STRATEGY

structure, which are taken into account.

to a multi-industry group managed by the Public Investment transformation of Saudi Aramco from a state-owned company 15. That said, the IPO is only aimed at setting in motion the in global economic ranking (by nominal GDP) to one of the top nomic goal for 2030: bring the economy from the 19th position certainly does little to bring the country closer to its main eco-

in autumn 2017, does not explain anything per se and most sale of up to 5% of the company's shares, initiated on schedule core component, i. e. the IPO of Saudi Aramco. However, the to the launch of the privatization of the Kingdom's economy's Most descriptions of the transformation program are confined FRUM WEALIH IU ENUKMUUS WEALIH own cultural identity. ditional values and demonstrating strong commitment to its

of the Arab and Islamic worlds, an investment powerhouse and ideology is "Our vision is that Saudi Arabia should be the heart in the Arabian Peninsula. It is no surprise that the plan's key KSA, which originated as a retormist movement in Islam with-

Why? The answer can certainly be found in the history of

see the Saudi monarchy thinking outside the box.

about the possible intentions of absolute monarchs. We now

retorms and the "open society" transition while respecting trasurprised that it is Saudi Arabia that spearheaded structural a hub connecting three continents." There is no reason to be

Fund of KSA (PIF), a sovereign wealth fund whose equity is

forms, promote major investments in the logistics infrastrucat 50%, and mortgage programs), facilitate labour market reing the expansion of real estate ownership by households, now tural reforms will help open the local real estate market (includthe private sector in the GDP to 65% from 40% by 2030. Strucand gas business to 75% from 40% and build up the share of 3.8% annually, expand industry localization for the Saudi oil the share of foreign direct investment to 5.7% from the current SMEs in the country's GDP to 35% from the current 20%, boost able budget. The program also aims to increase the share of KSA intends to cut the budget deficit and switch to a sustainliar to the Russian "budget rule" (popular globally). By 2020, PIF is supposed to operate within a framework that is simthe current 600 billion Saudi riyals (\$160 billion). expected to increase to 7 trillion Saudi riyals (\$2 trillion) from

revenues in the GDP from the current 15%. boueuf of the country's exports should increase to 50% of oil needs. On the back of a better investment climate, the oil comindustry localization at 50% of the national armed forces' ture, support a number of tax reforms and maintain the defense

vestment strategy. Over the past few decades, KSA's sovereign Vision 2030 has no detailed description on the PIF's in-

entry to some regions.

As for leisure tourists, KSA went as far as proposing visa-free and residence permits will become simpler and more efficient. acyools will be growing and the procedure for obtaining visas properties in a number of regions; the number of private is also expected to increase: Foreigners will be able to own

ing clubs and libraries. Saudi Arabia's openness to expatriates ernment support for private cultural activities, hobbies, readlarge extent, is the goal of the Daem program providing govjected to increase to 6% from the current 2.9%, which, to a Honzeholds' cultural and entertainment expenses are prosites should at least double.

cities by 2030, while the number of UNESCO cultural heritage

insula are expected to enter the list of top 100 global mega rent population of KSA. Three major cities of the Arabian Pen-

30 million people per year by 2030, which is close to the cur-The number of Hajj and Umrah pilgrims should increase to

rate is expected to drop to 7% from 11.6%. tracting external ones. At the same time, the unemployment primarily on the use of local human resources rather than atployment in KSA to 30% from the current 22% and is focused have to change too. The plan provides for boosting temale emchange not only the quality of life. Households themselves

A new society with old foundations Vision 2030 plans to

it without social changes and upgrades in the governance tense, to say the least. However, it is impossible to implement

Obviously, the 15-year reformation program is quite in-

the tech sector, which is proved by recent investments in Uber. strategy is scarce. The Saudi leadership is focused on supporting scribed in detail. For instance, information on the IT and telecom extremely reticent about a few aspects, while others are dethe plan, or at least some parts of it, is based. In fact, the plan is ple to Islamic banking and co-investment principles, on which banks. However, new financial technologies are entirely applicawill obviously not grant access to the Saudi market to foreign follower of the sharia principles that forbid interest, so the plan sector. In terms of regulation in the financial sector, KSA is a strict which would require the development of the financial brokerage

increase household savings to 10% from the current 6% level, mostly focused on the equity market. Saudi Arabia's goal is to scription of the financial market development going forward,

Kussia as well (see page 8). Saudi Arabia into an "investment powerhouse" is important for of dollars until 2030. In that sense, the goal of transforming ments, and the program calls for investing hundreds of billions

funds have boasted broad diversification of foreign invest-

The program includes new principles and a high-level de-

The system is designed to be adaptive but Saudi Arabia me program. ly, the complexity of goals prevents radical simplification of ture based on a project and ecosystem approach. Apparenttrolled by different executive bodies. This is a complex strucof practical initiatives has been developed. These are condevelopment plan and the private-sector growth plan, a set tion, the PIF restructuring, the Daem program, the regional step of the reforms, such as the Saudi Aramco transformaand, importantly, a CEDA communication team. For each on the implementation of decisions in government offices) atructural element in project management recently focused cial Committee of the reform, a Delivery Unit (an important

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BIN SALMAN AL SAUD,

tant future goals. The reforms have already started for the peo-

can ignore the existing problems in favor of grand and impor-

REFORMS TAHT AM REGION TAN No reform

too late to become concerned, however, as the reforms are al-

knows that reforms of such scale seldom run smoothly. It is

геаду илдег мау.

agement, Ministry of Economy and Planning, Special Finanproject office, Adaa National Center for Performance Man-Office (SMO, implementation). The SMO includes the CEDA tegic Committee (SC, planning) and Strategic Management ment of all parts of the reforms will be assigned to the Stragovernance for the reforms. Design, management and alignnomic and Development Affairs (CEDA) to provide political The Saudi Council of Ministers will set up the Council of Eco-

The management of reforms is expected to be as follows. and Islamic values. combining liberalization with strong commitment to Arabic ship is not taking it for granted and suggests its own way, regulations, is outside the Saudi agenda. The Saudi leaderpremacy of human rights, regarding all, including religious, tion of minority rights, outside the doctrine of absolute supolifical parties, unrestricted freedom of speech and protecuniversal electoral democracy, civil society, competition of

tion" without creating the traditional western elements of how the Kingdom is planning to build a "vibrant political na-10 no not say The question of **МОПЕКИ СОЛЕКИМЕИ** І

ital Index (SCI), which is a challenging task requiring fast sothe country from the 27th to the 10th position in the Social Capeducation. Notably, the overall goal of Vision 2030 is to propel the current 74, with ambitious targets set for healthcare and Life expectancy is projected to increase to 80 years from



ONE OF THE GOALS

is estimated at a fantastic \$4 trillion. ■

ier conditions for doing business.

tax in 2018.

and the Gulf will remain a center of global trade.

The total investment potential of KSM at the time of reforms

believe that these opportunities will still be there in the future,

transport infrastructure, the Saudi government has reasons to

main the same, and with the development of Saudi ports and

been tested over centuries. As the geographic conditions re-

tional opportunities for Saudi Arabia in the global trade have

mentum for the globalization of the local economy. The traditransport hub and logistics leader will create significant mo-

the Vision 2030 goal for the country to become the regional

but apparently will be set as well. Finally, the achievement of

Morld Bank's Doing Business Index have not been announced,

Targets for improving the nation's current 96th position in the

betitiveness Index. The target for 2030 is to reach the top 10.

taxation level remaining at a record low (zero profit tax), eas-

tion industry and the non-oil production sector and, with the

transformation period, significant benefits for the construc-

local companies, is government support throughout the

consumer goods are currently exempt of VAT) and a luxury

to be followed by a 5% value added tax (100 most important

mer of 2017, KSA has imposed a limited tax on foreign labor,

level of economic security to the population. Since the sum-

It also guarantees long-term stability of prices and a high

property or basic benefits tax will be imposed on individuals.

are related to the abundance of national resources. These will

Of resources and other issues that are common for kussia and

energy consumption by the economy call for the rational use

cation. Incidentally, environmental protection and reduction of

about the underlying resources but the efficiency of their allo-

to a modern social support system. The matter is not so much

zocisi development to a large extent will evidently be upgraded

lished in the country in the late 20th century and impacted its

with e-services. Overall, the "oil socialism", which was estab-

The tariff reform program is moving ahead swiftly, with prices

nolds in order to improve target orientation of the subsidies.

ment has been raising tariffs both for businesses and house-

energy, water supply and fuel sector pricing: the Saudi govern-

For instance, one part of Saudi Vision 2030 is the reform of

ple of KSA in terms of both social and economic development.

expected to reach the reference level by 2020.

KSA aims to create an ultramodern e-government system

constitute important elements of the reform.

The Saudi government's key promise is that no income,

The main promise of KSA to private businesses, mainly

In 2016, Saudi Arabia was ranked 25th in the Global Com-

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