



Pre-Budget
Statement

Pre-Budget Statement

FY 2024

وزارة المالية
Ministry of Finance



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List of Abbreviations

AUM	Assets Under Management
Bn	Billion
CAPEX	Capital Expenditure
CPI	Consumer Price Index
FBP	Fiscal Balance Program
FDI	Foreign Direct Investment
FINTECH	Financial Technology
FSDP	Financial Sector Development Program
FSP	Fiscal Sustainability Program
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
H1	First Half of the Year
H2	Second Half of the Year
IMD	International Institute for Management Development
IMF	International Monetary Fund
NDF	National Development Fund
NDMC	National Debt Management Center
OECD	Organization for Economic Co-operation and Development
OPEC	The Organization of the Petroleum Exporting Countries
OPEX	Operating Expenses
PIF	Public Investment Fund
PMI	Purchasing Manager's Index
SAMA	Saudi Central Bank
SAR	Saudi Arabian Riyal
TASI	The Tadawul All Share Index
Tn	Trillion
USD	United States Dollar
WEO	World Economic Outlook
WPI	Wholesale Price Index

Introduction

The Ministry of Finance (MoF) issues the Pre-Budget Statement for FY 2024, in line with the Government's effort in the budget preparation process, by integrating it within a comprehensive fiscal and economic framework for the medium-term. This is designed to enhance transparency, fiscal disclosure, and fiscal planning.

This report aims to inform citizens, analysts, and other concerned parties regarding key domestic and international economic developments that influence the preparation of the upcoming year's budget, as well as the key fiscal objectives and economic indicators for FY 2024 and the medium-term. The report also provides a review of the main strategies and projects to be implemented during the next fiscal year and in the medium term under the umbrella of Saudi Vision 2030 objectives.

It should be noted that the budget is usually approved in Q4 of every year, and it may vary from the content of this document in light of new fiscal and economic developments.

Executive Summary

The inflationary wave prompted many central banks (especially in advanced countries) to tighten monetary policy – in addition to the continuing supply chain challenges and geopolitical tensions – have dampened the global economic growth estimates and expectations of many international organizations and institutions for this year and the coming year, continuing a trend of less-than-average growth for the post-pandemic period.

At the domestic level, the Government of the Kingdom of Saudi Arabia seeks to support economic growth by implementing a group of developmental projects and regional and sectoral strategies in Saudi Arabia's ambitious Vision 2030 journey. Thus, the Government is working to expand government spending that has a transformative effect, while maintaining fiscal sustainability in the medium- and long-term.

Proactive structural and fiscal reforms have enhanced the ability of the Kingdom's economy to thrive amidst global economic challenges and developments. This is clearly evident in the positive economic indicators, which point to continuing GDP growth, improved performance in the non-oil sector, a growing labor force, modest inflation rates compared to global rates, and a continuous decline in the unemployment rate, while continuing to move towards achieving the objectives of the Fiscal Sustainability Program (FSP), with expansionary spending designed to accelerate implementation of the programs, mega projects, and regional and sectoral strategies that support GDP growth, attract investment, and stimulate economic activity and job creation. In addition, Continued progress to improve the Kingdom's fiscal performance by increasing the fiscal space, building government reserves, and maintaining sustainable levels of public debt.

Fiscal and Macroeconomic Performance Summary

- It is expected that positive rates of economic growth will continue during FY 2023 and in the medium term. This is a reflection of structural reforms and implementation of sectoral and regional strategies within Saudi Vision 2030. The real GDP projection for FY 2023, is expected to grow by 0.03%, supported by GDP of non-oil activities, which is expected to grow by 5.9% in light of the positive performance of both economic indicators, strategies and programs implemented to enhance tourism and attract investment to the Kingdom during H1 of FY 2023.
- Preliminary projections indicate that inflation in FY 2023 will increase by 2.6%, and will remain at acceptable levels in the medium term due to the proactive measures and policies taken by the Government to contain price increases, set a ceiling on gasoline prices, ensure an abundance of food stocks, and support social protection programs.
- In light of progress towards achieving the objectives of Saudi Vision 2030, the Government continues to develop and diversify its economy and raising the rates of sustainable economic growth while maintaining fiscal sustainability. This has been achieved through initiatives and strategies to develop promising economic sectors, attract investment, stimulate industry, raise the Share of local content, increase Saudi non-oil exports, and boost the tourism and entertainment sectors. This has been made possible through the effective and important role of the Public Investment Fund (PIF) and the national developmental funds that are supporting GDP growth for non-oil activities at high and sustainable rates over the medium term.

- Preliminary estimates indicate that real GDP growth will be 4.4% for FY 2024, supported by the growth in the GDP of non-oil activities, with the expectation that the private sector will continue to lead economic growth and job creation. It is also expected that the Kingdom's trade balance will improve, and that Saudi Vision 2030 realization programs, initiatives, and regional and sectoral strategies will continue support positive growth rates during FY 2024 and in the medium term, in part due to reform efforts enacted since FY 2021.
- It is estimated that the Kingdom's economic growth will improve revenue in the medium term, with total revenue for FY 2024 estimated at SAR 1,172 bn, and reaching SAR 1,259 bn by FY 2026.
- To achieve Saudi Vision 2030 objectives, the Government seeks to increase the pace of structural and economic reforms, reflected in the budget for FY 2024 and in the medium term. The Government aims to expand strategic spending at the sectoral and regional levels, broaden and diversify the economic base, raise the quality of life of citizens and residents, improve public services, and increase the efficiency and effectiveness of spending to preserve fiscal and economic gains. Accordingly, it is estimated that total expenditures for FY 2024 estimated at SAR 1,251 bn, and reaching SAR 1,368 bn by FY 2026.
- The Government continues the implementation of economic and fiscal structural reforms in pursuit of Saudi Vision 2030 objectives. These include developing fiscal policies that contribute to achieving stability and sustainability for the budget, and adopting expansionary spending policies

that support economic growth. The budget for FY 2024 is estimated to record a deficit of 1.9% of GDP.

- The Government will continue to meet financing needs by borrowing, in accordance with the approved annual borrowing plan, to finance the expected budget deficit and pay the debt principal due in FY 2024. The Government will also continue to search for available opportunities, according to market conditions, to implement additional proactive financing activities to pay the debt principal due in the coming years and to finance some strategic projects. This will also be done to exploit market opportunities to implement alternative government financing activities that can enhance economic growth, such as financing capital projects and infrastructure, with the aim of diversifying financing channels to maintain market efficiency and enhance its depth.
- The budget for FY 2024 also aims to strengthen the Government's financial position by maintaining safe levels of government reserves to enhance the Kingdom's ability to deal with external shocks.

01

Key Fiscal Objectives and Economic Indicators

for FY 2024 and the Medium-term



A/ Macroeconomic Projections for FY 2024 and the Medium-term

1. Global Economic Developments

The economies of many countries around the world are experiencing a slowdown in the recovery phase and a continuation of the state of uncertainty that dominated the outlook of the global economy since the beginning of 2022, with most central banks continuing to tighten monetary policy to limit high inflation rates that have reached exceptional levels in many countries of the world. This is in addition to the instability in the global financial system and continued geopolitical events and fluctuations. Accordingly, the International Monetary Fund (IMF) expects a slowdown in the growth of the global economy, according to the World Economic Outlook report for July 2023, projecting growth of 3.0% in FY 2023 and FY 2024, compared to a 3.5% in FY 2022. These projected growth rates are much lower than the average growth rate for the two decades prior to the COVID-19 pandemic. The IMF expects growth in the economies of advanced countries to slowdown from 2.7% in FY 2022 to 1.5% in FY 2023, due to a slowdown in gross fixed capital formation and industrial production. The IMF estimates growth will be 1.4% for FY 2024, with growth in the Eurozone declining to 0.9% in FY 2023 and then up slightly to 1.5% in FY 2024, as a result of the continued rise in energy prices due to the Russian-Ukrainian crisis. Meanwhile, the IMF expects stable growth in emerging market economies and developing economies at 4.0% and 4.1% for the year's FY 2023 and FY 2024, respectively, compared to 4.0% growth achieved in FY 2022.

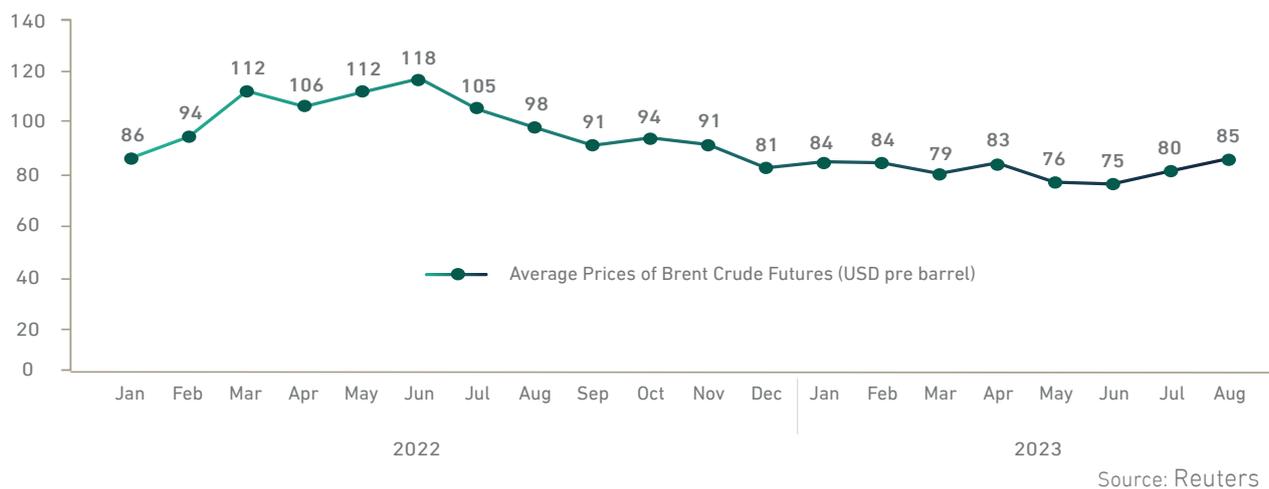
Global inflation rates have declined while commodity prices are more stable since the beginning of FY 2023, as the IMF expects a decline in the global inflation rate from 8.7% in FY 2022 to 6.8% in FY 2023, and then 5.2% in FY 2024. The IMF also expects a decline in the inflation rate to 2.8% in the economies of advanced countries and 6.8% in the economies of emerging markets and developing economies for FY 2024.

Growth Rates	2021	2022	2023 Projections*	2024 Projections*
Global Economy	6.3%	3.5%	3.0%	3.0%
Advanced Economies	5.4%	2.7%	1.5%	1.4%
Emerging Markets & Developing Economies	6.8%	4.0%	4.0%	4.1%
USA	5.9%	2.1%	1.8%	1.0%
China	8.4%	3.0%	5.2%	4.5%
Japan	2.2%	1.0%	1.4%	1.0%
India	9.1%	7.2%	6.1%	6.3%
Euro area	5.3%	3.5%	0.9%	1.5%
Saudi Arabia	3.9%	8.7%	1.9%	2.8%
Global Inflation	4.7%	8.7%	6.8%	5.2%
Inflation in Advanced Economies	3.1%	7.3%	4.7%	2.8%
Inflation in Emerging Markets & Developing Countries	5.9%	9.8%	8.3%	6.8%

*Source: IMF - World Economic Outlook (WEO), July 2023

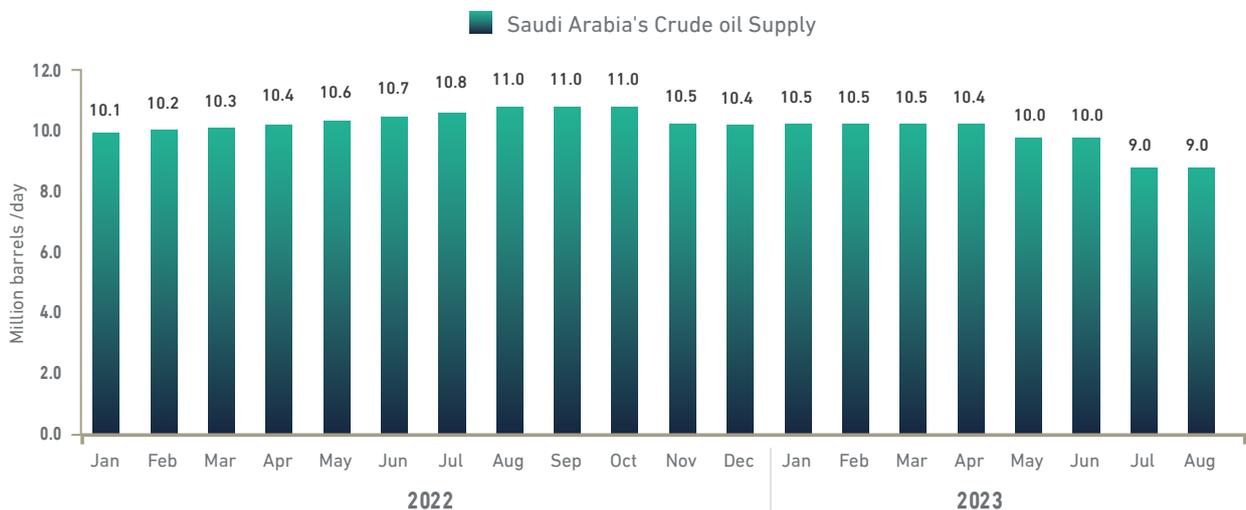
The World Bank also indicated in its report on the global economy issued in June FY 2023 that global growth is expected to slow down from 3.1% in FY 2022 to 2.1% and 2.4% in FY 2023 and FY 2024, respectively. This is due to the continuation of the Russian-Ukrainian crisis and the restriction of global credit resulting from central banks' monetary policy tightening followed by most central banks, especially in advanced countries.

Average prices of Brent crude future contracts decreased by 22.2% from the beginning of the year until August FY 2023, recording an average of about USD 80.8 per barrel, compared to USD 103.8 per barrel during the same period last year. Prices then increased in September, exceeding USD 95 per barrel. The fluctuation of average oil prices during FY 2023 is due to slowing global growth resulting from the increase in inflation rates, the rise in interest rates, and the continuation of the Russian-Ukrainian crisis.



The Kingdom of Saudi Arabia and OPEC+ countries implemented a reduction in oil supplies to support stability, balance, and efficiency in oil markets, bringing the Kingdom's average supplies from the beginning of FY 2023 until the end of August to 9.96 million barrels (per day). This is a decrease of 5.22% which equals a decline of 548,000 barrels (per day). The Kingdom announced a voluntary reduction of 500,000 barrels (per day) from the beginning of May until the end of FY2023 and it was extended until the end of FY 2024. Moreover, the Kingdom announced an additional voluntary reduction of one million barrels (per day) starting from July of FY 2023 until the end of the year.

The Organization of the Petroleum Exporting Countries (OPEC) estimated that the total global oil demand for FY 2023 would grow by 2.4% compared to the previous year, bringing global oil demand to 102.1 million barrels (per day). OPEC also estimated that demand would increase by 2.2% in FY 2024 compared to FY 2023, reaching 104.3 million barrels (per day). According to OPEC’s preliminary data issued in the September 2023 report, this current year has witnessed an increase in demand of 2.3 million barrels (per day) in line with previous estimates as a result of increased demand in some countries that are not members of the Organization for Economic Co-operation and Development (OECD). This rise is attributed to the economic recovery in those countries and the increase in the demand for fuel in the transportation and Manufacturing sector.



Source: JODI

2. Domestic Economic Developments

Despite the slowdown in global economic growth prospects for FY 2023—and the uncertainty due to geopolitical tensions, inflationary pressures, high interest rates, and increasing risks of recession in a number of major economies—the Kingdom's economy had the strength and resilience to confront these challenges. The Kingdom's GDP grew 2.5% during H1 of FY 2023 compared to the same period last year, led by growth in the GDP of non-oil activities, which recorded a growth rate of 5.7%. It is also expected that positive growth will continue in H2 of FY 2023 due to the Government's efforts to support and enhance economic activity, ease cost-of-living burdens and contain inflation, develop the labor market while improving job opportunities for both men and women, and continue social protection programs. In addition, to the continuous implementation of the Saudi Vision 2030's realization plans and initiatives.

It is expected that positive growth will continue during FY 2023 and in the medium term due to structural reforms, regional and sectoral strategies and major projects envisioned under Saudi Vision 2030.

Real GDP will be an estimated 0.03% for all of FY 2023, due to the voluntary reduction in oil production, and supported by 5.9% growth of the GDP of non-oil activities, led by wholesale and retail trade, restaurants and hotels activity, as well as tourism activity spurred by new amendments to tourist visa regulations which increased visits and private consumption rates. In Q1 of FY 2023 the Kingdom recorded the highest quarterly total of tourists from outside the Kingdom, estimated at 7.8 million tourists, a growth rate of 64% compared to Q1 of 2019.

Manufacturing activity is expected to grow during 2023, as the average industrial production index grew by 1.0% from the beginning of the year until

July, driven by 569 factories that began production until July FY 2023, with total investments of SAR 16.3 bn and 659 new licenses. Real Gross fixed capital formation (non-government) achieved 8.5% growth on an annual basis during H1 of FY 2023 while foreign direct investment (FDI) grew 10.2% on an annual basis in Q1 of 2023. The number of investment deals reached 104 completed during H1 of FY 2023, achieving a growth of around 3.0% compared to the same period last year.

The Consumer Price Index (CPI) increased 2.7% from the beginning of FY 2023 until August compared to the same period of last year. The CPI “inflation rate” for FY 2023 is expected to reach 2.6%. This is despite the rise in global inflation rates, and the tightening in monetary policy by central banks in several countries which have raised interest rates to combat inflation. Central banks also sought to slow demand due to disruptions in the global supply chains, which has led to an increase in the prices of global commodity and logistics services. However, inflation rates in the Kingdom remained at relatively reasonable levels compared to advanced and developing countries due to the proactive measures and policies taken by the Government to contain rising prices, including a cap on gasoline prices, increases in food stocks, and greater support for social protection programs.

Economic reforms have contributed to improving labor market indicators, in line with the objectives of Saudi Vision 2030. This was reflected positively in the unemployment rate for Saudis, which reached 8.3% during Q2 of this year—one of the lowest in more than twenty years. The number of Saudi workers in the private sector increased by the end of H1 of FY 2023 by 153,000 workers, growing by 7.4% compared to the end of H1 of FY 2022. The total number of Saudi workers in the private sector reached to 2.2 million male and female employees, compared

to 2.07 million at the end of H1 of FY 2022. Also, 1,085,000 jobs were created by the Saudi economy in the private sector during H1 of FY 2023, for Saudis and non-Saudis, compared to H1 of the FY 2022. This result is due to nationalization initiatives, Government efforts to increase the percentage of local content in projects to develop national industry and logistics services, incentives for national exports, privatization programs which create opportunities for citizens in the labor market, and the women's empowerment initiative that resulted in an increase in women's participation in the labor market reaching 35.3% during Q2 of this year, exceeding the Saudi Vision 2030 target of 30%. These results reflect the improvement in the business environment in the Kingdom in light of positive non-oil GDP growth in the Saudi economy.

The Kingdom seeks to achieve the objectives of Saudi Vision 2030 through a group of investment arms, including the PIF, which seeks – as one of the main engines of the economy and investment in the Kingdom – to develop mega and leading projects globally and domestically. It aims to launch new sectors and contribute to economic diversification goals. There are several projects announced by the PIF that are worthy of mention, such as the Fund's acquisition of the Saudi Iron and Steel Company "Hadeed," which supports national efforts to develop the mineral industries sector. This was executed through the creation of a large entity in this sector to address the demand and future needs of the iron and steel sector, driven by Saudi Vision 2030 objectives in the National Strategy for Industry and the Mining Strategy, as well as nationalization and local content objectives. Likewise, the Saudi Tourism Investment Company "Asfar" aims to invest in cooperation with the private sector in tourism projects around the Kingdom. Moreover, the PIF has established several mega projects, including the "Roshen" Corporation Project, which aims to enhance the quality of life of

citizens in the Kingdom and contributes to meeting the growing demand in the housing sector, providing more options for citizens, contributing to GDP growth, and supporting national companies. The Diriyah Gate Development Project aims to transform Diriyah into one of the greatest global destinations, with the goal of attracting 27 million local and international visitors by 2030. This will support of the National Tourism Strategy, as the Kingdom increased its objective from 100 million to 150 million tourists annually by 2030. The PIF also supports the sports sector to diversify the domestic economy, in line with the focal points of Saudi Vision 2030 that aim to create a dynamic community.

Four special economic zones in strategic locations were announced, in Riyadh, Jazan, Ras Al-Khair, and King Abdullah Economic City, aiming to develop and support the economy; open new horizons for development on a competitive basis for each region; and improve the investment environment in a way that enhances the Kingdom's position and makes it a leading global investment destination. This also aims to contribute to enhancing industrial diversification, and transforming the Kingdom into a leading logistics and industrial power.

The Kingdom seeks to be an attractive investment destination that stimulates economic activity and growth. Therefore, the Events Investment Fund was launched with the aim of achieving economic diversification, attracting foreign investment, and enhancing the Kingdom's transformation into a global tourist destination. This is in addition to continuing efforts in implementing the announced mega projects and initiatives, such as the "Saudi Green" initiative, which represents one of the Kingdom's efforts to confront climate change while providing huge investment opportunities for the private sector. Also, the Venture Capital Initiative, which is part of the Financial Sector Development Program

(FSDP), aims to support investments in emerging companies capable of rapid growth.

The positive projections for the Saudi economy for FY 2024 is a result of the positive developments in the actual performance during H1 of FY 2023, as estimates of economic growth rates in the Kingdom for FY 2024 and the medium term were revised, and preliminary estimates indicate a growth in real GDP of 4.4% in FY 2024, driven by a growth in the GDP for non-oil activities, and the expectations that the growth in the private sector will continue to lead economic growth in FY 2024 and the medium term, and contribute to increase business opportunities and job creation in the labor market, improvement in the Kingdom's trade balance, and the continued implementation of Saudi Vision 2030 programs.

Medium-term Macroeconomic Projections

(Percentage, unless otherwise stated)

	Actual*	Estimates **	Projections**		
	2022	2023	2024	2025	2026
Economic Indicators					
Real GDP Growth	8.7%	0.03%	4.4%	5.7%	5.1%
Nominal GDP (SAR Billion)	4,156	4,136	4,261	4,494	4,774
Inflation	2.5%	2.6%	2.2%	2.1%	1.9%

* Source: GASTAT

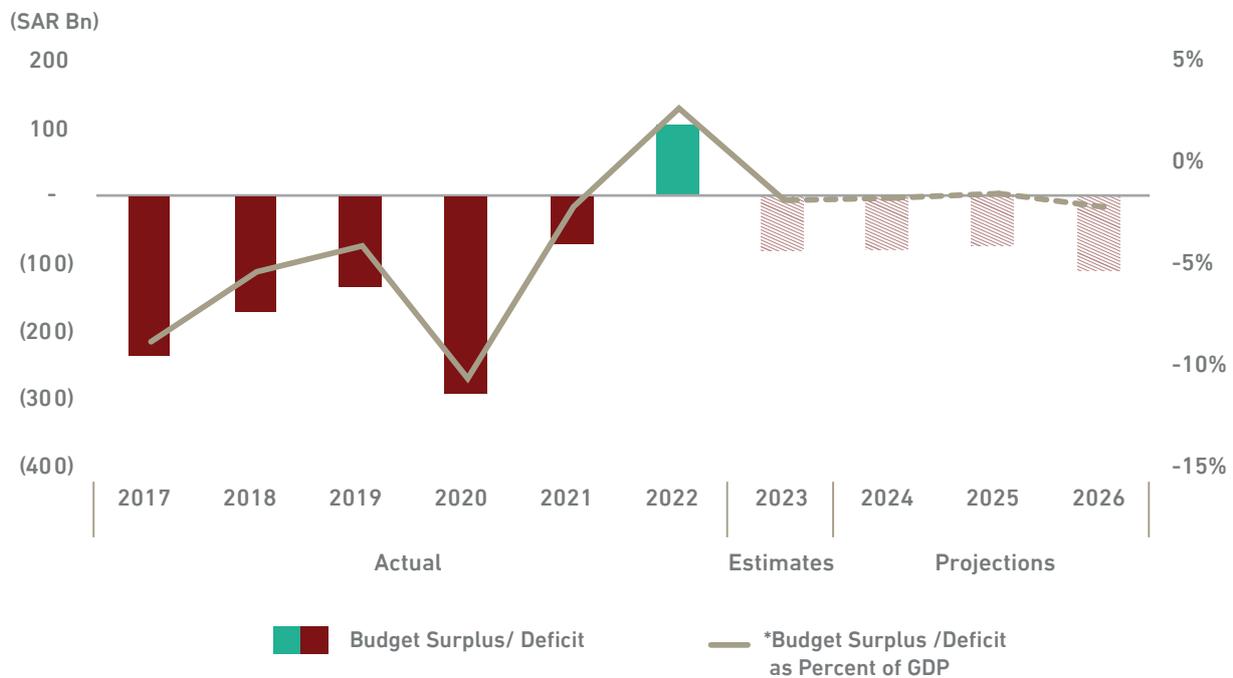
** Preliminary data

B/ Key Fiscal Targets for FY 2024 and the Medium-term

The Government is continuing the transformation phase by continuing to implement structural initiatives and economic and fiscal reforms to achieve the objectives of Saudi Vision 2030. The Government adopted a fiscal policy aimed at balancing the exploitation of the available fiscal space to accelerate the pace of implementation of programs and projects that have economic and social returns and that are enablers of achieving the objectives of Saudi Vision 2030, while taking into account the principles of fiscal sustainability and maintaining safe levels of government reserves and public debt.

In this context, the budget for FY 2024 reflects the progress in implementing comprehensive structural reforms by accelerating the implementation of regional and sectoral strategies, as well as the programs and projects driving sustainable economic growth, and raising the quality of public services. It is estimated that the budget will realize a deficit of approximately 1.9% of GDP in FY 2024, with the expectation that limited budget deficits will continue in the medium term, as a result of the Government adopting expansionary spending policies that support economic growth, and given the government's policy of relying on conservative revenue estimates when announcing future revenue estimates, for more details, refer to "Lower and Higher Revenue Estimates" on page 25.

Budget Surplus /Deficit



Source: MoF

* The Updated actual GDP figures are based on GASTAT Data

Medium-term Fiscal Projections (2022 - 2026)

(SAR Billion, unless otherwise stated)

	Actual	Budget	Estimates	Projections		
	2022	2023	2023	2024	2025	2026
Fiscal						
Total Revenues*	1,268	1,130	1,180	1,172	1,227	1,259
Total Expenditures	1,164	1,114	1,262	1,251	1,300	1,368
Budget Balance	104	16	-82	-79	-73	-109
As percent to GDP**	2.5%	0.4%	-2.0%	-1.9%	-1.6%	-2.3%

Source: MoF

*Given the government's policy of relying on conservative revenue estimates when announcing future revenue estimates, for more details, refer to "Lower and Higher Revenue Estimates" on page 25.

**The GDP for FY 2022 is based on GASTAT updated, actual figures, and the GDP for FY 2023 is based on updated budget projections

Figures are rounded up to the nearest decimal point

1. Revenues

The economic and fiscal reforms taken by the Government sought to achieve Saudi Vision 2030 goals for economic transformation and diversify the economic base. These initiatives and structural reforms contributed to the development of non-oil revenue until they became an important and sustainable source of financing for developmental projects and expenditures with a social and economic dimension. Non-oil revenue as a percentage of total expenditures in the budget increased from 17% in FY 2015 to around 35% in FY 2022. These initiatives also improved in the ratio of non-oil revenue to non-oil GDP, as it reached 18% by the end of FY 2022 compared to 9% in FY 2015. The Government aims to enhance non-oil revenue through supporting economic growth as the two are connected, which will achieve sustainable and stable non-oil revenue in the medium and long term.

Preliminary estimates indicate that total revenue in FY 2024 will reach SAR 1,172 bn, a slight decrease of 0.6% from what was estimated in FY 2023. This is due to the approach adopted by the Government in using conservative estimates of oil and non-oil revenue in the budget, in anticipation of potential developments in the domestic or global economy. Total revenue is estimated to continue to grow to reach SAR 1,259 bn in FY 2026, supported by expectations of domestic and global economic growth in the medium term, which in turn will contribute to stable growth of non-oil revenue linked to the growth of economic activity.

2. Expenditure

In the context of the marked progress in structural and economic reforms, the budget for FY 2024 and the medium term is a reflection of the Government's move toward expansionary spending that supports accelerating the implementation of the approved regional and sectoral strategies and the implementation of more new strategies that aim to enhance the diversification of the economic base, thus effecting structural change in the Kingdom's economy. The Government will also continue to improve the efficiency and effectiveness of spending to ensure economic growth and maintain the sustainability of public finance in the

medium and long term. It is estimated that total expenditures will reach SAR 1,251 bn in FY 2024, representing 29.4% of GDP, and will grow to SAR 1,368 bn in FY 2026, then representing 28.7% of GDP.

The Government will also continue its efforts during the next fiscal year and over the medium term to sustain the financial and economic gains achieved during previous years, by continuing to exploit available financial resources to raise the quality of government services such as education, health, and the environment, in addition to developing infrastructure in various regions of the Kingdom. This is to facilitate the movement of people and goods contributing to the growth of the domestic product. This also enhances and raises the quality of life in accordance with Saudi Vision 2030. Additionally, this is coupled with the Government's keenness to strengthen the social support and protection scheme, and to expand spending on regional and sectoral strategies and mega development projects that contribute to achieve important economic and social returns in the medium and long term, empower and enhance the role of the private sector, develop local content and local industries, and enhance the investment environment.

3. Financing and Debt

To meet the Kingdom's financing needs, the MoF, in cooperation with the National Debt Management Center (NDMC), is working to: prepare an annual borrowing plan in accordance with the medium-term debt strategy; maintain debt sustainability; diversify financing sources between domestic and external sources; and access global debt markets to enhance the Kingdom's position in international markets, within well-studied frameworks and foundations for risk management. This strategy also considers the objectives of Saudi Vision 2030 in promoting growth of the financial sector and deepening the domestic debt market.

The strategy also aims at diversifying financing tools between issuing bonds, sukuks, and loans, in addition to searching for new financing markets and methodologies such as alternative government financing through project

financing, infrastructure financing, and export credit agencies. This is part of the MoF's strategy to support the continuity and completion of developmental projects in the Kingdom.

As a result, Fitch has raised the Kingdom's sovereign credit rating from A to A+ with a stable outlook, while Moody's maintained the Kingdom's sovereign credit rating at A1 and changed the outlook from stable to positive. This is due to the continued efforts by the Government to refine its fiscal policy and implement structural reforms that support economic diversification and growth over the medium and long terms, as well as the adoption of fiscal policies that contribute to maintaining fiscal sustainability, raising the quality of fiscal planning, and maintaining debt levels at rates that are low compared to countries that have the same credit rating as the Kingdom.

To meet financing needs, the Government is working to continue borrowing in accordance with the approved annual borrowing plan to finance the estimated budget deficit and to repay the principal due in FY 2024, as well as to search for available opportunities, according to market conditions, to implement additional proactive financing activities to repay the principal due for the coming years and finance some strategic projects. The Government also seeks to exploit market opportunities to implement alternative government financing activities that would enhance economic growth, such as financing capital projects and infrastructure, with the aim of diversifying financing channels to maintain market efficiency and enhance its depth. Thus, it is expected that the size of the debt portfolio will increase as a result of the expansion in spending to accelerate the pace of implementation of some programs and projects with economic and social returns that are enablers of the achievement of the objectives of Saudi Vision 2030.

This fiscal policy also aims to strengthen the financial position of the Government by maintaining safe levels of government reserves to enhance the Kingdom's ability to deal with external shocks.

C/ Key Fiscal and Macroeconomic Risks for FY 2024 and the Medium-term

The process of analyzing fiscal and macroeconomic risks facing the Kingdom's economy represents a vital part of understanding the current situation and the main challenges. The analysis also contributes toward adopting effective policies and strategies to deal with risks and achieve the Kingdom's fiscal sustainability. This section brings into focus the main challenges that may face the Saudi economy, which may arise from the global economy or from the domestic economy.

The **Growth of the global economy** is one of the main factors that may affect the Kingdom's economy, as the global economy is still experiencing a slowdown after a series of events, most notably the COVID-19 pandemic and the resulting disruption to supply chains. This is in addition to the persistent rise in the prices of basic commodities amid geopolitical risks, leading central banks to adopt a tightening monetary policy by raising interest rates to control inflation.

The slowdown in global economic growth and the persistence of the inflationary wave has potential negative consequences on the **domestic economy**, by increasing the risk of a rise in domestic inflation rates, which may cause a decline in demand and a decline in domestic consumption indicators. The rise in interest rates may lead to a slowdown in the growth of domestic investment activities, as the tightening of monetary policy followed by several central banks contributes to higher borrowing costs and slowing credit growth.

However, as global inflation rates begin to decline and domestic inflation rates stabilize, the risks that may lead to a decline in domestic demand are diminished to a low probability. Initiatives that enhance the role of the private sector, support consumption and investment indicators, improve employment and nationalization rates, thus limiting the impact of above-mentioned risks to GDP of non-oil activities.

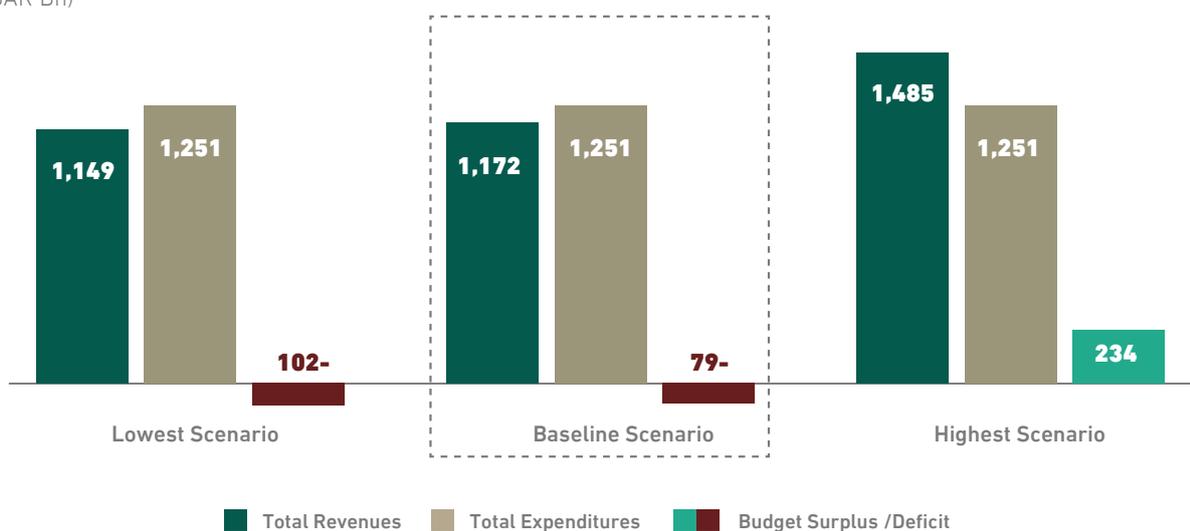
The Government also adopted a number of measures and policies to confront these risks, including setting a ceiling on gasoline prices, enhancing food security, strengthening the social support and subsidies scheme, subsidizing basic goods and services, and strengthening and developing the non-oil sector.

The Kingdom's decision to extend the additional voluntary reduction in its oil production until the end of FY 2023 also contributed to strengthening the precautionary efforts made by OPEC+ countries with the aim of supporting the stability and balance of oil markets. In addition, the Kingdom's economy enjoys a good financial position, especially with the presence of fiscal space represented by strong government reserves and sustainable debt levels that enable it to contain crises that may occur in the future. There is flexibility in spending, which over the medium term allows the Government to extend the implementation period of projects and strategies.

In light of the global and domestic developments mentioned, **higher and lower revenue scenarios were prepared**, taking into account the challenges facing the global economy and the geopolitical risks, as the estimates used contribute to the Government's readiness to address any of these scenarios and build a flexible fiscal space. Moreover, using structural revenue estimates will contribute to the limiting of spending that is affected by the volatility in oil markets.

Revenues Scenarios for FY 2024

(SAR Bn)



02

Main Strategies and Projects

over the Medium-term



The Strategies

The Financial Technology Strategy

The FSDP launched the executive plan for the Financial Technology Strategy in 2022, which aims for the Kingdom to be a home and global center for financial technology. It is noteworthy that this strategy is one of the pillars of the FSDP, which is one of the realization programs of Saudi Vision 2030. Its role is to develop a diversified and effective financial sector to support development of the national economy and diversify sources of income. It also seeks to stimulate financial saving, financing, and investment by developing and deepening financial sector institutions, as well by supporting the establishment and growth of an advanced financial market.

The strategy also aims for technology-based innovation to be the foundation in financial services. This is intended in a way that enhances the economic empowerment of the individual and society, as it will contribute to achieving the objectives of Saudi Vision 2030 through improving the business environment, raising the percentage of the private sector's contribution to the economy, attracting FDI, and developing the digital economy. This is in addition to promoting and supporting the culture of innovation and entrepreneurship, increasing the contribution of small and medium enterprises to the economy, and developing electronic processes. The strategy will contribute to enhancing innovation in the financial sector by attracting the most prominent entities in the field of financial technology. By 2025, the strategy aims to increase the number of financial technology (fintech) companies operating in the Kingdom to 230 companies, in addition to increasing the share of non-cash transactions (digital transactions) to 70%. The financial technology sector also aims, by 2030, to increase the number of financial technology companies operating in the Kingdom to 525 companies, and for the sector's direct contribution to GDP to be SAR 13 bn, in addition to creating 18,000 direct jobs.

One of the most prominent achievements of the strategy in Q2 of FY 2023, was that the total number of financial technology companies reached 183 companies, due to efforts to empower the financial technology sector in various activities to enhance the stability and growth of the sector, and to attract a new segment of investors and companies that achieve added value. The Open Banking Framework was also issued, and it is one of the most important outcomes of the Open Banking Program, which represents a new concept in the financial sector. It will enable banks and fintech companies to provide open banking services in the Kingdom to contribute to creating a positive impact in the sector by strengthening the partnership between banks and fintech companies, in addition to improving the sector's infrastructure and enabling better use of customers' financial data. Moreover, the Regulatory Framework for Equity Crowdfunding has been approved, which aims to support fintech innovations in the financial market, and to match the accelerating technological revolution in the financial market, as it is the first regulatory framework that enables the transformation of the fintech business model from the experimental environment (Fintech Lab) to a sustainable environment in the financial market. This procedure contributes to enabling companies that have obtained a fintech experimental permit to obtain the appropriate license to practice as a financial market institution, in line with best international practices. This is in addition to enabling fintech companies to conduct their business with high efficiency within a supportive regulatory environment, which contributes to supporting the national economy, and supporting fintech innovations in the financial market, including determining necessary licensing, and regulating the offering of shares by licensed financial market institutions in the context of practicing equity crowdfunding with securities.

In light of leading global practices, the innovation provided by the fintech sector in the Kingdom through technology-based services and solutions will

contribute to empowering multiple sectors, including retail, hospitality, real estate, investments, transportation, and health care. It is also expected to contribute to the growth percentage in managed assets to reach 50% by 2030, with the growing use of technologies such as artificial intelligence in the financial sector, as global practices and classifications of financial technology ranked the Kingdom 17th out of 64 countries in the Annual Competitiveness Book for FY 2023 by the Global Competitiveness Center of the International Institute for Administrative Development. The Kingdom ranked 3rd among G20 countries in the Global Competitiveness Report for 2023.

The National Strategy for Industry

The National Industrial Strategy, which was launched in 2022, continues to pursue an investment-attractive industrial economy that contributes to economic diversification, the development of domestic product and non-oil exports, in alignment with the objectives of Saudi Vision 2030. In addition, the vision of the industry's national strategy is centered on building a flexible, sustainable, and competitive industrial economy, driven by the private sector. Its strategic objectives are to build a resilient national industrial economy that is resilient to changes, lead industrial regional integration to meet demand, as well as to achieve global leadership in manufacturing for a range of selected goods. The strategy aims to triple industrial GDP to reach SAR 895 bn by 2030, as well as to double the job opportunities created by the sector to reach 2.1 million jobs opportunity, and targeting industrial export to reach SAR 557 bn.

Currently, the number of factories in Saudi Arabia reached more than 11,000 and the volume of industrial exports of commodities reached SAR 106 bn as of the end of Q2 of 2023. The National Industrial Strategy in 2024 seeks to create more investment opportunities, attract qualitative investments to contribute

to increasing industrial domestic product and non-oil commodity exports, and increase the Kingdom's economic complexity.

During the past period, the National Centre for Manufacturing and Advanced Production was established, which aims to coordinate and link initiatives and programs related to the Fourth Industrial Revolution. In addition, the raw material demand service was launched on an industrial platform to address the challenges faced by existing manufacturing factories regarding raw material supply and aimed at expanding their production capacity.

The National Strategy for Electronic Games and Sports

The National Strategy for Electronic Games and Sports was launched in 2022, aiming to making the Kingdom of Saudi Arabia a global center in this sector by 2030. The strategy is an integrated investment to develop the electronic games and sports sector, which enhances the growth of job opportunities, thereby contributing to the diversification of the economy and the provision of high-quality entertainment services for community members including citizens, residents, and visitors, in line with the objectives of Saudi Vision 2030.

The strategy is based on three main objectives that have a direct impact on the quality of the lives of citizens, including increasing economic and private sector growth, improving the Kingdom's global competitiveness, and attracting those interested in electronic sports and games from various parts of the world. The strategy aims to improve the players' experience, provide new entertainment opportunities, and achieve an economic impact and create at least 39,000 direct and indirect jobs, while contributing SAR 50 bn by 2030 to GDP, while making the Kingdom a leading global center in the sector.

Moreover, the strategy works to develop the value chain in the sector, as it seeks to establish 250 electronic gaming companies and produce more than 30

games locally to be in the top 300 global games list by 2030. This is in addition to becoming one of the top three countries in terms of the number of professional players in electronic sports per capita, hosting the largest event in the world in terms of the number of views, and creating distinctive intellectual properties and exporting them to the world.

This strategy is a continuation of many initiatives and achievements made by the Kingdom in the entertainment and sports events and electronic games within the framework of Saudi Vision 2030, especially in light of the revolution and rapid growth in the sector that can provide new opportunities to harness untapped capabilities and potential.

The National Strategy for Intellectual Property

The National Strategy for Intellectual Property was launched at the end of 2022. It is one of the enablers for achieving the objectives of Saudi Vision 2030, so that the Kingdom becomes a leader in the field of intellectual property by strengthening the knowledge economy, creating an intellectual property ecosystem that supports an economy based on innovation and creativity. In addition, it will create an intellectual property value chain that will incentivize competitiveness, support economic growth, improve GDP, attract foreign direct investment, increase the value of companies, and create job opportunities.

The strategy is based on four main pillars: generating intellectual property (IP), managing IP, commercial investment in IP, and the protection of IP. To achieve these pillars, the strategy seeks to enhance cooperation and integration between entities as an essential partner to support innovation, creativity, and economic growth, and thus helping to reach the objectives of the National Strategy for Intellectual Property. This will enhance the Kingdom's ability to generate intellectual property assets of economic and social value.

Implementing the National Strategy for Intellectual Property will enhance the growth of innovative technologies and industries, expand the intellectual property services industry, and positively impact the stimulation of production and goods in various industries. In addition, it will contribute to GDP growth through the added value from production activities and improved profits of commercial enterprises by raising the competitiveness of products and services, creating new jobs directly and indirectly, and raising the level of awareness of the rights of creatives and innovators.

The strategy also aims to achieve by 2028, through 12 initiatives, to reach 13,200 inventors (creative talents), and for the Kingdom to rank among the top 20 countries in the International Institute for Management Development (IMD) index for intellectual property protection.

The National Investment Strategy

The National Investment Strategy was launched in 2021, with the aim of increasing the volume and efficiency of investments in the Kingdom to support and incentivize economic growth in various priority sectors in line with Saudi Vision 2030. The strategy's objectives are based on three main foundations: raising the private sector's contribution to the balance of payments and the economy in the Kingdom, supporting the development of strategic sectors, and elevating investment to stimulate innovation and develop local content.

The main objectives of the National Investment Strategy by 2030 are as follows: doubling annual investments to reach SAR 2 tn (30% of nominal GDP), of which SAR 1.7 tn are domestic investments, in addition to raising the contribution of FDI flows to nominal GDP to 5.7%. This contributes to enhancing the Kingdom's competitiveness to become a leading and attractive investment destination at the regional and global levels. This, in turn, will support the achievement of

many of the objectives of Saudi Vision 2030, including increasing the private sector's contribution to GDP to 65%, reducing the unemployment rate to 7%, and enhancing the Kingdom's ranking among the top ten economies in the Global Competitiveness Index.

In light of the efforts made by the Ministry of Investment and in cooperation with various government entities, with the aim of improving the investment environment and removing obstacles facing the investor, in addition to the huge projects and available investment opportunities, gross fixed capital formation in FY 2022 grew by 31% to reach SAR 1,040 bn, which represents 25% of GDP, exceeding the target set in the National Investment Strategy of SAR of 747 bn for FY 2022, which represents 24% of GDP. Investment in the non-governmental sector as a percentage of real GDP witnessed a remarkable increase, reaching 22% in FY 2022 compared to 18% in FY 2016, which indicates the effectiveness of efforts made to enhance the role of the private sector in economic development. The National Investment Strategy – and the existing efforts by various government entities that aim to enhance the attractiveness of the investment environment – have resulted in many achievements, the most important of which are:

- Issuing licenses for more than 162 regional centers until the end of Q3 of 2023.
- Launching the “Meza” platform, which facilitates investors' access to business service providers from the private sector through four areas: (business establishment services, financial and tax consulting services, logistics services, and headquarters transfer services). The platform includes the process of obtaining licenses and subsequent government approvals for the commercial registry and helping companies find suitable office spaces, housing, and schools for employees' families.

- The Ministry of Investment worked on a mechanism to grant premium residency to executives at regional headquarters in coordination with the Premium Residency Center.
- The Ministry of Investment, in cooperation with the Ministry of Municipal and Rural Affairs and Housing, worked on an exception mechanism and permission for regional headquarters of companies that wish to establish their headquarters within one of their branches in the Kingdom.
- The Ministry of Investment worked with the Ministry of Human Resources and Social Development to activate the incentives provided to regional headquarters regarding employees, including: granting visas according to the company's need, allowing the wife/husband who come under the husband's/wife's residency to work, and extending the legal age of descendants who are permitted to remain with regional headquarters employees to 25 years of age.
- The Ministry of Investment worked with the Ministry of Commerce to activate a special path for issuing commercial records for companies with regional headquarters.
- The Council of Ministers' Approval No. (111) dated 6/2/1445 AH on the organizational arrangements for the Investment Council, which aim to contribute to strengthening institutional communication between the public and private sectors, enhancing and developing the investment environment, attracting investments, and raising the level of competitiveness in the Kingdom in order to achieve the objectives of Saudi Vision 2030.
- More than 1,283 investment opportunities were offered on the Invest Saudi platform in many economic sectors.

The National Investment Strategy also represents a common link to a number of initiatives, as the strategy includes about 40 supportive initiatives to empower the private sector and enhance the attractiveness of the investment environment, the most prominent of which are: the Private Sector Partnership Reinforcement Program “Shareek”, and the Regional Headquarters Program, within a comprehensive and integrated plan between the investment ecosystem and all relevant government entities, with the aim of developing qualitative investment opportunities, maximizing the benefit from them and raising the Kingdom’s competitiveness regionally and globally.

In addition, the National Initiative for Global Supply Chains “Jisri” was launched, which aims to develop a unified strategy to attract quantitative supply chains to the Kingdom, and to strengthen the Kingdom’s position as a major center and a vital link in global supply chains, specifically in the vital and promising sectors of the Saudi economy, within which the Kingdom has competitive and strategic advantages that qualify it to be an incubator country for such opportunities, including but not limited to: renewable energy sources, the automotive industry, chemicals, and medical devices. The initiative also aims to enhance the attractiveness of the Kingdom’s investment environment to attract investors in supply chains, by working on several steps such as identifying and developing investment opportunities.

In continuation of the efforts made to enhance the position of the Kingdom of Saudi Arabia as a leading global investment center, and to provide the ideal platform that enables companies across various sectors and industries to enhance their operations and international growth, four special economic zones were launched in April of 2023 with the aim of developing and diversifying the Saudi economy and improving the investment environment. This will enhance the Kingdom’s position as a leading global investment destination. It will also open

new prospects for development, relying on each region's competitive advantages to support vital and promising sectors, including logistics, industrial, technical, and other priority sectors of the Kingdom. In the first half of 2023, Saudi Arabia's special economic zones attracted more than SAR 47 bn in investment in vital sectors, including maritime industry, mining, industry, logistics, and modern technologies. The new special economic zones are strategically located in Riyadh, Jazan, Ras Al Khair, and King Abdullah Economic City. They have special legislative systems and regulations to support economic activities and contribute to their development. This enables these regions to be globally competitive and attract foreign and domestic qualitative investments.

Moreover, when designing these zones, it was taken into account that they would be complementary to the main economy, and not compete with it. Therefore, specific sectors were targeted. For instance, in Ras Al-Khair, the marine industries sector was targeted, which includes the manufacturing of ships and offshore platforms. In King Abdullah Economic City the following sectors were targeted: the automotive industry sector, the pharmaceutical industry, the electronics industry, consumer goods, and logistics services. Also, the region of Jazan targeted the food industry, the metal conversion industry, and logistics services. The economic zone for cloud and information computing focused on artificial intelligence, digital health, and developing industrial technologies. These four zones join the special integrated logistics zone that was launched last year, which is located near the King Khalid Airport in Riyadh, and targets consumer products, computer parts, medicines, food and medical supplies, the space industry, spare parts, luxury goods, jewelry, and precious metals.

The special economic zones represent the first phase of a long-term program, as it aims to attract international companies, recruit qualified human resources, encourage FDI, and enhance the growth of future qualitative sectors.

This is through establishing a robust infrastructure in accordance with the best international practices to ensure supporting local international investors, while providing distinguished investment opportunities supported by an integrated and governed ecosystem of laws and regulations. The Kingdom provided economic incentives for the special economic zones, including competitive tax rates, exemptions from customs duties for imports and production inputs (machinery, raw materials), and allowing 100% foreign ownership, as this will contribute to the Kingdom becoming a global destination for investment and a vital center that supports global supply chains.

The National Agriculture Strategy

The strategy was launched in 2020, as the agricultural sector is an effective element to help achieve Saudi Vision 2030, since it is a fundamental pillar of food security and the stability of food product prices in the Kingdom, in addition to its contribution to social and environmental development, especially rural development by providing an important source of income for more than a million citizens.

The Kingdom has witnessed many changes related to the agricultural sector, the most important of which is the approval of the Food Security Strategy, in addition to the approval of several programs for the agricultural strategy, such as: the Sustainable Agricultural Rural Development Program “Saudi Reef” and the Program for Redirecting Agricultural Subsidies.

The strategy is based on seven pillars: enhancing the sustainability of natural resources; contributing to food security; developing marketing and agricultural services; achieving sustainable agricultural rural development; preserving plant and animal health; improving agricultural productivity; and structuring the sector and building capabilities.

The strategy has many achievements and records in the agricultural sector, including: achieving the highest domestic product in the history of the sector in 2022, which reached SAR 100 bn; an increase in total food production to 10.6 million tons; and the completion of the construction of the largest advanced storage capacity for grains in the Middle East by increasing it from 2.5 million tons in 2016 to 3.5 million tons in 2022, an increase of 40%. Moreover, amongst the achievements are: the expansion in the production of vegetables from upgraded greenhouses to 678,000 tons, compared to 253,000 tons in 2016; increasing the total organic production to 1,100 tons, with a growth rate of 80% compared 2016 by expanding the cultivation of more than 23,315 organic hectares, with a growth rate exceeding 26% compared to 2017; planting one million fruit trees, which contributes to reducing carbon emissions by 22,000 tons by 2030; increasing the percentage of the use of renewable groundwater in agriculture to 17%; increasing the amount of renewable water used for agricultural purposes from 1.9 billion m³ in 2016 to 2.19 billion m³, an increase of 15%.

The Food Security Strategy succeeded in reducing the Kingdom's imports of barley and switching to manufactured feeds with the most nutritional value, by more than 50%, from 10 million tons in 2016 to about 4.8 million tons in 2022, within the framework of a plan that included: liberalizing the barley import sector; the private sector owning the tasks of importing it from abroad; starting the implementation of the "Seaweed" project with an area of 100 hectares, which contributes to the isolation of 21,120 tons/year of carbon dioxide; and the production of provender as alternatives to protein.

The strategy also worked on empowering the private sector by privatizing the entire milling sector, after restructuring and distributing it to four independent companies and transferring their ownership to the private sector, with a total value worth SAR 5.7 bn.

The Kingdom also recorded new world records in the agricultural sector, including achieving first place in the world in exporting dates in terms of value, and first place in the Information Society for the year 2022, in the category of E-agriculture and E-services provided through the “NAAMA” portal. The Kingdom also made progress in 109 of the United Nations Sustainable Development Goals Indicators, which include 116 indicators.

The National Tourism Strategy

The National Tourism Strategy was launched in 2019, with the aim of developing the tourism sector in the Kingdom. The strategy seeks to achieve the goals and ambitions within Saudi Vision 2030 for the development and sustainability of tourism. The roles of the Ministry of Tourism, the Tourism Development Fund, and the Saudi Tourism Authority are integrated to implement the National Tourism Strategy and to achieve the sector’s ambitions and targets. The National Tourism Strategy aims to provide an integrated system of services and offers for tourists, in addition to providing an attractive investment environment for investors, which will result in the creation of more jobs in the tourism sector. The tourism sector is one of the most important sectors within Saudi Vision 2030, as it aims for the sector to contribute 10% to GDP. Accordingly, the Ministry of Tourism has launched several new initiatives, including the Tourism Education Initiative, which aims to partner with universities and higher education institutions throughout the Kingdom to provide and activate educational and informative programs that contribute to the development of the sector and the services it provides. Moreover, educational programs that seek to align educational outcomes between the labor market and the tourism and hospitality sector, with the launch of the “Tourism Pioneers” program to complement the national strategy of the Ministry of Tourism, which aims to develop the capabilities of 100,000 Saudi young men and women and provide

them with the main skills in the field of hospitality and tourism to prepare them to work in the thriving tourism sector in the Kingdom.

To complement the Kingdom's efforts to develop the tourism sector and to achieve the national tourism development strategy, the Strategy for Developing Aseer Region was launched in 2021, under the slogan "Mountaintops and High Characters," which aims to achieve a comprehensive and unprecedented development renaissance for the region by injecting SAR 50 bn through various investments to finance vital projects and develop tourist attractions with the aim of making Aseer a global destination throughout the year, relying on its strengths of culture and nature that combine authenticity and modernity, and contribute to advancing social and economic growth in the region.

Among the most prominent milestones that the National Tourism Development Strategy achieved by the end of the year 2022 are that the number of tourists reached 94.5 million from abroad and from within the country. That is, an increase by 45% compared to 2019 since the launch of the strategy; the volume of tourism spending in FY 2022 reached SAR 206 bn, a growth of 25% compared to 2019; and the total number of jobs in the tourism sector for FY 2022 reached 880,000 jobs, a growth of 54% compared to 2019. As for the achievements of the current year 2023, the Kingdom achieved second place in the number of international tourists during Q1 of FY 2023, according to the World Tourism Organization, as the Kingdom received 7.8 million international tourists, which represents the highest quarterly performance historically, with a growth of 64% compared to the same period in 2019. Such performance supports and realizes the development of the tourism sector in the Kingdom.

The National Water Strategy

The National Water Strategy was launched in 2018 to draw a road map for the water sector. Moreover, to help face and solve the sector's issues and challenges, by establishing comprehensive institutional and structural frameworks that will provide an enabling mechanism for the sector, in addition to drawing effective implementation plans and developing measurable indicators to ascertain the quality of performance in implementing the strategy.

The strategy aims to achieve five strategic objectives: ensuring continuous access to sufficient quantities of water in emergency and non-emergency situations, improving water demand management in all uses, providing high-quality and cost-saving water and sanitation services to ensure acceptable prices, maintaining water resources and the local environment, and ensuring the contribution of the water sector to the economy.

The strategy contributed to the water system's many achievements. For example, setting a record in the production of desalinated water at 9.4 million m³/day, an increase of 900,000 m³/day over 2021; enabling the system to increase the volume of water production by 8% to reach 12.8 million m³/day in 2023; and increasing the capacity of water transportation systems by more than 35% to reach 14.20 million m³/day. It also succeeded in raising the sustained rate of drinking water pumping to reach 20.6 hours per day, while the number of drinking water wells reached 10,127 wells, and the number of dams reached 574 dams with a storage capacity of 2.6 bn m³, while the volume of water distribution reached 9.7 million m³ per day.

The capacity of strategic water storage increased to 21.8 million m³, and the number of seawater desalination plants reached 36, while the capacity of the

treatment plants exceeded 5.28 million m³ per day, and the number of current and under construction wastewater treatment plants is 160.

Thus, confirming the Kingdom's role in addressing water challenges around the world and its commitment to the issues of environmental sustainability – and its provided support throughout decades of pioneering global experience in the production, transportation and distribution of water; innovating technical solutions to its challenges; and its contribution to placing water issues at the top of the international agenda – it was announced, in 2023, that a global water organization would be established, headquartered in Riyadh.

The National Environment Strategy

The strategy was launched in 2018, out of the Kingdom's belief in the necessity of achieving a prosperous and sustainable environment that receives the highest levels of care from everyone, and in fulfillment of the lines of effort of Saudi Vision 2030 that seek to protect; enhance and sustain the Kingdom's natural environment by adopting a comprehensive vision for environmental ecosystems, and from which the National Environment Strategy emerged. The strategy focuses on a set of frameworks, including: environmental sustainability; and the balance between economic growth, environmental preservation, and environmental participation by enhancing the level of environmental commitment for all development sectors; and reducing pollution and negative impacts on the environment. The strategy also seeks to develop the natural vegetation cover, combat desertification, protect wildlife, and preserve biodiversity by enhancing the participation of the private sector to raise the quality of services and stimulate innovation, in addition to raising environmental awareness among the public and enhancing the role of the non-profit sector.

The institutional framework for the environment sector was restructured, and specialized environmental centers were established. For example: the National Center for Monitoring Environmental Compliance, the National Center for Wildlife Development, the National Center for Vegetation Development and Combating Desertification, the National Center for Meteorology, and the National Center for Waste Management. Also the Environment Fund was established to ensure the financial sustainability of the sector, in addition to the establishment of the General Foundation for the Conservation of Coral Reefs and Turtles in the Red Sea; the Vegetation Cover Development Foundation (Morooj); the Special Forces for Environmental Security led by the Ministry of Interior; preparing the National Framework for Responding to Oil Spills; establishing the Marine Operations Environmental Services Company (SAIL), the leading national entity for responding to oil spills; and starting to prepare the circular economy and environmental security strategies.

The energy and environment sector has realized a number of achievements, including the launch of the Saudi Green Initiative, through which a set of ambitious targets in the fields of environment and energy have been identified, including the reduction of carbon emissions by 278 million tons annually by 2030; planting 10 billion trees in the Kingdom during the coming decades, or the equivalent of rehabilitating 40 million hectares of degraded lands; and raising the percentage of protected areas to 30% of the area of the Kingdom. As a result of the efforts made in recent years, the percentage of protected areas in the Kingdom has increased nearly four times, exceeding 16% of the total area of the Kingdom. Moreover, more than 38 million trees have been planted, and 91,000 hectares of degraded lands have been rehabilitated, in addition to many initiatives that contribute to achieving the objectives of the Saudi Green Initiative including the initiative to divert waste from landfills by 94% in the city of Riyadh by 2035.

In the field of meteorology, the geographic coverage of the meteorological radar system has increased to cover 95% of the populated areas in the Kingdom. The Kingdom is also working to cover more than 70% of its geographical area until 2025, by increasing the automated and manned stations on land and at sea, and developing the numerical models to achieve the optimal amount of detection, monitoring, and climate information.

At the regional level, the Middle East Green Initiative was launched, which aims to plant 50 billion trees throughout the Middle East, and to support the region's efforts to reduce and eliminate carbon emissions. Moreover, a Cloud Seeding Program was launched to contribute to alleviating the drought phenomena and increasing rainfall, in addition to announcing the establishment of the Regional Center for Climate Change and the Regional Center for Warning of Sand and Dust Storms.

At the international level, the Kingdom launched, during its presidency of the G20 in 2020, two global initiatives to restore marine and terrestrial ecosystems, namely: "The Initiative to Establish a Global Platform to Accelerate Coral Reef Research" and "The Global Initiative to Reduce Land Degradation and Preserve Wild Fungal Habitats." Additionally, the United Nations announcement that the Kingdom will host the activities of the World Environment Day in 2024, and the Conference of Parties to the Convention to Combat Desertification and Drought (COP16). This confirms the Kingdom's leading role locally and internationally.

In addition, the Kingdom has made great efforts in the field of environmental awareness, including designating a week for the environment held every year at the national level, and launching the Environmental Awareness Initiative with the aim of raising the level of community awareness of environmental issues.

The Most Important Projects in the Medium Term

The Public Investment Fund (PIF)

The PIF continues to achieve its investment goals domestically and globally. In addition, within a short period of time, it became an essential pillar for promoting the growth of the economy and diversifying its sources of income in line with Saudi Vision 2030. The PIF has been able to realize several achievements, as it was able to raise the value of the volume of assets under management (AUM) to SAR 2.63 tn, create more than 560,000 direct and indirect jobs, and contribute to the establishment of 87 companies in many strategic sectors since 2016.

One of the most prominent achievements of the PIF for FY 2023 is the inclusion of Diriyah Project, the fifth mega project owned by the fund. In addition, there was the launch of a group of companies, most notably: **“Riyadh Air”** Company, the new national air carrier to contribute to the development of the air transport sector; **“New Murabba Development”** Company with the aim of developing the largest modern downtown in the world in the city of Riyadh; the **“Kayanee”** Company, which aims to enhance the style of healthy living in the Kingdom; the **“SRJ”** Sports Investments Company, which aims to support and enable the growth of the sports sector in the Kingdom, the Middle East and North Africa; the Saudi Tourism Investment Company **“Asfar”**, which aims to invest in establishing tourism projects in various cities of the Kingdom; the **“Al Madinah Heritage”** Company, which aims to play a major role in improving the quality and capacity of the production of Ajwa dates in the Madinah Region; the **“Sawani”** Company, which aims to enable the growth of the camel milk products sector; the Pharmaceutical Investment Company **“Lifera”**, which aims to enable the growth of the pharmaceuticals industrial sector and enhancing its flexibility; the **“Badael”** Company, which aims to develop, manufacture and

distribute innovative products to reduce the spread of smoking; in addition to the Saudi Facilities Management Company **“FMTECH”**, which aims to stimulate sustainable growth in the local facilities management sector.

By the end of FY 2025, the PIF aims to inject up to SAR 1 tn into new projects domestically, contribute SAR 1.2 tn to non-oil GDP cumulatively through its portfolio of companies, increase AUM to SAR 4 tn, increase the contribution of the fund – and its subsidiaries – to the local content by 60%, and create 1.8 million jobs.

1) The NEOM Project

NEOM is one of the mega projects that is completely owned by the PIF. It is located in the northwest of the Kingdom on the Red Sea, where it is being built entirely from the ground up. It will be a global destination and a home for ambitious people who seek to contribute to building a new model for exceptional living and creating prosperous businesses, where creativity will be evident in the field of preserving the environment.

NEOM will be an exceptional home for living and working and it will include a number of cities, ports, commercial areas, research centers, sports and entertainment facilities, and tourist destinations. As a center for innovation, NEOM will attract entrepreneurs, business leaders, and companies from all over the world to research, incubate, and market new technologies and projects in innovative ways.

Among the most prominent achievements of the NEOM project for the current year, 2023, is an announcement by TONOMUS, a company specializing in cognitive and digital technologies affiliated with NEOM, about the opening of the “TONOMUS.NEOM Telecommunications Center,” the first integrated digital telecommunications center in NEOM, in addition to the partnership with

“Collective Retreats” to create a sophisticated resort according to the highest standards of sustainability in “Trojena.”

2) The Red Sea Project

The Red Sea destination is one of the mega projects that is owned by the PIF. It is a leading destination in the field of ultra-luxury renewable tourism. The destination extends over an area of more than 28,000 square kilometers of pristine land on the western coast of the Kingdom of Saudi Arabia, and includes an archipelago that embraces more than 90 pristine islands. It also includes picturesque mountains, dormant volcanoes, and desert sand dunes, in addition to many important cultural and heritage monuments.

The destination will offer its visitors a wide range of smart and world-leading tourism experiences. All of this and more comes according to a renewable development approach that blends seamlessly with the simplicity of this charming nature. The Red Sea destination will operate separately from the national power grids and rely entirely on renewable energy.

The Red Sea destination is expected to receive visitors in 2023; by 2030 the destination will include 50 hotels containing 8,000 hotel units, and up to 1,000 residential properties, as well as an international airport for the destination.

3) The Qiddiya Project

Qiddiya City is one of the projects of the PIF. The city is a vibrant destination characterized by its high levels of quality of life based on the pillars of sports, entertainment, and culture. The city is located only 40 kilometers from the center of Riyadh, and is built on an area of more than 360 square kilometers. The city of Qiddiya will contribute to making Riyadh one of the best global destinations through its inclusion among the list of top 70 landmarks around the world, due

to its distinguished excellence in the fields of entertainment, sports, and culture. Upon completion of the project, the city of Qiddiya is intended to host more than 600,000 residents and 48 million visitors annually. This will contribute to providing more than 325,000 new job opportunities, and Qiddiya will also add SAR 135 bn to GDP.

4) The Diriyah Gate Project

The project was added to the PIF's portfolio in January 2023 as the fifth mega project affiliated with the fund. The Diriyah project holds historical, cultural, and political value in the history of the Saudi State. The project aims to achieve economic, cultural, social, and tourism goals. The inclusion of the "Diriyah" Project, which costs SAR 237 bn, contributes to increasing the fund's assets, which helps in achieving the fund's goals and aspirations in diversifying sources of income for the Kingdom. Moreover, the project contributes to empowering many local sectors, creating opportunities for partnership with the private sector, and launching a group of new investment opportunities through the various stages of development and implementation of the project. These opportunities include the building, construction, and development activities, as well as the operation and management of hotels, residential units, shopping and entertainment centers, and cultural and tourism facilities.

The project draws its importance from the fact that it contains many of the Kingdom's cultural and heritage landmarks, as the project includes the historic Al-Turaif District, one of the Kingdom's most important heritage sites that are registered on the UNESCO World Heritage List. The project will also contribute to attracting 50 million local and international visits by 2030, which provides support to the National Tourism Strategy. The project will also create more than 170,000 jobs and provide initiatives that contribute to raising the quality of life in the region.

5) The Development of the New Murabba

The New Murabba Development Company, a PIF company, aims to develop the largest modern **“downtown”** in the world in the city of Riyadh, which will contribute to developing the future of the capital in line with the objectives of Saudi Vision 2030. The New Murabba Development Company will work to build the **“Mukaab”** icon as a civilizational symbol that will include the latest innovative technologies and unique features that are the first of their kind.

The New Murabba Project will depend on applying sustainability standards, raising the quality of life, promoting health concepts, sports, and community activities, and increasing green spaces to create vibrant communities. It will also contribute to supporting non-oil GDP and creating direct and indirect job opportunities. It is expected that the New Murabba Project will be completed in 2030.

6) Riyadh Air

The PIF announced the establishment of Riyadh Air (the new national air carrier) in 2023, to contribute to the development of the air transport sector and to enhance the Kingdom’s strategic position that connects 3 continents of the world: Asia, Africa, and Europe. The project is also intended to raise the competitiveness of national companies in accordance with the objectives of Saudi Vision 2030. The launch of Riyadh Air will also contribute to providing more opportunities for tourists and visitors from all over the world to reach the most beautiful tourist and natural sites in the Kingdom, with the launch of flights that reach more than 100 destinations around the world by 2030. This will form a new era in the field of travel and aviation by increasing air transport options coinciding with the increase in the number of travelers to and from the Kingdom, and increasing the capacity of transport, shipping, and strategic

logistics services to enhance the attraction of international traveler traffic and link between the different continents of the world. As such, the city of Riyadh will become a gateway to the world and a global destination for transport, trade, and tourism. Moreover, this will contribute to achieving the objectives of the National Strategy for Transport and Logistics Services in the air transport sector.

The National Development Fund (NDF)

The NDF is one of the pillars of financial empowerment for Saudi Vision 2030, as it enhances the performance and efficiency of development funds and banks in the Kingdom, and it enhances their sustainability so that they achieve the desired goals in a way that serves development priorities and economic needs. The Fund supervises industrial, economic, and social development in the Kingdom, and has an important role in ensuring optimal investment of capital and employing it in projects that are effective, sustainable and have a promising impact. One of the most prominent achievements of the NDF and its affiliated development funds and banks is the provision of financing that exceeded SAR 14.1 bn during H1 of FY 2023. Also, the support provided reached SAR 10.3 bn. The value of the guarantees exceeded SAR 5.6 bn, with the Industrial Development Fund's contribution reaching SAR 1.6 bn to approximately 104 industrial facilities, including SAR 1.1 bn for large companies of strategic importance in the industrial sector, and to other companies that target qualifying owners of small and medium enterprises in an effort to develop these enterprises, increase their contribution, and support the industrial development process in the Kingdom. This is done through financial support, training, and guidance to industrial companies, which aims to enable them to grow and expand, strengthen their partnerships with government and private agencies, coordinate efforts, and support the growth of the industrial sector.

In addition, the Human Resources Development Fund provided funds worth SAR 4.6 bn for support, training, empowerment, and guidance. It also contributed to supporting the employment of 199,000 male and female citizens to work in private sector establishments. The Real Estate Development Fund also contributed to supporting more than 31,000 beneficiaries, as the total loans supported during the same period reached more than SAR 5.5 bn. In addition, The Agricultural Development Fund provided financing worth SAR 2.9 bn to approximately 6,000 individuals and 63 establishments. The Saudi Fund for Development approved development loans exceeding SAR 2.6 bn in 7 countries to implement development projects during H1 of FY 2023, and approved grants exceeding SAR 2.4 bn.

In order to support the process of economic and social development, the Small and Medium Enterprises Bank provided, during H1 of FY 2023, guarantees through the Kafalah Program of approximately SAR 5.2 bn, which would contribute to enhancing integration between various economic sectors, by financing joint projects between the public and private sectors and supporting small and medium enterprises. During H1 of FY 2023, the Social Development Bank provided financing and support to more than 70,000 individuals worth SAR 3.8 bn. Moreover, financing was provided to 5,400 small and emerging enterprises, with a value exceeding SAR 2.6 bn. The bank's programs aim to finance citizens to obtain social loans; finance small projects; finance social responsibility projects; empower non-profit organizations; increase women's participation; and enable financial planning. The Saudi Export-Import Bank financed Saudi non-oil exports with a total value exceeding SAR 2.8 bn during H1 of FY 2023. Moreover, exports covered by credit insurance policies reached SAR 4.25 bn during the same period, as part of the bank's efforts to enable non-oil exports and enhance their access to global markets.