

# Saudi Vision 2030: What Does It Mean for Your Industry?

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The Saudi Vision 2030 and the NTP include a strong emphasis on increased private sector involvement and investment and the privatisation of a large number of Government businesses as well as the development of various industries.

<b>Expected Cost of NTP initiatives over 5 years</b>	<b>SAR Billion</b>	<b>Percentage</b>
<b>Government</b>	268	60
<b>Private Sector</b>	179	40
<b>Totals</b>	447	100

These plans will result in opportunities throughout Saudi Arabia. This Article looks at some of those opportunities with particular reference to Saudi's Eastern Province where a significant proportion of the initiatives are focused.

## **Saudi Vision 2030 and the NTP**

The Saudi Vision 2030 sets out a wide range of strategic and economic goals aimed at reducing the dependency on oil production and Government spending. Particular highlights include:

- Defence Industry - 50% of military equipment spending to be localised by 2030
- Mining Industry - to be reformed to stimulate massive growth with target of SAR97 billion by 2020 and 90,000 job opportunities
- Non-Oil Sectors - the development of the non-oil sectors by 2020 with consequent reduced dependence on hydrocarbons
- Oil and Gas - the continued localisation of the sector from 40% to 75%, development of support sectors, increased gas production with a national gas distribution network
- Private Sector Investment - increasing the private sector contribution from 40% to 65% of GDP with particular focus on energy, healthcare, housing and municipal services
- Saudi Aramco IPO - the listing of up to 5% of Saudi Aramco with proceeds of the IPO to go to the Public Investment Fund ("PIF")
- Overseas Investment - the PIF to become a global sovereign wealth fund valued at up to US\$ 3 trillion
- Privatisations - a wide range of Government assets to be privatised
- Renewable Energy Industry - to be developed with private sector participation
- Retail and Trading Sector - to be developed with a view to creating a million jobs through the easing of foreign investment restrictions
- Telecommunications Industry - to develop the telecommunications and information technology infrastructure including high speed broadband
- Transportation - the creation of a regional logistics hub with completed and linked internal and cross border infrastructure

The NTP sets out strategic objectives with interim targets to be achieved by 2020, key performance targets and benchmarks of the 24 Government bodies involved and in each case links them to Vision 2030. The NTP also lists the various initiatives to be undertaken by each Governmental body involved. A total of

534 initiatives were approved for 2016 with a total cost to the Government over the next five years of around SAR 270 billion.

The NTP is therefore essential reading for international and domestic companies investing and operating in Saudi Arabia.

As the core area of Saudi Arabia's petrochemical and industrial production and a key area for transportation and logistics, the Eastern Province of Saudi Arabia is a huge beneficiary of many of the initiatives and projected investments outlined in the NTP. The emphasis on "buying Saudi" and localisation will also have an increasing impact on how foreign investors will need to adapt to operating in Saudi Arabia.

### **Some key initiatives and 2020 targets in the NTP**

There is a wide-ranging list of initiatives and 2020 targets in the NTP. Those which will directly or indirectly impact on the Eastern Province include:

#### *Energy, Industry and Natural Resources (NTP budget - SAR 2.5 billion)*

- Increasing value of non-oil exports from SAR185 billion to SAR 330 billion (a large part of this is expected to come from mining)
- Increasing the mining sector contribution to GDP from SAR64 billion to SAR 97 billion
- Increasing local content in public and private sectors from 36% to 50% with an extra 5% of jobs to be localised in the private sector
- Increasing private sector involvement in high-potential less-developed regions from 0 to SAR28 billion (e.g. development of mining sector)

In line with the localisation initiatives in the NTP, under its "In Kingdom Total Value Added Programme" announced to suppliers in December 2015, Saudi Aramco aims to double the amount of locally made and supplied goods and energy related services to 70% of its supply chain within five years. This is expected to create 500,000 local jobs.

#### *Health Sector (NTP Budget - SAR 23 billion)*

- Increasing the private sector contribution to health care expenditure from 25% to 35%
- Increasing the localisation of pharmaceutical manufacturing from 20% to 40% of the total market

A number of public to private partnerships are expected in the health sector and also the privatisation of one of Saudi's medical cities.

Also read: [Vision 2030 and the Opportunities it Represents in Healthcare in Saudi Arabia](#)

#### *Education (NTP budget - SAR 24 billion)*

- Increasing private sector involvement with target of increasing percentage of students in non-Government higher education from 6% to 15% .

Also read : [Vision 2030 and the Transformation of Education in Saudi Arabia](#)

Under the NTP approximately SAR 3 billion is allocated for developing colleges and institutes in Jubail and Yanbu Industrial Cities.

#### *Environment, Water and Agriculture (NTP budget - SAR12.9 billion)*

- Desalinated water production involving strategic partnerships to increase from 16% to 52%
- Treated water production involving strategic partnerships to increase from 0% to 20%

- Cities covered by water and sewage services supplied by the National Water Company to increase from 42% to 70% with expected collaboration from the private sector

The NTP includes an emphasis on environmental matters and includes a budget of approximately SAR 1.5 billion relating to the protection of the environment in Jubail, Yanbu and Ras Al Khair, which already have a comprehensive local environmental regulatory regime.

#### *Housing (NTP Budget - SAR 59 billion)*

- Increasing real estate sector contribution to GDP from 5% to 10%
- Establishment of partnerships with private sector developers to develop Government land for housing projects
- Establishing fast-track licences and special finance packages to encourage private sector investment in housing projects

Housing is the biggest area of Government expenditure under the NTP. Over SAR5 billion is committed in the NTP for housing development in Eastern Province in addition to very significant budgets for developing residential and community areas and public facilities in Jubail, Yanbu and Ras Al Khair.

#### *King Abdullah City for Atomic and Renewable Energy ("KACARE") (NTP budget - SAR 5 billion)*

- Enabling atomic energy to contribute to the national energy mix
- Enabling renewable energy to contribute to the national energy mix in the amount of 3.45Gw
- Increasing local content in the industrial and service value chains and expertise in renewable energy sector from 25% to 35% and in the atomic energy sector from 25% to 30%

KACARE is working with the RCJY on a solar energy project with 50MW capacity for Yanbu Industrial City.

#### *Royal Commission for Jubail and Yanbu ("RCJY") (NTP budget - SAR 41.5 billion)*

- Attracting diverse and integrative industries with target of increasing number of value added manufacturing and transformation products from 432 to 516
- Increasing RCJY's cities industrial production from 252 to 309 million tons
- Significant increase in new private sector investment from SAR 681 billion to SAR 1065 billion

The RCJY is second only to the Ministry of Housing in its size of budget under the NTP. Significant initiatives include the development of new infrastructure in Yanbu Industrial City (including localising the renewable energy and rubber industries and establishing industrial gas and steam networks), Jubail Industrial City and Ras Al Khair Industrial City.

One of the biggest elements of the RCJY's budget under the NTP is for developing value-added manufacturing and transformation products. Currently the limited chemical conversion industrial base in the Eastern Province means that most relevant petrochemical output is used for basic chemicals and polymers and only relatively small amounts of specialty chemicals and end use products are produced. The establishment of a downstream specialty chemicals and end use product sector is seen as critically important in establishing a higher added-value manufacturing industry

#### *Saudi Arabian General Investment Authority (NTP budget - SAR 1 billion)*

- Increasing direct foreign investment from SAR 30 billion to SAR 70 billion
- Promoting investment opportunities with a target of SAR 2.3 trillion new investment opportunities
- Increasing local content from 20% to 40%
- Reducing time needed for new business licences from 19 days to 1 day
- Establishing a Government agency to handle mega projects
- Initiatives include localising several industries (construction materials and equipment, transportation and

logistics services) and launching a unified licences service for foreign investors

*Technology* (NTP Budget - SAR8.3 billion)

- The localisation and transfer of technology in building and construction, mining and advanced materials, health, energy, information and communication, water, oil and gas and transportation and logistics

In Eastern Province the NTP budgets for a smart city to be established in Yanbu and for the automation of Jubail and Ras Al Khair Industrial Cities.

*Transportation* (NTP budget - SAR 5.5 billion)

- Increasing private sector contribution in developing and operating ports projects from 30% to 70%
- Increasing private sector contribution in developing and operating rail projects from 5% to 50%
- Improving the container capacity of the Dammam to Riyadh rail link

The General Ports Authority is expected to be on the privatisation list. Initiatives include setting up private sector operation and maintenance concessions, and development of an integrated programme to improve port efficiency, which will be of particular importance to the ports in Eastern Province.

Specific initiatives also include establishing multi-modal logistics hubs in each of Jubail and Yanbu with Yanbu also to have a minerals port.

### **Investment Opportunities**

Developments since the launch of Vision 2030 and the NTP provide strong evidence of the fast pace of change, with both foreign and local investors being involved in significant opportunities in Saudi Arabia and the Governmental authorities (such as the RCJY) being proactive in seeking and promoting initiatives and private sector involvement.

The range of initiatives and opportunities spans social and community related projects (housing, sports centres, public facilities) and the education, healthcare, municipal services, energy, environmental, industrial and manufacturing, oil and gas, technology and transportation sectors.

The conditions allowing 100% foreign-owned trading companies have come into force and although geared at large investments by multi-national companies, several foreign groups have already been approved to establish such entities.

One of these companies is US conglomerate 3M, the largest chemicals manufacturer in the USA, which was granted a 100% trading licence in June 2016. 3M is establishing a facility in Dammam which, when completed, will be the largest manufacturing plant in the MENA region.

The massive projected budget of the RCJY under the NTP and the targets of diversifying into higher added-value and transformation industries with the support services required for greater infrastructure and more workers should result in many opportunities throughout Eastern Province.

The agreement announced in May 2016 of General Electric's deal with Saudi Arabian Industrial Investments Company involving an initial US\$1.4 billion (with potential increase to US\$3 billion) of investment in manufacturing projects evidenced the Government's commitment to increasing foreign sector investment and promoting the development of local industry.

Hard on the heels of the NTP launch, Saudi Aramco and Saudi Arabian Basic Industries Company announced that, in support of Vision 2030, they had agreed to establish a joint venture to set up and operate a fully integrated crude oil to chemicals complex in Eastern Province which is expected to lead to

the creation of a 100,000 direct and indirect jobs.

In August 2016 it was reported that in line with Vision 2030 the RCJY had signed 24 contracts with up to 16 private sector investors for the development of commercial centres, hotels, housing, medical clinics and other projects in Jubail and Ras Al Khair Industrial Cities.

Investments may take the form of joint ventures and/or public private partnerships and given the initiatives in the NTP many opportunities can be expected in the Eastern Province particularly in the energy, education, housing and municipal services, transportation and oil and gas sectors.

It is also expected that there will be a number of privatisations with related opportunities for foreign and local investors, lenders and advisers.

Further initiatives in relation to the Saudi Vision 2030 and the NTP are expected and we will issue further updates on significant related developments.

Al Tamimi & Company's [Corporate / Mergers & Acquisitions](#) team at Al Khobar are perfectly placed to advise on opportunities and issues in Eastern Province and across Saudi Arabia, relating to Vision 2030 and the NTP.