

CHANGING IN FRONT OF YOUR EYES

VISION 2030, THE NATIONAL TRANSFORMATIONAL PROGRAM OF THE KINGDOM OF SAUDI ARABIA (KSA), HAS BEEN IN THE PROCESS OF IMPLEMENTATION FOR TWO AND A HALF YEARS. MOST EXPERTS AGREE THAT THIS IS NOT ENOUGH TIME TO EVALUATE THE EFFECTIVENESS OF ONE OF THE MOST AMBITIOUS REFORM PROJECTS IN THE WORLD. HOWEVER THE PROJECTS WHICH ARE UNDERWAY IN KSA HAVE ALREADY STARTED IN 2017–2018, AND THE MAIN ONES ARE RELATED NOT SO MUCH TO THE CONSTRUCTION BUT TO THE BUSINESS ENVIRONMENT. VASILY TATARINOV



IN THE FIRST MONTHS OF ITS IMPLEMENTATION, THE VISION 2030 PROGRAM HAS ALREADY SHOWN ITS KEY ADVANTAGE – FLEXIBILITY IN THE IMPLEMENTATION OF STABILITY GOALS

The Vision 2030 program that was pushed forward by HRH Prince Mohammed bin Salman bin Abdulaziz, the Crown Prince, Vice President of the Council of Ministers and Minister of Defense, and approved by the KSA government in April 2016, consists of 12 Vision Realization Programs, from privatisation and tax regime to a new cultural policy.

The World Bank's Doing Business (DB) ranking, released in the Autumn 2018, ranked Saudi Arabia 92nd place in the world. However quite important reforms have been noted. Previously, the bankruptcy system in KSA was extremely cumbersome and ranked one of the lowest in the world. It was reformed recently and the new legislation was evaluated by experts as completely transparent and effective. However, it hasn't been taken into account in the 2018 DB ranking yet. In the field of property, its protection and registration, KSA usually ranks among the top 50 best economies in the world, and from the point of view of protecting the rights of shareholders it ranks 7th place. In 2018–2019, reforms will be carried out in the fields of bank loans regulation and export processing. It may take up to three years to improve the situation. Opening a new business will also be significantly easier from 2019. All this will give KSA the potential to improve its DB ranking amongst the top 50 countries of the World in the coming years. The discussion of the most prominent topic that previously interested the investment world in relation to Saudi Arabia, the start of the privatisation of the world's largest oil company and the main business asset of Saudi state owned, Saudi Aramco, has slowed down. Due to the instability in the global financial markets, the Saudi authorities have postponed the IPO of Saudi Aramco. However, they

have not stopped the privatisation legislation reform, or the preparation for the privatisation of a number of smaller state assets.

At the same time global investors were even surprised by another step made by the Saudi authorities: entering the debt market. It was assumed that taking into account the first-class sovereign fund, PIF, the Kingdom would not enter sovereign debt markets. Historically, KSA is a fairly active borrower on the global market. The Kingdom's borrowing increased to a record high of 103% of GDP in 1999. Then it was reduced significantly to 1.6% of GDP in 2014, two years before the publication of Vision 2030. It increased again to 17.3% by 2017 and, despite the influx of oil revenues in 2018, it will continue to rise. This is a very good sign for Vision 2030 because in this scenario the financial part of the program can rely on financing from the public debt, besides, increasing the public debt will potentially increase the depth of the Kingdom's financial market and will contribute to the development of the rather conservative KSA banking system. The increase in the size of loans in the open market was highly appreciated in Saudi society, as it allowed the KSA government to integrate the public debt system into the state budget process without spending the reserves of the sovereign fund. The budget of KSA government since 2017 has been responsible for the supporting households whose incomes declined due to the increase in energy costs and value added tax being introduced. In fact, in 2017 Saudi Arabia created a compact and fairly modern welfare state similar to European systems.

Administrative work on the implementation of Vision 2030 began a year ago. 12 specific projects (Vision Realization Projects

— VRP) were presented to the Council of Economic and Development Affairs (CEDA) in April 2017. These are: Hajj and Umrah Development, National Transformation Program, Public Infrastructure Fund Program, Industry Development and Logistics National Program, Financial Sector Development, Lifestyle Improvement, National Program for Company Promotion, Strategic Partnership Program, Housing Construction Program, Privatisation Program, Budget Deficit Balancing Plan and Saudi National Character Enrichment Program. The pilot projects received budgets in 2018. At the same time, the KSA government restructuring program was implemented and the new entities were formed: the Delivery unit, the national project management centre (Adaa), the Communications department, the Ministry of Culture, the Ministry of Entrepreneurship, the Strategic Management Council and the Strategic Management Office (SMO). The best practices of the Project Management Offices have been used in the reforms in the KSA government. Similar projects have been successfully implemented by the UK. Russia has also been implementing them since 2016 and in that sense Russian priority national projects and project office are programs similar to those that are currently being implemented now in KSA. However, the most discussed topic related to Vision 2030 is cultural news from Saudi Arabia. It is not even about opening the cinemas and allowing women to drive, but about the KSA's proactive participation in various cultural initiatives. (The opportunities being opened up for women in Saudi Arabia in recent years are much broader than it seems. For example, Saudi Arabia has significantly reduced obstacles for women to do business, and in general, it is not perceived as a

revolution within Saudi society, but rather as recognizing the existing order of things and correcting the legislation in accordance with it). Abdullah Amer Al-Swaha, the Minister of Communications and Information Technology, noted at the FII Forum in October 2018 that the traditional view on Saudi Arabia as a conservative state is out-dated. «I remind you, we are the country where young people are free and have the same opportunities for self-realization as all over the world, where the parliament includes women. The goals of Vision 2030 are the development of the current situation, moving forward.» In this regard, of greatest interest is MiSK, the Institute of Art, which was opened in 2017 by the authorities of Saudi Arabia as a platform for the development of traditional culture, diplomacy and exchanges. MiSK successfully took part in the Venice Biennale in 2018, opened several art galleries in Saudi Arabia and around the world, participated as an organiser of the Festival of Arab Culture in New York and started implementing ambitious educational programs. Even five years ago it was almost impossible to imagine an institution of such scale and orientation as MiSK. Just as it is impossible to imagine the Twitter festival, Tweek, held by MiSK in 2017 in Riyadh. These changes are perhaps more important than the innovative mega cities that Saudi Arabia has been constructing since 2017. People with a different view of the world will live in these cities. The fact that KSA is getting ready for these changes, indicates that Vision 2030 is being implemented seriously, the changes initiated by it can hardly be reversed, and the new Saudi society is not only ready to join the World as a full-fledged participant, but is already doing so. ■