



SAUDI ARABIA

and

POLITICAL, ECONOMIC & SOCIAL DEVELOPMENT

MAY 2017 REPORT





These efforts will provide opportunity to all Saudi citizens – unlocking the talent, potential, and dedication of our young men and women.

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"My first objective is for our country to be a pioneering and successful global model of excellence, on all fronts, and I will work with you to achieve that."

CUSTODIAN OF THE TWO HOLY MOSQUES

KING SALMAN BIN ABDULAZIZ

01

Executive Summary

The development of Saudi Arabia is not a recent phenomenon. It is a steady project of modernization, in which each generation builds on the progress of its antecedents. For decades, Saudi Arabia has made an effort to improve the lives of its citizens – using the wealth generated from the Kingdom’s natural resources to fund the social and economic development of the nation. Every measure of human development – life expectancy, infant mortality, literacy, per capita income, etc. – has improved dramatically in the span of a single generation.

Nevertheless, a new generation brings new challenges and opportunities – and a new impetus for development. In April 2016, Deputy Crown Prince Mohammed bin Salman unveiled Vision 2030, an ambitious program of development for the Kingdom. Vision 2030 seeks to build on Saudi Arabia’s strengths as an investment powerhouse situated in the heart of the Arab and Islamic worlds, with strong geographic connections to Europe, Asia and Africa.

With respect to Vision 2030, the Deputy Crown Prince noted, “Our Vision is a strong, thriving, and stable Saudi Arabia that provides opportunity for all. Our Vision is a tolerant country with Islam as its constitution and moderation as its method. We will welcome qualified individuals from all over the world and will respect those who have come to join our journey and our success.”

Vision 2030 outlines 24 specific goals for the Kingdom to achieve in economic, political and societal development. Vision 2030 further articulates 18 commitments to achieve these goals – with specific initiatives in renewable energy, manufacturing, education, e-governance, entertainment and culture.

In the economic sector, regulations have been streamlined to encourage foreign investment. A renewed emphasis has been placed on small- and medium-sized enterprises. The Saudi education system is focused on closing the skills gap and training students for the job market. Vision 2030 has led to a major surge in international investment in the Kingdom. Investors have long viewed the Kingdom as an attractive place to conduct business due to the emergence of key opportunities for partnership in a number of industries, including healthcare, manufacturing, and technology. The economic growth associated with these initiatives has led to increased employment opportunities for Saudi women.

Foremost among these economic initiatives is the ambitious effort to transform Aramco from an oil producing company into a global industrial conglomerate. Partial privatization of Aramco will transform the Kingdom's Public Investment Fund into the world's largest sovereign wealth fund, which will invest in the world's leading technologies.

Political and governmental development is essential to building an ambitious nation. The responsibilities of governance have grown significantly since the Kingdom was founded. These responsibilities must continue to keep pace with the rising expectations of a new generation of citizens. The Kingdom has initiated a program of restructuring at all levels of government. Such initiatives are focused on building a government that is effective, transparent, and accountable. Furthermore, such a government is more inclusive, as more and more women become part of the project of governance.

At the heart of Vision 2030 is a society in which all enjoy a good quality of life, a healthy lifestyle, and expanded cultural opportunities. The initiatives currently underway also recognize the role of Saudi women in the economic, political and social development of the Kingdom. Over 50 percent of Saudi university graduates are women, and the Kingdom will continue to develop their talents, invest in their productive capabilities and enable them to strengthen their future and contribute to the development of our society and economy.

Development in Saudi Arabia is a continuous process. The initiatives now being enacted in Saudi Arabia are part of an ambitious long-term agenda, one that goes beyond replenishing sources of income that have weakened, or preserving what

the Kingdom has already achieved. These efforts will move the Kingdom beyond oil – creating a diversified economy that will not be subject to commodity price volatility. These efforts will provide opportunity to all Saudi citizens – unlocking the talent, potential, and dedication of our young men and women. These efforts will provide world-class government services which effectively and efficiently meet the needs of our citizens. Together, Saudi Arabia will continue building a better country. As Deputy Crown Prince Mohammed bin Salman stated at the unveiling of Vision 2030, “We have all the means to achieve our dreams and ambitions. There are no excuses for us to stand still or move backwards.”

Kingdom Tower, Riyadh

Development in Saudi Arabia is not a recent phenomenon. It is a steady project of modernization, in which each generation builds on the progress of its antecedents.

02

A Legacy of Continuous Modernization

The Kingdom of Saudi Arabia has witnessed incredible transformation in the span of a single generation. The government has dedicated vast resources to enhance the wellbeing of the Saudi people. As a result of this strategic vision, quality of life indicators in health, education, and economic growth have shown rapid advancement that places Saudi Arabia in the highest category of human development according to metrics developed by the United Nations. This astounding progress has been lauded by international partners, whose engagement with Saudi Arabia has established the Kingdom as a wellspring of innovation and prosperity.

Life Expectancy

The Saudi Arabian government recognizes that a flourishing nation depends on the health of its people. Officials have responded to the challenges of development by committing to build medical infrastructure that is unmatched in the region. Due to major improvements in healthcare, the life expectancy of the Saudi people has dramatically increased from 52.7 years in 1970 to 75.05 years in 2015. Over this 45-year period, the government prioritized the modernization of medicine and quality of physician training. The Saudi healthcare system has swiftly increased the number of hospitals and clinics by 9.5 percent in the last five years. Annually, the Ministry of Health organizes the construction of 150 new medical centers to serve the Saudi people, in line with its 10-year plan to offer nation-wide integrated healthcare.

In addition to caring for its own citizens and residents, the Kingdom of Saudi Arabia has gained prominence as an international leader in healthcare. Individuals seeking

specialized care regularly visit Saudi Arabia, where male and female doctors train as experts in the fields of surgery, psychotherapy, pharmacology, and anesthesiology. Cutting-edge research and treatment of heart and liver diseases have contributed to a national reputation of excellence in medicine.

Infant Mortality

The government of Saudi Arabia has undertaken targeted campaigns to spread awareness of disease, promote healthy habits for child-bearing women, and supplement the care of infants. In 55 years, the infant mortality rate plummeted in Saudi Arabia as a result of far-reaching improvements in health practice. In 1960, there were 292 deaths per 1,000 live births in Saudi Arabia. By 2015, that number fell to 13 deaths per 1,000 live births.

New parents in Saudi Arabia are increasingly educated on the care of newborn children. Literacy campaigns on child nutrition have reduced common health complications. Without exception, families can have their children fully vaccinated throughout governmental programs that provide free and comprehensive healthcare to mothers and children. Saudi Arabia now boasts a low infant mortality rate that underscores governmental efforts to ensure that residents enjoy long and healthy lives.

Adult Literacy

Few countries have undergone the spectacular rise in adult literacy that Saudi Arabia has experienced. Now considered a pioneer in global education, the Kingdom is a model of successful and inclusive educational strategy. In 1970, only 8 percent of the adult population of Saudi Arabia was literate. By 2014, over 94.4 percent of Saudi citizens were considered literate by United Nations standards.

The Saudi government developed literacy plans sensitive to each region's unique demographic and geographic characteristics. Officials recognized that a female young adult in the Northern Borders Region has different educational needs than her counterpart in the metropolitan Riyadh Region. By offering enhanced financial and

employment prospects, Ministry of Education personnel encouraged a significant enrollment increase in basic reading and writing classes.

Gross Domestic Product and Per Capita Income

While many international observers have watched the fluctuations of the oil market with unease, Saudi Arabia has crafted economic strategies that have led to constant, unyielding growth. The IMF praised the Kingdom for playing “a key stabilizing role in the global oil market” by leading oil-producing nations in supplying oil during worldwide delays. The remarkable jump from a \$42 billion GDP in 1970 to the astounding \$753.8 billion in 2014 is evidence of the Saudi success story.

The Saudi people have been the primary beneficiaries of this massive increase in national wealth. Whereas a \$927 per capita income was symptomatic of the 1970 economy, the rise of this figure to \$54,000 in 2016 demonstrates the forward-thinking plans that the Saudi government has implemented to raise living standards.

UN Human Development Index

As proof of the government’s dedication of financial and material resources in service to the Saudi public, one must only examine the nation’s ranking within the same category of human development as major European and North American countries. In 1980, Saudi Arabia maintained a Human Development Index value of 0.575, in comparison to its 2014 value of 0.837. In this period, Saudi Arabia moved through multiple categories of advancement to reach its current ranking. Among Arab nations, Saudi Arabia stands out through its extraordinary increase in human development. Since 1970, Saudi Arabia has been deemed a “Top 10 Mover” out of 135 studied countries.

A photograph of Deputy Crown Prince Mohammed bin Salman of Saudi Arabia. He is wearing a traditional red and white checkered ghutra and a white thobe. He is speaking at a podium with several microphones in front of him. The background is slightly blurred, showing a green and white banner with Arabic text. A blue semi-transparent box is overlaid on the left side of the image, containing a quote and event details.

"Our Vision is a strong, thriving, and stable Saudi Arabia that provides opportunity for all. Our Vision is a tolerant country with Islam as its constitution and moderation as its method."

DEPUTY CROWN PRINCE MOHAMMED BIN SALMAN

ANNOUNCEMENT OF VISION 2030

APRIL 25, 2016

03

Vision 2030

On April 25, 2016, Deputy Crown Prince Mohammed bin Salman announced Vision 2030. This ambitious package of economic, political and social development is built around three pillars – a vibrant society, a thriving economy and an ambitious nation. It builds on the strengths of the Kingdom – an investment powerhouse, located in the heart of the Arab and Islamic worlds, acting as a regional hub connecting three continents.

Vision 2030 outlines 24 specific goals for the Kingdom to achieve in economic, political and societal development. Vision 2030 further articulates 18 commitments to achieve these goals – with specific initiatives in renewable energy, manufacturing, education, e-governance, entertainment and culture.

A Vibrant Society

Saudi Arabia has enormous untapped opportunities and a rich blend of natural resources, but our real wealth lies in our people and our society. The happiness and fulfillment of citizens and residents are important to us. This can only be achieved through promoting physical, psychological, and social well-being. At the heart of our vision is a society in which all enjoy a good quality of life, a healthy lifestyle, and an attractive living environment. Our goal is to promote and reinvigorate social development in order to build a strong a productive society.

A Thriving Economy

Diversifying the Saudi economy is vital for sustainability. Although oil and gas are essential pillars of its economy, Saudi Arabia has begun expanding investments into additional sectors. There are complicated challenges ahead, but the Kingdom has long-term plans to overcome them. In the past 25 years, the Saudi economy has grown by an annual average rate of more than 4 percent, contributing to the creation of millions of new jobs. Although Saudi Arabia is already among the 20 largest economies in the world, our ambitions are even greater. We aspire to have an even higher ranking by 2030, despite the headwinds of the global economic slowdown and the expected impact of our structural economic reforms. This requires us to invest all our resources in order to diversify the economy, unleash the capabilities of promising economic sectors and privatize some government services.

An Ambitious Nation

The roles and requirements of government have grown significantly since the Kingdom of Saudi Arabia's founding. Government – any government – needs to evolve and improve continuously, if only to keep pace with rising expectations and challenges. This requires us to meet high standards of transparency and accountability. We are committed to managing its finances efficiently and effectively, creating agile public organizations, and tracking both their own performance and that of the government

Goals of Vision 2030

For each of the three pillars of Vision 2030 – a vibrant society, a thriving economy, and an ambitious nation – the Kingdom has charted 18 measurable goals to be achieved by the year 2030.

VISION 2030 GOALS TO PRODUCE A VIBRANT SOCIETY

- More than double the number of Saudi heritage sites registered with UNESCO
- Increase capacity to welcome Umrah visitors from 8 million to 30 million per year

- Increase household spending on cultural and entertainment activities from 2.9 percent to 6 percent
- Increase the share of individuals exercising at least once a week from 13 percent to 40 percent
- Have three Saudi cities be recognized among the Top 100 cities in the world
- Raise Saudi Arabia's ranking on the Social Capital Index from 26th to 10th
- Increase average life expectancy from 74 to 80 years

VISION 2030 GOALS TO PRODUCE A THRIVING ECONOMY

- Increase private sector contributions to Gross Domestic Product from 40 percent to 65 percent
- Raise Saudi Arabia's ranking on the Global Competitiveness Index from 25th to among the Top 10 nations
- Increase foreign-direct investment from 3.8 percent of GDP to the international average of 5.7 percent of GDP
- Rank Saudi Arabia among the Top 15 largest economies in the world from its current position of 19th
- Increase the assets of the Public Investment Fund from SAR 600 billion to over SAR 7 trillion (\$160 billion to over \$2 trillion)
- Increase localization of oil and gas sectors from 40 percent to 75 percent
- Increase women's participation in the workforce from 22 percent to 30 percent
- Lower rate of unemployment from 11.6 percent to 7 percent
- Increase contributions of small and medium enterprises from 20 percent to 35 percent of GDP
- Increase share of non-oil exports from 16 percent to 50 percent of non-oil GDP
- Raise Saudi Arabia's global ranking in the Logistics Performance Index from 49th to 25th place

VISION 2030 GOALS TO EMPOWER AN AMBITIOUS NATION

- Raise Saudi Arabia's ranking on the E-Government Survey Index to among the Top 5 nations from its current ranking of 36th
- Increase non-oil government revenue from SAR 163 billion to SAR 1 trillion
- Raise Saudi Arabia's ranking in the Government Effectiveness Index from 80th to 20th
- Raise the non-profit sector's contribution from less than 1 percent of GDP to 5 percent of GDP

- Rally 1 million volunteers per year, compared to 11,000 volunteers in 2016
- Increase household savings from 6 percent to 10 percent of total household income

Commitments of Vision 2030

In order to achieve these clearly articulated and measurable goals of Vision 2030, the Kingdom has made 18 specific commitments surrounding each of the three themes. These commitments are sector-specific, and outline detailed plans of action in order to achieve the ambitious goals the Kingdom has set for itself.

Commitments for a Vibrant Society

EFFICIENT AND HIGH QUALITY HEALTH CARE

The Kingdom's goal is to enhance the standard and quality of health care services. Our aim is a health care sector that promotes competition and transparency among providers. This will enhance the capability, efficiency, and productivity of care and treatment, as well as increase the options available to our citizens.

To achieve this goal, Saudi Arabia will introduce corporatization into the sector by transferring the responsibility for health care to a network of public companies that compete both against each other and against the private sector. This will provide our citizens with the highest quality of health care, while at the same time allowing the government to focus on its legislative, regulatory, and supervisory roles. Corporatization shall also promote and prioritize specialization in health care services and enable citizens to choose their preferred service provider.

IRTIQAA: A MORE PROMINENT ROLE FOR FAMILIES IN THE EDUCATION OF THEIR CHILDREN

The engagement of parents in their children's education is one of the main principles of success. Our goal by 2020 is for 80 percent of parents to be engaged in school activities and the learning process of their children. The Kingdom will launch the "Irtiqaa" program, which will measure how effectively schools are engaging parents in their children's education.

Saudi Arabia will establish parent-led boards in schools to open discussion forums and further engage with parents. Teachers will receive training to raise their awareness of the importance of communicating with parents and equip them with effective methods to do so successfully. We will also collaborate with private and non-profit sectors to offer innovative educational programs and events that can improve this academic partnership.

DAEM: MEANINGFUL ENTERTAINMENT FOR CITIZENS

Saudi Arabia will increase the number and variety of cultural and entertainment activities with the aim of opening dedicated venues to showcase our citizens' myriad talents. The Kingdom will review our regulations to simplify the establishment and registration of amateur, social, and cultural clubs.

Saudi Arabia will launch and provide the necessary financial support for "Daem," a national program to enhance the quality of cultural activities and entertainment. The program will create a national network of clubs, encourage the exchange of knowledge and international experiences, and promote better awareness of a wide range of hobbies and leisure activities. By 2020, there will be more than 450 registered and professionally organized amateur clubs providing a variety of cultural activities and entertainment events.

WORLD'S LARGEST ISLAMIC MUSEUM

Saudi Arabia will build an Islamic museum in accordance with the highest global standards, equipped with the latest methods in collection, preservation, presentation, and documentation. It will be a major landmark for our citizens and visitors, where they will learn about the history of Islam, enjoy interactive experiences and participate in cultural events. Using modern technology, visitors to the museum will take an immersive journey through the different ages of Islamic civilization, as well as its science, scholars and culture. It will also be an international hub for erudition, and include a world-class library and research center.

SERVE THE INCREASING NUMBER OF UMRAH VISITORS

Saudi Arabia is honored to attend to pilgrims and Umrah visitors' needs, fulfilling a role bestowed on us by Allah. Our expansion of the Two Holy Mosques has led to a tripling in the number of foreign Umrah visitors over the last decade, reaching eight million in

2015. By increasing the capacity and by improving the quality of the services offered to Umrah visitors, we will by 2020 make it possible for over 15 million Muslims per year to perform Umrah and be completely satisfied with their pilgrimage experience.

The Kingdom will achieve this by improving visa application procedures which will smooth the visa process with the aim of full automation. We will also further integrate e-services into the pilgrims' journey, which will enrich their religious and cultural experience. Both the public and private sectors will play a crucial role in this project as we work to upgrade accommodation, improve hospitality, and launch new services for pilgrims

Commitments for a Thriving Economy

DEVELOPED DIGITAL INFRASTRUCTURE

A sophisticated digital infrastructure is integral to today's advanced industrial activities. It attracts investors and enhances the fundamental competitiveness of the Saudi economy. We will partner with the private sector to develop telecommunications and information technology infrastructure, especially high-speed broadband, expanding its coverage and capacity within and around cities and improving its quality. Our specific goal is to exceed 90 percent housing coverage in densely populated cities and 66 percent in other urban zones.

FLOURISHING RETAIL SECTOR

The Kingdom aims to provide job opportunities for an additional 1 million Saudis by 2020 in a growing retail sector that attracts modern, local, regional, and international brands across all regions of the country. We also aim to increase the contribution of modern trade and e-commerce to 80 percent of the retail sector by 2020. This will be achieved by attracting both regional and international retail investors and by easing restrictions on ownership and foreign investment. To this end, we will facilitate local and regional flow of goods, and develop necessary sectoral regulations. We will also increase financing of small retail enterprises to stimulate their growth and development.

RESTRUCTURED KING ABDULLAH FINANCIAL DISTRICT

The Kingdom will seek to transform the district into a special zone that has competitive regulations and procedures, visa exemptions, and direct connections to the King Khalid International Airport. We will also seek to repurpose some of the built-up areas and change the real estate mix, increasing the allocation for residential accommodation, services and hospitality areas. We will seek to build and create an integrated and attractive living and working environment. The district will be the headquarters of the Public Investment Fund, the largest sovereign wealth fund, which will contribute to creating an environment attractive to financial services and other corporations.

RENEWABLE ENERGY

Saudi Arabia possesses an impressive natural potential for solar and wind power, and local energy consumption will increase threefold by 2030. The Kingdom has set an initial target of generating 9.5 gigawatts of renewable energy. We will seek to localize a significant portion of the renewable energy value chain in the Saudi economy, including research & development, and manufacturing. From inputs such as silica and petrochemicals, to the extensive expertise of our leading Saudi companies in the production of different forms of energy, the Kingdom has all the raw ingredients for success. We will put this into practice with the forthcoming launch of the King Salman Renewable Energy Initiative. We will review the legal and regulatory framework that allows the private sector to buy and invest in the renewable energy sector.

EXPANDED MINING SECTOR

Saudi Arabia has been blessed with rich mineral resources such as aluminum, phosphate, gold, copper, uranium, and other raw materials. Although the mining sector has already undergone improvements to cater to the needs of our industries, its contribution to GDP has yet to meet expectations. As such, we are determined to ensure it reaches SAR 97 billion by 2020, creating 90,000 job opportunities in the process. We are planning a number of structural reforms, which include stimulating private sector investments by intensifying exploration, building a comprehensive database of the Kingdom's resources, reviewing the licensing procedures for extraction, investing in infrastructure, developing funding methods and establishing centers of excellence. We will also form strategic international partnerships and raise the competitiveness and productivity of our national companies.

LOCALIZED DEFENSE INDUSTRIES

Although the Kingdom is the world's third biggest military spender, only 2 percent of this spending is within our Kingdom. The national defense industrial sector is limited to only seven companies and two research centers. Our aim is to localize over 50 percent of military equipment spending by 2030. We have already begun developing less complex industries such as those providing spare parts, armored vehicles, and basic ammunition. We will expand this initiative to higher value and more complex equipment such as military aircraft. We will build an integrated national network of services and supporting industries that will improve our self-sufficiency and strengthen our defense exports, both regionally and internationally. Localization will be achieved through direct investments and strategic partnerships with leading companies in this sector. These moves will transfer knowledge and technology, and build national expertise in the fields of manufacturing, maintenance, repair, research and development.

BIGGER ROLE FOR SMALL AND MEDIUM-SIZED ENTERPRISES

Small and medium-sized enterprises (SMEs) contribute only 20 percent of Saudi GDP. In other nations, this contribution can reach up to 70 percent. The Kingdom will facilitate enhanced access to funding and encourage Saudi financial institutions to allocate up to 20 percent of overall funding to SMEs by 2030. The recently established SME Authority plans to review laws and regulations, remove obstacles, facilitate access to funding, and enable youth and entrepreneurs to market their ideas and products. At the same time, we will establish additional new business incubators, specialized training institutions, and venture capital funds. These will aid entrepreneurs in developing their skills and networks. We will also support SMEs in marketing and help export their products and services, by leveraging e-commerce and collaborating with international stakeholders.

EDUCATION THAT CONTRIBUTES TO ECONOMIC GROWTH

Saudi Arabia will close the gap between the outputs of higher education and the requirements of the job market. By the year 2030, the Kingdom intends to have at least five Saudi universities among the top 200 universities in international rankings. We shall help our students achieve results above international averages in global education indicators. To this end, we will prepare a modern curriculum focused on rigorous standards in literacy, numeracy, and character development. We will track progress and publish a sophisticated range of education outcomes, showing year-

on-year improvements. We will work closely with the private sector to ensure higher education outcomes are in line with the requirements of the job market.

BUILDING A UNIQUE REGIONAL LOGISTICAL HUB

Saudi Arabia has already invested heavily in the construction of ports, railways, roads and airports. To take full advantage of these investments, we plan to work with the private sector and enter into a new series of international partnerships to complete, improve and link our infrastructure internally and across borders. We will also unlock our “hard” infrastructure with systems that can drive higher performance, including more rigorous governance, leaner processes and a more efficient customs system. We will improve and implement existing laws and regulations. Air, maritime, and other transport operators will be encouraged to make the most of their capacity: achieving durable links between existing trade hubs, as well as opening new trade routes. This will reinforce our position as a distinctive logistical gateway to three continents.

INTEGRATING REGIONALLY AND INTERNATIONALLY

With a GDP of SAR 2.4 trillion, our economy is already the largest in the Middle East. We enjoy close economic ties with the Gulf Cooperation Council and other Arab countries, as well as constructive relations with Islamic and foreign countries. We will seek to establish new business partnerships and facilitate a smoother flow of goods, people and capital. Among our top priorities is to fortify and extend our interconnectivity and economic integration with other Gulf Cooperation Council countries. We will strive to complete the process of implementing the GCC common market, unifying customs, economic and legal policies, and constructing shared road and railway networks. We will seek to effectively link with other countries in the region, through enhanced logistics services and new cross-border infrastructure projects, including land transport projects with Africa through Egypt. Logistical and trade exchanges will be streamlined, further cementing our pre-eminent position as a major trade hub.

SUPPORTING NATIONAL COMPANIES

Rather than competing generically across the board, Saudi Arabia will concentrate on our comparative advantages, national strengths, and the areas that will assure leadership status. Initially, our priority will be to fully support major national companies, which have already gained a leading market share, by promoting their products and

services regionally and globally, especially in the fields of oil, petrochemicals, banking, telecommunications, food, health care, and retail.

Commitments for an Ambitious Nation

QAWAM: INCREASING SPENDING EFFICIENCY

Saudi Arabia is committed to making public spending radically more efficient, using our resources more effectively, and limiting waste. The Kingdom will launch the “Qawam” program as a reflection of the Qur’anic verse that calls for moderation in spending between excess and parsimony. This program will comprehensively review financial regulations in all government agencies. The program is intended to move away from a narrow reliance on process auditing, and move towards a more integrated approach with effective and efficient spending controls. Government agencies will reward a culture of efficient spending throughout all administrative levels. Specialized training for employees and other key stakeholders will be provided as required, boosting the performance of finance departments and internal auditing.

EFFECTIVE E-GOVERNMENT

Saudi Arabia has made remarkable progress in e-government. The scope of online services has already been expanded over the last decade to include employment programs, online job searches, e-learning services, traffic, passports and civil affairs, online payment services, and online issuance of commercial registers. This has improved Saudi Arabia’s ranking on several global indicators. In the UNE-Government Index, for instance, Saudi Arabia ranked 36th in 2014, up from 90th in 2004.

Saudi Arabia will expand the scope of current online services further to include areas such as geographic information, health care and education. Quality will be improved by streamlining processes, and diversifying communication channels. The Kingdom will also support the wider use of online applications in government agencies, such as cloud applications, data sharing platforms and HR management systems.

SHARED SERVICES ACROSS GOVERNMENT AGENCIES

Saudi Arabia is working towards shared services across government agencies. Shared services in our government will also aim to increase quality, cut costs, unify our efforts, and provide a suitable work environment for all parties at the lowest cost. Shared services can be applied globally and locally in many sectors. The Kingdom

will examine the status of support services in government sectors, set the scope of work and develop comprehensive priorities and implementation plans. We will follow best practices in employing shared services, with a robust set of performance indicators that will measure quality, workflow improvement, cost reduction and knowledge transfer.

KING SALMAN PROGRAM FOR HUMAN CAPITAL DEVELOPMENT

By 2020, the Kingdom aims to have trained 500,000 government employees through distance learning. All ministries and government institutions will be required to adopt best practices in human capital development. The King Salman Program for Human Capital Development will establish HR centers of excellence in every government agency, and provide training.

Saudi Arabia will continue to hire individuals according to merit and work towards building a broad talent base, so they may become leaders of the future. The Kingdom will raise the productivity of employees to the highest levels possible, by implementing proper performance management standards, providing continuous training for professional development, and sharing knowledge. Targeted policies will identify and empower future leaders, and will furnish a stimulating environment that provides equal opportunities and rewards for excellence.

MORE IMPACTFUL NON-PROFIT SECTOR

Today, Saudi Arabia has fewer than 1,000 non-profit and charitable foundations and associations. They contribute just 0.3 percent of our GDP, much less than the global average of 6 percent. Currently, just 7 percent of projects are focused on generating social impact or are aligned with the long-term national priorities. By 2020, more than one-third of Saudi non-profit organizations' projects should have measurable social impact.

Saudi Arabia will accelerate this shift by supporting projects and programs with high social impact. The Kingdom will facilitate the establishment of non-profit organizations by high net worth families, which will promote rapid growth of the non-profit sector. It will create a supportive and cooperate environment in which the sector's institutions and government agencies can collaborate. At the same time, Saudi Arabia will encourage the non-profit sector to apply proper governance standards, facilitate high quality training to staff and promote a culture of volunteering and full-time careers in the sector.



The Kingdom has relaxed restrictions on qualified foreign investors, allowing them to buy up to 10 percent of a listed company on the Saudi stock exchange.

04

Economic Development

Located in the heart of the Arab and Islamic worlds, Saudi Arabia stands at the intersection of trade between Africa, Asia, and Europe. Vision 2030 has led to a major surge in international investment in the Kingdom. Investors have long viewed the Kingdom as an attractive place to conduct business due to the emergence of key opportunities for partnership in a number of industries, including healthcare, manufacturing, and technology.

Distinguished by its centrality and technological supremacy, the Kingdom provides duty-free access to other GCC and MENA economies and enjoys reliable transport and infrastructure links. As one of the world's 25 largest economies and the largest economy in the Middle East, Saudi Arabia has demonstrated a high level of growth. In addition, investors in Saudi Arabia enjoy increasingly well-developed business clusters and value chains that differentiate the nation from emerging economies. In response to the concerted incubation of business hubs and increasing emphasis on international partnership, American businesses continue to establish a foothold in the Kingdom. Saudi Arabia maintains substantial cost advantages because of the low domestic cost of energy and industrial land resulting from generous subsidies and incentives.

Growing Interest in the Saudi Stock Exchange

Increasing foreign participation in Saudi Arabia's stock exchange is among the key provisions of the National Transformation Program. Recently, senior executives from Saudi companies, including Sabic, Saudi Telecom, and insurer Tawuniya, together with representatives from Tadawul and the Capital Markets Authority (CMA),

organized highly attended investment forums. These forums, based in London, New York, and Hong Kong, featured major international sponsors ranging from J.P. Morgan to HSBC.

In response to this investor interest, the Kingdom has gradually introduced significant changes over the course of 2016. These include relaxed requirements for foreign investors, plans for a secondary index and changes to settlement cycles, and regulations for trading REITs (real estate investment trusts) for the first time. An IPO for Tadawul is expected to be launched in 2018. The Tadawul has recently been one of the world's best-performing stock indexes following Saudi Arabia's record \$17.5 billion bond issue in October 2016.

As Western analysts have noted, one of the most striking features of the Saudi exchange is that its listed companies reflect the vast range of economic activity taking place in the Kingdom. Equities are divided into 15 sectors: banks and financial services, petrochemical industries, cement, retail, energy, utilities, agriculture, food industries, telecommunications & IT, insurance, construction, real estate development, transport, media, publishing, and hotel tourism.

Mega Industrial Projects with Renowned International Partners

The localization of industry under Vision 2030 offers promising opportunities for global public-private enterprises. Two new projects in the Kingdom represent some of the largest endeavors in their industries worldwide. In November 2016, Custodian of the Two Holy Mosques King Salman bin Abdulaziz inaugurated the Sadara Chemical Company and the Saudi Aramco Total Refining and Petrochemical Co. (SATORP) with international partners Dow Chemical and the French multinational conglomerate Total to create the largest facilities worldwide in the refining and petrochemicals industries in line with the objectives of Saudi Vision 2030.

SAGIA: Streamlining Regulations on Foreign Investment

In recognition of the logistical requirements of international partnership, Vision 2030 and preceding trade policy set out to streamline investor entrance into Saudi markets. In 2015, the Saudi Arabian General Investment Authority (SAGIA) announced that it would allow full foreign ownership of retail and wholesale businesses in the Kingdom, thereby removing the former 25 percent local ownership requirement. Foreign investors are no longer required to adopt local partners in many sectors and may own real estate for company activities. They are allowed to transfer money from their enterprises outside of the country and can sponsor foreign employees, provided that “Saudization” quotas are met. Minimum capital requirements to establish business entities range from zero to SR 30 million (\$8 million) depending on the sector and the type of investment. SAGIA’s Investor Service Center (ISC) offers detailed information on the investment process, provides licenses and support services to foreign investors, and coordinates with government ministries to facilitate investment.

SAGIA has traditionally issued foreign investment licenses for seven broadly defined activities: 1) industrial, 2) trading, 3) agricultural, 4) contracting, 5) real estate, 6) specialized and non-specialized services and 7) consulting. In a bid to streamline the process, SAGIA announced plans in early 2016 to reduce the number of documents needed to obtain and renew foreign investment licenses. According to SAGIA, the ISC must grant or refuse a license within five days of receiving an application and supporting documentation from the prospective investor. Foreign investors report increased efficiency over the last year in obtaining a license, with an approval time averaging at one week compared to over a month in the past.

Renewed Focus on Sustainable Development

Environmental sustainability cannot be divorced from economic prosperity. Leading Saudi institutions and enterprises have honored their commitment to reducing their environmental footprint through resource conservation campaigns and preparations for greener company operations.

As it transitions toward cutting-edge environmental and technological consciousness, Saudi Aramco has been developing an extensive carbon management strategy for

the Kingdom that includes: supporting the Kingdom's efforts in energy efficiency that focus on all end-user sectors, expanding gas supplies, focusing on developing renewables, and boosting research and development of "win-win technologies" that could dispose of carbon while turning it into beneficial products.

The King Abdullah Petroleum Studies and Research Center (KAPSARC) has undertaken efforts to advance the existing body of knowledge on climate change and intensify the attractiveness of the Kingdom as an investment hub through heavier R&D investment in energy studies. Meanwhile, the world-renowned King Abdulaziz City for Science & Technology (KACST), in cooperation with the University of California at Los Angeles, is researching the development of "green nanotechnologies" to enhance sustainability goals.

Nurturing Human Capital and Talent Promotion

While Vision 2030 and its National Transformation Program aim to diversify the economy and strengthen a variety of industries in the country, it also lays out the future of relations between the Saudi state and its citizens. In the context of a global landscape characterized by increasingly competitive entrepreneurship, Saudi Arabia prioritizes its growing youth population and outlines plans to bolster education and employment. Its efforts aim to empower young Saudi citizens to carve out a path for the Kingdom in line with traditional cultural values and an increasingly interconnected world. The Kingdom is also investing massively in research and development to strengthen the country's world-class technological universities. This will encourage and promote the finest entrepreneurial ideas among future generations. Moreover, the Kingdom's social development has led to an increase in women's participation in the workforce. Political and institutional restructuring are a significant component to Saudi Arabia's vision as it reaches into all aspects of society to continue on its path of progress.

Aramco IPO

The principal challenge in the implementation of Vision 2030 concerns the diversification of the economy away from its dependence on oil and the efficient promotion of the private sector. Under the National Transformation Program, a

systematic outline launched in 2016 that falls within the scope of Vision 2030, the Kingdom has articulated its aim to divest 5 percent of the national petroleum and natural gas company Saudi Aramco and channel funds into the sovereign Public Investment Fund (PIF), valued at \$2 trillion. Revenue from the sale will be strategically reinvested into a number of diverse industries to balance out the Kingdom's economic portfolio.

The proposed initial public offering (IPO) of Saudi Aramco has generated massive interest among potential buyers and investors. By 2018, shares of Saudi Aramco are expected to be listed on the Saudi stock exchange, Tadawul, in what is believed to be the largest IPO in history. Raising the allure of the sale is the strong track record of profitability within Aramco and the high reserves under its purview. Valuations of Aramco have provided a positive outlook for the future's sales potential to deliver record dividends to shareholders and improve capital investments across the Saudi economy.

In the words of Deputy Crown Prince Mohammed bin Salman, "The objective is to diversify income. This is the main objective. Therefore, IPO-ing Aramco and transferring its shares to PIF will technically make investments the source of Saudi government revenue, not oil."

With its unwavering history of international partnership and American organizational past, Aramco represents the brightest minds in decision-making who are committed to transforming the country's economic direction and maximizing its social impact.

Public Investment Fund

Saudi Arabia aims to achieve long-term financial returns from its domestic and international investments and is working in tandem with the Kingdom's Vision 2030 strategy to diversify the Saudi economy. In order to apply revenue earned from the IPO of Aramco to sectors that will benefit from large-scale promotion, the Government of Saudi Arabia has identified the Public Investment Fund (PIF) as a conduit for investment flows.

Vision 2030 aims to increase assets held by the PIF from SR 600 billion to over 7 trillion within the span of less than two decades and invest 50 percent of PIF funds abroad. Returns on investments, among others, will help the Kingdom meet its goal of reducing oil dependence by 2020.

Since the release of Vision 2030, Saudi Arabia has been party to various agreements that piqued significant international interest. One of the largest investments came in the announcement of a \$3.5 billion injection into the Silicon Valley giant Uber in June 2016, highlighting the increasing internationalization of the Saudi financial profile through strategic partnerships. Furthermore, Saudi Arabia and Japan's SoftBank Group are slated to create a technology investment fund that is projected to grow as large as \$100 billion, positioning it as one of the world's largest private equity investors. The Public Investment Fund of Saudi Arabia is set to contribute up to \$45 billion to the Softbank Vision Fund. Rather than compete with the private sector, the PIF will instead unlock key non-oil areas in need of development and pursue innovative avenues of investment.

Leveraging the economic tools of the PIF and structural changes championed by Vision 2030, Saudi Arabia will see a rise in job opportunities that suit market needs and capitalize upon the unique talents of Saudis, particularly women and youth. Such growth is a product of partnership explored out of mutual gain and maintained by shared prosperity. On the first anniversary of the release of Vision 2030, the leadership of Saudi Arabia celebrated the remarkable gains in efficiency, transparency, and global engagement that the national strategy plan has produced in its wake. With each year that will pass, Vision 2030 stands as a reminder of the Kingdom's humble beginnings and drive to serve society by improving on past successes.

Women in the Workforce

Saudi Arabia's Vision 2030 sets the target of increasing women's participation in the workforce from 22 to 30 percent. Since 2010, the number of Saudi women in the workforce has increased 48 percent. U.S. and international companies are working with partners in the Kingdom to realize this goal by unlocking positions in key sectors that benefit from the expertise, training, and experience of Saudi women.

Women have been energetic leaders and participants in economic and civil society initiatives that bring together unparalleled thought leaders who have a hand in driving the direction of the Kingdom under Saudi Vision 2030. By setting records and challenging assumptions in their diverse fields, Saudi women continue to inspire a new generation of qualified professionals. Some highlights of this participation in the professional sphere include:

From March 7-9, 2017, Ford Motor Company Saudi Arabia held its first workshop exclusively for women in technology at Effat University in Jeddah. The workshop discussed the impact of women on business in Saudi Arabia and the importance of ensuring that women in the Kingdom are equipped with the necessary tools to make their mark on the local economy. Effat University is the first private institution of higher education for women in Saudi Arabia, standing as a center of educational excellence and innovation in the Kingdom.

In March 2017, the Rezidor Hotel Group appointed the company's first Saudi female general manager as the country gears up for increased activity in the tourism sector. Maram Kokandi was appointed the first Saudi female general manager in the hospitality sector of a new Park Inn by Radisson hotels in Jeddah, which is set to open this year. The Rezidor Hotel Group has appointed the company's first Saudi female general manager as the country gears up for an active hospitality sector.

On February 27, 2017, the Pearl Initiative released a report sharing best practices in female inclusion and strong governance as a collaboration between a UAE-based non-profit organization, the Sharjah Business Women Council, and the U.S. multinational company PepsiCo.

In January 2017, GE was recognized with the Award for Corporate Excellence (ACE) by the U.S. Department of State for showcasing the talent of Saudi women. GE successfully localized a business operations center in Riyadh alongside its partners Saudi Aramco and TCS. The business alliance celebrated groundbreaking success by employing 1,000 women in March 2016, with a target of hiring 3,000 women in the years to come. Dr. Amal Fatani was chosen as the center's head after decades of success in establishing and running women's departments in Saudi Arabia's most prestigious educational institutes.

In April 2016, six young Saudi women launched the SnapJobs mobile application to match qualified Saudis with employment opportunities in the public and private sectors. Ala Al-Qawaei, the project's joint founder, noted that the app will address unemployment in the Kingdom and enable Saudi citizens to engage their educational experience in a range of suitable open positions.

Glowork, a female-only recruitment tool to connect women with work, launched in 2011. Supported by the Saudi Ministry of Labor, Glowork has negotiated opportunities for women in the private sector and opened up positions for women in nonurban areas to work remotely. By 2015, Glowork had placed over 20,000 women throughout Saudi Arabia in jobs.

The Olayan Group, an international investment company started and owned by one of the oldest families in Saudi Arabia, has increased the number of women in managerial and executive roles more than threefold, establishing itself as a pioneer of female employment in the country. Since 2013, the company has witnessed a 181 percent increase in the number of female employees and a six-fold surge in female promotions.

Strengthening the Kingdom's Economic Sectors

Creating the conditions for a strong and sustainable private sector is the central component of the Vision 2030 development strategy. The strategy aims to increase the private sector's contribution to GDP from its current rate of 40 percent to 65 percent. It also targets small and medium-sized enterprises (SMEs) by boosting their contribution from 20 percent to 35 percent while increasing women's participation in the workforce from 22 percent to 30 percent. Non-oil exports are expected to make up half of non-energy GDP by 2030, more than three times present levels.

The Kingdom has relaxed restrictions on qualified foreign investors (QFI), allowing them to buy up to ten percent of a listed company on the Saudi stock exchange (Tadawul). The country's banking sector has also undergone an overhaul. In September 2016, the IHS Banking Risk Service, which monitors frontier and emerging market banking, praised the Saudi sector's "resiliency" to the current shocks from depressed oil prices. Zurich-based Credit Suisse maintains that the Kingdom's capital market

initiatives support the country's prospective upgrade to Emerging Market (EM) status by the MSCI World Index, a common benchmark for global stock funds.

Underscoring the Kingdom's economic development strategy on the basis of sound fiscal fundamentals, the IMF noted in 2016 that Saudi Arabia confronted the global financial crisis "from a position of strength," and has taken "decisive steps to manage its impact." According to the IMF, "The banking sector as a whole is well-capitalized and appears able to withstand severe temporary shocks." Saudi Arabia is one of the few countries that has never had a banking default.

The government is expediting liberalization of the financial sector, including easing restrictions on foreign participation in the Saudi stock market from 2017 onwards. This strategy is backed by a broader "buy Saudi" effort. In particular, the government is aiming for 50 percent domestic production by 2020 of all goods consumed in the Kingdom. That is up from approximately 33 percent at present. Pharmaceuticals and renewables were among several sectors highlighted to reduce unemployment from 11.6 percent in 2015 to seven percent by 2030.

Growth of the non-hydrocarbon sector of the economy is taking place at an unprecedented rate. High-speed rail; the privatization of public utilities, airports and commercial ports; the development of nuclear and solar energy; the rise of the country's tourism industry alongside the easing of visa requirements; breakthroughs in pharmaceutical research; and world leadership in environmental technology, including cogeneration and desalination, are all components of the motor driving this change.

Energy

The Kingdom's most prominent sector is poised for unprecedented growth, diversification, and profitability. The high oil revenue environment has spurred a boom in both oil and non-oil development projects. Unlike previous investment cycles, the current round of investment projects is marked by heavy private sector participation with USD 79 billion in private sector energy projects under development.

Saudi Arabia is seeking to use non-oil means to generate a significant portion of its additional future energy needs. At the 2016 World Future Energy Summit in Abu

Dhabi, Saudi Minister for Energy, Industry and Resources Khalid Al-Falih addressed the Kingdom's plans to launch projects by 2023 to enable 9.5 gigawatts in power generation from a combination of solar, wind, and geothermal energy. Under the Vision 2030 renewable energy program, the country expects to launch the first round of bidding for up to \$50 billion worth of projects.

The Gulf Battery Company (GBC), a local business with approximately 40 employees located in Dammam, is one of the first local small and medium-sized enterprises (SMEs) to qualify as a GE global supplier for gas turbine components. The company is a specialist manufacturer of high-tech energy storage systems, providing backup control batteries for GE gas turbines. It currently provides GE with 100 percent of its battery needs in the Kingdom. As a qualified GE global supplier, GBC plans to export its products and services to Iraq, Nigeria, and several countries in North Africa.

On May 30, 2016, Siemens AG, the Munich-based global electronics and energy giant, launched the first gas turbine "Made in KSA." The launch highlighted the young Saudi engineers who participated in the development of its technology and who were trained at the Dammam Energy Hub on the country's east coast. The Energy Hub was built in 2011 as a joint venture between Siemens, Aramco, and the Saudi Electricity Company.

Following the relaxation of restrictions on foreign investment, Chevron signed a new agreement with Saudi Arabia to operate the Kingdom's 50 percent interest in the hydrocarbon resources of the onshore zone between Kuwait and the Kingdom. The agreement expires in 2039. Chevron is the only global energy company with exploration and production operations in Saudi Arabia, holding 50 percent of the Wafra onshore oil and natural gas fields in Saudi Arabia and Kuwait.

In December 2016, Jacques Brent, the head of Ford Motor Company for Middle East and North Africa, announced that Saudi Arabia had emerged as the company's largest market in the region, and that it is pursuing ventures in the Kingdom in the fields of shared mobility and alternative fuels.

Tourism

Tourism is set to take on a pivotal role in the Saudi economy, with business, leisure, and faith-based travel recognized as prime opportunities to raise the industry's profile. Under Vision 2030, Saudi Arabia has committed to easing certain visa requirements and renovating local historical and heritage sites.

"Post-Umrah" tourism will see an easing of limits on visits, allowing pilgrims to extend their stays and travel to a wider variety of destinations in Saudi Arabia instead of being restricted to holy sites. The government is reviewing proposals to ease visa limitations on Hajj pilgrims in an effort to bolster investment in tourism-related services and infrastructure.

For foreign and/or Western visitors, the planned privatization of certain sectors of the economy will prompt overseas investors to visit the country. Direct access to the Saudi stock exchange will also ease restrictions on foreign ownership, thus encouraging greater business travel to the Kingdom. To keep pace with projected increases, over 49,000 new hotel rooms are either under construction or at the final planning stage.

Construction

Saudi Arabia represents the largest construction market in the Middle East and one of the fastest growing construction markets in the world. Key development areas include improving infrastructure, transport, education, and real estate, all of which will require construction-related activity. According to the Saudi Arabian General Investment Authority (SAGIA), a \$100 billion planned investment in transport projects will occur over the next ten years.

The Kingdom's construction market is set to more than double, reaching a record high of \$96.52 billion in 2025 from \$45.33 billion in 2016, according to a recent report by BMI Research. Advanced construction technology, such as open-source 4D Building Information Models (BIM), will help Saudi Arabia's architects, engineers, and contractors to enhance collaboration and productivity while reducing costs across design, concrete and steel rebar installation, and facilities management projects.

Vision 2030 calls for public-private partnerships to stimulate infrastructure projects and economic growth. One of the leading Saudi BIM projects is the Abdullah Arif Intersection Bridge in Makkah Municipality. Contractors used Trimble's Tekla Structures to design its 340-meter span with a superstructure arch that can be dismantled and re-erected for a planned third lane. Additional innovative Saudi projects include the Dora Dora Food Processing Plant, the Maaden Mine and Refinery Project, Qassim University's Sports Facilities Building, the Riyadh Metro Depots, Samba HQ, and the Titanium Sponge Plant in Yanbu.

Manufacturing

The Saudi Industrial Property Authority (MODON) and General Electric will partner to enhance the digital capabilities of ten Saudi factories using GE's Brilliant Manufacturing Software Suite. This process will strengthen the operational efficiency and productivity of these factories – all located in MODON industrial cities – thereby increasing cost savings. Through a “digital thread” that links design, product engineering, manufacturing, supply chain, and distribution that serves one integrated system, MODON factories will eliminate information silos, identify opportunities to improve procedural efficiency, and gain insight into equipment optimization. This project will mark the start of the digital transformation of the Kingdom's manufacturing sector. It supports several key objectives of Saudi Vision 2030: enhancing productivity and competitiveness while building local industrial and manufacturing bases.

On January 31, 2017, Honeywell entered into a multi-billion dollar deal with Saudi Arabia's Al Waha Petrochemicals Company to explore the maximization of propylene production. Propylene is the second most important starting product in the petrochemical industry. A press statement from the company notes that the deal “falls in line with Honeywell's ongoing commitment to support Saudi Arabia with its diversifications plans and Saudi Vision 2030.” The deal is part of Honeywell's Connected Plant initiative that helps manufacturers “improve the safety, efficiency and reliability of operations across a single plant or several plants across an enterprise.”

Dow Chemical is one of the largest foreign investors in Saudi Arabia. On November 30, 2016, the Kingdom announced that the Sadara Chemical Company Project would

become the largest integrated chemicals complex in the world to be built in one phase after the company's initial establishment in October 2011. Located in the Jubail Industrial City in the Eastern Province of Saudi Arabia, the facility – a joint venture between Saudi Aramco, Dow Chemical and the French multi-national conglomerate Total – will produce more than three million ton of plastics and chemical products annually. This venture will further stimulate Saudi Arabia's economic growth, creating an environment hospitable to investment and job creation. The project, inaugurated by King Salman in 2016, will create the largest global facilities in the refining and petrochemicals industries.

Dow participates in several joint ventures in the region, including with E.A. Juffali & Brothers and Saudi Acrylic Monomer Company (SAMCO). Additional strategic investments and joint ventures in the country include Saudi Aramco, agreements with King Abdullah University of Science and Technology (KAUST) to construct a new Dow Middle East Research and Development Center, and a reverse osmosis manufacturing facility – the first unit of its kind outside of the United States. Reverse osmosis is a water purification process that uses a special kind of membrane to remove ions, molecules, and larger particles from drinking water.

Furthermore, Chevron helped organize the Kingdom's first privately financed basic-petroleum enterprise, the Saudi Chevron Phillips Company based in Al Jubail. The company is working on a new venture to create advanced forms of benzene and cyclohexane, cutting-edge chemicals with a wide range of production capabilities. The plant is one of the largest of its kind in the world.

Health Care

Health care is a thriving sector as the government continues to finance healthcare for its rapidly growing population. Saudi Arabia is the largest market for medical equipment and healthcare products in the Middle East, with the opportunity to cater to unmet demand across the healthcare value chain, including medical education, research, facilities, provision, and reimbursement.

The Kingdom places a high priority on health care with the understanding that people are the country's most valuable asset. In 2030, the population of Saudi Arabia

will reach 39.1 million, an increase of 24.1 percent from 2015. Therefore, medical research is a pivotal component of industrial development, and the pharmaceutical market is a key industry for future growth in the Kingdom. To support it, the Saudi government has improved regulatory guidelines and initiatives to help develop the domestic pharmaceutical market, one of the largest in the Middle East and the largest of the GCC members, estimated at \$4.5 billion in 2015 and expected to reach \$6 billion by 2020. Diabetes affects 25 percent of the population, and asthma affects 15 percent of the population. Health expenditure in the Kingdom has more than doubled in the past decade to match the Kingdom's 400 hospitals, 2,075 primary health centers, and 850 private clinics. The government's plan is to proceed with the construction of 56 new and 51 replacement hospitals and 750 primary health centers in the coming five years.

Launched in December 2013 in conjunction with the King Abdulaziz City for Science & Technology (KACST), the Saudi Human Genome Project (SHGP) will target the sequencing of 100,000 human genomes over the next five years to conduct world-class genomics-based biomedical research in the Saudi population. The SHGP mission is to identify the genetic basis of severe and commonly inherited diseases in the Saudi population using state-of-the-art genome sequencing and bioinformatics.

The exceptional growth of the Saudi market has led Pfizer to join efforts with SAGIA to set up a legal company entity and establish a manufacturing plant in the King Abdullah Economic City (KAEC).

Information Technology

Saudi Arabia represents the region's largest IT market, with strong growth in consumer and enterprise end markets. Massive public investments in infrastructure, health, and education have paved the way for advanced technology and security systems in the country with the government planning for the industry to raise its contribution to the GDP by 20 percent by 2020. The IT market in the country was valued at \$3.6 billion in 2011 and was expected to reach \$4.9 billion after 2014. Liberalization is occurring across the telecommunications industry, driving increases in competition, service levels, and usage. Significant unmet demands for web-based and mobile services and increased enterprise and government commitments for web-based services provide

large-scale opportunities for contractors and service providers, with massive public investments in connectivity for Economic Cities, extending unique opportunities for greenfield projects covering millions of users.

On March 9, 2017, Saudi Arabia's Ministry of Communications and Information Technology signed a memorandum of understanding with IBM for the training and qualification of more than 38,000 individuals over the next four years through 30 new educational institutions in information and communication technology (ICT) programs. By 2020, about 19,000 trainees are expected to acquire certification in the field. The agreement with IBM will address core challenges identified by the ministry, namely, "the shortage in specialized human capital" and "poor user skills in the communication and information technology field." The Kingdom will organize five new initiatives through the ministry involving the training, qualification, and recruitment of ICT experts.

Defense

Saudi Arabia is among the world's largest defense and security spenders. By December 2016, Saudi defense spending stood at \$48.68 billion. This figure is expected to grow with an increase in imports over the coming decade. The industry is projected to raise local military equipment manufacturing to 50 percent, a significant increase dependent on new contracts with foreign defense firms. American companies were advised by Saudi Arabia to fulfill local requirements and invest in human capital and manufacturing capabilities in order to win contracts in this competitive industry in the Kingdom.

On January 24, 2017, the U.S.-Saudi Arabian Business Council (USSABC) held a defense and security luncheon in Saudi Arabia. The event featured Alex Barrasso, Counselor for Political and Military Affairs at the U.S. Embassy in Riyadh. The discussion centered on changes to the Saudi defense market under Vision 2030. As an extension of these improvements in the defense market, Saudi Arabia has started manufacturing Ukrainian Antinov aircraft in accordance with the Vision. This plan relies on the Military Industries Corporation (MIC), which oversees the development of the local defense industry.



Electoral participation among female Saudi voters in the December 2015 municipal elections was 82 percent.

Saudi woman voting in December 2015 municipal elections

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05

Political Development

Government Restructuring

The role of the government in Saudi Arabia has grown significantly since the founding of the Kingdom. It is imperative that government evolves and improves continuously to keep pace with rising expectations, challenges and needs of its citizens. The Saudi government reiterated its commitment to transparency and accountability in Vision 2030.

At the foundation of Vision 2030 are recent political initiatives implemented by King Salman in the first half of 2016. On May 7, 2016, the royal court released fifty decrees outlined by the King that sought to reorganize the government consistent with Saudi Vision 2030 to “focus and clarify responsibilities, and ease procedures to offer better services. The decrees included the merger of several ministries, the creation of new governmental bodies and appointments, and the replacement of various governmental entities with a fresh vision and new leadership.

Vision 2030 outlined several areas for improvement in government efficiency, and the restructuring sought to drive progress toward ensuring that ministries and departments are running at maximum capacity. The elimination, integration and rearrangement of dozens of ministries, authorities, public commissions and government departments aimed at clarifying responsibilities and facilitating procedures to provide the best government services possible.

Under the Strategic Directions program, the government approved the strategic directions determined by a variety of Saudi government agencies. Existing roles were reviewed to align with future economic and social needs, and decisions were

laid out based on benchmarks and detailed studies that included a comprehensive analysis of each agency's programs, plans and relevant performance indicators.

Two councils linked with the Council of Ministers were created: the Council of Political and Security Affairs, headed by Crown Prince Mohammed bin Naif, and the Council of Economic Affairs and Development, headed by Deputy Crown Prince Mohammed bin Salman. The introduction of these Councils have helped to speed development of strategy and decision-making, while simultaneously enhancing performance.

The restructuring included the following:

- The oil ministry became the Ministry of Energy, Industry and Mineral Resources, and Khalid Al-Falih – former head of the health ministry – was appointed as minister;
- The water and electricity ministry was abolished and its responsibilities split. Activities related to electricity are under the purview of the Ministry of Energy, Industry and Mineral Resources;
- Saudi Arabia's top central banker, Fahad Al Mubarak, was replaced by Ahmed Alkholifey, a former deputy governor of the Saudi Arabian Monetary Agency;
- The commerce and industry ministry was renamed the Ministry of Commerce and Investment, and Majed Al-Qasabi, formerly social affairs minister, was named its head;
- The labor and social affairs ministries were merged and established as the Ministry of Labor and Social Development;
- The agriculture ministry was renamed the Ministry of Environment, Water, and Agriculture;
- The hajj ministry was renamed the Ministry of Hajj and Umrah;
- The Department of Zakat and Income Tax was renamed the General Authority of Zakat and Tax and was linked to the finance ministry;
- The General Authority for Entertainment and the General Authority for Culture were established;
- New royal advisers were appointed.

Furthermore, the King issued an order that abolished several departments in order to streamline bureaucracy in the government, including: the Higher Committee for Education Policy, including the Higher Committee for Administrative Organization,

the Civil Service Council, the supreme body of King Abdulaziz City for Science and Technology, the Higher Education Council, the Supreme Education Council, the Council of Petroleum and Mineral Affairs, the Supreme Economic Council, the National Security Council, the Supreme Council for the King Abdullah City for Atomic and Renewable Energy, the Supreme Council for Islamic Affairs, and the Supreme Council for Disabled Affairs.

As the Saudi government moves toward comprehensive implementation of Vision 2030, it is also working to promote shared services across government agencies to increase productivity and raise the efficiency of government spending. To begin this long-term initiative, leadership will examine the status of support services in governmental sectors, set the scope of work, and development comprehensive priorities and implementation plans. This move is aimed to provide insight into the best practices to streamline government services, ensuring that it works as it should for all citizens – the ultimate goal of good governance.

Integral to Vision 2030 will be the continuous review and assessment of performance in programs. To support decision-making through analytical and evidence-based information and reports, a Decision Support Center will be established at the Royal Court.

Fiscal Reform

The Fiscal Balance Program (FBP) is one of the Executive Programs laid out in Vision 2030 and is a key component of balancing the budget and boosting governmental performance by increasing efficiency. The benefits of the FBP program extend beyond the betterment of bureaucratic performance: the initiative will ultimately open up space in the budget to make long-term investments critical to the successful implementation of Vision 2030.

With the decline in oil prices, the Kingdom faced the highest deficit in its history. In response, the government quickly accelerated fiscal reforms, reducing spending by 26 percent by taking several steps: rationalizing government expenditure, restructuring government wages, partially reforming energy product prices, and approving initiatives to increase non-oil revenues.

This rapid response improved the ability of the government to decrease the deficit. Reforms underway are projected to save the Kingdom as much as \$97 billion annually by 2020, leading to a yearly surplus of \$43 billion, according to a recent analysis by Jadwa Investment, a Riyadh-based firm.

Moving forward, the FBP centers on several themes, all focused on achieving fiscal balance by 2020. As identified in the plan, the themes are the following:

- Enhancing sustainability of government revenue by growing non-oil revenues;
- Optimizing governmental capital and operational expenditures while focusing spending on the most strategic areas;
- Eliminating misdirected subsidies and empowering citizens to choose and consume responsibly;
- Sustaining economic growth in the private sector.
- Other fiscal reform programs and policies include the debt management program and the budgeting process and policy reform.

In December 2016, King Salman outlined Saudi Arabia's 2017 budget, which was estimated to reach \$237.3 billion, an eight percent increase from 2016. It was projected to reduce the deficit by 33 percent, a record for the Kingdom and a testament to the rapid pace of its fiscal reforms.

"We have sought through this budget and its programs to improve the efficiency of capital and operational expenditures in the state, strengthen the situation of public finances, enhance their sustainability, give priority to developmental and service projects and programs that serve citizens directly, contribute to activating the role of the private sector and increase its contribution to the Gross Domestic Product," said King Salman during the announcement. These comments demonstrate the nation's commitment to fiscal reform, and the projection of the massive budget deficit reduction for 2017 highlights the significant progress already achieved.

The International Monetary Fund has also recognized Saudi Arabia's progress on fiscal reform. Following an IMF staff mission to Saudi Arabia for a series of economic discussions, leader of the mission Tim Callen remarked, "Fiscal policy is appropriately adjusting to the drop in oil prices. IMF staff welcome the control of government spending that is underway and the energy price adjustments that have

been implemented.” Callen also praised mechanisms that strengthen efficiency and accountability in government spending.

The initiatives in place for the Kingdom to achieve economic equilibrium by 2020 include roadmaps to enhance spending efficiency, reform energy prices, and promote non-oil revenue as part of the Fiscal Balance Program (FBP 2020) and Vision 2030 plan. Saudi Arabia has already begun its course correction; Jadwa Investment reported that it estimates that FBP 2020 initiatives will result in \$26 billion in gross savings in 2017 alone.

Women in Politics

Women in Saudi Arabia have steadily gained political power. In recent years, a number of laws and decrees have empowered women, reaching from the highest consultative levels to the polls on the local level.

History was made in the Kingdom in December 2013, when King Salman issued a royal order appointing 30 women to the Majlis Al-Shura, the Kingdom’s Consultative Council. The new mandate instructed that no less than 20 percent of the Council’s members will be women moving forward, stating “Women, selected as members of the Shura Council, will enjoy full rights of membership, be committed to their duties, responsibilities and assume their jobs.”

The Shura Council was established in 1992 with 60 members, but has since been expanded to 150 members, each serving their nation for 4-year terms. The King Abdullah first announced that Saudi women would be appointed to the Council in 2011, signaling progress on women’s political empowerment. The women appointed are lauded as leaders in their respective fields, bringing with them to the Shura Council new perspectives and expertise to help push their country forward.

Dr. Selwa Al-Hazzaa became the first female member of the Council. Educated at King Saud University and John Hopkins University, she is known for her work on genetically inherited eye diseases in Saudi Arabia. In addition to her responsibilities on the Council, is head of the ophthalmology department at King Faisal Specialist Hospital.

Dr. Khawla Al Khuraya was appointed alongside Dr. Al-Hazzaa. A distinguished physician and leader in genomic cancer research, she famous for identifying a gene that prompts the formation of cancer cells in the human body. As Director of the Research Center at King Fahad National Center for Children's Cancer, Al Khuraya also holds the title as the first woman to receive the King Abdulaziz Award for Excellence for her work in the field of cancer research.

In December 2016, as part of the larger-scale political restructuring, the Shura Council was reshuffled – of the new appointments, 29 of which were women. As a testament to the educational achievements of Saudi women as a whole, a majority of the women appointed to the Council hold doctorates across a range of fields.

Among these women was Lina Al Maeena, one of the youngest Saudi women to ever serve on the Shura Council and a prominent voice advocating for the importance of sports for women and girls. Mody AlKhalaf was another appointee, known previously for making history as the first woman appointed assistant attaché for social and cultural affairs at the Saudi embassy in the United States.

In another historic development, 21 women won seats in municipal council elections across the country in December 2015. This election was also notable as the first time Saudi women voted in elections, using their voices as part of the growing tide of change in the Kingdom. Women in Saudi Arabia stepped up to the task – while over 130,000 women registered to vote, over 900 ran as candidates, demonstrating the enthusiasm and commitment they have to participating in transforming their country.

As Najla Harir, a female voter in the December 2015 elections, put it, "I exercised my electoral right. We are optimistic about a bright future for women in our homeland."

Rasha Hefzi was among the 21 women elected in 2015, voted onto the municipal council in Jeddah. Hefzi exemplifies an educated generation in the Kingdom, eager to take on the mantle of leadership to push forward political, economic and social changes to help transform her country. She made her name as a businesswoman and public relations professional, participating over the course of her career in a number of civil society organizations, aiming to make a maximum impact on her society.

Saudi women have begun to make their mark on politics, and if rates of education are any indication, they are not yet done shaping the history of the Kingdom alongside the laundry list of political and economic changes transforming the lives of Saudi citizens from all backgrounds.



By 2020, it is projected that there will be more than 450 cultural organizations in Saudi Arabia.

06

Cultural and Social Development

Saudi Vision 2030 recognizes the rich cultural and social heritage that distinguishes the Kingdom as a nation rooted in its identity as the heart of the Arab and Islamic worlds. The comprehensive initiatives outlined in Vision 2030 have identified numerous areas that will benefit from the concerted investment of government resources and the engagement of the Saudi people.

It is through this plan that the leadership of Saudi Arabia will secure a sustainable economy and widen access to social programs, all with the ultimate aim of building a vibrant society, thriving economy, and ambitious nation.

Education

Education is widely regarded by Saudi social and political analysts as the single most important and most challenging area for change. Saudi Arabia is the world's eighth-highest education spender and recently initiated a complete review of the education system, which will include building new educational institutes in addition to funding overseas degrees and training programs for Saudi students in alignment with Vision 2030 objectives. It remains vital for Saudi Arabia to attract a substantial amount of foreign investment in education to meet the country's rapid growth demands. The primary aim of the education initiatives is to enable young Saudis to fill jobs in industries currently dominated by expatriates.

The new plan aims to more than double enrollment of children ages three to six years old in education at a cost of \$660 million and to provide new training opportunities for large numbers of teachers. In addition, the plan seeks to improve average math and science scores for students by 15 percent by the early 2020s.

Vision 2030 seeks a more prominent role for families in the education of their children. The engagement of parents in their children's education is one of the main principles of success. The Kingdom will launch the "Irtiqaa" program, which will measure how effectively schools are engaging parents in their children's education. Its goal by 2020 is for 80 percent of parents to be engaged in school activities and the learning process of their children.

Saudi Arabia will establish parent-led boards in schools, to open discussion forums and further engage with parents. Teachers will receive training to raise their awareness of the importance of communicating with parents and equip them with effective methods to do so successfully. The Kingdom is collaborating with private and nonprofit sectors to offer innovative educational programs and events that can improve this academic partnership.

Saudi Arabia will close the gap between the outputs of higher education and the requirements of the job market. By the year 2030, the Kingdom intends to have at least five Saudi universities among the top 200 universities in international rankings. This will help Saudi students achieve results above international averages in global education indicators. The Kingdom is preparing a modern curriculum focused on rigorous standards in literacy, numeracy, skills and character development. Saudi Arabia is now tracking progress and will publish a sophisticated range of education outcomes, showing year-on-year improvements.

Education is linked to employment opportunities. The Kingdom has partnered with the private sector to ensure higher education outcomes are in line with the requirements of the job market. By investing in strategic partnerships with apprenticeship providers, new skills councils from industry, and large private companies, Saudi Arabia is developing the job specifications of every education field. Furthermore, the Kingdom has begun to build a centralized student database tracking students from early childhood through to K-12 and beyond into tertiary education (higher and vocational) in order to improve education planning, monitoring, evaluation, and outcomes.

Changes to the Mutaween

Members of the Committee for the Promotion of Virtue and Prevention of Vice (CPVPV) represent a select group of government officials who promote public

decency within the framework of the Sharia legal system in the Kingdom. In recent years, the CPVPV has been criticized over a number of high-profile controversies that were the unfortunate result of professional transgressions, some of which were addressed through the formal court system.

In April 2016, the Kingdom's leadership curtailed the ability of the CPVPV to arrest and interrogate individuals. As part of the regulation limiting the operations of the CPVPV, employees can no longer pursue or request identification from suspects. Its members are instead required to refer suspected crimes to the police, who maintain sole authority to enforce the law. In addition, those employed by the CPVPV must carry identification that details each individual's name, post, jurisdiction, and working hours. Employees of the CPVPV are also blocked from working outside of office hours.

This development came in response to public criticism that the CPVPV overstepped its professional mandate while handling cases in which violations of the law were suspected. The Saudi Press Agency announced the changes, noting that the CPVPV aims to "[carry] out the duty of promoting virtue and preventing vice in a gentle and humane way, after the model set in this regard by the Prophet [Muhammad] and his rightful successors."

Efforts to increase accountability to public will and welfare have been praised by Saudi citizens and members of the international community. The edict limiting the powers of the CPVPV reflected increasing responsiveness on the part of the government to the people of Saudi Arabia, many of whom had expressed discontent at the tactics of the CPVPV. With his 2016 edict, King Salman further enhanced regulatory oversight over an oft-scrutinized governmental agency and underlined the importance of social development that facilitates an environment flexible to the needs of its people.

Entertainment and Cultural Offerings

Vision 2030 recognizes that culture and entertainment are indispensable to maintaining a high quality of life. Historically, Saudi Arabia has long-emphasized the importance of the arts to social development and culture. With the release of the national strategy plan, the Saudi leadership has pinpointed avenues by which culture and entertainment will contribute to long-term economic growth and bring about wider civil benefits.

Nationwide, the government-funded Daem initiative will enhance the quality and range of cultural activities available to those residing in the Kingdom. In order to expand these offerings, spaces accessible to the public and available throughout all regions of Saudi Arabia will receive official backing. As part of the Vision, the number of venues dedicated to the promotion of the arts will increase in tandem with the simplification of regulations governing the establishment of social and cultural clubs. A growing emphasis on cultural promotion aims to capitalize on the active participation of Saudi citizens and international partners. By 2020, it is expected that there will be more than 450 cultural organizations in Saudi Arabia. The Kingdom plans to attract international talent, including performers, artists, and creative professionals, all of whom will have a hand in raising awareness of leisure activities and cultural pursuits.

Vision 2030 also addresses entertainment initiatives, calling for new commissions on culture and entertainment. The establishment of the General Authority for Entertainment (GAE) in 2016 introduced a series of live performances and shows to the Kingdom, raising the international profile of entertainment offerings that previously required governmental funding. The GAE is expected to significantly reduce outbound tourism as an increasing number of Saudi citizens choose to stay in the Kingdom for vacation and recreation. Cultural activities that will benefit from the boost in official support include festivals, museum exhibitions, circus performances, and interactive scientific shows that blend intrigue and education. The creation and development of the GAE is part of an ongoing positive debate in Saudi Arabia about cinemas, concerts, and entertainment complexes that is responsive to the needs of Saudi citizens and international stakeholders.

Moreover, the establishment of the General Authority for Culture in May 2016 marked a historic moment in the Kingdom's acknowledgement of the arts as one pillar of a well-rounded society. Organizing events that uphold the value of literature and the fine arts have been well-received by the Saudi public, which has welcomed the congruence of Islamic values and enhanced appreciation for the arts and learning.

Deputy Crown Prince Mohammed bin Salman described the need for new entertainment options in Saudi Arabia as follows: "We consider culture and entertainment indispensable to our quality of life. We are well aware that the cultural and entertainment opportunities currently available do not reflect the rising aspirations of our citizens and residents, nor are they in harmony with our prosperous economy. We will seek to offer a variety

of cultural venues - such as libraries, arts and museums - as well as entertainment possibilities to suit tastes and preferences. These projects will also contribute to our economy and will result in the creation of many job opportunities.”

Public Health and Well-Being

As a complement to intellectual and cultural pursuits in developing a vibrant society, the Kingdom’s leadership has identified physical wellbeing as a national priority. Currently, the ratio of individuals exercising at least once per week stands at 13 percent, a figure that has been deemed unsatisfactory by international standards. Vision 2030 aims to dramatically increase the number of Saudi citizens engaged in weekly physical activity to 40 percent. In order to inspire Saudis to exercise on a regular basis, the Government of Saudi Arabia announced in November 2016 plans to shift state ownership of sports clubs to private companies. The campaign elevated the public’s ability to use sports venues while directing the launch of a fund under the Council of Economic and Development Affairs (CEDA) that will provide loans and material support to private sports clubs. This fund is expected to create 40,000 jobs and widen opportunities for Saudis to enjoy sports as part of a wholesome lifestyle.

Vision 2030 has extended development within the social sector to female athletes and aspirants. Following the release of Vision 2030, the General Sports Authority formed a women’s division under the leadership of Princess Reema bint Bandar to generate large-scale participation in physical activity throughout the Kingdom. Under its mandate, the Authority issues licenses to new sports centers and promotes youth registration in sports. By early 2017, the women’s division announced a broad campaign to license women’s gyms in an effort to boost public health and create up to 250,000 jobs within the burgeoning sports sector. Women in the Kingdom will enjoy facilities where swimming, running, and weightlifting are all options that were once limited to exclusive health clubs inaccessible to the average Saudi citizen.

A young prince is reimagining Saudi Arabia. Can he make his vision come true?

DAVID IGNATIUS | THE WASHINGTON POST | APRIL 20, 2017

Two years into his campaign as change agent in this conservative oil kingdom, Deputy Crown Prince Mohammed bin Salman appears to be gaining the confidence and political clout to push his agenda of economic and social reform.

The young prince outlined his plans in a nearly 90-minute conversation Tuesday night at his office here. Aides said it was his first lengthy on-the-record interview in months. He offered detailed explanations about foreign policy, plans to privatize oil giant Saudi Aramco, strategy for investment in domestic industry, and liberalization of the entertainment sector, despite opposition from some religious conservatives.

Mohammed bin Salman said that the crucial requirement for reform is public willingness to change a traditional society. "The most concerning thing is if the Saudi people are not convinced. If the Saudi people are convinced, the sky is the limit," he said, speaking through an interpreter.

Change seems increasingly desired in this young, restless country. A recent Saudi poll found that 85 percent of the public, if forced to choose, would support the government rather than religious authorities on policy matters, said Abdullah al-Hokail, the head of the government's public opinion center. He added that 77 percent of those surveyed supported the government's "Vision 2030" reform plan, and that 82 percent favored music performances at public gatherings attended by men and women. Though these aren't independently verified numbers, they

do indicate the direction of popular feeling, which Saudis say is matched by anecdotal evidence.

“MBS,” as the deputy crown prince is known, said that he was “very optimistic” about President Trump. He described Trump as “a president who will bring America back to the right track” after Barack Obama, whom Saudi officials mistrusted. “Trump has not yet completed 100 days, and he has restored all the alliances of the U.S. with its conventional allies.”

A sign of the kingdom’s embrace of the Trump administration was the visit here this week by U.S. Defense Secretary Jim Mattis. While the Obama administration had criticized the Saudi war in Yemen, Mattis discussed the possibility of additional U.S. support if the Houthi insurgents there don’t agree to a U.N.-brokered settlement. (I traveled to Saudi Arabia as part of the press corps accompanying Mattis.)

Mohammed bin Salman has been courting Russia, as well as the United States, and he offered an intriguing explanation of Saudi Arabia’s goal in this diplomacy. “The main objective is not to have Russia place all its cards in the region behind Iran,” he said. To convince Russia that Riyadh is a better bet than Tehran, the Saudis have been “coordinating our oil policies recently” with Moscow, he said, which “could be the most important economic deal for Russia in modern times.”

There’s less apparent political tension than a year ago, when many analysts saw a rivalry between Mohammed bin Salman and Crown Prince Mohammed bin Nayef, who is officially next in line for the throne but is less prominent than his cousin. Whatever the succession proves to be, the deputy crown prince appears to be firmly in control of Saudi military strategy, foreign policy and economic planning. He has gathered a team of technocrats who are much younger and more activist than the kingdom’s past leadership.

Reform plans appear to be moving ahead slowly but steadily. Mohammed bin Salman said that the budget deficit had been cut; non-oil revenue increased 46

percent from 2014 to 2016 and is forecast to grow another 12 percent this year. Unemployment and housing remain problems, he said, and improvement in those areas isn't likely until between 2019 and 2021.

The biggest economic change is the plan to privatize about 5 percent of Saudi Aramco, which Mohammed bin Salman said will take place next year. This public offering would probably raise hundreds of billions of dollars and be the largest such sale in financial history. The exact size of the offering will depend on financial-market demand and the availability of good options for investing the proceeds, he told me. The rationale for selling a share of the kingdom's oil treasure is to raise money to diversify the economy away from reliance on energy. One priority is mining, which would tap an estimated \$1.3 trillion in potential mineral wealth.

The Saudi official listed other investment targets: creating a domestic arms industry, reducing the \$60 billion to \$80 billion the kingdom spends annually to buy weapons abroad; producing automobiles in Saudi Arabia to replace the roughly \$14 billion the government spends annually for imported vehicles; and creating domestic entertainment and tourism industries to capture some of the \$22 billion that Saudis spend traveling overseas each year.

The entertainment industry is a proxy for the larger puzzle of how to unlock the Saudi economy. Changes have begun. A Japanese orchestra that included women performed here this month, before a mixed audience of men and women. A Comic Con took place in Jeddah recently, with young men and women dressing up as characters from the TV show "Supernatural" and other favorites. Comedy clubs feature sketch comedians (but no female stand-up comics, yet).

These options are a modest revolution for a Saudi Arabia where the main entertainment venues, until recently, were restaurants and shopping malls. The modern world, in all its raucousness, is coming, for better or worse. King Fahd International Stadium in Riyadh hosted a Monster Jam last month with souped-up trucks. There are plans for a Six Flags theme park south of Riyadh.

Maya al-Athel, one of the dozens of young people hatching plans at the Saudi General Entertainment Authority, said in an interview that she'd like to bring a Museum of Ice Cream, like one she found in New York, to the kingdom.

"We want to change the culture," said Ahmed al-Khatib, a former investment banker who's chairman of the entertainment authority. His target is to create six public entertainment options every weekend for Saudis. But the larger goal, he said, is "spreading happiness" in what has sometimes been a somber country.

The instigator of this attempt to reimagine the kingdom is the 31-year-old deputy crown prince. With his brash demeanor, he's the opposite of the traditional Bedouin reserve of past Saudi leaders. Unlike so many Saudi princes, he wasn't educated in the West, which may have preserved the raw combative energy that is part of his appeal for young Saudis.

The trick for Mohammed bin Salman is to maintain the alliance with the United States, without seeming to be America's puppet. "We have been influenced by you in the U.S. a lot," he said. "Not because

anybody exerted pressure on us — if anyone puts pressure on us, we go the other way. But if you put a movie in the cinema and I watch it, I will be influenced." Without this cultural nudge, he said, "we would have ended up like North Korea." With the United States as a continuing ally, "undoubtedly, we're going to merge more with the world."

Mohammed bin Salman is careful when he talks about religious issues. So far, he has treated the religious authorities as allies against radicalism rather than cultural adversaries. He argues that extreme religious conservatism in Saudi Arabia is a relatively recent phenomenon, born in reaction to the 1979 Iranian revolution and the seizure of the Grand Mosque in Mecca by Sunni radicals later that year.

"I'm young. Seventy percent of our citizens are young," he said. "We don't want to waste our lives in this whirlpool that we were in the past 30 years. We want to end this epoch now. We want, as the Saudi people, to enjoy the coming days, and concentrate on developing our society and developing ourselves as individuals and families, while retaining our religion and customs. We will not continue to be in the post-'79 era," he concluded. "That age is over."

Saudi Arabia's Full Statement to Bloomberg on Its 2017 Agenda

GLEN CAREY AND VIVIAN NEREIM | BLOOMBERG | MARCH 6, 2017

A senior source in Saudi Arabia's Council of Economic and Development Affairs, a body overseen by Deputy Crown Prince Mohammed bin Salman, responded to Bloomberg questions on the government's 2017 agenda with the statement that follows. Questions have been edited for clarity.

Busy Agenda

This year will be a key year for Prince Mohammed's plan for life after oil, Saudi Vision 2030. How do you respond to those concerned that the to-do list for 2017 is too crowded?

Answer: Firstly, I would like to make it clear that the to-do list is ambitious but not impossible, and we have already begun applying it. Our work has started in the beginning of 2016 with the formulation of our future vision for the Kingdom of Saudi Arabia's position and our approach until 2030, and applying it realistically, clearly, ambitiously and decisively by the identification of challenges and visions.

Since the announcement of the Vision, we have started the actual implementation of several courses, including promoting the government performance by forming a specialized council in the field of economy and development, integrating some ministries, creating new executive government agencies and creating executive programs to achieve the objectives of Saudi "Vision 2030".

With the launching of Vision 2030, several programs, such as National Transformation Program 2020, Fiscal Balance Program 2020, bonds issuing, paying the delayed full dues to the private sector, Citizen's Account Program, Parallel Financial Market, General Entertainment Authority and activities directed to the citizens have been launched.

These are some examples of the success stories we have. These successes are directly contributing to achieving the objectives of the Saudi Vision 2030. Thanks to God, Saudi Arabia has social, economic, political and geographic abilities to achieve the Vision.

Taking Action

How will the government shift from talk to action in 2017?

Answer: As I mentioned in the previous answer, the government is working in several avenues that contribute to implementing the plans and achieving the objectives, including paying the delayed full dues to the private sector, creating the Small and Medium Enterprises Authority and providing financial funds to support this sector. In addition to allocating many opportunities to enable the partnership between both public and private sectors. In 2017, four variety allocation opportunities in the Saudi market will be offered for private sector, locally and globally.

Austerity Buffer

How will the government ensure that the Citizen's Account, the new cash payout program for Saudis, is implemented without mistakes?

Answer: Citizen's Account Program is a national program that aims to change the method of offering the government subsidies to be directed to low and

average income groups rather than being comprehensive support. This program will cover all kinds of government subsidies in the future not only gasoline, electricity and high cost living allowances.

I recall that on Dec. 22, we announced the Citizen's Account program. We also announced that registering for the program would start in February 1st of 2017, which was accomplished, thanks to God. Until now, more than 3 million Saudi families including 11 million male and female citizens had registered in the program. This means that more than half of Saudi society have registered in less than 30 days, and about 5 million male and female citizens registered in the first week easily and without any difficulties or technical malfunctions with high reliability.

In the kingdom, we also successfully established similar support programs in an electronic format such as Hafiz (a program meant to support job seekers) and social security and protection programs. This has acquired the kingdom an experience in management of these programs that draws on advanced technical infrastructure that we own and the electronic connectivity between more than 18 different government bodies. It should also be noted, that more than 80% of the registrations were done via mobile phones.

What has been said does not mean necessarily there will be no mistakes. Therefore, plans aimed at hedging against possible errors were developed. When examining the global experiences of such programs we found that all of them have suffered some faults in the beginning, and they have been improved and edited until they became efficient programs. That is why we included in our plans very conservative numbers and budget to make sure that the program covers all beneficiaries. In case we detected that the program did not cover an entitled category, we will adjust it and pay them retroactivity to achieve justice in coverage and support. With the intention of achieving objectives for which the program was created, the entitled citizen will always be a matter of concern for the program.

Growth Risk

How can the government prevent new taxes and a levy on expatriates from further slowing economic growth or putting too much pressure on the private sector?

Answer: The financial reforms are expected to cause some slowdown in economic growth. However, the state is working to cushion the slowdown through a number of procedures that will be taken in 2017. They include but not limited to the following:

- Increasing government spending in 2017 in comparison to 2016.
- Increasing the paid capital of Saudi Industrial Development Fund from 34 billion riyals to 59 billion riyals during 2017 in order to finance the private sector to stimulate economic growth and sustainable economic diversity.
- Easing some of the regulatory restrictions (exporting as an example) in order to give private companies a chance to enter larger markets.
- Establishing the National Center for Allocation to increase private sector contribution to the economy through the National Transformation Program and through state-owned enterprise's privatization. In 2017, there will be privatizations of four opportunities for the private sector.
- The prior announcement and gradualism of reforms will grant private sector adequate chance to invest and increase efficiency.
- Launching the Citizen Account Program to minimize the impact of reforms on citizens and their in-home consumption.
- Supporting main industrial sectors through loans and programs of increasing efficiency in energy consumption.
- Paying the delayed full dues in 2016 to the private sector.
- Increasing the transparency significantly in terms of financial reforms, the public finances of the state and the mechanism of dues payment for the private sector.
- Improving export-financing capabilities in the Kingdom by increasing the size of existing programs to provide export companies with necessary funding.
- Developing new economic sectors, such as the mining, logistics and entertainment sectors.
- We believe that the enhancement of the economic efficiency will be the main key to raise the profitability of the private sector and promote the level of salaries, which will increase the attractiveness of the private sector to the

Saudis and employment. Consequently, this step will support the domestic consumption and investment because of keeping money in the Kingdom. In addition, one of the most important goals that we seek to achieve is to diversify the national economy to support sustainable economic growth, which is based on productivity."

- Launching the fund of funds by the Public Investment Fund, to invest in Venture Capital Funds and strengthening small and medium enterprises growth.
- The local and international private sector is an important partner in the achievement of the vision, and is expected to adapt generally with the economic and financial measures and reforms, especially in the presence of incentive programs that increase efficiency and productivity. Saudi Arabia suffers from economic distortions due to the abundance of low-cost expats, which have encouraged the private sector to employ these workers, rather than investing in increasing the efficiency through using advanced technology.
- We believe that the enhancement of the economic efficiency will be the main key to raise the profitability of the private sector and promote the level of salaries, which will increase the attractiveness of the private sector to the Saudis and employment. Consequently, this step will support the domestic consumption and investment because of keeping money in the Kingdom. In addition, one of the most important goals that we seek to achieve is to diversify the national economy to support sustainable economic growth, which is based on productivity.

Aramco IPO

How will Prince Mohammed's team convince those who believe the initial public offering of Saudi Aramco is not in the country's interests?

Answer:

- Aramco will remain a Saudi company that contributes to the domestic product.
- Saudi Arabia will not give up on its majority ownership of Aramco, and will not relinquish the control of it as the owner of largest proportion.
- Citizens will be given the priority for the IPO by offering the shares on the Saudi stock exchange, Tadawul.

- IPO proceeds will be invested in the development and diversification of the kingdom's economy and will raise its sustainability.
- Aramco IPO will raise transparency of the company and the efficiency of its business.
- All the suggested options in the IPO are there to maximize the economic benefits of the kingdom.

