables, as well as gain expertise in research and development, and intellectual property.

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A leading Saudi businessman's vision of future

We talk to Sheikh Zaid Abdullah Al-Meleihi, Al Ramez International Group president and Saudi Chambers of Commerce and Industry member

PR How will the Saudi Vision 2030 plan transform the economic landscape of the kingdom?

SAAM Vision 2030 is a new start for Saudi Arabia. Both the regional situation, as well as domestic characteristics, are rapidly changing. 60% of the Saudi population is below the age of 25 now — this is a new generation and it is looking for a new future. This is why Vision 2030 is looking towards organizing a new economic system and eliminating bureaucratic bottlenecks. We are striving towards e-government initiatives and improving efficiency.

The main issue in Saudi Arabia is to help people find employment. That involves a lot of funds for training and is challenging to start with, but will certainly place the kingdom on the right track.

Saudi Arabia has a lot of potential outside oil: for example, in mining, services, manufacturing, water treatment,



Sheikh Abdullah Zaid Al-Meleihi
President, Al Ramez International Group

SAAM The Aramco deal could provide a gateway to entering the Saudi market, which has to be done in the right way, however. We need to communicate the possibility of setting up manufacturing in Saudi Arabia and exporting throughout the region.

In addition, the housing market in Saudi Arabia is a priority. Training is

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Sheikh Abdullah Zaid Al-Meleihi, President, Al Ramez International Group

infrastructure projects and renewable sources of energy. Getting the right partner, with sufficient know-how, could really kick-start development in those sectors. We are placing a much bigger emphasis on the role that the private sector can play in those efforts.

PR What opportunities are coming up for foreign investment in Saudi's oil industry?

SAAM The single biggest deal in Saudi Arabia is the upcoming initial public offering of Aramco, the state-owned petroleum and national gas company. It is a big opportunity and I think that investors are keen to buy a share in it.

PR Could you describe in more detail the potential you see for foreign investment and expertise in developing new sectors of the Saudi economy?

another opportunity, given the large emphasis Vision 2030 places upon investments in Saudi's human capital. Focus on higher education, teaching English in schools, vocational training — those are all very much developments that are currently taking place in Saudi Arabia. The attitudes of the younger generations are also more geared towards making the most of training opportunities, in order to gain competitiveness in the labour market.

Industries such as petrochemical, electrical or electromechanical also hold vast potential for foreign investors. As an illustration, recently Huawei signed an agreement to manufacture uninterrupted power supply units in Saudi Arabia.

The kingdom is also rich in terms of minerals. As Saudis, we require expertise in mining and we need to act as organisers to facilitate it. This is happening — for example, Chinese experts



SHUTTERSTOCK: BILLION PHOTOS



are currently involved in searching for uranium here. Solar energy is another sector with huge potential.

PR There is big competition for investment in the region. What would you say distinguishes Saudi Arabia from other states in the Middle East?

SAAM Saudi Arabia boasts a young, well-educated population, sizeable enough to fulfil the demands of a modern economy and at the same time sophisticated to a level that distinguishes it from its neighbours.

PR You travel extensively to promote Saudi Arabia worldwide. What inspires you to work on so many fronts for your country's development?

SAAM All we have come from this country. We need to work hard to en-

sure the future of the kingdom and to promote the opportunities available in Saudi Arabia. We are constantly looking at different countries, to see how we can engage in a cooperation that will benefit us.

What I would like to communicate to readers is the emphasis that Saudi Vision 2030 places on cooperation. Our focus now is on establishing joint ventures, long-lasting partnerships, and investing in and engaging with Saudi Arabia's counterparts.



In partnership with:

Special thanks to Sheikh Abdullah Zaid Al-Meleihi and the Council of Saudi Chambers of Commerce and Industry



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