



**COMPREHENSIVE GROWTH
STRATEGY:
KINGDOM OF SAUDI ARABIA**

A. ECONOMIC OBJECTIVE AND KEY POLICY COMMITMENTS

A.1 Economic Objectives

Short-term economic objectives of Saudi Arabia are:

1- The macroeconomic stabilization through:

- Enhancing the fiscal and monetary stability to ensure low and stable inflation.
- Extending the absorptive capacity of the national economy to enhance its competition, stability and growth.
- Developing the SME sector and increase its share in the GDP and its creation of employment to nationals.

2- Improve the conditions of the production Sector through:

- Improving the labor and capital productivity in both public and private sectors.
- Improvement of the competitiveness conditions of the national economy.
- Investment environment and business climate.
- Empowering the National Competition Council.
- Enhance competition in all economic sectors through improving competence of supervising and organizing agencies and developing its independence and capabilities.

Medium-term objectives are:

1- Maintain the sustainable economic growth through:

- Deepen and accelerate the pace of economic diversification.
- Expansion in using renewable energy sources and reduces the high rates of domestic consumption of oil and gas¹.
- Enhance the Saudi economic growth rate, stability and competitiveness.
- Increase the contribution of the private sector and improve its productivity.
- Reduce unemployment by creating suitable and sufficient job opportunities for Saudi nationals.
- Implement the new national strategy for the transfer towards a knowledge base society.

2- Maintain the mechanisms of minimizing the social disparities

- Raise the standard of living and quality of life of all segments of society.
- Support the individual initiatives in creating projects through financial credits.
- Enhance the social securities.
- Empower women and raise their participation in all development sectors.

¹ The high growth rate of the domestic consumption of oil and gas, which amounts to about 5% per year, will lead to reduce the potential export of the kingdom in the future, thus the Kingdom is taking strategic procedures to rationalize the domestic use of energy and to diversify its sources. The Kingdom is currently working to improve the standards of efficiency and rationalize use of energy in all economic sectors, particularly in major consumption sectors such as; electricity, water desalination, and transport.

Saudi Arabia's growth strategy is based on key growth-generating factors such as investment, employment, trade, competition and competitiveness. Broad-based investment will contribute largely to the diversification of the economy and generate more job opportunities. Employment generation is expected to raise the standard of living and help improve the quality of life of all Saudis. Foreign trade, competition and competitiveness are expected to increase the contribution of the private sector and improve its productivity. Major new policies that will support achieving these objectives, over the coming five years, would include increasing average annual growth of government consumption to 5.2%, government investment to 10.1%, and value added of oil and gas sector to 2.2%, enhancing competition in Saudi market, and adopting new reform to Investment Policy and the elaboration and implementation of a new investment road-map for each sector.

Saudi growth strategy is expected to contribute to the G20 objectives of strong, sustainable and balanced growth through the following actions:

- Contributing to the global and G20 economic growth and stability by continuing the adoption of positive and balanced policies to play its systemic and stabilizing role in the global oil market.
- Increasing imports by Saudi Arabia of intermediate and capital goods from G20 countries.
- Providing more investment opportunities in Saudi Arabia for the G20 countries and providing profitable opportunities for the G20 investors to take advantage of the free zones planned to be established in Saudi Arabia. A new body is likely to be created to oversee the implementation of the free trade zones,
- Strengthening of bilateral/multilateral technological cooperation.

A. 2 Key Commitments

1. Elaboration and approval of a national strategy and action plan for shifting to knowledge based economy
2. Increasing government investment spending and private investment to expand and develop infrastructure, and stimulate economic activity.
3. Increase employment of Saudi nationals in the private sector
4. Adoption of a non-oil export development initiative over the coming 5 years
5. A package of new policies to enhance competition and competitiveness in all economic sectors.

B. ECONOMIC OUTLOOK AND CHALLENGES TO GROWTH

B.1 Current and Future Growth Prospects

| | Key Indicators | | | | | |
|---|----------------|------|------|------|------|-------|
| | 2013*** | 2014 | 2015 | 2016 | 2017 | 2018 |
| Real GDP (% yoy) ⁽²⁾ | 2.3 | 4.6 | 5.2 | 5.6 | 5.8 | 6.0 |
| Real GDP (% yoy) ⁽³⁾ | 3.95 | 4.5 | 3.3 | 4.3 | 4.4 | 4.4 |
| Nominal GDP (% yoy) ⁽¹⁾ | 1.5**** | 5.5 | 5.5 | 6.6 | 6.9 | 7.3 |
| Output Gap (% of GDP)* | | | | | | |
| Inflation (% , yoy) ⁽⁴⁾ | 3.03 | 4.1 | 5.1 | 1.7 | 3.5 | 3.3 |
| Fiscal Balance (% of GDP)** ⁽¹⁾ | 12.2 | 8.1 | 5.5 | 2.2 | -1.2 | -4.4 |
| Unemployment (nationals) (%) | 11.2 | 11.6 | 10.3 | 9.1 | 7.8 | 6.4 |
| Savings (% of GDP) ⁽¹⁾ | 46.4 | 45.1 | 43.9 | 43.7 | 42.7 | 41.6 |
| Investment (% of GDP) ⁽¹⁾ | 23.3 | 24.8 | 26.9 | 28.6 | 30.4 | 31.99 |
| Current Account Balance (% of GDP) ⁽¹⁾ | 17.7 | 15.9 | 13.7 | 10.8 | 7.9 | 5.1 |

* A positive (negative) gap indicates an economy above (below) its potential.

** A positive (negative) balance indicates a fiscal surplus (deficit).

*** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.

**** The figure is low because of the significant drop in inflation rates during the second half of 2013, due mainly to the decline of oil and food prices globally. It is worth noting that oil revenues constitute about 40% of nominal GDP in Saudi Arabia.

(1) Current Prices. The Current Account Balance is the change of Stocks as % of GDP.

(2) Constant Prices 2010.

(3) Constant Prices 1999.

(4) The fluctuation in inflation rates during the period (2014 – 2018) is due to the anticipated changes in oil revenues, which will affect the monetary conditions in the kingdom. We expect a reduction in oil prices in 2016 , which will lower the fiscal balance to 2.2% in 2016 and thus will lead to a decrease in the inflation rate.

B.2 Key Drivers

The Tenth Development Plan (2015-2019) seeks to maintain an adequate level of total expenditure on goods and services. It is expected that the yearly growth of real total consumption will average about 5.64% compared with about 5.58% during the Ninth Plan at 2010 constant prices. However, the ratio of total consumption to GDP is expected to decline from about 53.9% in 2014, to about 53.6% in 2019 as the expected average GDP growth rate exceeds the expected average total consumption growth rate in the Tenth Plan.

key drivers adopted in the 10th plan are as follows:

- Introduce new programs and projects to increase value added of oil and gas resources in all production activities, and promote industries using these resources.
- Increase real value added of non-oil sectors annually by an average of 8.5% of GDP (at constant prices of 2010) and its share from 59.1% in 2014 to 66% in 2019.
- Growing the share of private sector in the GDP (at constant prices of 2010) from 44.9% in 2014, to 50.6% in 2019.
- Increasing the annual growth rate of the manufacturing industries sector from 8.36% in 2014 to 10.58% in 2019, and the Mining and Quarrying sector from 5.98% in

2014 to 8.56% in 2019.

- Increase in public investment is planned for the coming five years, about 2.4 trillion Riyal to finance development projects of the major sectors, including human resources, economic resources, social and health, and infrastructure. The 10th development Plan allocates 372 billion Riyals for spending on infrastructure, which is about 76% more than what was allocated in the 9th Plan. This will be accompanied by new measures for the rationalization of government spending.

B.3 Assessment of Obstacles and Challenges to Growth

B.3.1 Investment: Gaps and issues

- Despite the incentives provided to the private sector, certain obstacles continue to impede the development of effective public-private partnerships. Such obstacles have been studied recently and are categorized as: a) caused by the owner of the project who is not capable of following up the large number of projects, or who changes the specifications and requirements during execution, or who adopts complicated procedures for payment. b) Caused by the executing contractor who is technically or financially not capable, or who subcontracts parts of the project to unsuitable local contractors. C) Caused by other factors such as: site ownership availability or suitability problems, complicated financial procedure rules and regulations, lack of experienced labor, the site of the project being away from main cities, and an insufficient number of capable contractors.
- The Saudi strategy for attracting foreign investment needs to shift from focusing on quantity to focusing on quality. Foreign investments can play a role in promoting technological development and improving the competitiveness of the national products.
- Short-term bank credit continues to account for the largest share of total credit. In 2013, it accounted for 53.8 percent of total bank credit, compared to 18.9 percent for medium-term credit, and 27.3 percent for long-term credit. This poses a challenge to the financing of private investments that most contribute to diversifying the economic base. The role of specialized credit institutions in providing medium and long term loans is recently being intensified. This includes the Public Investment Fund; the Saudi Industrial Development Fund with the Kafalah Program for SME; the Saudi Credit & Saving Bank for micro enterprises; the Real Estates Development Fund and the Human Resources Development Fund. But, there is still a need to further provide medium and long-term loans for investment projects and particularly to SMEs.
- It is necessary to review investment incentives, exploit the relative advantages of the various Saudi regions, and provide incentives for achieving balanced and sustainable development among the Saudi regions.
- More private business entrepreneurs are needed to diversify and magnify the scale of economic development.

B.3.2 Employment: Gaps and issues

Saudi Arabia's economy has experienced continued high growth over the last decade. Despite this, it faces challenges of high unemployment and low labor market participation among nationals, mainly driven by:

- The abundance of foreign workers in the country, hindering Saudi national employment opportunities.
- High youth unemployment: male youth (15-24) 21%, female youth 54% (source:ILO)
- Low rate of female labor market participation (15.4% of working force) (source: CDSI 2013).

B.3.3 Foreign trade: Gaps and issues

- Need for restructuring: The key foreign trade issues include the relatively weak importance of non-oil exports, the ongoing increase in the imports of services, the slow growth of service exports, and weak inter-regional trade.
- Reduce dependency on imports: The issue in this regard requires the availability of factors of production characterized by acceptable costs and specifications consistent with the domestic market's absorptive capacity.

B.3.4 Competitiveness and competition: Gaps and issues

- Quality of the national labor force: There is a need to adopt a set of serious steps, including the development of educational and training curricula guided by international standards.
- Competitiveness of the national products:
 - Non-oil export products is dominated by activities that use simple technologies i.e., low-grade technology and knowledge content. These activities produce most of the Saudi Arabia's industrial exports, e.g., cement, glass, clothing, leather products, paper, primary mineral products, and jewelry.
 - Limited investments of the private sector in research and development. This prevents the sector from important qualitative development of production and marketing methods.
- New policies to improve competition have been considered in the 10th Development Plan.

C. POLICY RESPONSES TO LIFT GROWTH

C.1 New Macroeconomic Policy Responses

Fiscal Policy:

- Continuing to increase public spending, over the 10th Plan period, as a basic tool for stimulating economic activity and ensuring its stability through the role of government investment spending in increasing the production capacities and enhancing the aggregate supply, as well as through the role of government consumption in boosting

the aggregate demand for goods and services.

- Increasing non-oil public revenue by an annual average rate of 11.2%, so that its share of the total public revenue will increase from 10.1% in 2014 to 13.9% in 2019. The increasing of the non-oil public revenues is expected to be achieved through the increasing economic activities such as Public services, and Tourism sector which is expected to achieve an annual growth rate averaging about 8%, Tariffs by an annual average rate of about 11.8% as a result of the increasing imports by about 6.5% annually, along with other revenues of non-oil sectors such as transportation, financial services, telecommunications, franchise, and others.
- Continuing to increase the capital of the specialized government credit institutions in line with the growing demand for loans granted by these institutions.
- Managing budget surplus in a manner that achieves high, and growing economic returns.

To realize the objectives of the fiscal policy, the 10th plan intends to: rationalize government spending and promote capital assets, assure the availability of monetary resources for economic needs while avoiding inflation, promoting savings through new innovative channels, and increase public spending with a yearly growth rate of 6.3%.

Monetary Policy:

- Continuing to adopt monetary policy tools in a manner that ensures growth of domestic liquidity at rates that support economic activity and maintain price stability. The Tenth Development Plan aims at reducing the average rate of inflation from about 4.1% during the Ninth Plan to about (2.9%) in the Tenth Plan. To achieve that, the following new policies will be enforced; monitoring prices of essential products and services and find solution to its increase, rationalize government subsidies, introduce new measures to improve competition, government intervention to reduce market failures, adopt new measures to better implement the National Strategy of Protecting Integrity and Combating Corruption. Measures to promote creation of new companies in fields that enhance price stability of essential goods.
- Continue to adopt proper policies to maintain the stability of the banking system and increase its efficiency and competitiveness. New legislation and regulations are being introduced to achieve these objectives.

C.2 New Structural Policy Responses

C.2.1 Investment and Infrastructure

1. Increasing government investment spending in order to expand and develop the economic, social and environmental infrastructure to meet needs of the growing population and the requirements of improving the quality of public services, particularly in transport and health systems, without prejudicing coordination between government investments and private investments and ensuring integration among them. Establishment of railways in a number of cities and between the regions all over the country.
2. Increasing private investments as one of the important mechanisms for stimulating

economic activity and dealing efficiently with global developments. This would be achieved through:

- a) Expanding public-private partnerships for the implementation of infrastructure projects and the improvement and development of health, educational and social development services. .It is one of the projects of the national strategy towards knowledge society, its action plan will be started 2015.
 - b) Expanding the scale of investment banking to address the growing relative importance of medium and long-term bank credit, and support SMEs. New laws and regulations are being considered.
 - c) Promote private sector investments in the four Economic Cities by overcoming obstacles that may limit the efficiency of investment performance. Reduce the rental charges of land in industrial zones and other investment projects.
 - d) Maintaining a regulatory environment that is supportive and has stimulating effect on investment. SAGIA is elaborating a Road-Map for investment in major economic sectors.
 - e) Establishing 13 region-wise investment councils to encourage and develop investment in all Saudi regions. Each council will cooperate with the Saudi Arabian General Investment Authority [SAGIA] to support investment in its region, overcome obstacles, and improve the investment environment.
3. Developing the financial market and improving its efficiency to enable it to support the development role of the private sector. To achieve that, new actions will and are being introduced: open up the stock market for foreign financial institutions and reduce obstacles hindering foreign investment, creating an Early Warning System (EWS) against financial crisis, introducing measures to reduce harmful speculation and enforce transparency and improve governance of the financial market. The Kingdom owns a number of initiatives that can serve the EWS such as: Economic models prepared by MoEP, Annual reports of the plan achievements prepared by MoEP, some economic indicators prepared by formal agencies in KSA, including Investment Environment Indicator prepared by SAGIA, Business Optimism Index prepared by the National Commercial Bank, Riyadh Chamber of Commerce Index for prediction of Economic status, Index of Social Responsibility of the Saudi Companies prepared by SAGIA, Disclosure related to the Saudi Capital Market Authority, Periodical reports of SAMA, and other government agencies, and various reports on international indicators which reflect the current status of the Saudi economy.
4. Strengthening sustainable development efforts by ensuring that all investment activities are in line with environment-friendly considerations.

The following table summarizes targeted investment during the 10th Development Plan distributed between the major economic activities.

| Sectors | Total Plan (billion riyal) | Relative Percentage (%) | Average Yearly Growth (%) |
|--|-------------------------------|----------------------------|------------------------------|
| A) Non-Oil Sectors | 4440.11 | 98.4 | 11.2 |
| 1. Production Sectors | 1566.91 | 34.7 | 13.7 |
| 1.1 Agriculture, Forestry and Fisheries | 35.08 | 0.8 | 9.1 |
| 1.2 Non-Oil Mining and Quarrying | 7.19 | 0.2 | 16.2 |
| 1.3 Manufacturing | 1019.46 | 22.6 | 13.7 |
| 1.3.1 Oil Refining | 278.28 | 6.2 | 5.0 |
| 1.3.2 Petrochemicals | 568.83 | 12.6 | 17.0 |
| 1.3.3 Other Manufacturing | 172.35 | 3.8 | 18.4 |
| 1.4 Electricity, Gas, and Water | 475.29 | 10.5 | 13.8 |
| 1.5 Construction | 29.89 | 0.7 | 19.1 |
| 2. Private Services Sectors | 1384.98 | 30.7 | 13.0 |
| 2.1 Trade, Restaurants and Hotels | 141.36 | 3.1 | 17.2 |
| 2.2 Transport and Communications | 153.77 | 3.4 | 15.2 |
| 2.3 Financial, Insurance, Business and Real estate Services | 1057.84 | 23.4 | 12.1 |
| 2.3.1 Real estate | 969.00 | 21.5 | 11.7 |
| 2.3.2 Financial, Insurance, and Business Services | 88.84 | 2.0 | 15.6 |
| 2.4 Community, Social and Personal Services | 32.02 | 0.7 | 14.8 |
| Total Non-Oil Private Sector | 2951.89 | 65.4 | 13.4 |
| 3. Government Services | 1488.22 | 33.0 | 7.1 |
| B) Crude Oil, Natural Gas sector | 74.45 | 1.6 | 5.0 |
| Total Investments | 4514.56 | 100.0 | 11.1 |

C.2.2 Employment

Ministry of Labor and its related organization (MOL+) is the primary entity tasked with the government's focus on increasing labor force participation and reducing unemployment in the private sector. Through MOL+, a series of supply and demand measures are considered to either improve the aggregate demand or increase labor force participation and expand the active labour market policies. These policies will be consistent with these of the 10th Development Plan, and the National Strategy for the Transition to Knowledge Society.

On the Demand Side:

- 1) Providing a coherent and comprehensive social protection package to ensure market efficiency and support labor in employment transitions:
 - i) **Sanid Program** (which is a new compulsory unemployment insurance for all citizens with jobs) will be effective this year 2014. It will lead to more of the country's younger workforce to seek employment at private companies.
 - ii) **Wage Protection System:** A Wage Protection System (WPS) has been introduced by the Ministry of Labor in 2013 to better regulate the labor practices of the private sector and prevent illegal practices. The system – currently covering companies who employ more than 500 workers – monitors the payment of wages to both Saudi and non-Saudi workers employed in the private sector, using bank-certified salary payment files verified through comparison with employee tax database. WPS is in the process of being rolled out, with the intention that it will eventually cover all companies in the private sector.
 - iii) **Minimum wage for workers in the private and public sector** is an additional key commitment of Saudi Arabia. The general minimum wage at the amount of 3000 SAR has already been introduced to the public sector in 2012. Furthermore, the social dialogue regarding "minimum wage in the private sector" started with participation from different social partners and the study outcomes are expected in 4th quarter 2014.
 - iv) **Hafiz Program** which supports real job seekers financially during unemployment time. The first unemployment Assistance (Hafiz 1) was launched in November 2011. The second unemployment assistance (Hafiz 2) follows the success of Hafiz in 2014 for 20-35 year old and provides the same level of financial assistance to job seekers aged 35-60.
- 2) Increasing mobility of expatriate labor:
 - a) A long term aim of the Ministry of Labor is to increase the mobility of expatriate labor, as this will support a reduction in the wage gap between Saudi and expatriate labor. Currently the Wafeed mobility system allows expats from companies with poor Saudization ratios (based on the Nitaqat band) to apply to other companies without approval from existing employer. The Ministry of Labor is currently revising this legislation to allow expatriates to change employer after contract expiry without having to gain approval by employer required. It is hoped that this will be launched in 2015.

- 3) Encouraging the employment of Saudi nationals, particularly of the young population, in the private sector by:
- a) **Nitaqat Program** where each company is classified in bands depending on their compliance with nationalization requirements (e.g. the proportion of Saudis in the workforce): then companies classified in high bands are given privileges. In its 2nd Version, Nitaqat encourages companies to pay a minimum monthly salary of SR 3,000 to Saudis. New adjustments to the program are ongoing e.g. for disadvantaged groups.
 - b) **On the Job training:** A key demand measure has been the launch of a pilot in the private sector providing on the job training. Joint training programs last from two months to two years, with trainees spending 75 per cent of the time in the workplace and the rest in class or theoretical training. On-the-job training for youths and other new employees in the private sector occurs in the workplace under a contract between the employer and trainee. Instruction is provided by a professional trainer or experienced employee. After the completion of the pilot, full scale roll out should begin in 2015.
 - c) **Payroll Rebate:** This innovative country and industry wide subsidy program is being launched in 2014 to encourage private companies to increase the proportion of payroll spent on Saudi labor. The scheme subsidizes a proportion of any increase in the total compensation paid to Saudis, with the subsidy level dependent of Nitaqat band.

On the Supply Side:

The objectives are to implement policies that will increase the labor force participation especially among youth and women as well as to promote effective and efficient labor activation programs.

1. Supporting the preparation of Saudis, especially the youth, to participate in the growth and development of the national economy. Government expenditures are increased with significant investments for rehabilitation of the Saudi labor to provide more competitive and productive labor force. A key element of this is a commitment to establish 50 technical training institutes, (Colleges of Excellence), over the next 10 years, which are incentivized based on the number of college graduates that successfully move directly into employment. Also, establishing Project Parallel, a new action since the St. Petersburg Summit, which is an employment readiness program for young Saudis. It is providing an online pre-test, e-learning modules and e-coaching during work experience/on-the-job trainings.
2. Increasing female participation has become an important policy area for the Ministry of Labor and its affiliated organizations. New programs contributing strongly to this regard are:
 - "Female employment in retail sectors". A headline demand side initiative, which has included requirements for lingerie shops and cosmetic shops that sell women

products to replace all their male staff with women. This was implemented in 2011 with a one year grace period after which shops that did not comply with the new ministerial decision would be forced to cease trading. In 2014, this was extended to cover a significant number of other retail stores – a new action since the St. Petersburg summit. As well as legislating that such jobs can only be taken by women, the initiative also stipulate a salary requirement for Saudi women working in these shops of SR3,000, of which 50 per cent is paid by the Ministry of Labor over three years, while the fund also supports training by paying 50 per cent of the fees. In addition to this, the Ministry of Labor also provides training centers to prepare women for jobs in sales, customer service, store supervisor, and cashier. The number of Women employed in Private Sector has increased by 160,000 in the past two years.

Additional programs to be rolled out that will contribute to further increases in female employment include:

- Telework program as a new employment channel, in particular females in remote areas. The program is due to launch in H2 2014 with full scale roll out in 2015.
- Distance work programs and legislation for home based businesses starting 2015.
- Daycare Centers: This program has a two-fold purpose. First, it seeks to reduce a key barrier to workforce participation among working mothers, childcare provision. Second, it has a broader objective to couple this employment necessity with the development of an early childhood education infrastructure within the Kingdom. Takamol is leading this effort to establish daycare centers as key enablers for boosting the number of working women while enriching the development of young children. In doing so, daycare centers can activate the immediate beneficiaries, mothers with young children, but also can set up the Kingdom's youth for educational success, leading to a higher quality workforce in the future. After a pilot stage, the program will be rolled out across the country. The program is currently in the development phase. The implementation plan consists of roadmaps for both the subsidies and also the daycare centers:
 - Pilot of daycare without educational facility in mall: 2014 Q4
 - Draft of daycare subsidy policy: 2015 Q1
 - Pilot of daycare subsidy, concurrently with IT infrastructure / systems design: 2015 Q2-Q4
 - Roll-out of daycare facilities: 2015+
 - National roll-out: 2016+
- Transportation incentive: incentives to ease the financial burden of transportation to employees' place of employment; because women cannot drive, this should remove an additional barrier to workforce participation. The program is currently in the development phase. The implementation of this incentive depends on finding an external partner with whom to build transportation systems. The preliminary

implementation plan is:

- Draft of transportation subsidy policy: 2015 Q1
 - Pilot, concurrently with IT infrastructure / systems design: 2015 Q2-Q4
 - National roll-out: 2016+
- Short vocational training Courses. Whilst the courses are open to males and females, they are particularly intended to female.
3. Prioritizing the incentives to enhance the skills of the youth. A particular focus has been driving greater job readiness for the private sector, where the majority of workers are currently foreign workers. For youth there are key programs, namely Career Education, Project Parallel, On the Job training and Taqat Grads launched or to be launched, such as a series of business incubators and student training programs in industry, to support the transitional period between university and employment covering limited links between the educational framework and entry-level employment opportunities. New national programs planned in the 10th Plan:
- **Taqat:** a multi-channel job matching agencies. These provide job seekers with evaluation, training and communication skills, and link them with suitable job opportunities. A program has been launched to create an alliance between Taqat and MOL's vocational training schemes run by the **Technical and Vocational Training Corporation (TVTC)**. The focus of the program is to train TVTC staff to provide career guidance support to TVTC students.
 - **Career education:** aims to provide a lifelong service matching skills and interest with employment to make the best possible use of human resources. Current provision incorporates both online and offline support for learning. KPIs include a behavior and environmental change KPI (e.g., Measuring the mindset and behavior change of the beneficiaries) and service level KPIs (quantitative indicators collected by SP and eventually CED offices)
 - **Project parallel:** The main program parts are general employability skills and specialized skills for different types of jobs. A career readiness certificate is issued by the program which gives employers the confidence that the respective person is employable and brings the right skills. The program will be launched and implemented in the first phase in September 2014.

C.2.3 Trade

1. Adoption of a long-term, non-oil export development strategy integrated with the projects of economic diversification, improvement of productivity and competitiveness, and the move towards a knowledge-based society. It is worth noting that the kingdom has already realized important achievement in this regard, since non-oil exports have been raised from (31) billion Riyal in 2001 (4.5% of GDP) to 240 billion Riyal in 2013 (9% of GDP). The average share of non-oil exports as % of GDP is estimated to be 6.2% during the period 2010-2014. The new policy depends on the following mechanisms of implementation:

- Establishment of export-oriented industrial zones.
 - Expansion of bilateral and plurilateral FTA's to enhance non-oil exports.
 - Adoption of short- and medium-term programs to promote productivity in the government and private sectors.
 - Improvement of ports capacity and streamline the procedures and substantial implementation of the trade facilitation agreement.
 - Promotion of the role of the Saudi Export Development Authority.
2. Acceleration of growth and liberalization of services sector with the intention to maximize net exports of services. This liberalization will be implemented gradually in most service sectors according to the commitments undertaken by Saudi Arabia under GATS, specifically in transport, telecommunication, and health sectors. Intra City public transport in cities with high population density will be removed from the negative list very soon after setting the requirements, procedures and regulations that will apply in foreign investment in this field.
 3. Intensify efforts to prepare a long-term strategy to implement structural reforms to enhance net exports.

C.2.4 Competition and Competitiveness

1. A package of new policies to improve competition has been considered in the 10th Development Plan which include:
 - a. Review laws governing the government purchases and tenders.
 - b. Reforming contractors classification criteria
 - c. Develop the mechanisms used in awarding contracting projects
 - d. Revise maintenance contract rules and regulations and adopt KPIs
 - e. Empowering the National Strategy of Protecting Integrity and Combating Corruption.
 - f. Raising the effectiveness of civil society organization in development efforts.
2. Empowering the National Competition Council.
3. Enhance competition in all economic sectors through improving competence of supervising and organizing agencies and developing its independence and capabilities.
4. Increasing the number of judges specialized in trade and competition matters and the number of specialized courts.
5. Establishing and implementing easy regulatory procedures intended to facilitate starting a business and investing in all regions of Saudi Arabia.
6. Continuing efforts to improve productivity in the national economy, particularly in sectors with comparative advantage.
7. Expanding investment in banking to address the growing relative importance of medium and long-term bank credit, and support SMEs.
8. Enforce the Finance Companies Control Law starting 2014; the law has provided a 2-year grace period for existing finance companies to comply with the finance laws and their implementing regulations.

ANNEX 1: ST. PETERSBURG FISCAL TEMPLATE — UPDATE

2. **1. Update on Fiscal Strategy:** Debt-to-GDP ratio is low. No changes to fiscal strategy over the medium-term:

| | 2012-13* | Estimate | Projections | | | | |
|------------------------|----------|----------|-------------|---------|---------|---------|---------|
| | | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Gross Debt | | | | | | | |
| <i>ppt change</i> | | | | | | | |
| Net Debt | | | | | | | |
| <i>ppt change</i> | | | | | | | |
| Deficit | 340 | 238 | 170.7 | 73.2 | (41.4) | (166.7) | (305.7) |
| <i>ppt change</i> | | | | | | | |
| Primary Balance | | | | | | | |
| <i>ppt change</i> | | | | | | | |
| CAPB | 543.3 | 468 | 426.7 | 358.4 | 279.5 | 191.8 | 101.2 |
| <i>ppt change</i> | | | | | | | |

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.
Figures in billions of SR

3. Economic Assumptions, and change since last submission (*required for all members*):

| | 2012-13* | Estimate | Projections | | | | |
|---------------------------|----------|----------|-------------|---------|---------|---------|---------|
| | | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Real GDP growth | 3.8 | 4.5 | 5.2 | 5.8 | 5.8 | 6.0 | 6.2 |
| <i>ppt change</i> | | | | | | | |
| Nominal GDP growth | 1.5 | 5.5 | 5.5 | 6.5 | 6.8 | 7.2 | 7.7 |
| <i>ppt change</i> | | | | | | | |
| ST interest rate | | | | | | | |
| <i>ppt change</i> | | | | | | | |
| LT interest rate | | | | | | | |
| <i>ppt change</i> | | | | | | | |

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.
For 2013: Constant 1999 price. For other years: Constant 2010 price

ANNEX 2: NEW POLICY COMMITMENTS

1. Macroeconomic Policy Responses (including Reforms to Frameworks)

| Macroeconomic Policy Responses (including Reforms to Frameworks) | Continue to adopt appropriate macroeconomic policies and promote gradual shifting to knowledge-based economy |
|--|--|
| Implementation path and expected date of implementation | <ul style="list-style-type: none"> ▪ Continue to increase capital spending. ▪ Continue to adopt monetary policy tools in a manner that ensures growth of domestic liquidity at rates that support economic activity and maintain price stability. ▪ Elaboration and approval of a national strategy and action plan for gradual shifting to knowledge based economy |
| What indicator(s) will be used to measure progress? | Approval of the strategy, its implementation plan and budget. |

2. Investment and Infrastructure

| New Policy Action in Investment and Infrastructure | Increasing government investment spending in order to expand and develop the economic, social and environmental infrastructure |
|---|---|
| Implementation path and expected date of implementation | <p>During the years 2015-2019:</p> <ul style="list-style-type: none"> • An increase in the allocation to projects of major sectors to about 2.4 trillion riyal. • Allocation of 372 billion riyal for the infrastructure sector. • Increasing average government consumption annual growth to 5.2% <p>This new policy is expected to contribute to the objective of the 10th Plan to finance development projects of the major sectors, including the human resources, economic resources, social and health, and infrastructure. The allocation of 372 billion Riyal for spending on infrastructure, is about 76% more than what was allocated in the 9th Plan. This budget constitutes about 15% of what is allocated to all development sectors.</p> |
| What indicator(s) will be used to measure progress? | <ul style="list-style-type: none"> - The ratio of investment to GDP and of Budget. - Percentage of spending on various economic sectors - Spending proportion on investment and infrastructure and their rate of growth. |

| New Policy Action in Investment and Infrastructure | Increasing private investments for stimulating economic activity and dealing efficiently with global developments |
|--|---|
| Implementation path and expected date of implementation | <p>This would be achieved, during the 10th Development Plan (2015-2019), through:</p> <ul style="list-style-type: none"> a) Expanding public-private partnerships for the implementation of infrastructure projects and the improvement and development of health, educational and social development services.It is one of the projects of the national strategy towards knowledge society, its action plan will be started 2015. b) Expanding the scale of investment banking to address the growing relative importance of medium and long-term bank credit, and support SMEs. New laws and regulations are being considered. c) Promote private sector investment in the four Economic Cities by overcoming obstacles that may limit the efficiency of investment performance. Reduce the rental charges of land in industrial zones and other investment projects. d) Maintaining a regulatory environment that is supportive and has stimulating effect on investment.SAGIA is elaborating a Road-Map for investment in major economic sectors. e) Establishing 13 region-wise investment councils to encourage and develop investment in all Saudi regions. Each council will cooperate with the Saudi Arabian General Investment Authority [SAGIA] to support investment in its region, overcome obstacles, and improve the investment environment. f) Promote social responsibility of the private sector. |
| What indicator(s) will be used to measure progress? | % increase of private investment |

3. Employment

The following new policies are expected to contribute to the objective of the 10th Plan to create about 2.1 million job opportunities. The national labor will account for about 1.3 million, or about 62% of total job opportunities. The rest will be accounted for by the non-Saudi labor force.

| • The New policy action: | Increase employment of Saudi nationals in the private sector |
|--|---|
| Implementation path and expected date of implementation | <ul style="list-style-type: none"> • New adjustments to the Nitaqat program (where companies are classified in bands depending on their compliance with Saudization requirements) such as: a minimum monthly salary, privileges for disadvantaged groups, and increase foreign labor mobility • On the Job Training: launch 2015 • Coherent and comprehensive social protection package: Sanid Program (which is a new compulsory unemployment insurance for all citizens with jobs) will be effective this year 2014. It will lead to more of the country's younger workforce to seek employment at private companies. Minimum wage for workers in the private sector is an additional key program for Saudi national employment, a new salary will be set for the coming five years. • Establish 50 technical training institutes, (Colleges of Excellence), over the next 10 years, • Establishing an employment readiness program for young Saudis. It provides an online pre-test, e-learning modules and e-coaching during work experience/on-the-job trainings. |
| What indicator(s) will be used to measure progress? | <ul style="list-style-type: none"> - Number of Saudis working in the Private Sector - Total subsidy paid out - Number of colleges - Number of beneficiaries project parallel - Number of claims in Sanid program |

| <i>New Policy Action in Employment</i> | Increase female participation |
|--|--|
| Implementation path and expected date of implementation | <ul style="list-style-type: none"> •"Female employment in retail sectors". It will be extended to cover a significant number of sectors. •Telework program as a new employment channel, in particular females in remote areas. The program is due to launch in H2 2014 with full scale roll out in 2015. •Daycare Centers: establish affordable daycare centers to boost the number of working women. The program is currently in the development phase. •Short vocational training Courses: Whilst the courses are open to males and females, they are particularly intended to female. |
| What indicator(s) will be used to measure progress? | <ul style="list-style-type: none"> - Employment and unemployment rates for female and their participation rate. |

| <i>New Policy Action in Employment</i> | Project parallel |
|--|---|
| Implementation path and expected date of implementation | The program will be launched and implemented in the first phase in September 2014 |
| What indicator(s) will be used to measure progress? | <ul style="list-style-type: none"> - Number of citizens registered - Number of certificates - Number of Employed |

4. Competition and competitiveness

| New policy action in competition | A package of new policies to enhance competition in all economic sectors |
|---|---|
| <p>Implementation path and expected date of implementation</p> | <p>The package will be implemented over the coming five years of the 10th Development Plan, and includes the following actions:</p> <ul style="list-style-type: none"> a. Review laws governing the government purchases and tenders. b. Reforming contractors classification criteria c. Develop the mechanisms used in awarding contracting projects d. Revise maintenance contract rules and regulations and adopt KPIs e. Empowering the National Strategy of Protecting Integrity and Combating Corruption. f. Raising the effectiveness of civil society organization in development efforts. g. Empowering the National Competition Council. h. Improving competence of supervising and organizing agencies and developing its independence and capabilities. i. Increasing the number of judges specialized in trade and competition matters and the number of specialized courts. j. Stressing the implementation of the Competition Law. |
| <p>What indicator(s) will be used to measure progress?</p> | <p>Issuing new laws, rules and regulation.</p> <p>Reviewing performance of the National entity of Protecting Integrity and Combating Corruption, and the National Competition Council</p> <p>Number of specialized courts and specialized judges in trade and competition matters.</p> |

| New Policy Action in competitiveness | Action package to enhance the competitiveness of the Saudi economy |
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| Implementation path and expected date of implementation | <p>During the coming 5 years the following programs will be implemented:</p> <ul style="list-style-type: none"> • Establish new industrial zones, technology parks, incubators and financial centers. • Increase productivity of labor by 20% in the major economic sectors. • Raise the number of national students registered in engineering faculties by 30%. • Raise the number of national students registered in TVTC by 25%. • Raise GERD by 5% yearly. <p>This action package is expected to contribute to the objective of the 10th Plan to achieve competitiveness goals by 2019, the Plan intends to: increase productivity of labor by 20% in major economic sectors, raise the number of national students registered in engineering faculties by 30% and the number of national students registered in TVTC by 25% and raise GERD by 5% yearly.</p> |
| What indicator(s) will be used to measure progress? | <ul style="list-style-type: none"> • Number of students registered in TVTC. • Number of students registered in engineering faculties. • Number of new industrial zones. |

5. Trade

| • The new policy action: | Adoption of a non-oil export development initiative over the coming 5 years |
|--|--|
| Implementation path and expected date of implementation | <p>The new policy depends on the following mechanisms of implementation:</p> <ul style="list-style-type: none"> ▪ Establishment of export-oriented industrial zones. ▪ Expansion FTAs to enhance non-oil exports. ▪ Adoption of short- and medium-term programs to promote productivity in the government and private sectors. ▪ Promotion of the role of the Saudi Export Development Authority. ▪ Improvement of ports capacity and streamline the procedures and substantial implementation of the trade facilitation agreement. <p>This new policy is expected to contribute to the objective of the 10th Plan to grow total exports at an average annual rate of 4.2%, fixed prices, projecting annual growth rate of services and other non-oil exports to be 8%, and 16% respectively.</p> |
| What indicator(s) will be used to measure progress? | <p>Annual growth rate of non-oil exports.</p> <p>Improvements of ports capacity</p> |