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Saudi Arabia: The roadmap to 2030

In launching its Vision 2030 in April this year, Saudi Arabia made a bold statement about its intention to transform itself into fully diversified and modern economy and society. This included converting the Public Investment Fund into the world's largest sovereign wealth fund, boosting private sector contribution to 65% of GDP, reducing unemployment to 7% from 11%, privatizing government services, reforming education, and making continued investment in infrastructure. While welcoming the news, financial markets were understandably uncertain about how this would all be achieved, particularly at a time of numerous challenges in the region. However, two months on we are now starting to see some of the color and details of this plan delivered through the recent publication of the National Transformation Program (NTP) 2020. If implemented successfully 2016 will likely be viewed in the future as being a watershed year for Saudi Arabia's long term economic and social development.

Saudi Arabia's leadership led by King Salman bin Abdul-Aziz and spearheaded by Deputy Crown Prince Mohammed bin Salman have begun to set clear goals for transforming the kingdom's economy to become more sustainable, dynamic and less dependent on oil. **This entails not only reforming the economic landscape, but improving quality of life in the Kingdom, and reforming the public sector.** The National Transformation Program 2020 approved on the 6th of June is one of several plans designed to achieve the longer term targets of the 2030 Vision. Where the Vision 2030 outlines the long term strategic goals for the Kingdom, the NTP identifies specific objectives that need to be achieved in order to meet the Vision 2030 goals. For each objective, key performance indicators are identified, and these will be measured and assessed against the targets set. Effectively the NTP is a five year stepping stone within the wider 2030 road map, which can be expected to be updated and developed in the years ahead.

We have divided this document into two main parts. The first section looks at the at our key takeaways from the Vision 2030 goals, by defining and describing what we see are the most important elements of Saudi Arabia's long term development plans. **The second part of the document** has been split into two appendices that **provide a contextual background and more detailed description of both Vision 2030 and the National Transformation Program 2020.** Vision 2030's success will ultimately depend on implementation and follow through. Given the length of the current downturn in oil prices, the drive to break from oil addiction looks stronger than ever.

Vision 2030: Private Sector & SME (% of GDP)



Source: Saudi Vision 2030

Key Takeaways

Vision 2030 has set very ambitious development targets touching on economic, social and governance objectives. From our point view all of these elements will have (to varying degrees) an instrumental role to play in the Vision's success. However we see three broad elements having the most significant impact on Saudi Arabia medium term and long term economic landscape. First, addressing government finances and exploring more dynamic and sustainable budget funding options. Second developing a diverse industrial footprint on the back of Saudi Arabia's energy and petrochemical's powerbase. Third, developing human capital and aligning it with the future job market needs.

Addressing fiscal reforms

Saudi Arabia's budgets need to take a transformational leap to move beyond dependence on oil receipts. The recent prolonged drop in oil prices has been a sharp and painful reminder of the severe swings oil markets can experience and the resulting fiscal pressures on oil dependent producers. Fiscal reforms have been the central theme for markets as investors look at options the Kingdom is exploring to address its near term and long term fiscal needs.

There are three elements with which Saudi Arabia is looking at addressing the fiscal challenge. The first is boosting income, and this will come through introducing alternate sources of revenue for the government ranging from taxation to investment income revenue from a larger sovereign wealth fund, the Public Investment Fund. **The second is cutting spending** by introducing efficiencies to government spending and significantly curtail wasting subsidies, especially "energy subsidies". This would allow budgets to focus on important elements such as diversification and infrastructure. **Thirdly is funding deficits through privatization and the development of a well-structured government bond market** that will allow the sovereign to raise funding in international and domestic markets and build a yield curve for corporates to do the same.

The National Transformation Program 2020 plans to boost non-oil revenues by SAR 530 billion by 2020. In an interview with Bloomberg Saudi Arabia's Deputy Crown Prince Mohammed bin Salman detailed some of the proposed measures ranging from VAT to levies on sugary and energy drinks, and the possibility of introducing a system similar to the US Green Card system to target expatriates. On June 13th Saudi Arabia cabinet approved a land tax of 2.5% on any undeveloped land plots in excess of 10,000 square meters.

Electricity and water subsidy reforms should alleviate about SAR 200bn by 2020 according to the NTP 2020 and wages and salaries are to decline to 40% of the budget from 45%, taking off almost USD 30bn from the budget by then. With further reforms and focus on effectiveness in spending alleviating pressure on the budget in the run-up to Vision 2030.

Government debt will rise to 30% of GDP from 7% currently by 2020, with Saudi Arabia eyeing a sizeable (USD 10bn-15bn) benchmark sovereign bond according to market sources at time of publication. Bond issuance will allow the Saudi sovereign to more efficiently fund its deficits and will alleviate pressure on the banking system to lend to the government thus crowding out the private sector.

Managing Saudi Arabia's fiscal landscape will be crucial to allowing it to deliver on its Vision 2030 aspirations. All elements of the Vision whether long term or through the medium term NTP 2020 will imply significant costs to the government. The 543 initiatives of the NTP 2020 will cost the government SAR

268bn. Policymakers need to insure that enough fiscal receipts flow into government coffers to allow them to carry through the transformation programs. The combination of initiatives from boosting income sources, clamping down on subsidies, releasing value through privatization and looking at more effective channels to fund the budgets through bonds are signals that policymakers are moving in the right direction.

Building industry

Saudi Arabia industrial sector, which has strong foundations around the petrochemical's sector and presents one of the strongest opportunities for job creation in the kingdom. A key factor is that labor footprint of the petrochemicals' industry gets larger the further these industries get down-streamed and move into higher value added output. The petrochemical sector currently accounts for about two-thirds of non-oil exports and close to 10% of total exports.

Saudi Arabia's petrochemical's sector is based largely in the twin industrial cities of Jubail (on the Arabian Gulf) and Yanbu (on the Red Sea). Jubail and Yanbu are fully developed, stand-alone cities, hosting widely diversified industries from petrochemical, mineral and synthetic material producers to downstream and finished products. The City of Jubail alone produces 7% of the world's petrochemicals, attracts close to 50% of total KSA foreign investment and has sustained an annual growth rate of 6%. It has so far sustained almost USD 141bn of investment.

Building on the strength of the petrochemical's sector base will allow Saudi Arabia to develop a strong ecosystem for the manufacturing sector. Saudi Basic Industries Corporation (SABIC) which is 70% government owned ranks as the fifth largest petrochemicals producer globally. The world's largest integrated petrochemicals plant is being built in a joint venture between Saudi Aramco and the US based Dow Chemical Company. And while regulated prices for gas feedstock (going as low 10% of the cost for US and European produces) have supported growth, it has resulted in operational inefficiencies, something producers in the Kingdom are now looking to address.

Further down-streaming production could be very simply defined as moving into higher value products from more complex derivate petrochemical to cluster sectors that manufacture goods ranging from plastics to components for use in the high tech sector. **As industries downstream the labor foot print increases, the value added of the output goes up,** and this then drives the development of human capital as it requires high skills, exerting pressure on the workforce to be equipped for the same.

The manufacturing sector in Saudi Arabia could best be described as lagging especially when compared to other developing countries around the world. Yet the fundamental arguments for developing this sector are strong. The country has a large base of inputs needed for the manufacturing process ranging from metals to other mineral resources. It also has the growing labor footprint that needs employment. And the development of its infrastructure especially ports will allow it to become a strong export base to markets straddled in its geographic proximity across Africa and Asia. The size of its domestic market alone is also quite significant, as the country imports almost all of its manufactured goods needs.

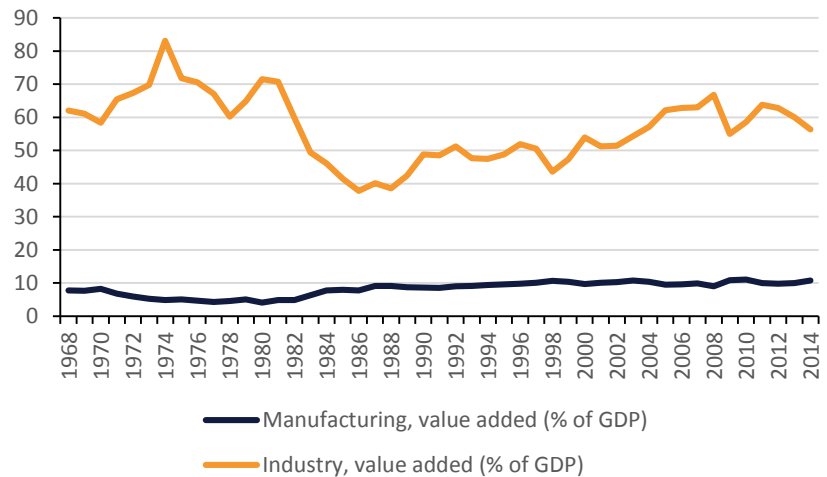
Saudi Arabia's mining sector also represents very strong potential with estimates that the sector contributes about USD 20bn dollars to GDP annually and employs close to 250,000 people. The country's mineral bank

includes precious and base metals, phosphate and bauxite, silica, limestone gypsum and magnesite. The potential and scope for growth of the industry is strong, driven by untapped mineral potential as new discoveries add to the geographic land bank of mineral deposits. Energy resources supplement production and processing. And local and regional demand is strong as industrial diversification takes a foothold and increases demand for these mining resources.

Saudi Vision 2030 has not missed on the importance of these themes. The Strategic Transformation Program for Aramco plans to move it from an oil producing company to a global industrial global conglomerate according to the document. By 2020 Saudi plans to boost the potential of the mining sector to reach SAR 97 billion and create 90,000 jobs. The Vision 2030 plans structural reforms to the mining sector in areas ranging from licensing to funding. In the manufacturing sector Saudi Arabia plans to localize production of renewable energies technologies, 50% of defense sector needs, and to develop equipment manufacturing as part of the longer term Vision.

The Vision 2030 ambitions around the mining, manufacturing and wider industrial sectors sector are very ambitious. Yet they strike a tone of being grounded in reality as they build on the inherent strengths of the kingdom. The challenges will be in ensuring that privatization and reforms make the sectors more attractive for foreign investments, and that the pace of development is matched with the needed resources be they financial or infrastructure. Most importantly the development of human capital will take center stage as productivity and skill sets will be core drivers of successful employment goals for Saudi Nationals.

Manufacturing vs Industry, value added (% of GDP)



Source: World Bank, Emirates NBD Research

Developing human capital

Developing Human Capital presents one of the biggest challenges and opportunities for Saudi Arabia’s long term development goals. Challenges to human capital development include productivity, incentives for taking up employment in the private sector, education, female participation and the growing need for diversified skillsets presented by Saudi Arabia’s diversification programs. Given that demographics and employment stand at the heart of Saudi Arabia’s transformation programs and long development plans, it will be crucial that government policies for the NTP 2020 and the wider Vision 2030 address these challenges, and open the scope for employment of Saudi Arabia’s youth.

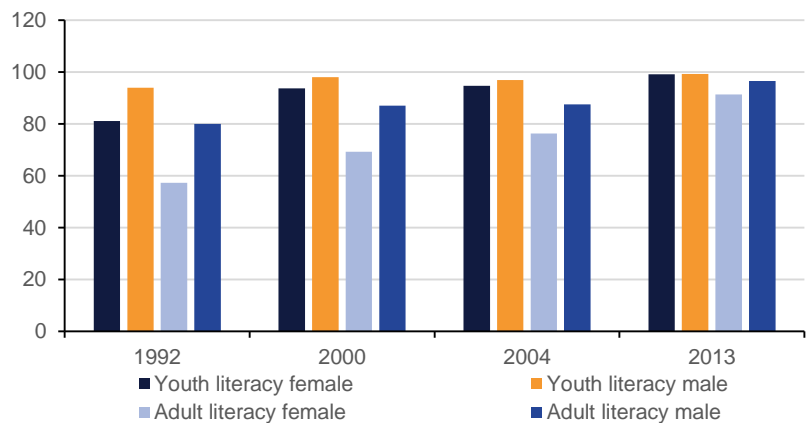
Developing a skilled workforce will be the key to the success of Saudi Arabia’s diversification plans, especially as the economy moves down the path of creating higher value jobs. **The current structure of the workforce is not compatible with the long term needs of the economy.**

First given the significant developments taking place around high value jobs in the industrial sector, **there is need to push up the contribution of sciences and mathematics in school curriculums and widen the scope of degrees in Saudi universities to allow for more technical qualifications.** Secondly incentives for employment in the public sector are significantly higher than those of the private sector, particularly in relation to wages that are between 70% and 90% higher. This explains why 9 in 10 Saudis’ choose public sector employment. Limiting that wage differential and guiding more Saudi’s towards private sector employment is necessary. Finally legislation needs reform. Initiatives like Saudi Arabia’s “Saudisation” programs while alleviating short term unemployment create long term inefficiencies by reducing productivity, as the incentive to be productive on the back of guarantees to employment are low.

The privatization programs introduced by the government in its Vision 2030 plans should allow for some rebalancing between public sector and private sector employment. The Saudi labor minister recently said there is a need to have an additional 1.1 million to 1.3 million jobs to reduce unemployment to the targeted 7% by 2030. Schemes around the industrial sector development are likely to play a lead role as it allows for the creation of the quantity and quality of jobs needed. Genuine development of the private sector driven by FDI inflows and the growth of SME’s would also play a key role. The focus for policy makers needs to be on ensuring the legislative framework is supportive of that with enough incentives from ease of setting up to financing exist for the development of the private sector.

Participation of women in the workforce will need to rise, especially if Saudi families will need to see a rise in household income which will translate into better living standards. Women currently account for 22% of the workforce, but 50% of university graduates. Vision 2030 plans to increase the participation of women to 30% by that year. However there are several challenges ranging from social acceptability of having women work in the conservative Saudi households, to regulations requiring segregation of men and women, and transportation needs given the ban on women driving.

Saudi Literacy Rates (%)



Source: World Bank, Emirates NBD Research

Vision 2030 and the NTP 2020 have set some very clear targets to dealing with the human capital challenges. **This is perhaps the ultimate challenge for policymakers as it will call for a paradigm shift of the structure of the labor force** and need strong commitment from all stakeholders. Preparing the ground by refining legislation, developing the private sector, and re-aligning education and skill set development around future job market needs is the way forward.

The path ahead

Saudi Arabia's Vision 2030 is a landmark proposal, ambitious, brash, and in some instances quite perplexing. However underlying it, especially as the National Transformation Program 2020 launched in June shows, is a very specific set of measurable deliverables for all key stakeholders to implement, monitor and deliver on its's aspirations. It is clear that Saudi Arabia's leadership, especially under the lead of Deputy Crown Prince Mohammed bin Salman who is leading the Vision 2030 program sees an urgent need to transform and shift Saudi Arabia to deal with the new economic realities and Saudi Arabia demographics. This fast growing demographics is probably the strongest driving force behind this ambitious transformation program.

The challenge for Saudi policy makers will be in implementing all of these plans, given the need to execute a variety of programs and reform measure across different areas ranging from fiscal, economic, social and governmental within a limited space of time. Costs are another concern, especially in an environment of low oil prices and reserve drawdowns. Saudi Arabia needs to manage a fine line between delivering targets and not overrunning costs. As more granular information relating to the different transformation targets are released, there is a sense that while ambitious, many of the initiatives are achievable, as long as key popular support is maintained. Given the way this initiative is being driven from the top, and combined with a strong ambition to see it through, there is every likelihood that it can succeed.

Appendix I: Vision 2030 & Goals

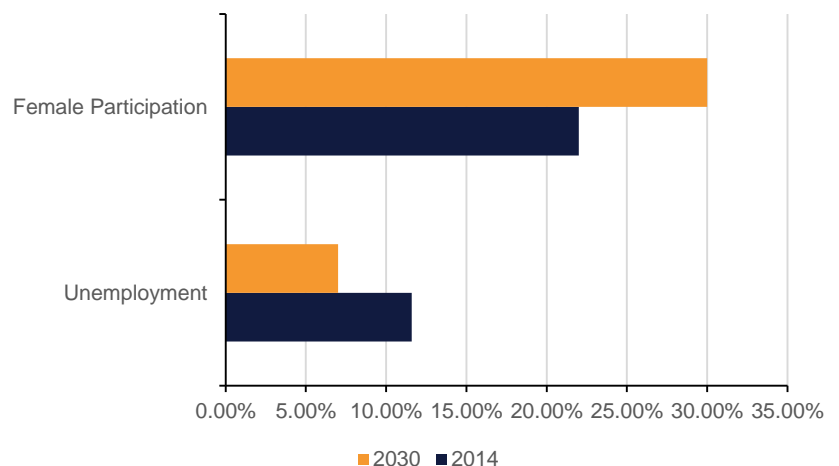
Vision 2030

Saudi Arabia's Vision 2030 presents a shift in Saudi development blueprints from 5 year economic plans into longer term socio economic models for the Kingdom. The targets that Vision 2030 sets both for economic and social transformation are quite ambitious, and they come at a time where the MENA (Middle East and North Africa) region as a whole has been undergoing significant transitions. The focus on economic sustainability, human capital development and fiscal prudence comes as the Kingdom's and regions' wider economic models of dependence on hydrocarbons undergoes a pivotal shift.

A more diverse economy will create more sustainable jobs and reduce unemployment for Saudi Arabia's rapidly expanding young population. A focus on human capital by focusing on education and productivity will create a more capable workforce, and reduce dependence on imported labor. Diversifying sources of income by privatization, taxation, and developing bond market will allow the kingdom to sustain funding for its budget without depending on a hydrocarbon market that is becoming both more volatile and unpredictable. The social development targets that Vision 2030 undertakes to deliver are also quite ambitious and aim to improve and raise quality of life standards for the Kingdom and transform it into a more open economy in line with its role as a G20 member.

Policy makers in Saudi Arabia have highlighted three key themes for Vision 2030. While very broad in context, they encapsulate some very relevant development and reform objectives that if undertaken could dramatically alter the economic structure of the kingdom by 2030. The challenge in the medium term would be in sustaining broad based support to wean the country off some of the comforts that Saudi society currently enjoys. In the short run this is likely to be both painful and difficult, yet in the long run the benefits will outweigh. The Vision 2030 themes of a **"Thriving Economy"**, **"A Vibrant Society"** and **"An Ambitious Nation"** encompass dynamics that will change Saudi Arabia economic and social dynamics between now and 2030.

Vision 2030: Employment and Female Participation



Source: Saudi Vision 2030

Vision 2030 Goals

Economic

The first theme and the most relevant for Saudi Arabia's economic diversification footprint is "Thriving Economy". This theme tackles some of the most relevant aspects for Saudi Arabia's economic diversification blue print. Private sector development is taking center stage as the Kingdom looks at the private sector to drive the economy forward in the long run and be the key engine for job creation.

Vision 2030 aims is to increase the contribution of SME' to GDP from 20% to 35%, and the private sector contribution to GDP from 40% to 65%. **Increasing the private sector contribution and boosting the SME contribution are both achievable goals.** The path ahead is through privatization and in allowing businesses particularly smaller and medium sized ones to play a more prominent role in economic development by setting the right policies and incentives. The Vision also targets boosting foreign direct investment from 3.8% to 5.7% of GDP, and rising to the top 10 ranks on the Global Competitiveness Index by 2030. Attracting more FDI and moving up global competitiveness indices will correlate to the level of improvements in government services efficiencies and transparency.

Furthermore the theme sets other more ambitious targets such as **raising the share non-oil exports of the non-oil GDP from 16% to 50% by 2030.** This target will be a big test of the kingdoms resolve to shift from a largely hydrocarbon exporting country into a more "industrially diverse" economy, and the privatization and transformation of the state oil producer Aramco will be the key litmus test of its likely success. Boosting the size of the Public Investment Fund's assets from SAR 600 billion to SAR 7 trillion is equally ambitious and will be driven by the pace of privatization and value realization of various Saudi state assets.

Tackling unemployment and boosting female participation in the workforce are two other important elements. Policy makers plan to lower the "official" unemployment rate from 11.6% to 7%. Given the pace of population growth of the challenge will be creating enough private sector jobs that can absorb it. Public sector jobs that currently account for 90% of Saudi national employment will struggle to cope with the number of young Saudi's coming into the job market. Allowing wider participation of women in the workforce will be driven by the how rapidly the conservative kingdom embraces the need to allow women to participate as workforce partners.

Given the wider economic transformation into an industrially driven economy, **Saudi Arabia is also keen on developing its logistics infrastructure as part of this theme.** It has set a target of moving up the Logistics Performance Index from their current position of 49 to 25. This is a particularly important theme as Saudi Arabia needs to develop significant sea and air port capabilities, supplemented by strong rail freight and road transport links that will web together various industrial zones to key ports to allow for efficient exports of Saudi's future industrial export ambitions to key markets globally.

The oil and gas sector will continue to hold a very important role, even in a more economically diversified Saudi Arabia. First it is likely to be a key source for much of the power and raw input needs of a more diversified industrial sector. Furthermore the kingdom plans to increase the localization of this sector from 40% to 75% by 2030. This is reflective of a reality that the oil sector will continue to be relevant, and this relevance needs to be more widely utilized. However the future of the Kingdom's economic diversification aspirations will be driven by using the oil sector as bridge into its wider diversification targets

Quality of Life

The theme of “Vibrant Society” focuses on addressing quality of life dynamics in Saudi Arabia. This will be a delicate balance between the Kingdom’s conservative norms and the expectations of a younger population and a more dynamic government. Balancing quality of life development and economic development go hand in hand. Measuring these deliverables will be tricky but policy makers have selected a number of qualitative global indices as benchmarks.

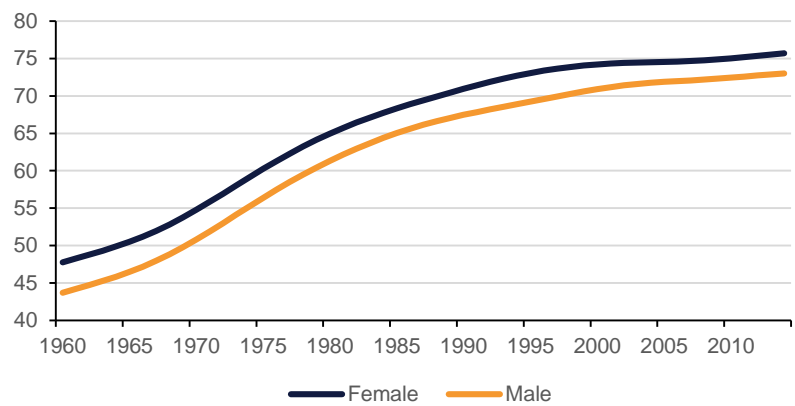
Among the targets set are for Saudi Arabia to have three cities to be recognized in the top 100 cities globally, and to improve Saudi Arabia’s standing in the Social Capital index from 26 to 10. The quality ranking for cities globally is compiled by a number of different bodies, the Mercer compilation being among the better known ones. In 2015 Dubai ranked as the highest city in the Middle East at 74 in the overall rankings.

Saudi Arabia’s road map to climbing up the rankings would be through improvements to infrastructure, healthcare, education, safety, and recreation. The level of openness of the economy and of the wider society will be another critical measure. This will go hand in hand with improvements to Saudi Arabia Social Capital index. Improvements to life expectancy and health will be driven by incentives policy makers undertake to increase the population’s involvement in sports, and to boost the quality of health care provided.

Saudi Arabia plans to double the number of sites registered with UNESCO by 2030. Adding further sites under UNESCO should tap into Saudi Arabia’s history to improve tourism flows into both religious and other historic sites that have been untapped in the past.

Religious tourism has formed the largest component of tourism flows to the Kingdom that is home to the Two Holy Mosques. Vision 2030 aims to further build on the strength of the religious tourism sector by boosting the number of visitors that perform the Umrah to 30 million from 8 million currently (which is up three fold from a decade back). With the third expansion of the Two Holy Mosques already underway and work progressing on the Makkah Metro and rail and road infrastructure connecting the holy sites of the kingdom, Saudi Arabia is building the infrastructure to receive an increasing number of religious visitors.

Life Expectancy (Years)



Source: World Bank, Emirates NBD Research

Governance and Social Responsibility

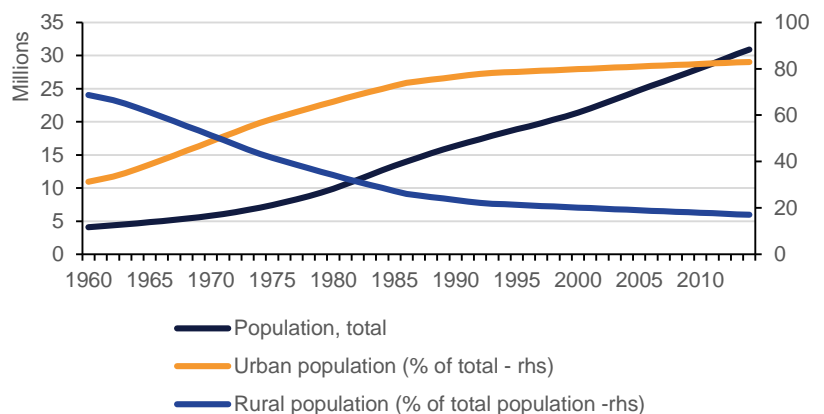
The third theme highlighted by policymakers under “An Ambitious Nation” focuses on governance and wider social responsibility. The focus in regards to government and governance is around efficiency, effectiveness and better management of government fiscal resources. Saudi Arabia plans to boost its ranking on the Government Effectiveness Index from 80 currently to 20. The measure is compiled by the World Bank, and improvements to Saudi Arabia’s ranking will be driven by efforts to boost effectiveness in the provision of services to various stakeholders in society be they enterprises or individuals. This will mean the adoption of smarter soft policies

Development of e-government services and the efficiency of the provision of these services will be key in allowing Saudi Arabia to apply government effectiveness improvements rapidly. The Kingdom plans to move up the E-Government Survey Index compiled by the United Nations from the current position of 36 to the top 5 globally. The metric assess countries based on e-government leadership, inclusive e-participation policies, broad ranging e-services and extensive open government portals. Bahrain is the highest ranking country in the Middle East at 18, and across the GCC governments are adopting efficiency improvements in e-government to be the corner stone for wider social and economic reform.

Increasing non-oil government revenue from SAR 163 billion to SAR 1 trillion as part of Vision 2030 targets, will mean significantly expanding and diversifying sources of funding for the Kingdom’s budget. Introducing VAT, privatization and building up the sovereign wealth fund are likely to be key contributors of new non-oil income growth. Reforms of subsidies will likely be the most significant development from a cost perspective, with long term targets of phasing out wasteful energy subsidies, and instead adopting smarter subsidies that target people in lower income brackets.

Other goals focus on social responsibility issues. These include raising household saving from 6% to 10% of household income, improving the non-profit sector’s contribution to GDP from less than 1% to 5%, and encouraging a volunteering culture in the country by increasing the number of participants in volunteering activities from 11,000 to one million. These measures are challenging to both apply and measure, and they would require a generational mindset shift to embrace social responsibility in the manner envisaged. Education and schools will likely need to set the scene for the Kingdom’s drive toward wider social responsibility.

Saudi Population Dynamics



Source: World Bank, Emirates NBD Research

Appendix II: National Transformation Program 2020

Objectives & Goals

The National Transformation Program 2020 (NTP 2020) was approved by the Saudi Cabinet on the 6th of June 2016, and is part of the wider Vision 2030 strategy. **Where Vision 2030 outlines the long-term strategic goals, the NTP 2020 sets specific objectives over the next five years to be achieved to align Saudi Arabia towards meeting Vision 2030 goals.** The NTP 2020 lists strategic objectives, key performance targets and benchmarks and focuses on building institutional capabilities of different Saudi government bodies operating in developmental and economic fields to better equip them to meet the goals of Vision 2030.

The aims of NTP 2020 are to identify strategic objectives, translating these objectives into initiatives, and promoting joint action towards achieving Common National Goals. **The Common National Goals to be set in line with the wider Vision 2030.** The NTP 2020 document lists four key common goals: employment, private sector participation, local content maximization, and digital transformation.

Job creation is a very central theme both to the NTP 2020 and to the wider goals of Vision 2030. The initiative by the program is expected to create 450,000 jobs in the non-government sector by 2020. Creating jobs in the private sector will be crucial to dealing with Saudi Arabia's rapidly growing young population, and lessen the burden on the public sector which currently employs close to 90% of Saudi Nationals. Some of the challenges that the NTP 2020 will need to address will include ensuring educational skillsets will qualify Saudi's to take on new private sector jobs. Also to ensure incentives do not continue to skew Saudi Nationals towards preference for public sector employment, and to make sure private sector contribution to new job opportunities is driven by providing sufficient benefits and incentives for the private sector to invest and create new jobs.

Strengthening partnerships with the private sector is another key common goal of the NTP 2020. In 2016 the NTP has set out 543 initiatives across 24 government bodies at a total cost to the government of SAR 268bn (USD 71bn). The NTP states that the private sector should cover 40% of the program implying a total cost of SAR 450bn (USD 120bn). Incentives to attract private sector investment and thus involvement in shouldering part of the costs of the NTP have not been detailed. Increasing private sector contribution will come through improving the business legislative framework, rehabilitating economic cities, creating new free zones, boosting the competitiveness of the energy sector, and developing the retail sector.

Maximizing Local Content is another identified common goal. According to the NTP document some of the program's initiatives will eventually lead to localizing about SAR 270bn of production and content. Increasing value added, creating job opportunities and reducing dependence on imports will be other important features. The document has not detailed how these initiatives will be aligned toward increasing local content. In our view we see content localization, boosting value added and creating job opportunities falling within wider reforms of privatization and industrial transformation programs that Vision 2030 has set out. Further down streaming Saudi Arabia's industrial and petrochemical sector and building new higher value cluster sectors around it is one strong avenue for achieving these goals.

Digitization is another important element and identified common goal. The NTP has identified 29 digital initiatives for key sectors to be developed. This also

falls within wider plans for Saudi Arabia to develop its digital infrastructure for vision 2030. We view efforts to digitize government services in particular as one of the strongest elements of the overall digitization program as it will allow for the introduction of efficiencies that will make it easier for example to set up and run business, and improve the provisioning of services to the public.

Benchmarks and Key Targets

The actual NTP 2020 document looks quite similar to a score card of development objectives for the various participating government entities.

At the onset all participating government entities had to identify challenges and obstacles for achieving Vision 2030 and set targets by 2020 for addressing them. They were asked to develop detailed timelines, identify resources needed and assign responsibilities for achieving them, and to publish these targets to allow for wider transparency and public accountability. Finally all these objectives will undergo auditing, consistent improvement measures, and will allow for further expansion through the launch of new initiatives and adding of new participants.

While the NTP document has made some important targets quite explicit, we had expected more detailed information and prospective timelines on privatization programs, economic diversification efforts and implementation of new taxes. Some of the key targets are unspecified or “under study” in this first release of the NTP. Some comments about new income taxes were made by a cabinet minister speaking to the press, but the only objective relating to increasing non-oil revenue in the NTP document was to raise this from SAR 163.5bn to SAR 530bn by 2020.

Some key targets for the budget by 2020 have been detailed and these include increasing non-oil revenue by 224% to SAR 530bn. Wages and salaries are to decline to 40% of the budget from 45% (SAR 30BN in cuts), cutting water and electricity subsidies by SAR 200bn (20% decline), and increasing government debt to 30% of GDP from 7.7% currently. Other 2020 targets like revenue from privatization, detailed non-oil GDP and private sector contribution to GDP targets, remain under study.

Performance indicators for various government departments to reach by 2020 include financial, quantitative and qualitative targets. A few key highlights: The Ministry of Housing has a target to increase the contribution of the real estate sector to 10% of GDP from 5% and reduce the average cost of a house to 5x individual income from 10x. The Royal Commission for Yanbu and Jubail plans 93% revenue growth and 56% increase in new private sector investment. The Ministry of Health plans to enroll 4000 Saudi physicians in training programs from 2200 currently, and license 100% of medical facilities from 40% currently. The Ministry of Environment, Water and Agriculture plans to raise water tariffs to cover 100% of actual cost up from 30% currently.

The NTP has the opportunity to be a transformational program for Saudi Arabia’s medium term and long term vision goals and targets. Addressing further details on privatization, diversification, taxation and other undefined elements would be helpful in the short run. Implementation and follow through on delivering within timelines and according to set metrics will open up a new page for Saudi Arabia’s development and allow its government institutions to be well aligned and capable on delivering Vision 2030.

NTP Key Performance Indicators

Ministry of Housing

- Increase the contribution of the real estate sector to 10% of GDP from 5%
- Reduce the time to approve and license new residential real estate development projects to 60 days/ permit from 730
- Reduce the average cost of a house to 5x individual's annual income from 10x
- Increase real estate financing to 15% non-oil GDP from 8% and reduce the waiting period to obtain housing financing to 5 yrs from 15 yrs
- 52% of Saudi families to own homes, up from 47%

Royal Commission for Yanbu & Jubail

- Increase the number of value added manufacturing & transformation products to 516 from 432
- 93% revenue growth
- 56% increase in new private sector investment

Ministry of Education

- 27.2% of children to be enrolled in kindergarten, up from 13%
- Reduce the proportion of illiterate adults to 2.5% from 5.3%
- 15% of students in private education, up from 6%
- Increase average student results in international TIMMS tests for Maths (460, 450) and Science (470, 480) at 4th and 8th grade, 460 for PISA reading tests

Ministry of Health

- Private sector healthcare spend to rise to 35% of total from 25%
- 70% of Saudi citizens to have unified digital medical record
- 4000 Saudi physicians enrolled in training programs, up from 2200
- 150 Saudis /100k people in nursing and support, up from 70.2 /100k
- 100% medical facilities to be licensed, up from 40
- SAR 4bn of total revenue to be generated from private sector using government health resources, up from SAR 0.3bn
- 50% of hospitals to meet US median for patient safety culture, up from 10%

Ministry of Communications and Information Technology

- Increase percentage of FTTH coverage to 80% (densely populated urban areas) and 55% (urban areas); wireless broadband networks' coverage of 70% in remote areas
- 85% of internet users in KSA up from 63.7%

- IT to contribute 2.24% of GDP up from 1.12%
- Total revenue of Saudi postal services to rise to SAR 2.75bn from SAR 1.02bn
- Cut government subsidy to Saudi Postal Corporation to zero from SAR 2bn.

Ministry of Environment, Water and Agriculture

- 52% of desalinated water production and 20% of treated water through strategic partners (privatization-related)
- Water tariff to cover 100% of actual cost, up from 30% (subsidy cut to zero)
- Increase local content in 40% of capital and operational projects, up from 30%

Saudi Commission for Tourism and National Heritage

- Increase new tourism investment to SAR 171.5bn from SAR 145bn
- Increase number of jobs in sector by 370,000 to 1.2mn
- 86 new museums, 80 new archaeological sites for visitors, 6 new registered world heritage sites, 18 new architectural heritage sites
- Increase value added from sector by SAR 33.3bn (40%) and contribution to GDP by 0.2pp
- Boost tourism spending by SAR 70bn (two-thirds)
- Increase number of tourists by 17.4mn (27%)
- 40% increase in hotel rooms and hotel apartments

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