Saudi Arabia

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Allurentis is delighted to have been involved in association with the Department for International Trade and the Saudi British Joint Business Council on this, the fourth edition of Saudi Arabia - Discovering Business and would like to thank all sponsoring organisations for their kind contributions. We are confident that it will raise awareness with all readers and prove to be an invaluable resource, especially for those wishing to become involved in the extraordinary business opportunities and growth prospects within Saudi Arabia.

Contents

Saudi Arabia's visionary strategy will require huge investment

After three years of reduced output, a resurgent oil market has created fresh optimism. A loosening of fiscal policy and an expansionary 2018 budget aims to boost growth in non-oil sectors, invest in the future productive capacity of the economy and create jobs. This means long delayed plans and investment are back on the agenda, creating multiple opportunities for business in many areas.

The UK is in a strong position to gain from this positive change, not least from its good relations with the country. The Saudi Embassy in London states: "The UK and Saudi Arabia share a strong and enduring relationship spanning defence, educational, cultural, political and business ties to the benefit of both nations' citizens."

Saudi Arabia is by far the largest economy in the Arab world, accounting for 25% of GDP, and remains the UK's largest trading partner in the Middle East. There are more than 200 British joint venture companies and around 8,000 British firms exporting there, while some 26,000 UK citizens live and work there.

The country is also a significant investor in the UK, owning around US$116 billion of assets, in addition to US$26 billion of government bonds. Many influential Saudis reside in the UK and thousands of its students attend universities in the UK.

This is a high growth market, offering significant opportunities for UK companies across a range of sectors, with forthcoming infrastructure projects, healthcare development, education, energy, privatisation and financial technology among the best prospects.

At the inaugural meeting of the UK-Saudi Arabia Strategic Partnership Council in March 2018 a target was agreed for around US$84 billion of mutual trade and investment opportunities, including direct investment in the UK and new Saudi procurement from British companies.

Educational and training requirements should be a particular focus for UK business. Providing young people with productive employment is one of the main challenges facing policymakers over the next decade.

A major concern is to provide improved standards of education in science, technology, engineering and mathematics and subsequent vocational training. By 2030, at least half of the population is predicted to be under the age of 25.

External help at all levels is needed in order to overcome these challenges and to ensure delivery of the long term strategy of diversifying its economy away from dependence on hydrocarbons.

Addressing the Future Investment Initiative Conference at Riyadh in October 2017, Crown Prince Mohammed bin Salman made clear to an international gathering of bankers and business leaders that the Kingdom was preparing to diversify, and open for new business.

Outlining plans for a US$500 billion new city of the future, powered by solar energy and dedicated to advanced technologies, he declared: "Saudi Arabia and all of its projects and programmes can reach new horizons in the world."

This confidence stems from the most far reaching process of change in social, economic and political structures now being implemented since the country was founded. The changes are reflected in the Vision 2030 plan, National Transformation Programme 2020 (NTP) and Fiscal Balance Programme 2020 (FBP) with the latter aiming to reduce the fiscal deficit and generate a surplus by 2023.

The long term goal is to reduce the economy's reliance on oil and state spending by boosting investment in the private sector, with the share of non-oil exports in GDP targeted to rise from its current 16% to 50%.

Vision 2030 is prominently associated with King Salman's son, Crown Prince Mohammed bin Salman, whose reformist views are a commanding presence over the Kingdom's economic direction. While amplifying and expanding policies that have evolved over a series of national five-year plans, the Vision 2030 document is a departure from the past.

Importantly, the new strategy also implies a degree of social liberalisation, which is reflected in attitudes towards the role of women, as well as development of entertainment and tourism industries, in addition to extensive reforms to the educational system.

Saudi Aramco, the oil producing mainstay of the economy, is expected to be converted into an energy holding company, with an elected board and some subsidiaries likely to be listed. Prince Mohammed bin Sultan has said he expects the parent company to be valued at US$2 trillion, up to 5% of which would be made available in what would become the world's largest ever initial public offering (IPO).

The state-owned Public Investment Fund (PIF) would receive the proceeds from future privatisations, as well as from the Aramco IPO, making the PIF the world's largest and potentially the most influential sovereign wealth fund. It is a bold policy, requiring the global financial and legal expertise which London possesses in abundance.

British specialisations, whether technological, financial or consultancy, can play a role in helping to develop and deepen the Kingdom's stock market and monetary sectors. Expertise is also required to expand and develop the mining sector and to develop new solar, wind and nuclear power options.

The Government also intends to establish a holding company for defence industries and develop its own production sector, with the intention of producing up to half of the country's equipment needs. This in itself would create a new multibillion-dollar manufacturing sector.

A productivity-led economic transformation could enable Saudi Arabia to double its GDP, according to McKinsey, and to create as many as six million new jobs by 2030. This would require around US$4 trillion in investment. In this, eight sectors, comprising mining and metals, petrochemicals, manufacturing, retail and wholesale trade, tourism and hospitality, healthcare, finance and construction have the potential to generate more than 60% of the growth opportunity.

While oil dependent countries face big challenges when having to undertake economic change, in Saudi Arabia there is a very clear vision and strategy at the top. The Vision 2030 plan is intended to be a far reaching and transformational strategy that will fundamentally change the country's economy, culture and society.

Increased productive growth requires improved business regulation and more openness to competition, trade and investment. Removing obstacles to the development of the country's private sector and stimulating development of SMEs are pivotal to the national strategy. Important reforms have already occurred. The landmark bankruptcy law, for example, will allow for more orderly processes and for failing companies to restructure, and also give foreign investors more confidence in the market.

Reforms to governance are also vital. The effectiveness of public sector spending is just as important as the sum of money that is disbursed,

and improving this will require changes in the way ministries and funds are administered and controlled.

State agencies are to be restructured, while government subsidies are to be curtailed and VAT is being implemented, actions which will help make government finances more stable in the long term.

Change is no longer just the subject of discussion, it is being carried out and the Government has shown it is determined to address the detail, by installing performance management systems through its National Centre for Performance Management (Adaa). The new Saudi Arabia is no longer just an aspiration: it offers substantial prospects for companies willing to engage with its visionary agenda.

HMA Simon Collis

British Ambassador to the Kingdom of Saudi Arabia

HMA Simon Collis

Welcome to this edition of Discovering Business in Saudi Arabia. We have now passed the first 100 years of relations between the UK and Saudi Arabia and it continues to be time to look ahead.

We start from a good place. The visit by His Royal Highness Crown Prince Mohammed bin Salman to the UK earlier this year, has reinforced the historic ties between the UK and the Kingdom of Saudi Arabia. Both countries have committed to developing a deeper and more strategic partnership to enhance mutual interests.

During this, the first official visit he made overseas as Crown Prince, the UK confirmed its strong support for Vision 2030 and the Kingdom of Saudi Arabia's programme for economic diversity and social reform. This will transform the Kingdom into an investment pioneer, a cultural powerhouse, a strategic hub and a focal point for dialogue with the rest of the world. The UK is strongly placed to be an active partner in the core elements of the vision including public-private partnership, education reform, healthcare reform, promotion of tourism and creative industries and much more. There are a host of opportunities.

Saudi Arabia is one of our largest trading partners in the Middle East. The Saudi market offers significant business opportunities for UK firms across a range of sectors including energy, infrastructure, transport, education, healthcare, financial and professional services and more. At present, UK exports of goods and services to Saudi Arabia are around £6.2 billion a year, and our imports are about £3 billion.

We are also the Kingdom's second largest cumulative investor, with approximately 200 joint ventures. Saudi investment in the UK is growing from traditional real estate to other sectors including chemicals, technology, retail and urban regeneration.

You can find out more about them from the UK's Department of International Trade (DIT) www.gov.uk. The DIT network in Saudi Arabia has wide range sectoral expertise and offices in Riyadh, Jeddah and Al Khobar. The DIT team will be working to support Saudi companies to invest in the UK and UK companies looking to export to Saudi Arabia.

The UK remains the fifth largest economy in the world and one of the highest ranked major economies for ease of doing business. Britain remains a country with strong credentials as supporters of business. We are committed to maintain a regulatory environment that works for business and customers alike with a competitive tax environment and the lowest corporation tax in the G7. We offer a world leading financial centre with the requisite human and capital infrastructure to support it. The UK is open for business and actively welcomes Saudi investors and entrepreneurs who wish to invest in Britain.

I hope you find this publication useful, invite you to contact our DIT team to discuss next steps, and wish you all the best in developing and growing your business in this important market.

HRH Prince Mohammed bin Nawaf bin Abdulaziz Al Saud

Kingdom of Saudi Arabia's Ambassador to the UK

Prince Mohammed bin Nawaf bin Abdulaziz Al Saud

The Kingdom of Saudi Arabia is moving forward socially and economically under its inspired blueprint for the future, Vision 2030 and the United Kingdom is very well placed to be one of our strategic partners in realising that vision.

That was the message brought by HRH Crown Prince Mohammed bin Salman on his ground- breaking visit to the UK earlier this year. His Royal Highness is leading our visionary development and is on a mission to create new and stronger international partnerships across the world. The Crown Prince's visit to the UK was the first stop on this international mission and highlighted the importance we place on the longstanding good relationship that exists between us and our enthusiasm for developing this relationship; an enthusiasm which was welcomed by our British friends and partners.

At the heart of the visit was a series of government and business meetings that will lead to huge new opportunities for both our peoples as well as to a better understanding of the positive direction in which we are heading, creating new businesses, creating jobs and building a better world for future generations.

In all 18 new agreements, MoUs between the two kingdoms were signed with a financial value of more than £65 billion. They stretched across a wide range of sectors – from the pharmaceutical, automotive and energy industries to investment in education, healthcare, sport and care for the elderly.

But these agreements signalled a lot more than our strong business partnership. Vision 2030 is our roadmap into the future which will bring – and is already bringing - cultural, economic and social reform. It is, as

> His Royal Highness is leading our visionary development and is on a mission to create new and stronger international partnerships across the world.

your Prime Minister Theresa May said, "an ambitious blueprint for internal reform that aims to create a thriving economy and a vibrant society". This visit under scored our interest in Britain being our partner for meaningful change and positive development of our country.

During the visit a new UK-Saudi Arabia Strategic Partnership Council was set up with the first meeting hosted at Downing Street by the Crown Prince and Mrs May. This Council will serve as a key mechanism for regular dialogue between the two kingdoms, enhancing all aspects of our bilateral relationship, including economy, defence, security, humanitarian aid, and regional and international issues.

Saudi Arabia is one of the top 20 economies in the world, and the UK's largest trading partner in the Middle East. Over 200 joint ventures worth £11.5 billion already fly the flag for the UK in Saudi Arabia, including HSBC, Marks & Spencer and Jaguar Land Rover and we want to see these joint ventures expand to cover every industry and sector of the economy. Over the past five years, the UK-Saudi bilateral trade relationship has increased by over £2.3 billion and was worth almost £9 billion in 2016. These figures support Theresa May's view that the prosperity of the Gulf has a direct impact on the prosperity of the UK.

We need strong business partners as our society reforms and transforms under the leadership of the Crown Prince. That is why we have turned and will continue to turn to long standing trusted friends and business partners in the UK.

Visit us in the Kingdom, see how we are changing, you will be welcomed as friends as well as business partners.

The Crown Prince is leading our society as it reforms and transforms. Our hope is that his visit will form a new page in the relationship between our two kingdoms on all levels. A relationship based on our longstanding friendship but with better understanding of our goals, our two governments, peoples and cultures; a partnership within the global community, striving for a prosperous, peaceful and secure world. We hope it will form the foundation of our future: a Vision 2030 for our two kingdoms.

Financial sector reform opens the door to international investment

A robust financial sector is critical to Saudi Arabia's effort to modernise its economy so, in May 2018, the Government approved a radical overhaul of its financial sector. In support of the Vision 2030 strategy, the far-reaching plan known as the Saudi Financial Development Programme (SFDP) creates immense opportunities for foreign banking expertise, as well as professional services.

SFDP seeks to promote a savings culture by creating incentives for the development of a diverse range of attractive and safe savings products, with banks being encouraged to diversify their savings products to reach a wider customer base. The objective is to increase households' savings rate to 10% of their disposable income from 6% at present.

Finance Minister, HE Mohammed Al-Jadaan, believes that the programme supports the national economy through the creation of "a diversified and effective financial services sector to support the development of the national economy, diversifying its sources of income, and stimulate savings, finance and investments."

The policy is designed to stimulate financial product development: "when you increase the savings rate you need to give people products, either through equity markets or asset management products, bonds or sukuk products that are Sharia compliant," says Georges Elhedery, HSBC's Regional Director.

One of the SFDP's main targets is to increase the nation's total financial assets to US$1.7 trillion, equivalent to 201% of GDP, compared to US$1.4 trillion or 192% in 2016. Another key aim is to raise the share of capital markets assets, while the strategy also calls for the amount of finance available to SMEs to more than double and a substantial increase in mortgage financing.

The programme involves revising and enhancing existing laws and regulations, encouraging the adoption of e-payment methods, facilitating mergers and acquisitions within the insurance sector to increase the sector's scale and its solvency. It also aims to create a deep, diversified, digitised and stable financial sector capable of attracting financial technology companies, according to the Finance Minister.

The main aim of the SFDP is to provide support to financial institutions to enable them to support the private sector, secondly ensuring the formation of an advanced capital market and, thirdly promoting and enabling financial planning. This overhaul is also designed to boost financial coverage and foster a savings culture by establishing an independent National Savings entity, creating new jobs in the financial sector as well as supporting digital transformation, Al-Jadaan says.

The second pillar, designed to ensure formation of an advanced capital market, aims to make the Saudi financial market more attractive to local and international investors. This will be accomplished through development of more diversified investment products and enabling legislation that will add depth to the equity market.

Essentially, the programme seeks to accelerate privatisation in many areas of the economy, including electricity, water, education and

healthcare. Deputy Economy and Planning Minister, Mohammed Al Tuwaijri, who is a former HSBC banker, has suggested that the privatisation strategy could involve transactions valued at US$200 billion over the next few years.

The National Centre for Privatisation, set up in 2017, has a list that embraces a wide swathe of the economy, including water and agriculture, transport, energy, industry and mineral resources, housing, education, health and ICT. These areas, and others including pilgrimage services, are all subject to the programme. Goldman Sachs has already been appointed to oversee the sale of Riyadh's King Khaled International Airport to a private operator.

One of the most eye-catching moves is the plan to sell a 5% stake in state-owned Saudi Aramco, the world's largest oil company. Together with other significant initial public offerings (IPOs), this will serve to diversify the stock market (Tadawul), providing opportunities for international investors.

The Government has introduced a series of reforms since 2015, designed to make it easier for foreign investors to gain meaningful access to the equity market. These reforms have also eased qualification requirements for foreign firms wanting to enter the market.

HSBC has already said it intends to add staff to its operations in the light of the opening up of the Tadawul to greater foreign participation. Up to US$20 billion of foreign capital could be attracted as a result of the Kingdom's privatisation plans, according to HSBC's Georges Elhedery.

In another boost to foreign participation, the Kingdom has been awarded emerging market status. This will result in the country entering the MSCI Emerging Market Index, joining countries such as China, India, South Africa and Brazil. The move will take place in two stages in 2019. In light of this, the London Stock Exchange Group has agreed with Tadawul on a programme of capacity-building and training measures to help develop the exchange.

Another key objective of the SFDP is to enable financial institutions to support private sector growth and incentivise the financial sector to support SMEs as well as to help promote the drive towards a cashless society. This means that there is going to be substantial investment in new technologies by the entire financial sector.

Deloitte has been appointed as professional services provider for the Saudi Arabian Monetary Authority's (SAMA) development of a financial technology infrastructure, with a FinTech eco-system being a key part of the SFDP. This is designed to assist the Kingdom's ambition to emerge as a leading FinTech hub and rival those already established in other Gulf countries such as Bahrain, Abu Dhabi and Dubai.

SAMA's Governor, Dr Ahmed Alkholifey, says that there is acknowledgement of the value added by technology products and services to Saudi Arabia's financial services industry, while there is also an appreciation of the risks involved with FinTech innovation. Deloitte's role is to establish an overall strategy for the introduction of new technology and to develop a regulatory testing space to assess new ideas and concepts.

As the global economy moves too fast for regulatory environments to stand still, international investors want to deal with governments that are sound and take financial management seriously. The adoption of International Financial Reporting Standards (IFRS) is seen as an important milestone in the Kingdom's reform programme.

Hans Hoogervorst, Chairman of the International Accounting Standards Board says that "a sound regulatory framework is important for Saudi Arabia to achieve its Vision 2030 objectives. Adoption of IFRS standards is a key element in that framework, and a clear signal to the world that the Kingdom welcomes foreign direct investment."

Elsewhere, HE Dr Majid al-Qasabi, the Minister of Commerce and Investment announced at the end of 2017 that a new bankruptcy law would be introduced. The law aims to regulate bankruptcy procedures for preventative settlement, financial reorganisation and liquidation. The legislation is based on existing law in the UK, US and other western economies.

More evidence of a radically new approach is the ending of the requirement for foreign investors to have a Saudi local partner in a number of economic sectors including retail and wholesale operations, engineering enterprises, as well as education and healthcare businesses.

A new anti-corruption committee has also been established. Led by Crown Prince Mohammed bin Salman, the committee has been given enhanced powers to investigate and prosecute instances of corruption at all levels. The committee draws its members from a range of officials working across various government branches, including finance, anti-corruption bodies and security services.

Meanwhile new corporate governance regulations have been introduced by the Capital Markets Authority, designed to protect the rights of shareholders and other stakeholders to promote competition and market transparency.

Riyadh's new financial district reflects the scale of the Kingdom's ambition to become a global investment hub. This new district is in the final phases of development, and will host the Saudi Stock Exchange, SAMA, as well as the Public Investment Fund, the world's largest sovereign wealth fund.

Linked to the city's international airport by a new metro, the area will be among the world's largest financial quarters, and UK accounting firm PricewaterhouseCoopers is one of the first firms to have taken up residence.

The Kingdom's focus on sustainable growth stimulates investment

Katherine Garrett-Cox, CEO Gulf International Bank (UK) Limited

Katherine Garrett-Cox

Exciting period of opportunity

The Kingdom of Saudi Arabia's Vision 2030 continues to guide the country's ambitious transformation. Since it was unveiled in April 2016, it has provided a focus for development, both within the country and for international partners. This clarity of direction, coupled with an exciting and ambitious set of initiatives, provides a compelling backdrop for those looking to do business in Saudi Arabia.

From an investment perspective, a key attraction is the plan's focus on sustainable growth. Businesses are being encouraged to participate sustainably in economic activities and boost their resilience to shocks, rather than focusing solely on short-term profitability. For example, a recent review[1] showed how Vision 2030 demonstrates significant alignment with the implementation of the 17 United Nations' Sustainable Development Goals. That is consistent with the trend we are seeing globally, where investors, particularly millennials, are increasingly demanding to see how asset managers have considered environmental, social and governance factors in their investment approach.

Financial sector seen as a key enabler

There is much that the finance sector can contribute to this transformation. The Financial Sector Development Program is one of the ten Delivery Programs for Vision 2030. It aims to ensure that the financial sector is able to fund Vision 2030 and is more diverse. This will be achieved through developing domestic capital markets and improving their status at both regional and global level. The target is to raise the financial sector's assets-to-GDP ratio[2] from 192% in 2016 to 201% by 2020.

[1] Towards Saudi Arabia's Sustainable Tomorrow: First Voluntary National Review 2018.

[2] The ratio represents loans from banks, specialised credit institutions, domestic capital market capitalisation (it excludes the market capitalisation of potential ARAMCO listing) and debt registered at the exchange.

There have already been initiatives supportive of the development of domestic capital markets. The share of Equity Capital Market (ECM) and Debt Capital Market (DCM) in the financial sector is targeted to rise from 41% in 2016 to 45% by 2020.

Several initiatives have looked to improve the infrastructure and policy framework for capital markets, such as through improving risk management, governance, compliance, and data availability.

Activity has increased. Since the end of 2016, Saudi Arabia has raised a total of US$50 billion in bond issuances, and most recently US$11 billion in April 2018. Whilst the availability of bond prices had previously limited market activity, the listing of domestic bonds on the Saudi Stock Exchange (Tadawul) has made prices available for around 1/4 of government debt issued in the Kingdom.

An expanded asset management industry is part of the Vision. The target is for Assets under Management to increase from SAR 0.29 trillion in 2016 to more than 0.53 trillion by 2020. Moreover, following Saudi Arabia's MSCI inclusion, significant international portfolio inflows are expected to come to the Saudi stock market. Regulatory changes have also encouraged interest from overseas investors. For example, a decision was made to relax restrictions around foreign ownership of listed Saudi equity, most notably allowing full foreign ownership in its health, education, and engineering sectors. In addition, Saudi also implemented the switch from a T+0 to a T+2 settlement cycle for listed securities. Finally, the implementation of the Independent Custody Model should allow international investors to allocate a global custodian bank to manage their assets, rather using a local broker.

Opportunity to deepen economic ties between the UK and the Kingdom of Saudi Arabia (KSA)

The initiatives to develop the Saudi economy provide an excellent opportunity to deepen economic ties with global partners in a number

of ways. Opportunities of particular interest to the financial sector include:

1| Opportunities for foreign direct investment

The Kingdom is targeting foreign investor ownership of equity market capitalisation to increase from 4% in 2016, to greater or equal to 15% by 2020. This may be stimulated by:

- The planned privatisation programme;
- Projects, particularly in the areas of infrastructure and renewable energy. We have seen a growing interest from international asset owners in investing in projects with a focus on positive environmental impact, including water-based businesses;
- Incentives for attracting foreign capital, including by stimulating public private partnerships and through working with the Saudi Industrial Development Fund.

> Vision 2030 seeks to open more of Saudi Arabia's economy to foreign investment, attracting international companies, expertise and knowledge.

2| Increase trade flows and trade financing

Trade is a driver of economic growth, with exporters already providing around SAR 41 billion per month of goods and services into the Kingdom (data for the year to June 2018). The Kingdom intends to take advantage of its strategic geographic position, and facilitate the movement of people and goods across its borders by streamlining logistical and trade exchanges and customs procedures.

Saudi Arabia has enjoyed a close bilateral relationship with the UK since the Kingdom's inception in 1932. These ties have grown stronger in recent years, with British exports to Saudi Arabia increasing by 41% to £6.2 billion from 2010 to 2016, and with more than 200 corporate joint ventures worth a total of £11.5 billion having been forged between some of Britain's largest corporations with Saudi counterparts.

The finance sector has an important role to play in facilitating these flows. This includes through the provision of letters of credit, currency conversion, and contract guarantees. Exporters may also need bank account services, including local bank accounts in the Kingdom, including Sharia'h compliant services. A bank that operates across the Middle East and UK, like GIB, is well-placed to assist with these activities.

3| Financing for small and medium-sized enterprises (SMEs) and digital enterprises

Vision 2030 has a particular focus on stimulating the growth in SMEs. SMEs only represent around 20% of the Kingdom's GDP in 2017 (versus up to 70% in advanced economies). SME loans accounted for 2% of commercial bank loans in 2016, compared to around 23% in the UK, and compared with a target of 5% for the Kingdom by 2020.

There have been several initiatives aimed at developing a supporting legal and regulatory framework, including the establishment of credit bureaus and bankruptcy law. In addition, the Saudi SME Authority aims to facilitate access to funding, provides marketing assistance, and works to create investment opportunities. But there will remain an important role for the private sector in appropriately assessing credit risk and extending financing.

We are seeing digitisation as a major economic trend internationally, and that is also reflected in the Kingdom. The UK stands at 6th in the global Fintech Hub ranking, and we see start-ups increasingly look to develop their potential internationally. For this reason, Saudi Arabia emerges as an attractive market: the country has 32.5 million people, with almost 60% of its population under 30, and boasts one of the highest smartphone penetration levels in the world, providing further impetus to the rise in digital payments. Moreover, the importance of FinTech has not gone unnoticed by Saudi regulators, as they seek to speed up and optimise a FinTech-friendly ecosystem by coordinating the FinTech activities of financial centres around the Gulf region with the UAE and Bahrain.

Overall, our view is that this is an exciting time for the finance sector in Saudi Arabia, and the Kingdom's focus on sustainable growth has indeed stimulated investment.

For more information, visit us at: http://www.gib.com/en/about-gib-uk

Major role for the UK in Saudi's international investment plans

The approach to overseas investments is changing radically as the Kingdom mobilises its Public Investment Fund (PIF) to become much more active in its strategy. The PIF has already begun diversifying its overseas interest into entertainment, hotels, media as well as high technology such as robotics artificial intelligence, and these changes have considerable implications for the UK.

HE Dr Majid bin Abdullah Al Qasabi, Minister of Commerce and Investment, estimates that investment in the UK are already valued at nearly US$80 billion. However, this amount could well double as a result of direct investment in the UK, and new Saudi procurement with British companies.

Undisclosed deals valued at US$2 billion were signed during Crown Prince Mohammed's visit to the UK in March 2018, according to Reuters. The London based Arabic language daily Asharq al-Awsat reported that these agreements embraced real estate, as well as US$500 million of investment in UK healthcare centres.

During the visit, Crown Prince Mohammed and the UK Prime Minister, Theresa May, launched the UK-Saudi Strategic Partnership Council. This will provide a key mechanism for discussing and developing all aspects of the bi-lateral relationship, including UK support for Vision 2030. Further meetings are due to take place during 2018 in order to provide a detailed plan to deliver the agenda.

Both countries are committed to a long term partnership in support of Vision 2030. It covers a range of fields including evaluation of mutual investment opportunities, in and through the UK by the PIF, and bi-lateral trade and public procurement with UK companies included in its priority areas.

These include education, training and skills, financial and investment services, culture and entertainment, healthcare services and life sciences, technology and renewable energy and the defence industry. Taken together, these opportunities are expected to amount up to US$100 billion over a ten year period, from which the PIF will aim to target direct investment amounting to US$30 billion.

The PIF recognises the UK as a highly attractive investment location and a gateway to the world, with London as a global city unrivalled in its international reach. The PIF has agreed to work closely with the British side to identify mutually beneficial inward investment opportunities in the UK and beyond, consistent with the Vision strategy and the UK's own investment priorities.

They further agreed to establish co-chaired private sector groups to support expansion of the key sectors identified in Vision 2030, including privatisation and corporatisation, asset management, real estate, life sciences and technology.

On its establishment in 1971, PIF initially operated as a relatively small investment fund to support a handful of Saudi companies. However it has now become the Kingdoms' main depositary for money to drive both state investment abroad and economic development at home and has investments worth US$230 billion.

PIF assets could reach US$400 billion by 2020, boosted by transfers from the central bank (SAMA) and other state funds, as well as money received from Saudi Aramco's planned IPO. Economy and Planning Minister, Mohammed Al Tuwaijri has said that revenues from the privatisation of state assets, in addition to budget savings from a reduction in energy subsidies, will be placed with the PIF.

The PIF has been given additional strength through a major reorganisation in 2015 that saw the Fund report directly to the Council of Economic and Development Affairs (CEDA) which is chaired by Crown Prince Mohammed. The PIF now wants to activate its very large reserves of money, to invest half of its wealth abroad, and place the other half into strategic domestic assets and economic diversification.

Crown Prince Mohammed states: "The PIF is focused on achieving attractive long-term financial returns from its investments at home and abroad, as well as supporting the Kingdom's Vision 2030 strategy to develop a diversified economy." The aim of the shake-up is to expand the PIF to become a $2 trillion investment organisation, making it the world's largest investor targeted to achieve investment returns of between 8% and 9% by 2030, compared to 3% at present.

Managed by Yasir al-Rumayyan, former Chief Executive of Saudi Fransi Capital, the PIF bought a US$40 billion stake in Blackstone Infrastructure Partners in 2017. It is also set to become a major player in global technology markets after linking up with Japan's Softbank to form a US$100 billion fund, known as the Softbank Vision Fund. This new fund, which is expected to operate from London, could invest up to US$20 billion a year, which is equivalent to a fifth of total estimated global venture capital investment.

Mayayoshi Son, Softbank's Chief Executive says "with the establishment of the Softbank Vision Fund, we will be able to step up investments in technology companies globally. Over the next decade, Softbank Vision Fund will be the biggest investor in the technology sector." Softbank has a number of high profile technology investment. These include stakes in Yahoo and Alibaba, while in 2017 Softbank purchased ARM Holdings, one of the UK's most successful companies, for US$31.5 billion in Europe's largest ever technology company acquisition.

ARM is a leading global designer of technology that goes into making semi-conductors, which it licences to manufacturers. It is a key supplier to Apple and provides much of the technology incorporated

into the iPhone. Softbank is also an investor in UK e-commerce technology producer Yieldify and cyber protection company Darktrace. The new fund, almost unprecedented in its scale, could help to fill a late stage gap for start-up firms and venture capitalists in the UK and help ambitious entrepreneurs to fulfil their ambitions at home rather than being constrained by lack of later stage capital.

Given the interest in development of its SMEs, especially those involved in technology, prospects for building direct links, including exchange of expertise with British companies, are highly promising. The UK has around 58,000 companies producing and developing technology products and is in second place worldwide to the US in terms of innovation hubs. One sector of interest is likely to be renewable energy, as a result of plans to invest US$50 billion into solar and other new forms of energy production.

The Saudi British Joint Business Council (SBJBC) held an SME Partnership Forum for innovative Saudi and UK technology companies in London in April 2018. The focus of the Forum, organised by Saudi British Bank and legal firm Mishcon de Reya, was on the application of artificial intelligence and the Internet of Things, financial technology, e-commerce and cyber security.

The London Stock Exchange is also a member of the SBJBC and is very keen to co-operate with Saudi Arabia, Chris Innes-Hopkins, the SBJBC's UK Executive Director says: "There are lots of areas where SBJBC and the Saudi stock exchange can work together, including the proposed Saudi Aramco IPO.

"Obviously post-Brexit, we are very keen for the UK to continue to attract investment from across the board, including from Saudi Arabia, which is a very important source of investment to us. Within that context we are very keen to work with the PIF to attract more Saudi funds into new sectors in the UK."

London is also looking to winning a role in the proposed Saudi Aramco listing, which could be one of the largest transactions in global stock market history. HSBC is one of a trio in leading banks, including JP Morgan Chase and Morgan Stanley, advising it on its proposed IPO. The British Government has stressed its support for the Kingdom's development of its financial services industry, in particular helping with capacity building and assisting with formation of a derivatives there.

UK Export Finance (UKEF), the British export credit agency, is the guarantor of US$2 billion of loans arranged by US investment bank Citi for Saudi Aramco. The involvement of UKEF enables Citi's blue-chip clients to purchase British goods and services more easily.

Brexit will lead to stronger trade and investment opportunities between the UK and Saudi Arabia, and attracting listings such as Saudi Aramco would be among a string of important deals Britain hopes to secure after it leaves the EU, according to Innes-Hopkins.

Projects and opportunities

Feras Al Shawaf Law Firm in association with CMS


Feras Al Shawaf


Mark Rocca


John O'Connor

Projects & opportunities

The Kingdom is going through changing times and recognising the need to diversify from an oil reliant economy (roughly 75% of budget revenues and 90% of export earnings). Vision 2030 encapsulates the ambition focusing on the Kingdom being the "heart of the Arab and Islamic Worlds", determined to become a global investment powerhouse and transforming the country as a hub connecting the three continents of Asia, Europe and Africa. To that end, sweeping changes are in progress on a social and economic level based on five pillars to create a vibrant society: a thriving economy, an ambitious nation encouraging international competitiveness, public investment, direct foreign investment and increasing private sector participation in diversified sectors.

In this article, we focus on key developments in the Projects and TMT space.

Projects

The Kingdom has announced 80 major projects for implementation by 2030 which include the awaited Saudi Aramco 5% IPO, the Red Sea hotels and leisure development and infrastructure projects in the transportation, education, renewable power and healthcare sectors. Opportunities for UK private sector investment and in respect of the project pipeline are encouraging. The legal framework is changing as well, most recently with the publication of the Privatisation Projects Manual in May 2018 as part of the mandate of the National Centre for Privatisation and PPP. The manual may be familiar to many UK contractors previously involved in PFI projects as it sets out a similar roadmap for procuring authorities and private sector bidders focusing on key issues such as:-

- Achieving procuring authority objectives
- Achieving value for money

- Bankability
- Key risks allocation and mitigation
- Stakeholder and social impact
- Privatisation/PPP by comparison to traditional procurement methods
- Procurement delivery plan
- PQQ and bid submission processes

The manual sets out an initial three phase process of pre-feasibility, outline business case and full business case then followed by the procurement process and final business case. Factors to be considered by procuring authorities are:-

- Institutional capacity and funding
- Contribution to sectoral objectives
- Project size, complexity, and risk
- Project pipeline

The project preparation stages will be welcome to bidders where procuring authorities will be required to have carried out preliminary assessments and then more detailed assessments of likely annual operating costs and revenue streams, sector market factors, project deliverability, land, construction and operating requirements, funding availability and overall affordability. The initial assessment requirements will also include a review of technical, environmental, social, stakeholder issues and overall legal feasibility.

Key factors in any public procurement bid are the capacity of the procuring authority to identify its objectives in line with policy, efficiently manage the process and achieve a bankable standardised approach which operates to reduce the bid period and for bidders, the bid costs. Those factors and a significant pipeline of projects will be encouraging to bidders.

Part of the initial three stage approval process will be approval of the procurement plan which outlines the process and resources of the procuring authority with checks and balances on a workable timeline for procurement, which again will be welcomed by bidders.

For the procurement process, the request for qualification stage will be familiar to UK bidders with the intent that after pre-qualification there will be a short list, for example, of 3-5 bidders to whom RFP's are issued.

As expected, best practice will also be adopted in terms of:-

- a prohibition on communication between bidders, conflicts of interest and anti-collusion/bribery certificates etc.

> The Kingdom is going through changing times and recognising the need to diversify from an oil reliant economy.

- details of how bidder IP materials will be handled/protected;
- setting out pre-qualification requirements, timeline and evaluation criteria; and
- details of any bid bond or other bidder security requirements.

The process appears comprehensive and includes a pre-qualification conference and an evaluation panel with a clarification process. Likewise this should be welcomed by bidders on the basis they will be conducting pre-qualification on an even playing field.

The RFP stage is also comprehensive, requiring bidders to submit:

- technical and financial/funding proposals
- an acknowledgement that failure to provide a compliant bid, failure to make a firm commitment in their bid or making reservations, conditions or other qualifications may result in a lower evaluation
- affirmation that the bid structures/participants have not changed
- evidence of good financial standing
- a letter confirming:
    - commitment to adhere to the bid process and to refrain from making comments/amendments outside the parameters permitted as part of the bid process
    - representations that materials and information submitted is true and accurate
    - bid costs are bidders responsibility; and
    - no collusion, conflicts etc.

The guidance allows for pre bid conferences and clarifications. The procurement documents (RFQ's, RFPs and bid) are submitted in English and references may be required as part of the detailed evaluation process.

The manual seeks to adopt best practice to assist both procuring authorities and bidders and provide an even playing field with a view to achieving:

- a workable streamlined procurement process
- value for money solutions that meet both public sector and bidders objectives; and
- a standardised approach in key sectors with the aim of achieving completion of projects faster and reducing project procurement and bid costs.

TMT

These are exciting times for the TMT sector across the Kingdom given the new opportunities – and challenges – arising from Crown Prince Mohammed bin Salman's ambitious drive for reform and the Saudi Vision 2030 programme which has made the TMT sector a major focus of development and investment.

Technology

Many of the objectives in Vision 2030 across areas like healthcare, education, transport and manufacturing have technology and innovation at their core, resulting in vociferous government support for digital transformation and the adoption of technology solutions across the public and private sector.

Vision 2030 therefore presents a fantastic opportunity for both technology companies to deliver bespoke and innovative solutions to meet key Vison 2030 objectives and for private investors seeking returns from regional technology companies best placed to deliver solutions that resonate with the vision of Saudi Arabia's future.

Media

Under Vision 2030, Saudi Arabia is also keen to realise the economic contributions that can be made by the development of a film, TV and content industry such as job creation, the development of new services, infrastructure development and tourism, as well as social impact through cultural influence and a new Arab narrative in film and broadcasting entertainment.

Telecommunications

Saudi Arabia represents the largest telecom market in the Middle East and has a very high mobile penetration but still presents an opportunity for growth further to the planned initiatives under Vision 2030. The Kingdom plans to invest significant sums to provide broadband connectivity to all the regions of Saudi Arabia. While further investment in the upgradation of the existing infrastructure by both the Government and telecom operators is also planned.

The new association between the law firm of Feras Al Shawaf and CMS is ideally placed to advise in relation to the developments highlighted above. With the expansion into Saudi Arabia, the largest economy in the Middle East, CMS is now connecting key business locations across the region. Our Riyadh office can offer our local and regional clients access to more than 4,500 lawyers worldwide and the resources of one of the largest law firms in the world, to support them with their business.

In the projects space, we have advised the Kingdom's Electricity Regulatory Authority on the establishment of a restructured electricity system and drafted primary legislation to regulate the electricity sector. We have also advised on the US$7 billion Ras Azzour IWPP, amongst others.

In the TMT sector, we have advised the Communications and Information Technology Commission of Saudi Arabia (CITC) on the successful auction of a 3G licence; and are advising on the successful auction of voice and data licences attracting over US$3.5 billion. We are also advisors to Zain MTC and others, in relation to corporate structuring.

We provide a first class service to clients which is commercial in approach and adds value. Our knowledge of Saudi Arabian laws and public sector frameworks and licencing processes and ability and speed of turn-around ensures that we provide our clients with quality legal advice that is cost-effective and represents value for money. Our ability to retain long-term clients and our excellent relations with large corporate clients, high net worth individuals and key governmental agencies, is evidence of the quality of our work.

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Saudi Arabia: open for business and ready to entertain

Recent changes in foreign investment, entertainment, tourism and franchising

The Law Firm of Wael A. Alissa in association with Dentons & Co.

Jonathan G. Burns

Saudi Arabia has grown in recent years from a fledgling desert nation into a global energy giant and regional power in the Middle East. However, many have argued that the Kingdom's success has been both a blessing and curse – leading to a dependency on oil profits and a general complacency towards diversification, modernisation and global societal change.

Nevertheless, significant oil price volatility and massive disruption in the global oil market has led to what is perceived as a new normal in the oil economy and, thus, less profitability as in years past. However, this fact has had the confounding and counterintuitive effect of stimulating a renaissance of sorts in the Kingdom, forcing lawmakers and regulators to recognise an immense need to support the local economy and local jobs for local citizens and families by diversifying and expanding, as well as liberalising some of the Kingdom's regulations and social norms that are both outdated and costly to maintain.

Indeed, many speculated disaster for the desert Kingdom in 2014 and into 2015 but, as 2016 came and 2017 passed, the resilience and capability of the Saudi people, their leaders and the local expat workforce has proved to be unshakable. Into 2018, all indications show that the Kingdom is moving efficiently towards the goals espoused by Vision 2030 – and there is a general sentiment on the ground of both enthusiasm for new changes and excitement for what is to come.

Liberalising Foreign Direct Investment

Pursuant to the economic commitments of the Gulf Cooperation Council consisting of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman (the GCC), and under Saudi Arabia's Foreign Investment Law, any non-GCC investment in Saudi Arabia requires a foreign investment licence (colloquially, a SAGIA Licence) issued from the Saudi Arabian General Investment Authority (SAGIA).

In the past, obtaining the SAGIA Licence was a tedious, document-heavy due diligence exercise requiring submission of information such as three years of audited financial statements, evidence of five years' experience in the activities for which the licence is sought, reference letters, business plan, feasibility study, Saudisation plan (i.e., plan for recruiting, training, employing and promoting local Saudi employees and replacing expats with Saudis), and the like.

The difficulty and cost of the SAGIA licensing process was a disincentive for many companies seeking to enter the market. However, new and simpler licensing rules came into effect in early 2018. Instead of the large, tedious, document-heavy application package previously required, now companies need only submit a copy of the incorporation certificate as well as the last year's audited financial statements for issuance of the SAGIA Licence.

Some have speculated that this development, while also easing foreign investment licensing generally, has additionally opened the door to more sophisticated and investor-friendly cross-border corporate structuring strategies for shareholder protection and tax purposes. For example, in the past it was difficult for BVI, Jersey and similar entities to obtain the SAGIA Licence for investments in Saudi Arabia. Now, foreign investors may find it easier to obtain SAGIA licensing for offshore NewCo and HoldCo entities.

This development followed a new edition of the SAGIA Investment Manual (6th ed.) in late 2017, which mostly removed minimum capitalisation requirements. Previously, SAGIA maintained a schedule of minimum paid-up capital requirements according to the activities to be licenced. However, now only a small number of activities have a strict capitalisation requirement.

Additionally, the Companies Law was amended on 10 April 2018 to remove the previous statutory requirement to deposit the company's capital in full into an in-Kingdom bank in order to register the company.

In addition to easing capitalisation requirements, SAGIA has also eased local shareholding requirements. For example, establishing a foreign-owned engineering firm no longer requires a local Saudi partner. Furthermore, foreign investors may establish wholly-owned wholesale and retail trading entities without a local Saudi partner as well.

In sum, SAGIA and the Saudi authorities have signalled a more sincere approach towards foreign investment in Saudi Arabia and the opportunity to enter this market has never been more ripe.

Opening up to entertainment and tourism

One of the more well-known trends in Saudi Arabia recently has been a relaxation of restrictions grounded in cultural and societal norms – including licensing of cinemas after a decades-long ban, granting driving licences to women and opening the Kingdom to tourism.

> The entertainment and leisure industries in Saudi Arabia are steadily growing in a Kingdom that is rapidly moving forward day by day.

Cinema

Nevertheless, penetration of the cinematic space has been slow. Although the General Commission for Audiovisual Media (GCAM) of the Ministry of Culture and Information released the Cinema Licensing Regulations (the CLRs) in early 2018, the CLRs remain vague and unclear – essentially giving the GCAM wide discretion to determine the players in this space. Not surprisingly, penetration of the market has been slow and controlled. And, with a 25% excise on all tickets sold, some have speculated that ticket prices – ranging between SAR 50-65 (about GBP £10-£13) – could be more reasonable, particularly in family-oriented cultures where a night at the movies could be costly for a large family.

For example, UK-based Vue Cinemas announced a deal to open cinemas in Saudi Arabia with Abdulmohsin Al Hokair Holding Group in early 2018, but as yet the only operators are Vox Cinemas (a division of regional Emirati giant Majid Al Futtaim Group) and AMC Theatres in conjunction with the government-owned Public Investment Fund.

One of the key drivers propelling a change in the attitude toward cinema in Saudi Arabia has been economic. That is, Saudi job-hunters can benefit from a number of positions in this field giving them access to new and high-tech training and exposure to managerial and administrative roles in the private sector – one of the key goals of legislators – not to mention a true artistic renaissance that should create a new market for local directors, screenwriters, actors, technical staff, and others involved in the movie production business. Additionally, allowing cinemas in Saudi Arabia helps to stimulate local spending, as previously Saudis and expat residents had to take a vacation or trip abroad in order to see the latest movies on the big screen.

Tourism

Tourism is another historically closed sector that is slowly opening as a result, in large part, of economic motivations to bring in and keep more money and local jobs in the Kingdom. While religious tourism has always existed in Saudi Arabia, international leisure tourism has been largely closed to non-GCC citizens – who may only enter the Kingdom on special visas tied to employment, business and investment.

For example, in mid-2018 the Public Investment Fund established The Red Sea Development Company (TRSDC) for the purpose of developing resorts, heritage sites, nature reserves and other tourist attractions along Saudi Arabia's western coastline – which includes ancient archaeological relics and an untouched stretch of some 50 islands amongst the pristine corals and reefs of the Red Sea. The area will be treated as a "Special Economic Zone" with its own legislation, dispute resolution and legal systems, which some have considered a second chance to correct the errors of the failed Economic Cities Authority. With its own criminal code, it is expected that social restrictions normally applicable on the mainland will be relaxed within the Zone so as to offer a wider global attraction to international luxury tourists.

TRSDC is already actively pursuing the project, beginning with plans for development of luxury hotels, resorts and residences along the coastline. Not to underwhelm, TRSDC's stated goal is to create a

luxury tourist destination with pioneering standards in environmental sustainability – including biodiversity net gain, fully renewable energy sources, a carbon neutral footprint, zero waste to landfill, zero discharges and on-site food production – in order to create a new global model for elite green tourism. Thus, foreign investors with particular technology, proprietary methods, knowhow and skills in these environmentally friendly fields will see opportunities within TRSDC's operations.

Franchising

Notwithstanding the slow change in opening to foreign tourism, Saudi Arabia has a long history of openness to foreign trademarks and franchise concepts – and one will find any number of Western food & beverage, clothing, and retail chains being franchised in Saudi Arabia. Nevertheless, franchising in Saudi Arabia has been subject to a broadly drafted 1960s era Commercial Agency Law (the CAL) since the year 1992.

The CAL could be described as a hands-off or laissez-faire regulation that generally cuts in favour of principals and franchisors over the interests of agents and franchisees (who may only be local Saudi companies or individuals). However, in early 2017 the Ministry of Commerce and Investment (MOCI) released a draft franchise law (the Draft Law), which would represent a radical alteration of the existing franchising regulation framework under the CAL.

Particularly, the Draft Law would dramatically change the existing balance of power in favour of franchisors, to the extent that franchisees would be entitled to statutory protections such as compensation for wrongful termination or non-renewal of the franchise agreement. Additionally, whereas under the CAL registration burdens and penalties (albeit minimal) are placed on the local franchisee, these burdens and penalties would be increased under the Draft Law and shifted to franchisors – who in many cases must also comply with time-consuming and expensive consularisation and translation requirements.

Needless to say, many have argued that the burdensome nature of the Draft Law will have the unfortunate effect of driving out foreign franchise concepts in Saudi Arabia, particularly in sectors where Saudi brands already have a strong competitive foothold. This is most notably seen in the food & beverage sector, with local brands such as Kudu, Herfy and Al Baik, and even trendy food truck operations, holding sway. Nevertheless, others have commented that, despite its shortcomings, the Draft Law will have an overall positive effect of stimulating local creativity, innovation and talent in the franchise space so that local Saudi brands will eventually be strong enough to franchise locally, regionally and globally – bringing new and diverse forms of income into the Kingdom in line with the stated goals of Vision 2030.

In conclusion

The opportunities for foreign investors in the entertainment and leisure industries in Saudi Arabia are steadily growing in a Kingdom that is rapidly moving forward day by day. These opportunities, coupled with a general easing of foreign investment restrictions, should be welcomed by international entertainment and leisure operations. On the other hand, foreign franchisors with franchises deployed in Saudi Arabia should understand and be aware of potential changes in the relationship with franchisees in Saudi Arabia under the Draft Law.

Role of accounting firm in achieving Kingdom's Vision 2030

Sultan Ahmed AlShubaily, Partner, PKF AlBassam & Co.

PKF
Al-Bassam & Co.
Allied Accountants

Sultan Ahmed AlShubaily

1| When was the company formed and how has it evolved since then?

PKF AlBassam & Co. (Allied Accountants) is one of the leading professional organisations in the Kingdom of Saudi Arabia (KSA) and a member firm of PKF International (PFKI).

We were established in late 2002 in Saudi Arabia and late 2005 in Bahrain, and since then have established ourselves as one of the leading firms in Saudi Arabia, as evidenced by our wide portfolio of clients that includes many well-established companies across a spectrum of different industries.

We audit close to 36 listed companies in Saudi Arabia, and are ranked Number four in terms of audits of listed Companies in KSA and number one by far in terms of audits of listed insurance companies

2| How did AlBassam & Co. become a member of PKF International and what difference has this made to the scope of the firm's work and range of clients?

Affiliation with PKF was formalised during 2015 and, given the global presence and the mission for PKFI, the association felt seamless as it went hand in hand with our objectives and presence in the Kingdom. We have certainly enjoyed the benefits of a wider resource base, be it technological or skill set. However, we have also had various opportunities whereby we have contributed into the network, particularly in relation to our insurance and actuarial services being offered from offices in Saudi Arabia.

3| What do clients gain from the relationship?

In today's fast changing global economy, businesses need trusted advisers. With our lead client service partner, the companies we service have ready access to the global resources of PKFI, wherever and whenever they are needed. Our network of firms transcends geographic boundaries, enabling us to direct our resources to provide clients with services and solutions throughout the world.

PKF AlBassam & Co. provides experienced, comprehensive professional services to the industry as it responds to the challenges and opportunities of a changing economic, regulatory, and market environment. PKF AlBassam & Co. keeps pace with regional developments and anticipates both country specific and global trends. We have helped clients respond to change, playing an integral role in national regulatory reform, privatisation and industry-wide restructuring.

Our theme "We aim to be the best and not the largest" stands for our dedication for quality and creditability.

4| How do you view the role of the accountancy profession in Saudi Arabia in fulfilling the Kingdom's Vision 2030 strategy?

The accountancy profession in Saudi Arabia has an important role to play in achieving Vision 2030. As the Kingdom develops, the Saudi Organisation for Certified Public Accountants (SOCPA) can help in getting that economic narrative right by going beyond things like financial reporting, financial accounting, tax, and contribute to how the Kingdom looks at achieving some of its goals.

A robust financial sector is critical to build a strong economy, and this has to be supported by top local talent. With national GDP forecast to grow, accountancy and finance professionals will continue to be in high demand. Unfortunately, now not enough Saudis are choosing this career path and this will have to change if the Kingdom is to see real, sustainable growth.

In addition, a sound regulatory framework is important for Saudi Arabia to achieve its Vision 2030. The adoption of IFRS Standards is a key element in that framework and a clear signal to the world that the Kingdom welcomes foreign direct investment (FDI).

IFRS will bring transparency, improve accountability and will help businesses to operate more efficiently. It will also attract international investors as there will be a high standard of international reports that they can trust and rely upon.

5| With privatisation firmly on the agenda and further stock market listings expected, do you envisage the role of PKF AlBassam & Co. and other Saudi accountancy firms changing? What is your strategy to meet the demands arising from the changing economic environment?

Saudi Arabia has announced its objective of raising US$200 billion in the next few years through privatisation programmes running in 16 sectors; ranging from oil, education, healthcare, airports and grain milling.

PKF AlBassam & Co. performed the fixed assets count and valuation of fixed assets and the transformation from cash bases to accrual bases. We are also the leading assurance provider for the Nomu (the Parallel listing base in Tadawul), which has attracted significant growth recently.

6| How essential is transparency and the adoption of international recognised accountancy standards to Vision 2030's strategic goals?

Since Saudi Arabia joined the Group of 20 Finance Ministers and Central Bank Governors (G20) in 2009, the adoption of IFRS has been viewed as an important milestone in the country's future economic development, and has been working towards this end ever since. The convergence of national Generally Accepted Accounting Principles

> The adoption of IFRS has been viewed as an important milestone in the country's future economic development.

(GAAP) with IFRS, promises "transparent, comparable and consistent financial information" to guide investors in making "optimal investment decisions."

Increased FDI and enhanced quality reporting, transparency and comparability are some of the key benefits that the country will enjoy from IFRS adoption. As KSA moves to reduce its dependency on oil, quality, transparent information, comparable to other preparers of IFRS reporting, will serve to attract FDI to the country.

7 | To what extent are International Financial Reporting Standards being adopted by companies in Saudi Arabia?

In an era of globalisation of businesses and markets, financial information prepared and audited according to national accounting GAAP no longer satisfies the needs of users whose decisions are more international in scope.

Saudi Arabia has recognised the need to participate in the opportunities offered by globalisation and, consequently, SOCPA approved an IFRS Convergence Plan, called the "SOCPA Project for Transition to International Accounting & Auditing Standards." Under this convergence plan, all listed companies adopted IFRS for financial periods beginning on or after 1 January 2017, and all other entities for financial periods beginning on or after 1 January 2018. Unlisted entities were also given an option for early adoption of IFRS from 1 January 2017. SOCPA has adopted IFRS for small and medium-sized entities (SMEs) to be effective in 2018 for use by non-publicly accountable entities.

8 | How do you view the role of SOCPA in addressing issues to ensure companies and transactions are conducted in line with international standards?

SOCPA conducted the project according to a clear road map, including a comprehensive study and the participation of all stakeholders. Major actions taken in this respect are:

1. Preparation of scientific studies about transition to international standards, including the experiences of various countries, advantages and disadvantages of transition to international standards.

2. Holding various meetings of technical committees to study the subject and conclude to recommendations that serve the national objectives and achieve the optimum benefits of transition to international standards.

3. Prepare a questionnaire on international accounting standards, and another one for international auditing standards, to obtain and understand opinions of interested parties with respect to:

a. Availability of expertise in international standards.

b. Extent of complexity in each standard and considerations that should be taken with respect to Islamic rules, regulations or technical aspects.

c. Identification of appropriate date for application in Saudi Arabia.

4. Sending letters to all concerned sectors including urging them to participate in the operation of transition by providing consultants to work with SOCPA.

5. Publication of information about the project in SOCPA website and local press and seeking the participation of interested parties to provide their opinions to SOCPA and their consultation services to the project.

We have observed during this post-transition phase that the level of compliance by entities operating in the Kingdom is very impressive.

9| Are sufficient young Saudis entering the accountancy profession and what role does PKF AlBassam & Co. play in training programmes?

PKF AlBassam & Co. is an ACCA platinum approved employer. The ACCA Approved Employer Programme recognises employers' high standards of staff training and development. ACCA is committed to ensuring its students, affiliates and members have the right skills, ethics and competences to add value and drive businesses around the world forward.

Since 25 January 2018, PKF AlBassam & Co. has held country-wide approval with "ACCA Approved Employer – Trainee Development, Platinum" status, which is the highest in this given category.

We are the only firm within the tier two, and the third firm amongst the big four, to have obtained this prestigious recognition.

10| What are the implications of the introduction of VAT on goods and services for accountancy firms in the Kingdom?

This affects both revenues and expenses:

Revenues side:

Standard rated VAT is applicable (5%), sales outside KSA is zero-rated if the six terms of Article 33 (VAT-IR) are met.

Expenses side:

VAT paid on all purchases from goods and services is recoverable, unless it is the purchase of entertainment, food & beverages, restricted motor vehicle expenses or non-business matters.

Accountancy firms are required to:

1 Register for VAT purposes.

2 Issue VAT invoices.

3 Apply VAT on sales.

4 Pay VAT for purchases.

5 Submit M or Q declaration.

11| What contribution is new technology making to your company and to the accountancy profession in Saudi Arabia?

Technological advancement, in a service Industry is a game changer. Similarly, for the accountancy profession the ability to capture, assess and analyse data is a must. Accordingly, accounting firms globally are investing significantly in building analytical models that produce high-quality audit evidence and valuable business insights across multiple business processes.

Given our affiliation with PKFI, we are able to leverage the data analytics tools available to us, which have immensely assisted us in not only capturing key assurance touchpoints but, most importantly, enabled us to deliver value added services to our clients.

Saudi British Joint Business Council

SAUDI BRITISH
JOINT BUSINESS COUNCIL

The Saudi British Joint Business Council (SBJBC) is delighted to contribute to this new edition of "Saudi Arabia - Discovering Business."

SBJBC is an independent and private sector led body with over 150 members, which aims to develop and enhance business relations at all levels between Saudi Arabia and the United Kingdom.

We are members of the British Chambers of Commerce global business network, and offer a range of advisory services and access to high level governmental and private sector networks in both Kingdoms.

SBJBC UK is chaired by the Rt Hon Baroness Symons of Vernham Dean, and is a not-for-profit company based in Grafton Street, Mayfair. The Saudi Co-Chair is Sheikh Nasser AlMutawa AlOtaibi. The Council of Saudi Chambers provides the Saudi Secretariat in Riyadh.

The Council's principal objectives are to:

- Promote business and partnership opportunities in both Kingdoms, particularly for small and medium sized businesses;
- Provide support and advice to SBJBC members and potential members seeking to do business in either Kingdom;
- Offer a voice for business concerns and potential barriers to trade with authorities in both countries;
- To facilitate training, technology transfer and knowledge exchange between the UK and Saudi Arabia in support of Saudi Vision 2030 implementation.

We are delighted to have played a major part in the UK visit by HRH Crown Prince Mohammed bin Salman in March 2018, both through the successful CEO Forum at Mansion House and SBJBC's special meeting at which a number of agreements were signed.

SBJBC works closely with the Saudi SME Authority to encourage the development of SME ecosystems and promote knowledge exchange. Our most recent SME Partnership Forum at Level39 in April 2018, focused on smart cities, fintech, cyber security and ecommerce cooperation.

The Council meets formally twice a year, alternating between meeting in Saudi Arabia and the UK. In addition, SBJBC UK holds regular informal meetings and roundtables, and has a monthly high-level meeting with the Saudi General Investment Authority (SAGIA) on business environment reform.

UK companies entering the Saudi market can expect a warm welcome provided they commit to a long-term presence and transfer of skills and expertise. Saudi Arabia is no longer just a market to sell to. The opportunities lie more in joint ventures and partnerships that create jobs and increase local content.

SBJBC has an invaluable network of Saudi and British members who are willing and able to assist. We work closely with both governments and Saudi and British Chambers of Commerce to facilitate business relations at all levels.

Exciting times lie ahead in both our countries, and SBJBC looks forward to playing a full role in following up the Crown Prince's visit and supporting practical cooperation initiatives in support of Vision 2030 implementation.

We welcome new members and have a variety of membership options including Individual, SME and Corporate. For more information on the Council and its activities please consult our website www.sbjbc.org, or contact one of our team on: Tel +44 (0) 20 824 1933, Email: info@sbjbc.org.

British Offset - Saudi British Economic Offset Programme

The Saudi British Economic Offset Programme (SBEOP) has been in operation for more than 25 years and originated from the purchases of military equipment and associated support services by the Saudi Arabian Government in the mid 1980's. The SBEOP is managed on behalf of the UK Government by the British Offset Office, part of the UK Ministry of Defence.

The aims of the SBEOP are to transfer technology and knowledge to Saudi Arabia through the creation of commercially viable joint ventures between UK/Foreign and Local Saudi companies.

The objectives of the SBEOP are to broaden the Saudi industrial base, reduce the dependency on oil & gas, generate good quality jobs for Saudi nationals, substitute imports with locally-manufactured items and provide an avenue for private sector investment.

The SBEOP allows companies from most countries around the world to participate under the Programme. The role of the British Offset Office (BOO) is to raise awareness of the Economic Offset Programme throughout the Kingdom; to assist foreign companies to find a joint venture partner in Saudi Arabia and make introductions; to give free investment bank advice in the early stages of project development and also providing advice and support in obtaining the necessary Saudi Government approvals. A major benefit offered to the foreign partner of a joint venture, is access to non-recourse finance for up to 50% of their equity share. Many projects facilitated through the Offset Programme have taken advantage of this equity loan facility, which is designed to reduce financial exposure and enhance business returns.

To qualify under the SBEOP, joint ventures in civil manufacturing and service industries are priorities, with target sectors in downstream petrochemicals, renewable energy, pharmaceutical, transport, education and training.

Over the years, British Offset has built up considerable experience in assisting with the development of joint ventures in Saudi Arabia. Its links with key decision makers in the Saudi Government can help bring early resolution of problems, which emerge during the formation of a joint venture, or indeed once it has been implemented. The SBEOP have facilitated the implementation of projects with a total capital cost of over £2.0 billion. These projects have created around 3,500 jobs, with exports totalling in excess of £2.4 billion. Many more projects are currently being developed, or are under consideration.

More information on the Saudi British Economic Offset Programme and the role of British Offset can be found on our website at www.britishoffset.com.

Aramco expansion and diversification creates significant opportunities for UK support

Saudi Aramco is the world's largest oil company, and reputedly the most profitable, and plans to spend US$300 billion over the next decade on projects that will maintain its oil production capacity and boost its natural and shale gas exploration activities, according to CEO, Amin Nasser.

The Dhahran based company produces some 12 million bpd of crude oil and operates more than 220 drilling operations, both on and offshore. Its fields include Ghawar, the world's largest onshore field and its overall reserves total an estimated 276 billion barrels, the largest crude oil reserves in the world.

"Saudi Aramco will develop a stronger downstream business, double refining capacity, expanding into chemicals, do more renewables, create new technologies through its R&D efforts and develop new business lines through investments and acquisitions," according to the Industry and Minerals Resources Minister, HE Khalid A. Al-Falih.

He adds that the state owned company's transformation programme is to be updated to make Aramco more agile and responsive and a much more technology and knowledge-driven organisation.

Its growth and diversification strategy provides opportunities for suppliers in a wide range of areas. Saudi Aramco and Saudi Arabian Basic Industries Corporation (SABIC), for example, have signed a Heads of Agreement to conduct a feasibility study into the development of a fully integrated crude oil-to-chemicals complex.

This is in line with a strategy of maximising value from crude oil production, through vertical and horizontal integration across the hydrocarbon chain. In turn, this will enable development of conversion industries able to produce semi-finished and finished goods.

In 2017, Saudi Aramco completed a second expansion of its Shaybah crude oil facility and commissioned the giant Wasit Gas Plant. Together, these have boosted its overall crude oil production and gas processing capabilities. Meanwhile Saddara, the largest petro-chemical complex ever built, is being brought on stream.

The company has embarked on further expansion both upstream and downstream involving multibillion dollar projects, in order to maximise value from the country's vast hydrocarbon resources. "This will open up opportunities for organic growth and strategic partnerships with leading global firms at home and abroad, create more business for service and materials suppliers in local supply chains and generate new jobs," says Aramco.

Speaking at the Saudi-UK CEO Forum in London in March 2018, Nasser declared: "With Vision 2030, I believe there are more opportunities for collaboration and partnerships, not only in the oil &

gas sector but also in infrastructure, manufacturing and services industries, which are critical to manage and operate an enterprise like Saudi Aramco."

Nasser continues, "Saudi Aramco has nearly 4,000 registered British vendors and contractors. In the last ten years, we have spent nearly US$10 billion in services and materials contracts with British service providers. We currently have more than 200 active contracts with British companies, ranging from engineering and construction, drilling equipment, power generation machinery and quality management services."

During the Saudi Aramco President's visit, a number of Memorandums of Understanding (MoU) were signed. These included an agreement with Imperial College London to establish joint projects targeting frontier technologies and developments in chemical engineering, petroleum, geo-science, mechanical engineering and advanced materials.

A further agreement was signed with Cambridge based TWI, a leading global research organisation on industrial welding processes and materials. The plan is to set up a multi-stakeholder non-metallic Innovation Centre at TWI, alongside the National Structural Integrity Research Centre, which brings together academics, research centres, energy companies and composite materials manufacturers. A further MoU was signed with Aberdeen based Downhole Products to strengthen Saudi Aramco's drilling operations.

British engineering and its consultancy expertise are held in high regard and there is good potential to develop and extend relationships. Mott MacDonald, for instance, has an engineering services consultancy contract for maintenance and development of the Khafji oil field, operated jointly by Saudi Arabia and Kuwait.

Reading based Wood Group has secured a contract to support Saudi Aramco with engineering and project management services to develop the Marjan oil field in the Eastern Province. The US$12 billion Marjan Crude Increment Programme is one of Aramco's oil & gas mega projects, aimed at enhancing energy sustainability, expanding gas production and accelerating opportunities for local workforces.

> British engineering and its consultancy expertise are held in high regard and there is good potential to develop and extend relationships.

Wood is also providing engineering design for Saudi Aramco's unconventional gas programme and detailed engineering and procurement for its sulphate removal facilities. Robin Watson, Wood's Chief Executive, says: "Our commitment to growing capability and capacity in the Kingdom will be demonstrated further on this contract, where we will focus on nurturing talent, providing employment opportunities and partnering with the supply chain."

Nasser's visit also saw a major agreement reached with Royal Dutch Shell "to jointly pursue international gas business opportunities, including upstream development, liquefaction projects and other aspects of the gas value chain." The Kingdom has a long term goal to increase the use of gas for domestic power generation and at the same time reduce the consumption of oil, especially by power stations and desalination installations, thereby freeing up more crude for export.

Any increase in output of gas drilled from shale and other hard-to-access rock formations will free up crude oil currently used in power stations for export. Saudi Aramco has stated that its gas output will double to 651 million m^3 a day over the next ten years, of which 85 million m^3 will be shale gas.

The MoU is said to reflect Saudi Aramco's strategy to expand its natural gas assets while acknowledging Shell's strength in liquefied natural gas (LNG). Shell Chief Executive, Ben van Beurden, said "it is a discussion that began some time ago and we signed a memorandum to work on gas projects from upstream to downstream across the world and in Saudi Arabia."

Saudi Arabia is set to join the shale gas revolution, with shale gas reserves said to be as high as 17 trillion m^3, double the quantity estimated for conventional gas reserves. The first drilling is due to start in the north of the country, where officials believe deposits could be as high as any so far discovered in the US.

Saudi Aramco has said it also wants to explore for gas in the shallow waters of the Red Sea, as well as for onshore shale gas, as part of the national strategy to diversify the economy away from oil. It is also conducting drilling tests to extract shale gas from Jafurah oil field, an area located between Ghawar and the Arabian Gulf.

While Saudi Aramco has embarked on a further phase in its transformation programme, there is also keen interest in plans for 5% of the company to be sold to investors in an initial public offering (IPO). For a business that could be valued at up to US$2 trillion, this is an immense financial undertaking and represents an important stage in national change as well as the company's modernisation and expansion agenda.

Renewables development will transform the Saudi energy scene

The drive to enhance oil revenues by developing renewable energy sources to provide electricity is accelerating, with investment of around US$67 billion planned over the next five years, according to Energy, Industry and Mineral Resources Minister, HE Khalid A. Al-Falih.

Electricity consumption is expected to double over the next 15 years, so there is an urgent need to look at new ways, including solar, wind and nuclear power, to produce electricity. According to Abdullah al-Shehri, Governor of Saudi Arabia Electricity and Co-generation Regulatory Authority, installed capacity is around 60,000MW, while peak energy demand is predicted to exceed 120,000MW by 2032.

The world's largest exporter of crude oil also burns more oil than any other country to generate electricity. International Energy Agency statistics show that it consumes up to 900,000bpd at peak periods of the year, especially in the summer months when demand for desalination and air conditioning is at its highest. Integrating more renewable energy into the national grid could free up to US$20 billion a year of oil, at mid-2018 prices, for export sales.

In July 2018, final bidding was underway to build the first large scale wind farm. The proposed 400MW project, located at Dumat Al Jandal in the northwest province of Al Jouf, is expected to cost US$500 million. "Development of a wind energy industry in Saudi Arabia is an important component of our wider industrial diversification strategy," says Al-Falih.

This project will generate enough power to supply up to 70,000 households as it connects to the northern electricity grid. A contract award is expected to be made at the end of 2018, backed by a 20 year power purchase agreement with the Saudi Power Procurement Company. The Kingdom is also set to start building its first large scale solar installation in 2018, with a 300MW photovoltaic facility to be developed by Riyadh based ACWA Power.

"The Kingdom's regulatory environment is well established now to conduct auctions and attract investors," observes Rabia Ferroukhi, Head of Policy at the Abu Dhabi based International Renewable Energy Agency.

The Saline Water Conversion Corporation (SWCC) is planning to raise capacity 40% by 2020 when it aims to produce 7.3 million m^3 of desalinated water. Pilot schemes have already been deployed at some SWCC plants. The strategic aim is to apply solar power at all 27 desalination installations in the next few years.

This plan could be driven by an agreement between the Public Investment Fund and Japan's Softbank. This envisages carrying out two US$5 billion projects providing 3,000MW and 4,200MW of solar capacity respectively. It commits the partners to develop between 150,000MW and 200,000MW of solar power, with manufacturing of solar panels and battery storage technology.

By 2040, 55% of the country's electricity will be generated from solar, wind, geothermal and nuclear energy combined, according to the Riyadh based King Abdullah City for Atomic and Renewable Energy (KA-CARE).

Vision 2030 for the future, outlines plans to extend the renewable technologies sector, improve the country's energy efficiency and also diversify its energy mix. As the UK has succeeded in driving down its carbon emissions by more than a third since the 1990s, and is a world leader in cutting carbon emissions to combat climate change, it is well placed to assist Saudi Arabia in carrying out its renewables strategy.

A memorandum signed by Minister for Energy, Industry and Mineral Resources Khalid A. Al-Falih and UK Business Secretary Greg Clark in March 2018 on clean energy includes commitments to share technical knowledge and to host an annual UK-Saudi Energy and Industry Dialogue, in a bid to accelerate the programme of renewables and boost investment between the two countries.

The agreement covers a range of clean energy technologies, including smart grids, electric vehicles, carbon capture usage and storage, as well as renewables. Al-Falih says the agreement will help support Vision 2030 plans which aim to diversify the country's energy mix away from its current reliance on hydrocarbons.

> By 2040, 55% of the country's electricity will be generated from solar, wind, geothermal and nuclear energy combined.

There are plans to develop projects that will add 700MW of renewable electricity generation with another 8,800MW of projects forecast to be completed by 2023. These ventures will be private sector driven and will need financial advisers for developments that could involve US$1.5 billion of investment.

Turki al-Shehri, Head of the Renewable Energy Development Office says the search is on to identify backers to build both solar and wind farms to produce around 3,450MW of electricity by 2020.

There are also plans to build a nuclear power industry in a further move to lessen dependence on oil. Since nuclear is a constant and reliable source of power generation it will augment and provide back-up for solar and other forms of renewable energy.

In July 2017, the Government approved the establishment of the National Project for Atomic Energy. This followed an earlier Royal Decree that stated: " The development of atomic energy is essential to meet the Kingdom's growing requirements for energy to generate electricity, produce desalinated water and reduce reliance on depleting hydrocarbon resources. KA-CARE was then set up to advance the agenda."

KA-CARE has since announced that it is seeking proposals for up to 2,900MW of nuclear capacity from China, Russia, Japan and South Korea. Saudi engineers are already in Daejon, helping in the design of South Korea's System-integrated Modular Advanced Reactor Technology (SMART).

The Saudi Geological Survey has also signed an agreement with China National Nuclear Corporation to explore for uranium in nine areas. In other preparatory work, KA-CARE has signed agreements with Finland's Radiation and Nuclear Safety Authority and with South Korea's Nuclear Safety and Security Commission to establish safety standards.

The nuclear programme is long term and will require a considerable breadth of expertise to develop, but the focus now is on implementation. The UK has a wide range of capabilities across the nuclear energy chain to support this programme, including best practices for radioactive waste management. Atkins has already combined with the Bristol office of France's Assystem, in a partnership based in Al Khobar, to provide consultancy and engineering services for the Kingdom in its development of a nuclear energy programme.

Helping visions be realised

Rick Hancock, Country Director, Design and Engineering, Atkins

Rick Hancock

Could you describe Atkins and the range of its business activities globally?
Atkins is one of the world's most respected design, engineering and project management consultancies, employing over 18,300 people across the UK, North America, Middle East and Africa, Asia Pacific and Europe. We build long-term trusted partnerships to create a world where lives are enriched through the implementation of our ideas.

The Atkins business also includes the brands of Faithful+Gould and Atkins Acuity. Faithful+Gould provides integrated project and programme management consultancy, independently or alongside Atkins. Faithful+Gould shares our determination to work closely with our clients and achieve shared success. Together we create a more valuable contribution that leads to effective and successful outcomes for our clients – protecting their assets and maximising value.

Acuity is the end-to-end advisory business from Atkins. Acuity combines management consulting, financing and technical capabilities to help clients solve complex front-end problems in the built environment.

How long has Atkins had a presence in Saudi Arabia?
In 2017, Atkins celebrated 50 years of delivering design and engineering consultancy services for clients in the Middle East region. The region has evolved, the way engineering and design is delivered has evolved and Atkins has influenced many of the regions iconic projects which has resulted in great outcomes for the people of the region. In 50 years, the region has been transformed and in the Kingdom of Saudi Arabia this transformation continues. We work closely with our clients to enable their visions to be realised.

How many offices does the firm have in Saudi Arabia, and how many staff does it employ?
We have three offices in KSA: Jeddah, Al Khobar and Riyadh, employing 100 permanent colleagues and in addition we have access to the international network of over 18,300 experts across the Atkins wider business globally.

What proportion of the staff are expatriates?
Atkins has a diverse international network of colleagues speaking some 70 languages, across offices in 50 countries and from 130 different nationalities.

How much training of local staff does the firm undertake?
All colleagues throughout Atkins, Faithful+Gould and Acuity have full access to a wide range of training and development called 'myCareer'. Development reviews for all colleagues take place twice a year where training and development discussions are held to agree training courses and development plans for the year ahead.

How many of Atkins' staff in Saudi Arabia are female?
Now in our permanent workforce it's 10% and as our business expands, of course, we are looking to maximise the diversity of our teams. We have an active women's business network throughout the Middle East with a 'chapter' in Al Khobar committed to a vision of improving diversity and gender balance in the workforce.

Are you trying to increase the proportion of local staff in your Saudi offices?
Yes, we are fully committed to Saudisation policies as well as the Emiratisation in the UAE and Omanisation in Oman, we have an incredibly diverse workforce throughout the region.

Are there any challenges to doing business in Saudi Arabia and what is the scale of Atkins business in the Kingdom?
No, we have been in the region for 50 years and bring a wealth of local and international client and project experience. This experience enables us to successfully navigate localised challenges and apply lessons learnt as appropriate.

We are one of the world largest design engineering and project management consultancies with a growing presence in the region.

Do you work principally with Saudi agencies or with international partners?
Depending on the projects that we work on – some projects may be on a single commission basis or in some cases in JV's or partnerships. For example, on Riyadh metro design and engineering we were part of an international consortium with Typsa.

How important is the Kingdom's Vision 2030 strategy in creating opportunities for firms such as Atkins?
Ultimately, we see Vision 2030 being accelerated on a grass roots level. It is creating the right developments for the population (and future populations) to exist. In bringing about this 'change culture', the

> In 2017, Atkins celebrated 50 years of delivering design and engineering consultancy services for clients in the Middle East region.

opportunities within Saudi will create a blueprint for other new cities to follow. We are now at the beginning of that journey, as we align the latest thinking and techniques to accelerate this growth.

Which sectors of the economy is the firm most focused on in Saudi Arabia?

Atkins are focused on all aspects of infrastructure development, from feasibility and masterplanning of new districts, to water supply infrastructure, to new leisure developments, essentially design engineering and project management across, leisure, hospitality, transport, highways, defence and residential.

Atkins has a strong presence in rail transport – how involved is the firm in the major rail and metro projects now underway in Saudi Arabia?

In Riyadh, we have helped to dramatically improve transportation across the city through the design of the metro. We were appointed as lead designer (in a joint venture with Typsa) by FAST consortium to deliver three of the six lines that will comprise Riyadh Metro. The design and build package included 25 stations and two depots, 63km of track, with a total capital cost of approximately £7.8 billion. Atkins drew on its multidisciplinary team of around 250 specialist staff from its offices in Riyadh, the UAE, Bangalore, Hong Kong and the UK. Once complete, the Riyadh Metro, currently the largest public transportation project in the world, will reduce congestion and pollution while offering people sustainable, attractive and fast public transport choices for the first time.

What have been Atkins' activities in the water sector in Saudi Arabia?

Atkins, has recently won procurement advisory services from state owned National Water Company (NWC) as part of a consortium to provide water distribution services in the Kingdom of Saudi Arabia. The consortium is led by financial consultant Mizuho Bank and supported by legal consultant White & Case.

The project is part of a wider privatisation strategy that focuses on customer service, efficiency improvement and cost control, and is designed to bring greater efficiency and guaranteed water supply throughout the Kingdom. The municipal water segment aims to meet the demand for water and wastewater services of the Kingdom's 32 million residents.

Could you describe a few of the major infrastructure projects in which Atkins has played a role?

Atkins are proud to have been part of iconic projects such a Jeddah waterfront, Riyadh Metro, KFUPM business park in Riyadh, King Abdulaziz International Airport - Jeddah, Briman Reservoirs - Jeddah.

When it comes to construction projects, how does Atkins deal with such things as culturally-sensitive architecture?

The transformation programme Vision 2030 is a huge opportunity of traditional design meeting the modern - the heritage of the past meeting the ambition of the future – so managing these two dichotomies' at once poses both a challenge and an opportunity to

help this Vision become a reality. And naturally the key principals of Saudi's heritage are rooted in religion; and this is the real thread that runs through Vision 2030 of course.

The big opportunities are in the new mega cities and resorts, and at Atkins we are mindful that the latest most modern thinking is sensitive to the requirements and are delivered on a macro socio-economic level. Creating contemporary design which plays testament to tradition is absolute.

Architecture, of course is all about appropriateness: there are certain parameters that one needs to stick to. However, when we look at buildings like The Louvre in Abu Dhabi and the Guggenheim Museum in Bilbao, these are examples of buildings that transcend what they stand for; they create a buzz around them that not only makes them visually appealing to the eye, but it helps to change the social environment around them and in turn the country itself. Iconic projects like these draw in tourism, and we only have to look at the Burj Al Arab in Dubai to see how it has and continues to be a pull for tourism – people want to visit the city just to see this icon. Saudi Arabia of course is very much aware of this. With the country having one of the largest religious sites in the world, there is a clear opportunity to help build iconic projects in Saudi Arabia, which will act as force fields to attract tourism both for religious reasons and wider. In the future, we will see these projects come to fruition in Saudi Arabia as the ambitions for the country are realised.

Based on Atkins' experience to date, how would you sum up the opportunities for British business in Saudi Arabia?

There are always opportunities for good businesses. Vision 2030 is an extraordinary programme and we believe it's about creating the right developments for current and future populations. The built environment plays a key role in crafting how the Kingdom wants to be perceived and Atkins are a trusted provider in helping visions be realised.

Huge infrastructure spending to support a new economy

Saudi Arabia is forging a new future that involves hundreds of billions of dollars in investment in new cities, transport systems and the encouragement of economic activity unrelated to oil & gas.

This strategy presents a high-growth market offering significant contract opportunities for UK companies across a wide variety of sectors. After a contraction of activity resulting from lower oil revenues, and ambitious plans are now in place. The latest national budget indicates that public spending in 2018 will exceed US$296 billion and represents Saudi Arabia's largest ever fiscal stimulus.

Infrastructure is a major focus, with some US$45 billion allocated for a vast range of projects, including railway and metro line construction, as well as water and waste water projects that are expected to involve US$66 billion over the next decade. In addition, the Government has announced US$35 billion in "off budget" spending which is due to be financed by the Public Investment Fund (PIF) and National Development Fund (NDF).

In some respects this could make up for lost time, with delayed investments now being accelerated. The scale of the work planned and underway is reflected in some of the figures, which show that between 2016 and the end of 2018 some 16,000km of water mains will have been added. The budget also provides for the construction of 19 dams over the same period and 51 sewage treatment plants.

A new financial district in the capital is nearing completion. This is due to be connected to the rest of the capital by a new metro system, currently under construction and ultimately comprising six lines covering 176km of track, with 85 stations. These are being designed by international firms including London based Zaha Hadid Architects.

Eye catching developments are apparent in other cities. Overlooking the Red Sea, the Sail Tower project is a 60 storey building which will comprise 242 luxury hotel rooms, apartments and parking spaces. In Makkah, a huge swathe of work is underway to renovate and extend sacred areas, as well as improve transit in and around the city. Development of hotels is also ongoing to accommodate a tripling of pilgrimage visitors to 17 million a year. Foster & Partners is involved in the design of the accommodation for more than 100,000 additional rooms in the city.

Saudi Arabia is expected to award infrastructure contracts worth US$35 billion in 2018 across a range of sectors, according to Faithful & Gould, a subsidiary of the UK's Atkins. In addition, the separate PIF allocation is set aside for mega infrastructure, real estate and transportation projects and is also expected to include initial funding for the flagship NEOM technology city project in the northwest of the Kingdom.

Development of aviation facilities and seaports, expansion of the country's industrial cities in Yanbu and Jubail, as well as large scale housing development projects are also priorities. These, together with the aim to increase Public Private Partnerships (PPPs) provide a range of opportunities for UK professional firms offering consulting, advice, design and project management.

"We were expecting a substantial budget for 2018 on the back of better oil revenues in the second half of 2017 and it will greatly assist with the structural reforms necessary to achieve the Kingdom's Vision 2030," according to Chris Seymour, Managing Director of Mott MacDonald Middle East.

"It should be remembered that the budget as such will not all be spent on capital formation of physical infrastructure assets, where significant

private sector investment is also expected as a critical part of the PPP initiative envisaged for many of the major areas of spend," he adds.

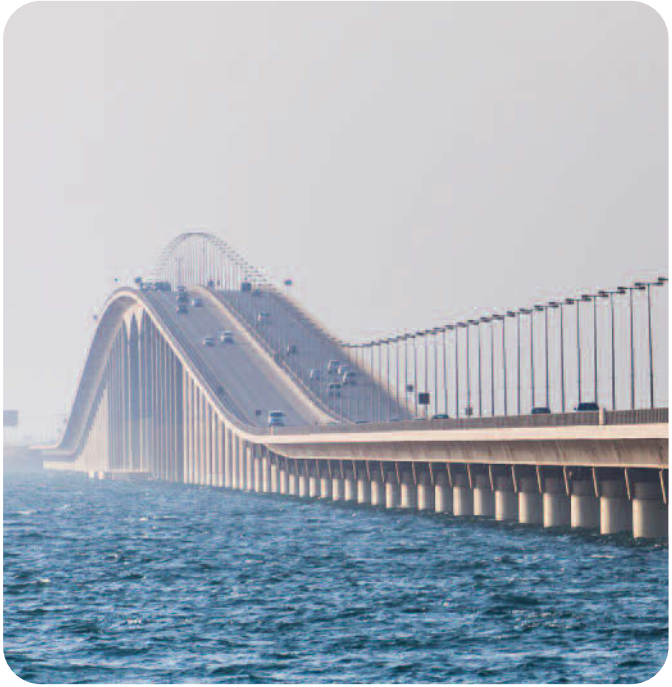
In order to build the institutional capacity and capabilities needed to achieve the ambitious goals of the country's Vision 2030 strategy, the National Transformation Programme 2020 was launched across 24 government bodies operating in the economic and development sectors in 2016.

A speed-up in supplying social infrastructure is one key priority. Commerce and Investment Minister, HE Dr Majid bin Abdullah Al Qasabi has launched a US$5.6 billion four-year programme to stimulate house building, with a further US$3.7 billion to encourage efficient home design and engineering in the Kingdom.

Some projects are of a scale that makes them longer term. These include the planned Al Faisaliyah City, which aims to provide 995,000 new homes to accommodate an estimated 6.5 million people west of Makkah that would connect with Shuaiba on the coast. This US$25 billion project would also include a new airport and seaport.

The US$20 billion Dahiyat Al Fursan real estate project in Riyadh aims to provide 100,000 new homes, as well as social infrastructure for the new neighbourhood. Meanwhile, a contractor is due to be appointed by the end of 2018 for Majid Al Futtaim Group, which plans to build a commercial and residential area including hotels and a huge shopping mall as part of the estimated US$3.3 billion project.

Transportation features prominently in infrastructure investment plans. The King Fahd causeway linking the Eastern province with Bahrain is heavily used, with an average of 60,000 vehicles a day passing over. Improvements call for the construction of two further artificial islands and new access.



The first two lines of Riyadh's new metro project are currently being built. Work on the 63.3km route is being carried out by a Bechtel-led consortium under a US$9.4 billion contract. The overall US$22.5 billion project envisages an eventual network of 176.5km of track and 85 stations.

Earlier decades of Saudi Arabia's development focused on the construction of a transportation system based on building highways but, as has been found elsewhere in developing economies, roads cannot be the only answer, a point emphasised by growing congestion in the largest cities.

Mass transit is now seen as the way forward and the Council of Ministers in 2013 decided to invest in public transit systems involving US$30 billion in Jeddah, Ta'if and Makkah alone. Plans for the latter

> Infrastructure is a major focus, with some US$45 billion allocated for a vast range of projects, including railway and metro line construction.

envisage four metro lines with a total of 88 stations, as well as an express bus system. In addition to a metro network, other plans for Jeddah include a tramline along the city's northern coastline, as well as a marine taxi service and a new bridge.

Opportunities for contractors extend beyond construction and equipment to management and operational support. Freightliner is part of a British consortium already providing such services for the North-South railway line.

The Kingdom's aviation sector also offers significant opportunities. Jeddah's King Abdulaziz International Airport (KAIA) US$7.2 billion expansion project is nearing completion after a decade of construction. The work is expected to raise handling capacity to 30 million passengers a year. Further phases are planned to expand capacity at the airport which is the main entry point for Makkah bound pilgrims, to 43 million passengers annually.

There are plans to upgrade and expand most of the 23 domestic and regional airports and develop others at Jubail, Qunfudhah and Ta'if.

King Fahd International Airport, the principal eastern hub in Dammam, is due to expand its terminal to accommodate 30 million passengers a year from 12.6 million at present. The airport and its assets have already been incorporated into Dammam Airports Company in preparation for eventual privatisation.

The Government intends to engage private contractors in a wide variety of sectors, including airports. Four PPPs have been formed with international consortia to develop airports at Yanbu, Ta'if, Qassim and Ha'il. Two additional airports are also being considered to serve the planned Sudair industrial city north of Riyadh and another in the south to provide domestic flights for those living in Al Kharj, and other provinces south of the capital.

Following the establishment of the UK-Saudi Arabia Strategic Partnership Council, Britain's Transport Secretary, Chris Grayling, visited Riyadh in April 2018, and signed agreements with the General Authority for Civil Aviation (GACA), which is in the course of separating its regulatory functions from operational airport functions. Grayling commented: "we can help with that process and we also have a very important close partnership on aviation security which is a big issue for both countries."

This is also the time for international companies to forge relationships that will support the Kingdom's ambitious infrastructural strategy to develop entirely new cities and communities. Some of the most intriguing contracts could arise from the Kingdom's plan to develop an area close to the borders with Egypt and Jordan. The so called NEOM project was announced by Crown Prince Mohammed at the Future Investment Initiative conference held in Riyadh in October 2017.

NEOM is a neologism formed from the Greek word neo for new and mustaqbal the Arabic word for future. This potential US$500 billion venture will transform the northwest region around Tabuk, with joint venture economic developments overlapping into Egypt and Jordan. The former has already agreed to allocate an area for development

using US$10 billion of Saudi investment and with an emphasis on tourism projects.

NEOM is intended to be designed with judicial and governing bodies that exist outside traditional Saudi governmental structure, making it attractive to young Saudis, international investors and visitors. The focus will be on renewable energy-related industries, biotechnology and advanced manufacturing.

Klaus Kleinfeld, a former CEO of Siemens and Alcoa has been appointed to run the NEOM project, which Crown Prince Mohammed describes as being "not for conventional people or conventional companies. There is a strong political will to create something big in Saudi Arabia."

NEOM and other planned new economic cities are predicated on supporting specialised industries. Saudi Arabia launched several potentially huge projects ten years ago to create entirely new cities, two of them near the Red Sea coast. Another city is planned in the north near Ha'il, while a major new a development west of Madinah, designed to accommodate ICT and other knowledge based industries, is expected to complete its first phase in 2025.

However, global economic slowdown after 2008 and declining oil revenues are factors that have stalled the original plans. The National Transformation Programme 2020, the near term strategy of Vision 2030, has stated the Government's intention to salvage and revamp as many of the original economic city projects as possible, by working with the private sector and with the PIF taking an active role.

With a new vision in place, the economic cities will be repositioned to achieve targeted objectives, offering unprecedented opportunities for Saudi and foreign investors to start hi-tech projects. The process will be assisted by a softening in trade, investment and visa regulations to attract investors who are looking for necessary infrastructure, world-class services and ease of access to finance.

Work is continuing on Jazan Economic City, which is located in the southwest of the Kingdom. Its focus is on a range of fisheries, packaging and distribution industries as well as large scale downstream oil projects. Saudi Aramco, for example, is building a oil refining complex, and a marine terminal to serve the new city.

The largest new city project that has seen development begin is the King Abdullah Economic City (KAEC) project, located near Rabigh on the Red Sea, the most ambitious single infrastructure project to date. Led by Dubai developer Emaar, it is also the world's largest privately-funded new city development.

The new city already accommodates 7,000 people. Low rents and government soft loans for capital investment has so far attracted 70 companies, which have opened factories producing pharmaceuticals, building materials, car parts, plastics and packaging. The city also hosts the nearby King Abdullah University of Science & Technology, the country's first co-ed university.

Hotels, residential areas, a major golf course and entertainment areas are also planned to make KAEC attractive to tourists, as well as providing a major new commercial and industrial area in the region linked to the Haramain high-speed rail connected to Jeddah. This is due to commence services in 2019, while first phases of a giant new container port serving the city are already in operation. Around US$2.7 billion has been invested in the port so far and another US$2 billion is expected to be spent on facilities.

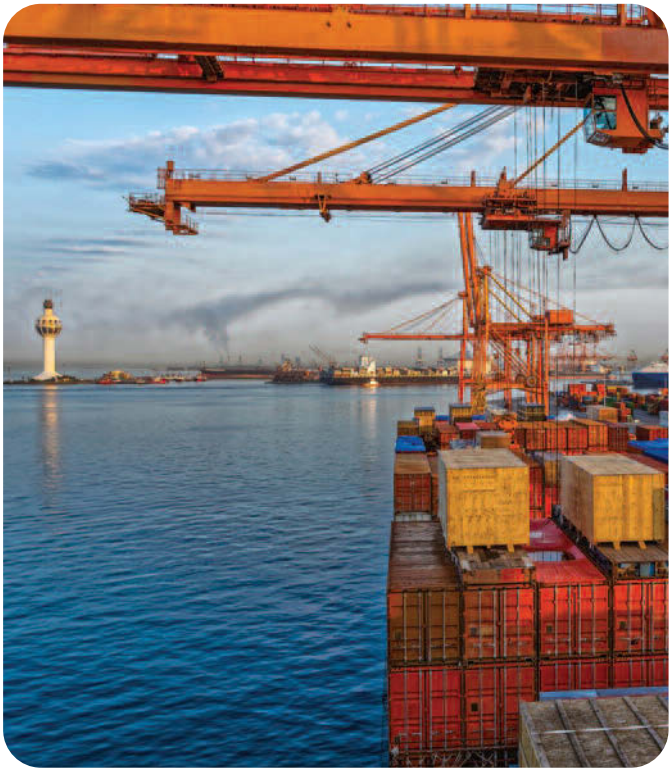
KAEC's Chief Executive, Fahd Al-Rasheed told the 2018 World Economic Forum that the city's new port will see its annual container handling capacity increase from three million to five million, in addition

to new logistics services. "Shipping lines are redrawing their logistics maps, where they stop and where they go. Around 25% of global trade goes through the Red Sea, but we have never leveraged our position in the region. We are now at a stage where we are not only inviting big names to locate in KAEC, but we also need third party developers to co-invest with us to develop faster, especially in housing."

Future development is not only based on urban and industrial development and the Kingdom's changing face is reflected in expanding leisure facilities for its young population. In Riyadh, the Mall of Saudi development, for instance, is due to be completed by 2020. This US$3.3 billion development will provide retail and entertainment space, including ski slopes, offices, hotels and apartments. An indication of the intent to create a more relaxed environment was the lifting of a ban on the opening of cinemas in April 2018.

This deliberate policy is creating big opportunities for firms that can contribute to developing the entertainment and tourism sectors. In February 2018, the Kingdom's General Entertainment Authority (GEA) announced plans to invest US$64 billion into the entertainment sector over the next decade. The GEA was established in 2016, charged with organising and leading development of an entertainment industry designed to enrich the lifestyle of the community and encourage social cohesion.

A landmark entertainment hub is also planned 40km southwest of Riyadh. The US based Six Flags theme parks group has signed an agreement with the PIF to develop and design a branded theme park within the Qiddiya development. This project is set in the desert highlands among striking rock formations and will feature high-end theme parks, motor sports as well as a safari park, indoor ski slopes and water parks. Michael Reininger, a former Disney World Florida executive is CEO of the US$8 billion project.



Through the PIF, the Government also intends to embark on a wide range of tourism developments centred on new resorts on the Kingdom's Red Sea coast and offshore islands between Umluj and Al Wahj. This is part of an effort to encourage more Saudis to holiday in the country and to recapture an estimated US$30 billion spent outside the country. The PIF is expected to provide initial investments and develop partnerships with international companies to deliver these projects.

The Riyadh Front the Business Front, and the Shopping Front

Today, the work environment factors in our lives more than ever. Perhaps now more than ever, people expect more from their workday: if you spend most of your life working, where you work should be a pleasant place to spend the day. Riyadh Front, consisting of Business Front and Shopping Front, fits the bill: just what the doctor ordered.

Saudi Arabia's business sectors are experiencing tremendous economic growth. Kaden Investment is both a response to and a result of this growth – a strong argument could be made either way. Kaden's latest project feeds the country's economic growth and further stimulates the economy. More importantly, Riyadh Front contributes to the realisation of the Kingdom's Vision 2030.

One thing's for sure, this project, in all its vastness, is quite a sight to behold. It's the last word in acritical brilliance, the epitome of modern lifestyle, luxury at its finest.

Located not too far from the King Khaled International Airport and with close access to all major highways, Riyadh Front's strategic location caters to out-of-towners and locals alike. A prime location such as this brings forth healthy amounts of exposure which, in turn, attracts not only businesses but foot traffic as well.

The development is comprised of offices, conference and meeting halls, hotels and recreational facilities, restaurants and cafes, and a shopping area not too far away.

Everything is state-of-the-art – no expense was spared. The offices, for example, are equipped with technologically advanced tools and have the capacity to serve all companies, big and small. Companies may choose to rent anything from a single unit to an entire building – or even multiple buildings. The offices have been designed in ways that allow the tenants to make adjustments and alterations, to tailor their space so asto fulfill every need. Business Front offers leeway and freedom for its clients to create work environments; whatever they see fit for their own particular culture.

Conferences and meeting halls are essential to any business park. This one's home to a great many facilities, all of which feature state-of-the-art communication tools. There is a team stationed on site who is responsible for maintaining the intricate systems, which include screens, broadcasting technologies and recording equipment.

Conference halls and meeting rooms will be available to book should a company

host an event, each one outfitted with all the facilities one would expect from a hotel ballroom. Such spaces provide an excellent, inclusive environment, where people network and connect.

In business, social and professional relationships merge. There is, perhaps, no better example of a place where work and play feel at home than the hotel at Business Front. Guests will enjoy the convenience of being physically close to their place of business in comfort and luxury.

After business comes pleasure. For as much work there is during the day, one must make time for play. Both visitors and workers may choose to take some time to relax at the on-site spa. There's also a swimming pool and many areas where one can catch a moment of peace and quiet.

Furthermore, the development is also stocked full of restaurants and cafes, with a wide variety to choose from – everything from quick snacks and coffee shops, from fast food joints to fancy restaurants.

Business Front employees and visitors may also find what they're looking for at the nearby Shopping Front. Shopping Front has a broad selection of food and drink from which to choose, as well as the latest and boldest of retail outlets to shop from. Getting there couldn't be easier: specialised transportation companies have tailored their services to Riyadh Front – going there and coming back takes almost no time at all.

Of course, the hustle and bustle of a workday can be overwhelming at times. Riyadh Front, however, sits on lush, green grounds. In fact, the Business Front was designed with nature in mind: 80% of the space is comprised of plants and water structures that radiate tranquility. The project, divided in half by a 1km walkway, is surrounded by exotic vegetation and rock formations, where one needn't go far to get in touch with nature.

Behind the thick, green vegetation and waterworks at Business Front lies a tight network of security cameras that keeps a watchful eye over the grounds. Furthermore, each building is safeguarded by a fingerprint recognition system. Safety is a priority, and the campus is monitored around the clock, from the inside and out.

The project as a whole marks a new wave of upcoming developments. It is, in many ways, a trailblazing project. Riyadh Front carves out a new direction, along a path many after it will take.

Business has found a new home.

ذا لوجستكس پارك
The Logistics Park

كادن للاستثمار
Kaden Investment

واجهة الرياض

Healthcare strategy offers major role to the private sector

Following a restructuring of the Kingdom's healthcare system, investment opportunities worth up to US$180 billion could open up for the private sector over the next five years, according to Ibrahim al-Omar, Governor of the Saudi Arabian General Investment Authority (SAGIA).

A key element in the National Transformation Programme (NTP) strategy is an overhaul and modernisation of Saudi Arabia's economy that will encourage private sector investment into a range of sectors, including healthcare with a 100% ownership of clinics and hospitals. As a result, the NTP expects that the private sector's role in Saudi healthcare will expand to 35% by 2020 from 25% currently.

Healthcare is already the country's third largest national budget item after defence and education, and the 2018 allocation of US$32 billion is one of the highest ever, accounting for 15% of total spending.

Providing health services to the country's population is challenging and public hospitals in parts of the Kingdom face severe bed shortages, particularly for patients suffering from chronic diseases, despite rising budget allocations since 2010.

One of the Kingdom's biggest challenges is combatting diabetes, with an estimated 25% of the population affected by the condition. There is, therefore, a growing demand for innovative treatments and ways of managing and providing care for both it and other chronic conditions. While Saudi Arabia currently has a relatively young population, over the next decade the number of citizens aged over 40 is forecast to steadily rise. This demographic shift is likely to trigger increased demands for a range of medical and surgical care for age-related diseases.

The total number of beds at the 274 hospitals run by the Ministry of Health is around 42,000. A further 11,500 beds are available at hospitals serving the needs of armed forces and their families. In addition, there are 470 private hospitals, with a total of about 17,000 beds. Nevertheless, the system is struggling to keep pace.

As a result, a number of major hospital projects providing 13,300 new beds have been rolled-out across the country. These include the US$1.2 billion King Khaled Medical City mega project in Dammam. This will feature a 1,500 bed teaching hospital and is one of a number of integrated medical cities under development in the Kingdom. A second, the King Abdullah Medical City in Makkah Province, will have three hospitals and ten medical centres, providing 1,500 beds while another, the King Faisal Medical City in Abha in the south of the country, will provide 1,350 beds in six hospitals.

However, the Government is going beyond construction of new facilities, and is seeking to adopt a radical new approach to the provision of the nation's healthcare. A mandatory health insurance requirement for private sector employees began to be implemented in 2016 and around 27 insurance companies now operate in the Kingdom, covering more than 11 million beneficiaries, including Saudi nationals and expatriates. Ministers now intend to go further as the Ministry of Health (MOH) seeks to change its role from a service provider to that of a regulator.

In February 2018, the Ministry said it intended to set up a holding company and a further five regional companies, as part of a planned privatisation of the healthcare sector. The aim is to move ahead rapidly with 17 university hospitals and 100 primary healthcare centres, to be managed under these holdings companies, by the end of 2018. This process will be extended to all of the Kingdom's 290 general hospitals and 2,300 primary healthcare centres over the next 12 years.

The Tatweer Holding Company, which operates under the MOH, is developing operational models to transform the ownership and, crucially, the management of its healthcare facilities. The programme is expected to begin in Eastern Province and then be extended to Riyadh and the Makkah region. The plan seeks to bring a third of the country's healthcare under the holdings companies within the next two years.

The Government has also said that it will permit 100% ownership of healthcare institutions, including hospitals. Such investments will be structured through Public Private Partnership (PPP) ventures, and in February 2018, King Salman endorsed a decision by the Saudi Health Council for the establishment of a PPP programme in the healthcare sector.

One such PPP project is a Saudi Trans Sadara Company and China International Development and Investment Corporation (CIDIC) joint venture proposal involving a reported US$350 million investment to build four private hospitals in Dammam, Jubail, Riyadh, and Jazan.

The bold restructuring also calls for establishing a means to monitor and regulate both the public and private elements of the healthcare sector. This oversight ranges from managing progress on PPP ventures

> The many new hospitals and medical facilities due to be commissioned over the next few years will, in turn, increase the demand for drugs and equipment.

and performance gathering, to assessing data on clinical outcomes and defining standards.

This is an essential part of the strategy, since the Government is seeking better outcomes for patients, in addition to much greater efficiencies in delivery of services. In parallel, the initial phases of an electronic health programme are to be rolled-out. This is planned to connect all primary health centres, pharmacies, public as well as private hospitals, and place patient data into a digital format. Much speedier access to doctors and consultants and improved clinical quality is also seen as helping to persuade greater numbers of patients to opt for treatments in the Kingdom, rather than spend money as medical tourists in other countries.

The healthcare sector presents significant opportunities, especially for suppliers able to offer new technology-based solutions to providing medical needs. A plan to maintain digital medical records, for example, will require the moving of traditional medical records to an electronic I format. Use of ICT to allow healthcare providers to send and receive information, and allow specialists to monitor patients in remote locations, is another area of development calling for investment expertise.

There is a growing pace to the planned changes. In 2017, the Government set up the National Centre for Privatisation to oversee the transfer of a number of state-run institutions, including hospitals and other medical centres, and called for bids to provide financial advice on the privatisation of 55 primary health centres in Riyadh.

In April 2018, Vice Minister for Economy and Planning, Mohammed Al Tuwaijri said that the Government was considering the sell-off of all public hospitals, and had begun the process for the King Faisal Specialist Hospital and Research Centre in Riyadh. Negotiations for the latter were said to be at an advanced stage. He also stated that the Ministry of Health had received at least six bids to act as financial advisor for privatisation of the 55 healthcare centres in Riyadh, with KPMG and PricewaterhouseCoopers reported to be among the bidders.

Foreign investment opportunities also extend to the provision of training medical professionals. Government plans call for an increase in the number of student physicians by more than 80%, as well as a doubling of the number of nurses and support staff to 150 per 100,000 people by 2020.

The many new hospitals and medical facilities due to be commissioned over the next few years will, in turn, increase the demand for drugs and equipment. There are openings and government support to develop pharmaceutical manufacturing. Sanofi Aventis, Pfizer and GlaxoSmithKline are among those already producing in the Kingdom. There is also potential to develop domestic manufacture of medical devices, virtually all of which are imported at present.

Healthcare is one of the principal areas covered by Vision 2030 and the changes now underway as part of the NTP are creating multiple opportunities for international investors, consultants and service providers, in an expanding and increasingly private sector driven market.

Life sciences is a focus for major investment and expansion

A key aspect of the economic diversification programme is the development of a knowledge-based economy and a positioning of the country as the premier life sciences centre in the Middle East.

Development of life sciences is considered vital to improve the healthcare system and the Government recognises that the sector will require substantial private sector involvement, if improvements are to be driven forward and rising costs of providing treatments managed efficiently.

One way of achieving this goal is to develop and produce innovative drugs within the country which are needed to combat prevalent lifestyle conditions, such as diabetes, obesity and cardiovascular disease.

This ambitious project will be driven by public-private partnerships (PPPs) and vast R&D funding, according to the Saudi Arabian General Investment Authority (SAGIA). Consequently the pharmaceutical industry will grow strongly over the next five years, and the UK has particularly strong credentials to help deliver many aspects of the strategy.

The inadequate R&D within the country is one of the main limitations to development of new drugs locally. This is likely to change, however, since the authorities are keen to promote internally, resulting from huge endowments that are being made available.

The major pharmaceutical companies are Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO), Tabuk Pharmaceuticals Company and Jamjoom Pharmacy. Currently around 16% of the market is provided by internal companies.

SAGIA plays a key role in promoting and nurturing a life sciences industry. Following an assessment of the country's competitive advantages in the sector, and the creation of a supportive regulatory framework aligned with international best practices, the sector is considered prepared for investment and growth.

SAGIA's rationale for investment in life sciences is to commercialise and manufacture pharmaceutical biotechnology, medical and diagnostic products. Ultimately, SAGIA's vision is to create centres of excellence in bio-technology and R&D that will ensure knowledge transfer, allowing the country to lead in biotechnology applications.

Finding new ways of treating chronic conditions, especially diabetes, is a priority, since patients tend to remain on treatment for a significant number of years. It is a particular concern, with a prevalence rate far higher than the international average and requiring steadily increasing expenditure.

There are many opportunities for producers and developers of diabetes treatments, as the country is open to innovation and has an ability to invest heavily in new approaches. The Swiss pharma giant Novartis, signed an agreement with the Saudi AJA Pharmaceutical Company in June 2018, to manufacture products for the treatment of diabetes and hypertension.

In November 2017, US company Johnson & Johnson set up a joint venture in Riyadh with Abdulrahman Algosaibi and Farouk Maamoun Tamer & Company. A new generation of Saudi companies is emerging which focus on medical research, including Neo-Science Saudi (GSL), which is providing services to the life science, healthcare, analytical and informatics' sectors.

The planned economic cities are expected to be at the forefront of the life science strategy with the establishment of world-class facilities planned for each city.

The NEOM new city, planned for development in the north-west on the Red Sea, is expected to provide multiple opportunities for international companies. It will focus on robotic technologies and advanced technologies to manufacture innovative products.

Johnson & Johnson Group Chairman Michelle Brennan says: "The flexible new regulations introduced by SAGIA have encouraged us to set up our legal presence in the Kingdom under a joint venture with our longstanding distributor partners who have strong knowledge and expertise in the Saudi market."

Founded in 2009 and located in Thuwal, 80km north of Jeddah, KAUST, a specialist research university, now ranks among the top 500 global science institutions, with chemistry a particular focus of research activity, according to the university's Vice President for Research, Professor Jean Frechet.

Strong connections between the UK and Saudi academic and research institutions exist and have the potential to grow further. King Saud University has a Memorandum of Understanding (MoU) with Kings College London, as well as a research agreement with Leeds University for projects in nanoscience. Imperial College London also has partnership programmes with KAUST, while King Abdulaziz City for Science and Technology (KACST) has partnerships with Oxford and Cambridge universities.

One of the MoUs signed during Crown Prince Mohammed's visit to London in 2018 was on healthcare. This MoU is aimed at reinforcing cooperation in the fields of training, primary healthcare, health investment and digital healthcare.

In order to expedite the terms of the MoU, the UK has appointed Professor Mike Richards, until recently The UK's Chief Inspector of hospitals, as its special representative on healthcare to support the Vision 2030 strategy. Lord Ajay Kakkar, Professor of Surgery at University College London, is leading the UK's private sector life sciences group in it's discussions with Saudi counterparts.

The British Council's Programme Director for Saudi Arabia, Mahmoud Mouselli, says that in order to meet increasing Saudi demands for top level healthcare, a national scholarship scheme has been prioritised to sponsor students studying life sciences abroad, at both undergraduate and postgraduate levels. Many of them opt to study in the UK, and of an estimated 8,500 Saudi students in the UK at present, around 875 are studying for life science PhDs.

UNIVERSITY OF HULL

As England's 14th-oldest university, the University of Hull has a proud heritage of academic excellence and a history of creating and inspiring life-changing research.

We take on the big global challenges – from health to habitats, from food to flooding and from supply chains to energy supply – and were rated a top 50 university for research power in the most recent national assessment*.

The University was recently chosen to host the prestigious 2018 British Science Festival - Europe's longest-running science festival – which proved a fitting platform for some of our groundbreaking work.

It was our research that revealed the true extent of plastic pollution in the once pristine Antarctic, and our experts are also working to address the threats of climate change, such as catastrophic flooding.

We are working closely with industry experts to establish the Humber region – now being called Britain's energy estuary – as a centre of excellence for the offshore wind industry.

We have invested in some of the finest research and teaching facilities in the country to pioneer new research in healthcare, from tackling cancer to advanced wound care. Researchers here are making a real difference to people's lives in a host of ways, for example, by aiming to develop a simple urine test for ovarian cancer to speed up detection and treatment.

Other exciting research projects include working to help the immune system fight off deadly germs, and using video gaming technology to support people with dementia to enjoy a higher quality of life for longer in their own homes.

Our seven research institutes bring together expertise from all corners of the University to deliver research that benefits everyone, as well as shaping and informing future policy.

- The **Institute for Clinical and Applied Health Research** brings together interdisciplinary expertise from Hull York Medical School and the School of Health and Social Work to build on our existing success in globally-significant applied healthcare research.
- The **Logistics Institute,** established in 2008, is now a world-renowned centre for research, education and expertise in logistics and supply chain management.

- The **Maritime and Marine Institute** capitalises on Hull's unique combination of physical location, maritime history and marine resources.
- The **Culture, Place and Policy Institute** stimulates research on cultural activities, cultural policy and culture-led urban and regional development across the University.
- The **Risk Institute** is a focus for world-leading risk research and consultancy. It works with major bodies including the Ministry of Defence and the Project Management Institute.
- The **Energy and Environment Institute** addresses global challenges surrounding climate change and its potentially devastating consequences.
- **The Wilberforce Institute** is one of the world's leading research centres working towards the eradication of labour exploitation and slavery.

We offer a supportive and vibrant postgraduate research community where students benefit from dedicated training and development opportunities to help them achieve their full potential.

As well as our pioneering Postgraduate Training Scheme, our Graduate School offers drop-in sessions, workshops, master classes, webinars and much more to support and enhance research skills.

The University earned a Silver Award in the Government's Teaching Excellence Framework which praised the "excellent outcomes" achieved by a "very high proportion" of our students.

The feedback from the panel also noted: "Progression to highly-skilled employment is consistently high, with the provider notably above the benchmark for some student groups, including part-time learners."

In fact, an impressive 97.9% of our international students went into work or further study within six months of graduating, according to the latest statistics**.

That might be part of the reason why our beautiful and friendly campus is currently home to more than 1,300 international students from over 100 countries.

They find everything they need to study, live and socialise – from versatile work spaces to an award-winning careers service – all on one safe site.

We've invested £200 million on new facilities including a world-class library, a state-of-the-art concert hall, on-campus student accommodation and new sports facilities.

This includes the superb new Allam Medical Building, opened by the Queen in November 2017. This impressive facility was named overall winner in the 'Buildings That Inspire' category of The Guardian's University Awards 2018.

Students find their money goes that bit further here. Hull was named the UK's most affordable city in the Natwest Student Living Index 2018.

Our expert Student Support Team provides plenty of advice for those who need it on a wide range of issues including learning support, health and wellbeing, and visas and immigration.

Named the UK City of Culture for 2017, Hull is one of the UK's most talked about cities with massive new investment, particularly in the renewables sector, putting a spring in the city's step.

The Guardian included Hull among its 2017 Hot List of places to visit, while Rough Guides rated us one of the top 10 cities in the world to see in 2016.

* REF 2014

** Destinations of Leavers from Higher Education survey, for the academic year 2016/17 published by the Higher Education Statistics Agency 2018.

Educational reform agenda opens door to foreign investors

The Government has prioritised educational development in its strategic development plan and allocated US$51 billion to the education sector in 2018. The increasing expenditure is intended to increase reforms intended to better equip young Saudis to fill jobs needed for future economic development, as well as take over positions currently held by expatriates.

Plans for the sector are being implemented through the Public Education Development Project (Tatweer). The whole system is being overhauled under the Vision 2030 plan. Tatweer is predicated on working closely with the private sector to ensure that higher education outcomes are in line with the requirements of modern employment needs. The programme envisages strategic partnerships with apprenticeship providers, as well as new skills councils, with significant contributions from industry and large private companies.

The Vision 2030 plan aims to make its young population, more than half of which is below the age of 25, equipped to compete for jobs in both the private and public sectors of the economy. This means providing higher quality, multi-faceted education, aligned with market needs. The strategy also aims to have at least five Saudi universities among the top 200 in international rankings within the next 12 years and to assist students in higher education achieve results above international averages in global educational indicators.

A centralised database is planned which will track students from kindergarten through to the end of secondary school and beyond, into higher and vocational education, in order to improve education planning, evaluation and outcomes.

It calls for development of a modern curriculum focused on “rigorous standards in literacy, numeracy and character development.” Progress is to be tracked and a sophisticated range of education outcomes published to show improvements.

Meeting targets is going to be challenging. In order to carry out the overhaul a significant amount of foreign participation is likely to be required to achieve the rapid improvements that the strategy is demanding.

In August 2017, the Government announced that it would allow foreign investors to take 100% ownership of companies in its education and health sectors. Previously international participants have needed to set up a joint venture with a local partner.

Ibrahim al-Omar, Governor of the Saudi Arabian General Investment Authority (SAGIA) says all types of education including primary schools are open for foreign ownership. An indicator of this is that Saudi nationals are now permitted to enrol in private international schools established in the Kingdom.

Boston Consulting Group (BCG) estimates that Saudi Arabia's private education K-12 market, covering kindergarten through to secondary education up to twelfth grade, was worth US$5 billion in 2017, but could reach US$23 billion by 2023. BCG says that "Saudi Arabia is still a relatively immature market, with few international schools, limited exposure to international curricula and limited experience with foreign investors. Greater competition and consolidation in the private education market is expected."

According to Maya El Hachem, Principal at BCG: "the dearth of private schools available in Saudi Arabia, coupled with government intervention that positively affects the private education market, will amplify the bullish growth expected in the sector. There is a strong need for high quality private schools that offer a variety of curricula and fee ranges. We also expect to see greater consolidation in the private education market, increasingly sophisticated educational offerings and additional emphasis on educational support."

British expertise is well placed to develop a role in the anticipated market growth, particularly for higher education and vocational training. Sir Anthony Seldon, Vice Chancellor of the UK's Buckingham University, has been appointed Special Representative for Education for the UK/Saudi partnership to help forge links between the British and Saudi education systems. This follows a MoU signed by Prime Minister Theresa May and Crown Prince Mohammed Bin Salman in March 2018, committing the UK to support the Vision 2030 reforms.

Through its Technical and Vocational Training Corporation (TVTC) the Government is seeking further education providers from the UK to help develop its Colleges of Excellence programme. With its young population there is a huge potential market, and ministers are seeking fast track solutions to achieve the Vision 2030 aims. The Government is particularly keen to develop vocational education as part of its attempt to diversify the industrial base and ensure students can compete for jobs in a fast evolving and increasingly knowledge based economy.

The target is to raise the proportion of high school graduates attending applied education programmes from 9% in 2016 to 12.5% in 2020, which would require a huge expansion in the number of trainees.

International groups were invited to administer purpose built colleges throughout the country in 2013. A range of providers from the US,

> The Government has prioritised educational development in its strategic development plan and allocated US$51 billion to the education sector in 2018.

Canada, Australia, Spain, Germany, the Netherlands and the UK responded, with around 50% of the partners from the latter.

Initial projects have had mixed success. Low levels of recruitment and retention of students at some of the colleges, particularly in remoter areas, have made meeting targets difficult. Nevertheless, the programme remains a central part of the vocational education drive.

Reem Alotaibi, TVTC's Tendering and Procurement Director of the Colleges of Excellence programme, says the organisers now have five years' experience, which new partners can benefit from. Alwaleed Aldryaan, Managing Director of Riyadh based Al Khaleej Training and Education, considers that bringing in the experience of foreign colleges is a good one. The first programme was a good pilot scheme and hopefully the lessons learned will make subsequent Colleges of Excellence more successful, he believes.

A number of the challenges in the provision of quality education across such a vast country look increasingly likely to be met by digital and technological solutions. The 2017-2018 academic year, for example, witnessed the roll-out of a pilot programme in schools in which print versions of books were replaced with online digital versions.

Under a second phase, more schools are being brought into the programme and by 2020 some 30,000 schools are expected to have moved away from print books. A number of higher education institutions have also embraced the digital transformation, with King Abdulaziz University (KAU) among those aiming to focus on such tuition.

Reformers believe that ICT in the classroom can improve teaching, by replacing the traditional, rote-learning model that does not encourage critical and innovative thinking and is largely based on memorisation and repetition of information. "We want the teacher to change his role from instructor to mentor, and we want the student to transform his role from a passive recipient to an active participant, "says Minister of Education, HE Dr Ahmed bin Mohammed Al-Issa.

Educational reform will, however, require a high standard of content and reliable technology to be effective. An expansion of e-learning and the move towards computer based classrooms are likely to open up a wide range of opportunities for investors who specialise in providing content as well as hardware and training. ICT offers opportunities for education policymakers, as data can become more easily accessible and distributed in real time. This is particularly important when the education system is faced with the task of becoming more closely tied to business needs.

At the same time, the approach requires investment in IT infrastructure. This is a particular challenge in rural areas that may not have access to high-speed broadband. Linking digital-economy businesses directly with educational programmes is a key government goal.

Digital solutions will underpin Saudi's economic development

A new generation of leaders is determined to place the Kingdom at the forefront of technological innovation. In order to accelerate these aims, digital transformation is at the core of the Vision 2030 programme that focuses on diversifying the country's economy. This strategy seeks to equip businesses to be globally competitive and ensure that the country's citizen's receive training in critical ICT skills.

A significant amount of advanced technology is now required to help create the digital infrastructure which the country's economic plans are predicated on.

The country already possesses solid foundations of telecoms connectivity to build on, including four million fixed line connections and an estimated 53 million cellular phones and devices in use. Its network comprises fibre-optic cable, coaxial cable and microwave radio relay systems.

However, internet penetration at around 64% is still well below levels in advanced countries. The National Transformation Programme (NTP,) that was launched to implement the Vision 2030 strategy's aims, expects this level to rise to 85% within five years, with broadband services available throughout the country by the early 2020s.

Spending on ICT grew by 6% in 2017 to reach US$36 billion, with predictions that it could rise a further 8% to US$40 billion in 2018. Hamza Naqshbandi, principal Saudi analyst for research firm International Data Corporation, says: "We expect to see a considerable evolution of the cloud market place as Network Time Protocol (NTP)-related initiatives gather momentum and make use of cloud-based services to achieve the stipulated objectives of the programme.

"We are also anticipating increased investment in the areas of big data and advanced analytics, a trend that will contribute considerably towards improving the provision of citizen-centric services in line with the goals of the programme."

One key element in the programme is the provision of fibre to the home (FTTH) cable services to 90% of urban areas by 2020. France's Sofrecom, part of the Orange Group, is partnering Riyadh based Integrated Telecom Company in designing the network covering 640,000 households.

The NTP strategy also calls for major investment in IT infrastructure, especially in rural areas that may not have access to high-speed broadband communications. In March 2017, telecoms provider Zain

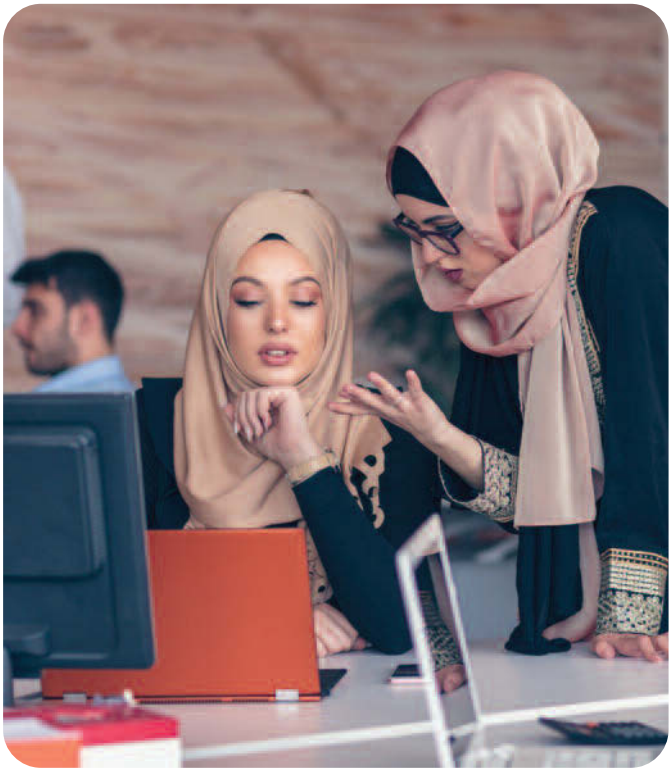
Saudi Arabia was awarded a contract to implement the first high-speed broadband project for rural areas, covering 13 provinces and providing services for 150,000 people.

"The Kingdom is both the largest economy and the largest technology market in the Middle East," according to Communications and Information Technology Minister HE Eng Abdullah Alswaha, "We are open for business, inviting partners to join with us on this exciting journey and use the Kingdom as a destination to trial innovative new ideas.

"We are supercharging the economy with investment, including US$3 billion going to connecting more than two million homes, schools and healthcare providers with high-speed fibre in addition to enabling a nationwide roll-out of a 5G network," he adds.

Meanwhile the first phase of the US$10 billion King Abdullah Financial District in Riyadh is due to be completed in 2018. Envisaged as a pioneering financial hub, the new city district aims to provide a futuristic smart city experience, extending across mass transit, power supply and other utilities.

Investments in technology are also expected to come together with the NEOM project to build a high-tech planned mega-city in the north of the country, with overlapping developments in neighbouring Jordan and Egypt. "As we aspire to be the interconnection between three continents, we are establishing the hub for innovation, knowledge and technology transfer through NEOM, a city likely to have a population of more robots than people," Alswaha told the 2018 World Economic Forum in Davos.



Connecting ICT companies directly with educational programmes is another central part of the policy in order to alleviate current skills shortages. It calls for an expansion and development of links with major global technology companies.

"Digital transformation is at the core of Saudi Arabia's Vision 2030 programme," according to Abdulrahman Al-Zihaiban, VP of Oracle in the Middle East. His company is due to train more than 5,000 Saudis in IT skills in line with the NTP, following an agreement with the Ministry of Communications & Information Technology (MCIT). Courses will be provided in a variety of programmes including Java, SQL, database, cloud and data analysis.

In another move, MCIT has signed a Memorandum of Understanding with China's Shenzhen based Huawei, to further develop the company's innovation centre in the country to include technologies relating to artificial intelligence and Internet of Things to help support Saudi technology companies.

Huawei, in collaboration with the Communications and Information Technology Commission (CITC), opened an academy in Riyadh in 2006 and has already trained some 4,000 engineers there. Huawei's VP, Mark Xue, says: "We are in a crucial and exciting moment in Saudi Arabia's journey towards digital transformation."

The country anticipates that these initiatives will help it to play a leading role in the region's fast developing financial technology (FinTech) sector. Riyadh Bank, for example, has launched the first contactless payment method in a country where cash has traditionally been the primary payment method.

The proliferation of smartphone users and customers who increasingly depend on technology for their everyday needs, combined with the easing of some regulatory barriers, is creating investment opportunities.

FinTech is expected to emerge as one of the strongest sectors of the economy as SME's are empowered to expand through adoption of new technologies. Abdulaziz Fahad Al Jouf, Founder of PayTabs, a Saudi payment processing start-up firm, believes that the spread of FinTech means that "traditional banking as it is known today will disappear within a few years."

New technologies are being applied increasingly at government level and in the private sector. The Saudi Arabian Monetary Authority (SAMA), together with its counterpart, the UAE Central Bank, has announced plans to use Blockchain technologies, that allow information to be distributed but not copied, in cross-border transactions between the two countries.

SAMA has appointed Deloitte Middle East as professional services provider for testing and regulating FinTech. "This is aimed at providing a light touch approach to testing innovative products. In this way we can understand the risks associated with the solutions and regulate them effectively before they are launched," according to SAMA Governor, Dr Ahmed Al Khelaifi.

Dr Al Khelaifi says: "Even though ATMs, credit cards, internet banking and mobile phones are all devices that employ financial technology, we are witnessing great evolution in the growth of FinTech, based on the expansion in large data use, smart phones and the growing desire of consumers to access financial services in line with their personal needs. This is in addition to the emergence of new technical trends, such as artificial intelligence and Blockchain, which will contribute to major changes in the mechanisms to supply services."

London's influential role in the global FinTech sector offers significant opportunities for UK expertise to partner with start-up companies in the region who are developing payment gateways and remittance solutions.

According to Ziad Al-Yousef, Director General of Payment Systems at SAMA, the Kingdom aims to attract leading FinTech companies and become a cashless society. FinTech firms can increase financial inclusion and improve the speed and efficiency of fund flows through electronic means.

In order to develop the strategy, the Government is working with the Saudi General Investment Authority (SAGIA) to relax work visas for talented foreign entrepreneurs. "Saudi Arabia truly has the right ingredients to host a FinTech hub, not least because of its growing tech-savvy youth," he says.

Training and skills transfer are key requirements of Saudi defence programme

Saudi Arabia's defence expenditure is estimated to have reached US$69.7 billion in 2017, making it the world's third largest spender on the military. In this huge market for military equipment and security services, the UK ranks as one of the largest suppliers, second only to the US.

As the Saudi defence sector continues to expand, procurement trends and priorities are evolving, and even the most established suppliers will need to adapt to a client that wants to source more of its equipment needs from locally-based industries.

This is a major consideration for BAE Systems, which delivered the last four Typhoons from an order for 72 of the fighter aircraft by the Saudi air force at the end of 2017. It is anticipated that an order for another 48 Typhoons will result following the signing of a Memorandum of Intent in London during Crown Prince Mohammed's visit to the UK in March 2018. BAE Systems' CEO, Charles Woodburn, described this as a positive step towards agreeing a contract.

Company Chairman, Sir Roger Carr, has stated: "We wish to align ourselves with Saudi Arabia's national objectives. This means creating jobs, wealth and paying taxes in Saudi Arabia, which is why training, onshore manufacturing and onshore repair form our strategy."

The company's holistic approach is reflected in a long standing role of BAE Systems in training and providing support to the Kingdom's armed forces. This participation goes back 45 years, to the signing of the Saudi Air Defence Assistance Project (SADAP) in support of Lightning fighter aircraft sold to the Kingdom by the UK in 1973.

SADAP was followed by agreements in 1978 and 1982 to support the Saudi Arabian National Guard's procurement of secure communications and electronic warfare equipment. These very large defence contracts were eventually dwarfed by the 1985 Al Yamamah deal, to supply Tornado jets, Hawk and Pilatus trainer aircraft and Sandown-class minesweeper vessels, to the Saudi armed forces.

At the time Al Yamamah represented the UK's largest ever export contract in any sector. This was followed in 2005 by the almost equally large Al Salam contract to supply the 72 Typhoon fighters to the Royal Saudi Air Force.

These contracts have all been supported by BAE Systems' managed Technical Services Institute in Dhahran, from where, since the 1980s, nearly 20,000 Saudi Air Force personnel have graduated. The company has some 1,600 of its own staff, together with 3,450 Saudis in Dhahran to support the training programme, with training also undertaken there for officers and technical personnel of the Royal Saudi Naval Forces.

In addition to the needs of Saudi Arabia's armed forces, the homeland domestic security sector also represents a major market, estimated to have been worth more than US$25 billion in 2017, and is growing at more than 5% a year. This has opened up opportunities for small to medium size suppliers.

The market includes surveillance and detection and scanning equipment, perimeter security and access control systems, cyber security software, services and equipment. Many Saudi government and industrial installations are upgrading their security systems, especially in sectors of national importance such as desalination and power plants, oil & gas installations, transportation networks and the petrochemicals sector.

Ideagen, a Nottingham based UK software firm, is supplying an electronic centralised management system to Saudi Ground Services Company, which will be employed at 27 airports across the Kingdom. The technology is expected to enhance security, safety and the quality of services provided at the country's commercial airports, as the software will replace manual and paper systems currently in use.

Banbury based Westminster International has a contract for the supply of hand-held explosives detectors to various government agencies in the Kingdom, while West Sussex based CSE4 has recently completed a project to provide crisis management training, mentoring programmes, as well as workshops on public protection strategies, safety and security management, for Hajj and Umrah pilgrimages.

There is an intensive focus on improving security arrangements to protect vital elements of the national economy, and the Presidency of State Security was set up in 2017, with responsibility for counter-terrorism, domestic intelligence strategy and cyber-security. The latter is growing in importance, with development of a national cyber-security framework to increase awareness and capability underway.

The Kingdom has been hit by a multitude of attacks since 2012, when Saudi Aramco's computer system was disabled by hackers. In 2016, nearly 1,000 attacks aimed at critical infrastructure, attempting to compromise data and cause services interruption, were identified by the Saudi Computer Emergency Response Team.

A cyber-attack on Sadara Chemical Company, a joint venture between Saudi Aramco and Dow Chemical, in 2017 targeted safety controllers operating at the plant, which had the same type of vulnerable technologies also in use in water treatment works, oil refineries and chemical plants in the Kingdom. During the year, Saudi Arabia experienced a new wave of cyber-attacks that affected government agencies as well as private sector companies.

One of the main challenges is providing sufficient numbers of qualified cyber-security specialists. Training is a constant theme in all parts of the Kingdom's defence and security sectors, and this need provides multiple openings for suitably qualified providers. The northern border

barrier, for example, has seen 3,400 Saudis trained to operate command and control centres, monitoring towers, communications and in rapid response roles.

However, while the Saudi Government is anxious to raise skill levels, it also wants to reduce its reliance on imported military technologies and equipment. As such it is set on a path to establish a much more extensive defence manufacturing base in the Kingdom.

Many of the largest defence contractors, including Boeing, Raytheon and BAE Systems that have won the largest orders in Saudi Arabia since the 1980s, have had to contend with the Kingdom's wish to facilitate technology transfer, and obtain the active help of foreign firms in developing locally-sourced aerospace and military manufacturing projects. Several ventures have been established in the aerospace field and also to produce armoured vehicles, small arms and ammunition.

The overall national strategy means that foreign suppliers will have to pay increasing attention to complying with demands for locally based production and to forging relationships with suitable partners in Saudi Arabia as well as co-operation on technology transfer and protection of intellectual property rights.

Ultimately the goal is to secure local production of more than half the Kingdom's military equipment requirements by 2030. This means a very large expansion of the Kingdom's military industries to enable them to move to production of more complex technologies and equipment, eventually including aircraft.

The Kingdom has demonstrated progress in designing and manufacturing military vehicles, communication and electronic systems as well as drones. There is a desire to advance local defence capabilities to Tier One industry status, initially in areas such as unmanned aerial vehicles (UAVs), radar and military communications systems.

Vision 2030 says that an enhanced domestic defence industry will serve to reduce expenditure on foreign made military products and also stimulate other industrial sectors, particularly in the fields of ITC, machinery and industrial equipment production.

This ambitious strategy offers opportunities for joint ventures, technology transfers, consultancy and training services to foreign investors. An easing of present restrictions on foreign investment in the Kingdom's defence manufacturing sector seem likely to be considered. This is in line with the aspirations of Vision 2030 and the National Transformation Programme which seeks to raise private sector participation in all areas of the economy.

Added momentum has been given with the establishment of Saudi Arabian Military Industries (SAMI) in May 2017. Acting as a subsidiary of the influential Public Investment Fund, SAMI has been set up with the aim of building a defence industrial sector and forging a range of joint ventures with global equipment manufacturers. In this process it will become the offset partner for overseas defence firms able to participate in manufacturing, R&D as well as training enterprises in the Kingdom.

A fast changing retail market offers major investment opportunities

Rising consumer incomes and a high level of urbanisation is driving a retail boom, with sales increases ranked among the highest growth figures in the world.

Around 70% of the population is aged under 30 and, with a per capita income averaging around US$22,000 a year, large numbers are able to shop for high-quality goods and demand for luxury goods is growing strongly.

Increasing exposure to international brands means the young and internet-aware population is drawn to new styles and designs, with fashion being one of the largest attractions.

Spending on other personal items is also increasing, with the annual retail value of beauty and personal care products, for example, estimated at US$5.4 billion in 2017 and expected to reach US$6.9 billion in 2021. Retailers predict, with the growing number of women entering the workforce, they will see its retail sector boom over the coming decade.

As stores expand in number and become more attractive to customers, international fashion retailers have been quick to enter the market. Companies such as Gap, Zara, Marks & Spencer, H&M, Topshop, Harvey Nicholls and the Body Shop are already established and popular franchises, and there is still room for more competition, as the nature of the shopping experience improves.

A new era of multi-themed shopping malls is dawning, embracing restaurants, especially fast food outlets, retail stores, cinemas and other entertainment facilities. Consumers are preferring to shop at supermarkets and hypermarkets, as these places can also provide an outing and entertainment for families.

While the number of local family-run stores (baqalahs) is estimated to comprise 57% of the total number of retail outlets, the trend is moving firmly towards hypermarkets, supermarkets and malls, with companies such as Dawood Group, Lulu Hypermarket, Al Jazeera Superstores, Panda Retail and Farm Superstores engaged in expansive development strategies.

Tamimi Market Group, for example, is in the course of opening 35 modern supermarkets by 2020, covering smaller cities as well as Jeddah, Riyadh and Dammam.

Most new development is in northern Riyadh, with projects varying in size from convenience stores to large-scale malls. The shopping experience is likely to be hugely enhanced with a number of international cinema operators looking to enter the market in partnership with local malls. Riyadh is expected to be a key market given its relatively large population of 5.2 million and limited entertainment options at present.

The door is now open for direct investment in the retail market. In 2016, the Government said it would allow foreign companies to 100% own Saudi retail and wholesale firms, replacing the previous requirement for a Saudi investor partner before the establishment of any retail or wholesale operation. The main conditions are that an

investor has operations in other international markets, and is willing to invest at least US$53 million over five years into a retail venture, and commit to hiring and training Saudi citizens.

Shopping, entertainment and eating are being brought together in the giant malls now being developed, while the market for food is also evolving. Saudi Arabia accounts for just over half of total food retail sales in the GCC area, and more than 75% of the country's food is imported. The total value of retail food sales alone was estimated by Euromonitor at US$41.8 billion in 2016, and is forecast to reach US$46.6 billion in 2020.

Food retail outlets increasingly carry a broader range of options for consumers, including processed foods, imported speciality products and organically grown products, with the method of food shopping also changing. While supermarkets and hypermarkets number around 1,255 in total and account for less than 3% of the total number of outlets, they now account for nearly 40% of total grocery sales.

Demand for packaged food is expected to increase substantially. However, consumers are being encouraged to become more health conscious, and this is reflected in rising sales of low calorie products, including reduced sugar and gluten free bakery items.

Evolving consumerism is also reflected in how transactions are being made. Those who were born between 1990 and 2000, the Millennials, tend to be more familiar with media and digital technologies and more adept at their use than previous generations. This factor is playing an increasingly influential part in how goods and brands are sold.

Mobile digital devices have become an important element in the spread of information and in the process of making purchases. Saudi Telecommunications Company launched the first operational 5G mobile telephone network in Eastern Province's Al Khobar area in 2018, with the network gradually being available across the Kingdom. Introduction of these high capacity fast networks will enable users to access a growing range of innovative services and applications.

Online shopping is beginning to have growing impact as well, as shoppers order home products, electronics, clothing and groceries through portals such as Wadi.com, Souq.com and Noon.com, which have recently launched. Dawood Group, for instance, became the first grocery firm to launch a smartphone app in 2016 to allow customers to order online from their mobile devices.

Major investments planned in cultural and arts projects

A major development of the cultural and artistic heritage, encompassing visual and digital technology, performing arts, film making and design is the key element of the Quality of Life Programme. This multi-faceted initiative aims to attract some US$64 billion of state and private sector investment.

It was launched in May 2018 by the Council of Economic and Development Affairs (CEDA), which is chaired by Crown Prince Mohammed bin Salman. Loai Bafaqeeh, a former Marketing and Operations Director at Microsoft, has been appointed CEO, and says that quality of life concept is being redefined, with the aim of making Saudi Arabia an attractive country to live in and visit.

This strategy is seeking to foster significant improvements in individual and family lifestyles by providing a much greater range of cultural activities, entertainment options, and by encouraging participation in sports activities. Evidence of the pace of change is the staging of an international professional boxing tournament in September 2018 at the King Abdullah Sports City in Jeddah, the first time such an event has been held.

Sport is just one facet of the social and cultural change taking place, which is also seeing the emergence of a great deal of creative talent. In major cities such as Jeddah and Riyadh, art galleries are increasingly attracting attention both internally and internationally, and a new 40,000m^2 Royal Centre of the Arts is being built in Riyadh to exhibit the work of new and established artists.

Art Jameel, an organisation that supports artists and creative communities, has begun to develop a creative hub in Jeddah including galleries, studios, theatre space and work spaces to provide a home for the city's creative firms, bringing together filmmakers, photographers, artists and playwrights.

Saudi Aramco is sponsoring the development of the King Abdulaziz Centre for World Culture. The centre, designed by Norwegian architectural group Snøhetta, is nearing completion near Dhahran and includes a 950 seat auditorium, museum and library.

These initiatives will help drive forward a key objective of the Programme to raise the profiles and enhance the international status of major cities. As part of this process, it is looking for private sector and foreign investors to play a major role in the development of entertainment attractions.

It has been recognised that overcoming bureaucratic hurdles has been a difficulty for those involved in the country's cultural sector. Consequently, the General Entertainment Authority (GEA) was formed by Royal Decree in 2016, and has since provided an online portal to bring together in one hub, the various agencies and authorities which issue required permits to hold events in the Kingdom.

Noor Al-Dabbagh was appointed the GEA's Head of Visual Arts for the General Culture Authority in February 2018. She is tasked with expanding visual arts events across the country, as well as supporting education and training programmes and recommending improved regulatory frameworks to make exhibitions and events easier to host.

Culture is an important component of economic development, according to Adrian Chadwick, the British Council's Regional Director for the Middle East and North Africa. "The arts, heritage and cultural industries create jobs, and have the added benefit of promoting internal and external tourism." Chadwick believes that Saudi Arabia is ideally

> Sport is just one facet of the social and cultural change taking place, which is also seeing the emergence of a great deal of creative talent.

positioned to develop its creative and entertainment sectors, pointing to its growing creative output in recent years, including new media such as video blogs.

Online videos have long been a major source of entertainment in Saudi Arabia, which for 35 years imposed a ban on public cinemas. This has seen local digital media companies, such as UTURN in Jeddah and Telfaz 11 in Riyadh flourish, as producers and distributors of Arabic video content on YouTube channels.

The nascent creative industries sector was boosted at the end of 2017 with three agreements signed by the MiSK Foundation with leading Japanese games development companies Square Enix, Shin Nippon Koki and Toei Animation studios, to train young people and develop content.

In addition, Manga Productions, a Riyadh based games development, animation and creative studio, signed an agreement with Toei to jointly produce animation movies and TV serials, to be shown both in Japan and Saudi Arabia. Dr Essam Bukhary, CEO of Manga, a subsidiary of MiSK, says: "We want to further enhance the partnership we have with Japan in order to create world-class animation and video games.

MiSK Foundation was set up by Crown Prince Mohammed in 2011 to encourage young people to become involved in the digital economy. Telfaz 11 is reported to have and recently raised US$9 million in additional venture fund capital. The CEO, Alaa Yousef Fadan, says: "Saudi Arabia's ongoing wave of economic diversification has unlocked a new era of entertainment in the country, opening doors to a whole new world of opportunities for local players and attracting tremendous investor interest."

The UK's global status as a leading developer of digital input means it is well positioned to assist in developing the arts and creative sector. This could include training specialist museum staff and cultural heritage professionals, gallery managers, curators, film and theatre producers, broadcasters and lighting and sound engineers.

In March 2018, the GEA's Governor, Ahmed Al Khateeb, signed a three year agreement with the UK's Digital and Culture Secretary, Matt Hancock, to develop the entertainment and leisure sector. This move followed an agreement by UK based cinema chain, Vue International, with Abdulmohsin Al Hokair Holding Group to launch 30 multiplex cinemas.

Crown Prince Mohammed bin Salman also met a number of CEOs of leading British creative technology industries during his UK visit in 2018. The companies included London based Improbable that uses cloud-based distributed computing to enable the creation of virtual worlds for use in video games and large-scale simulations of the real environment.

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