

Summary

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Introducing the Saudi FDI Landscape

10 May

Key points

- Saudi Arabia, the largest economy in the region, has the second best performing stock market in the world; with 15% of world trade running through the Arabian Sea, the country is a well-placed FDI destination.
- Saudi Arabia is reforming its institutions in conjunction with its Vision 2030, aiming to be the regional leader in ease of doing business in 2020.
- Saudi Arabia will soon launch “Invest Atlas”, which outlines all investment opportunities in all sectors.
- NEOM, the country’s ambitious new city at the heart of Saudi Arabia’s development plans, is attracting overwhelming interest from potential partners.
- NEOM will have two types of funds: one for development (infrastructure) and one for investments (partnering with firms and investing in start-ups).

Synopsis

Saudi Arabia, the largest economy in the MENA region, sits at the heart of the Arab and Islamic countries. It has the world’s second best performing stock market. Additionally, 15% of world trade passes through the Arabian Sea. The country has already seen growth in FDI inflows following the announcement of its Vision 2030 and efforts to open up to the region and the world.

The country is pushing to increase investments even further, said H.E. Eng. Ibrahim Al-Omar, Governor, Saudi Arabian General Investment Authority (SAGIA). He noted that SAGIA will look at the business case and vision of businesses moving into the country, working with the companies to position their project or service. SAGIA also helps companies navigate the professional ecosystem in the country. “We have a target of being number one in the region in ease of doing business in 2020,” he said.

Saudi Arabia has 10 quality sectors, including healthcare, transportation and education. The country is the eighth highest spender globally on education, and allows foreign investors to have 100% ownership in education companies. “We also have new, untapped sectors, for instance the tourism sector.” To help investors navigate the opportunities, SAGIA will soon launch “Invest Atlas”, an online database detailing all investment opportunities available in all sectors. In terms of privatisation, SAGIA does not close any reform without confirmation from the private sector that the reform is indeed complete and in accordance with expectations. SAGIA also checks progress on the ground and then re-evaluates the process after one year to see if there are any areas for improvement.

To illustrate just what the country is doing, Klaus Kleinfeld, Chief Executive Officer, NEOM, Saudi Arabia, described the formidable NEOM project. “The investment case for NEOM is easy to make, as we have so many things going for us,” he said. The 30-50 year, \$500 billion project is attracting significant interest from companies, including those at the forefront of technological innovation that want to form partnerships as they will not be held back by existing infrastructure. NEOM will have two types of funds: one for development, specifically infrastructure, and one for investments, targeted at partnerships and investments in start-ups. “The interest in partnering is overwhelming,” he said. NEOM’s first main draw is its location: “It is as if you come to a place where the mind is at peace,” said Kleinfeld. “Prosperity can be gained by creating a new future there.” It is 26,500 sq. km, almost the size of Belgium.

“One of the things we have learned is that early engagement with investors is extremely crucial,” said Kleinfeld, noting that NEOM must target the needs of investors. Thus infrastructure is a priority at NEOM – it already includes two airstrips, a deep-sea port and fibre-optic cables, enabling partners to

innovate. NEOM is tapping into the telecom cables in the Red Sea, the biggest of which connect Africa, Asia and the Middle East. This provides opportunities for companies to experiment, such as telecoms trying to build the new 5G networks and then bringing their ideas to fruition and to the market. “When you have disruptive technologies but you are forced to build them and connect to existing technologies, it holds you back.”

NEOM aims to have a very strong entrepreneurial mindset, with accelerators or a home for start-ups. The idea is to leverage new technologies and proximity to the base economy in Saudi Arabia, and to build on the backbone of resource facilities, especially in education and healthcare services, which innovation hubs need. The start-up phase will emphasise K-12 education as families move in and the children attend school. The universities will help promote R&D and partnerships with innovative institutions. But given its size, NEOM will foster multiple partnerships not only in education and healthcare but also in other sectors.

Kleinfeld commented that NEOM has full legislative authority and has been told to write legislation in the most investor- and business-friendly way. NEOM is also developing a system of international judges, mostly retired, who will be guided by an international arbitration system in case something goes wrong.

Session panellists

H.E. Eng. Ibrahim Al-Omar, Governor, Saudi Arabian General Investment Authority (SAGIA), Saudi Arabia

Klaus Kleinfeld, Chief Executive Officer, NEOM, Saudi Arabia

Moderator: **Hadley Gamble**, Anchor, CNBC

Disclosures

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